



Missouri State Auditor

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**Audit Reports Released in 2000**

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MCDONALD COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-135  
December 29, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like McDonald, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of McDonald County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As noted in the prior report, the county did not distribute a portion of its General Revenue Fund property tax collections to the Special Road and Bridge Fund as authorized by a ballot issue approved by the voters. At December 31, 1999, the General Revenue Fund owed \$217,580 to the Special Road and Bridge Fund.
- It appears the county has exhausted most of its accumulated cash balance in the General Revenue Fund and continues to spend at a level that is beyond its ability to fund. The county is financing general operating activities by improperly retaining road monies. The county's budget for the year ended December 31, 2000, projects the ending cash balance of the General Revenue Fund to be \$6,869 with no expected transfer of property taxes to the Special Road and Bridge Fund. In addition, the county is close to exceeding the maximum amount of debt that it can legally incur considering the required property tax monies due the Special Road and Bridge Fund and the liabilities for two loans the county has outstanding for patrol cars and the courthouse addition.
- Actual disbursements exceeded budgeted amounts for some funds. Budgets were not prepared for the Domestic Violence Fund and the DARE Fund. The annual published financial statements of the county did not include the financial activity of some county funds as required. In addition, several funds had negative cash balances at year end.

(over)

YELLOW SHEET

- The county generally made efforts to seek competitive bids for most major purchases; however, several items purchased by elected officials and the county were noted in which bids were not solicited, nor was bid documentation always retained. Additionally, contrary to county policy, the county allowed the road and bridge grader operators to grade private roads in the county, without keeping track of the roads graded.

Also included in the audit are recommendations to improve the county's personnel policies and procedures, land acquisition procedures and verification of county property tax books. In addition, the audit recommended improvements in the accounting controls and procedures for the courts under the Circuit Clerk's authority, Sheriff, Prosecuting Attorney, and the Health Department.

**Copies of the audit are available upon request.**

MCDONALD COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of McDonald County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of McDonald County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

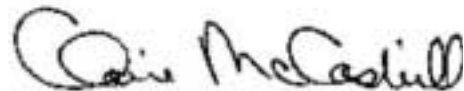
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of McDonald County Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of McDonald County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of McDonald County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 21, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of McDonald County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 21, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | David Holtmann, CPA   |
| In-Charge Auditor:  | Amy Fast              |
| Audit Staff:        | Jay Ross              |
|                     | Troy Royer            |
|                     | Curtis Gannon         |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of McDonald County, Missouri

We have audited the special-purpose financial statements of various funds of McDonald County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of McDonald County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 99-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

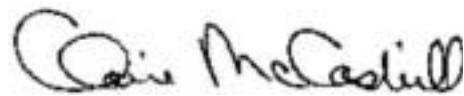
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of McDonald County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements



in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of McDonald County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

August 21, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

MCDONALD COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                      | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                           | \$ 88,270          | 1,384,169 | 1,436,305     | 36,134               |
| Special Road and Bridge                   | 374,518            | 1,300,477 | 1,278,721     | 396,274              |
| Assessment                                | 188                | 164,766   | 161,642       | 3,312                |
| Law Enforcement Training                  | (1,765)            | 7,824     | 5,310         | 749                  |
| Prosecuting Attorney Training             | 1,550              | 1,272     | 2,808         | 14                   |
| Health Department                         | 430                | 202,672   | 226,119       | (23,017)             |
| Prosecuting Attorney Bad Check            | 5,032              | 17,414    | 20,890        | 1,556                |
| Recorder's                                | 43,774             | 11,104    | 21,260        | 33,618               |
| Local Records                             | 1,165              | 0         | 1,165         | 0                    |
| Sheriff's Special                         | 1,236              | 7,467     | 8,703         | 0                    |
| Extradition and Transportation            | 2,601              | 13,084    | 10,711        | 4,974                |
| Prosecuting Attorney Delinquent Sales Tax | 526                | 3,342     | 2,034         | 1,834                |
| Sheriff's Civil                           | 871                | 11,156    | 14,508        | (2,481)              |
| Law Library                               | 1,684              | 3,047     | 2,462         | 2,269                |
| Circuit Court Interest                    | 7,003              | 2,091     | 4,366         | 4,728                |
| Recorder's Interest                       | 820                | 140       | 390           | 570                  |
| Domestic Violence                         | 1,060              | 2,600     | 2,740         | 920                  |
| DARE                                      | 1,347              | 6,097     | 5,686         | 1,758                |
| River Patrol                              | 180                | 7,756     | 7,875         | 61                   |
| Total                                     | \$ 530,490         | 3,146,478 | 3,213,695     | 463,273              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MCDONALD COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                      | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                           | \$ 343,378         | 1,583,147 | 1,838,255     | 88,270               |
| Special Road and Bridge                   | 370,980            | 1,190,512 | 1,186,974     | 374,518              |
| Assessment                                | 3                  | 168,582   | 168,397       | 188                  |
| Law Enforcement Training                  | 1,413              | 5,819     | 8,997         | (1,765)              |
| Prosecuting Attorney Training             | 829                | 1,806     | 1,085         | 1,550                |
| Health Department                         | 13,223             | 209,573   | 222,366       | 430                  |
| Law Enforcement Sales Tax                 | 145,979            | 58        | 146,037       | 0                    |
| Prosecuting Attorney Bad Check            | 9,170              | 15,491    | 19,629        | 5,032                |
| Recorder's                                | 51,834             | 11,677    | 19,737        | 43,774               |
| Local Records                             | (1,338)            | 2,503     | 0             | 1,165                |
| Sheriff's Special                         | 3,742              | 10,098    | 12,604        | 1,236                |
| Extradition and Transportation            | 3,679              | 27,408    | 28,486        | 2,601                |
| Prosecuting Attorney Delinquent Sales Tax | 201                | 325       | 0             | 526                  |
| Sheriff's Civil                           | 258                | 12,071    | 11,458        | 871                  |
| Law Library                               | 2,423              | 3,127     | 3,866         | 1,684                |
| Circuit Court Interest                    | 8,651              | 2,403     | 4,051         | 7,003                |
| Recorder's Interest                       | 698                | 175       | 53            | 820                  |
| Domestic Violence                         | 1,050              | 2,420     | 2,410         | 1,060                |
| DARE                                      | 0                  | 2,166     | 819           | 1,347                |
| River Patrol                              | 0                  | 905       | 725           | 180                  |
| Total                                     | \$ 956,173         | 3,250,266 | 3,675,949     | 530,490              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

MCDONALD COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 293,413              | 317,294   | 23,881                                 | 294,848   | 309,586   | 14,738                                 |
| Sales taxes                         | 540,000                 | 551,083   | 11,083                                 | 540,000   | 511,539   | (28,461)                               |
| Intergovernmental                   | 198,803                 | 223,433   | 24,630                                 | 174,857   | 227,161   | 52,304                                 |
| Charges for services                | 259,000                 | 253,959   | (5,041)                                | 213,500   | 246,473   | 32,973                                 |
| Interest                            | 20,000                  | 8,669     | (11,331)                               | 20,000    | 16,543    | (3,457)                                |
| Loan proceeds                       | 0                       | 0         | 0                                      | 150,000   | 100,000   | (50,000)                               |
| Other                               | 37,750                  | 25,261    | (12,489)                               | 17,850    | 20,808    | 2,958                                  |
| Transfers in                        | 2,500                   | 4,470     | 1,970                                  | 145,979   | 151,037   | 5,058                                  |
| Total Receipts                      | 1,351,466               | 1,384,169 | 32,703                                 | 1,557,034 | 1,583,147 | 26,113                                 |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 59,340                  | 58,567    | 773                                    | 47,340    | 47,569    | (229)                                  |
| County Clerk                        | 77,186                  | 76,047    | 1,139                                  | 64,645    | 65,145    | (500)                                  |
| Elections                           | 22,350                  | 23,340    | (990)                                  | 48,350    | 42,240    | 6,110                                  |
| Buildings and grounds               | 82,500                  | 67,062    | 15,438                                 | 88,500    | 101,335   | (12,835)                               |
| Employee fringe benefits            | 131,000                 | 131,129   | (129)                                  | 123,500   | 113,332   | 10,168                                 |
| County Treasurer                    | 30,960                  | 30,792    | 168                                    | 20,653    | 19,425    | 1,228                                  |
| County Collector                    | 81,584                  | 75,790    | 5,794                                  | 77,153    | 71,918    | 5,235                                  |
| Ex Officio Recorder of Deeds        | 40,617                  | 33,808    | 6,809                                  | 32,995    | 31,712    | 1,283                                  |
| Circuit Clerk                       | 16,155                  | 13,862    | 2,293                                  | 23,098    | 14,938    | 8,160                                  |
| Court administration                | 15,950                  | 14,266    | 1,684                                  | 12,750    | 9,664     | 3,086                                  |
| Public Administrator                | 6,300                   | 5,013     | 1,287                                  | 6,300     | 5,807     | 493                                    |
| Sheriff                             | 276,040                 | 281,189   | (5,149)                                | 252,234   | 279,306   | (27,072)                               |
| Jail                                | 196,140                 | 215,394   | (19,254)                               | 185,889   | 200,573   | (14,684)                               |
| Prosecuting Attorney                | 160,161                 | 169,102   | (8,941)                                | 129,157   | 140,764   | (11,607)                               |
| Juvenile Officer                    | 37,166                  | 26,310    | 10,856                                 | 37,953    | 31,505    | 6,448                                  |
| County Coroner                      | 14,430                  | 10,375    | 4,055                                  | 14,180    | 14,937    | (757)                                  |
| General County Government           | 70,910                  | 58,527    | 12,383                                 | 68,060    | 73,390    | (5,330)                                |
| Civil Defense                       | 6,077                   | 1,467     | 4,610                                  | 5,400     | 7,041     | (1,641)                                |
| Courthouse addition                 | 0                       | 0         | 0                                      | 370,000   | 442,872   | (72,872)                               |
| Debt service                        | 28,500                  | 28,500    | 0                                      | 0         | 0         | 0                                      |
| Other                               | 77,488                  | 67,270    | 10,218                                 | 72,356    | 66,739    | 5,617                                  |
| Transfers out                       | 55,000                  | 45,000    | 10,000                                 | 65,000    | 57,149    | 7,851                                  |
| Emergency Fund                      | 40,000                  | 3,495     | 36,505                                 | 48,000    | 894       | 47,106                                 |
| Total Disbursements                 | 1,525,854               | 1,436,305 | 89,549                                 | 1,793,513 | 1,838,255 | (44,742)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (174,388)               | (52,136)  | 122,252                                | (236,479) | (255,108) | (18,629)                               |
| CASH, JANUARY 1                     | 88,270                  | 88,270    | 0                                      | 343,378   | 343,378   | 0                                      |
| CASH, DECEMBER 31                   | \$ (86,118)             | 36,134    | 122,252                                | 106,899   | 88,270    | (18,629)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

MCDONALD COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 4,000                | 6,973     | 2,973                                  | 4,000     | 4,947     | 947                                    |
| Sales taxes                           | 460,000                 | 516,973   | 56,973                                 | 460,000   | 466,525   | 6,525                                  |
| Intergovernmental                     | 661,000                 | 704,558   | 43,558                                 | 601,000   | 684,046   | 83,046                                 |
| Interest                              | 20,000                  | 14,720    | (5,280)                                | 25,000    | 15,046    | (9,954)                                |
| Other                                 | 450,000                 | 57,253    | (392,747)                              | 400,000   | 19,948    | (380,052)                              |
| Total Receipts                        | 1,595,000               | 1,300,477 | (294,523)                              | 1,490,000 | 1,190,512 | (299,488)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 328,744                 | 336,307   | (7,563)                                | 306,595   | 317,951   | (11,356)                               |
| Employee fringe benefits              | 103,000                 | 79,966    | 23,034                                 | 82,500    | 72,109    | 10,391                                 |
| Supplies                              | 57,000                  | 55,967    | 1,033                                  | 52,000    | 71,081    | (19,081)                               |
| Insurance                             | 15,000                  | 15,027    | (27)                                   | 20,000    | 12,825    | 7,175                                  |
| Road and bridge materials             | 266,000                 | 187,528   | 78,472                                 | 255,000   | 215,539   | 39,461                                 |
| Equipment repairs                     | 60,000                  | 86,275    | (26,275)                               | 50,000    | 83,553    | (33,553)                               |
| Equipment purchases                   | 40,000                  | 41,192    | (1,192)                                | 55,000    | 14,055    | 40,945                                 |
| Construction, repair, and maintenance | 920,000                 | 361,046   | 558,954                                | 870,000   | 279,165   | 590,835                                |
| Debt service                          | 98,000                  | 97,490    | 510                                    | 63,636    | 63,455    | 181                                    |
| Other                                 | 38,000                  | 17,923    | 20,077                                 | 55,200    | 57,241    | (2,041)                                |
| Total Disbursements                   | 1,925,744               | 1,278,721 | 647,023                                | 1,809,931 | 1,186,974 | 622,957                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (330,744)               | 21,756    | 352,500                                | (319,931) | 3,538     | 323,469                                |
| CASH, JANUARY 1                       | 374,518                 | 374,518   | 0                                      | 370,980   | 370,980   | 0                                      |
| CASH, DECEMBER 31                     | \$ 43,774               | 396,274   | 352,500                                | 51,049    | 374,518   | 323,469                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

MCDONALD COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         | 1998                                   |         |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Intergovernmental                   | \$ 120,605 | 124,386 | 3,781                                  | 119,605 | 114,713 | (4,892)                                |
| Interest                            | 400        | 380     | (20)                                   | 300     | 449     | 149                                    |
| Other                               | 0          | 0       | 0                                      | 0       | 420     | 420                                    |
| Transfers in                        | 50,000     | 40,000  | (10,000)                               | 50,000  | 53,000  | 3,000                                  |
| Total Receipts                      | 171,005    | 164,766 | (6,239)                                | 169,905 | 168,582 | (1,323)                                |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Assessor                            | 170,102    | 161,642 | 8,460                                  | 169,400 | 168,397 | 1,003                                  |
| Total Disbursements                 | 170,102    | 161,642 | 8,460                                  | 169,400 | 168,397 | 1,003                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 903        | 3,124   | 2,221                                  | 505     | 185     | (320)                                  |
| CASH, JANUARY 1                     | 188        | 188     | 0                                      | 3       | 3       | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,091   | 3,312   | 2,221                                  | 508     | 188     | (320)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit E

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |         |               |  |
|-------------------------------------|----------|---------------|--------|---------|---------------|--|
| 1999                                |          |               | 1998   |         |               |  |
|                                     |          | Variance      |        |         | Variance      |  |
|                                     |          | Favorable     |        |         | Favorable     |  |
|                                     |          | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |          |               |        |         |               |  |
| Intergovernmental                   | \$ 3,800 | 4,426         | 7,000  | 2,401   | (4,599)       |  |
| Charges for services                | 0        | 3,398         | 0      | 2,918   | 2,918         |  |
| Transfer in                         | 0        | 0             | 0      | 500     | 500           |  |
| Total Receipts                      | 3,800    | 7,824         | 7,000  | 5,819   | (1,181)       |  |
| DISBURSEMENTS                       |          |               |        |         |               |  |
| Sheriff                             | 2,000    | 5,310         | 7,000  | 8,997   | (1,997)       |  |
| Total Disbursements                 | 2,000    | 5,310         | 7,000  | 8,997   | (1,997)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,800    | 2,514         | 0      | (3,178) | (3,178)       |  |
| CASH, JANUARY 1                     | (1,765)  | (1,765)       | 1,413  | 1,413   | 0             |  |
| CASH, DECEMBER 31                   | \$ 35    | 749           | 1,413  | (1,765) | (3,178)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

|                                     | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|-------------------------|---------|--|--------|--------|--|
|                                     | 1999                    |         |  | 1998   |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |        |        |  |
| Charges for services                | 1,500                   | 1,272   | (228)                                  | 1,300  | 1,587  | 287                                    |
| Other                               | 0                       | 0       | 0                                      | 0      | 219    | 219                                    |
| Total Receipts                      | 1,500                   | 1,272   | (228)                                  | 1,300  | 1,806  | 506                                    |
| DISBURSEMENTS                       |                         |         |  |        |        |  |
| Prosecuting Attorney                | 3,000                   | 2,808   | 192                                    | 1,650  | 1,085  | 565                                    |
| Total Disbursements                 | 3,000                   | 2,808   | 192                                    | 1,650  | 1,085  | 565                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,500)                 | (1,536) | (36)                                   | (350)  | 721    | 1,071                                  |
| CASH, JANUARY 1                     | 1,550                   | 1,550   | 0                                      | 829    | 829    | 0                                      |
| CASH, DECEMBER 31                   | 50                      | 14      | (36)                                   | 479    | 1,550  | 1,071                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

MCDONALD COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH DEPARTMENT FUND

| Year Ended December 31,             |            |          |  |         |          |  |
|-------------------------------------|------------|----------|--|---------|----------|--|
| 1999                                |            |          | 1998                                   |         |          |  |
|                                     | Budget     | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |          |  |         |          |  |
| Intergovernmental                   | \$ 237,658 | 180,718  | (56,940)                               | 217,599 | 191,240  | (26,359)                               |
| Charges for services                | 23,400     | 7,508    | (15,892)                               | 8,500   | 6,062    | (2,438)                                |
| Other                               | 5,800      | 9,446    | 3,646                                  | 5,300   | 8,271    | 2,971                                  |
| Transfer in                         | 5,000      | 5,000    | 0                                      | 15,000  | 4,000    | (11,000)                               |
| Total Receipts                      | 271,858    | 202,672  | (69,186)                               | 246,399 | 209,573  | (36,826)                               |
| DISBURSEMENTS                       |            |          |  |         |          |  |
| Salaries                            | 163,800    | 146,873  | 16,927                                 | 123,655 | 119,160  | 4,495                                  |
| Office expenditures                 | 72,361     | 49,052   | 23,309                                 | 39,000  | 61,378   | (22,378)                               |
| Equipment                           | 5,000      | 1,346    | 3,654                                  | 7,500   | 0        | 7,500                                  |
| Mileage and training                | 5,000      | 4,885    | 115                                    | 5,200   | 4,832    | 368                                    |
| Fringe benefits                     | 22,200     | 22,770   | (570)                                  | 15,400  | 19,773   | (4,373)                                |
| Other                               | 3,000      | 1,193    | 1,807                                  | 35,308  | 17,223   | 18,085                                 |
| Total Disbursements                 | 271,361    | 226,119  | 45,242                                 | 226,063 | 222,366  | 3,697                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 497        | (23,447) | (23,944)                               | 20,336  | (12,793) | (33,129)                               |
| CASH, JANUARY 1                     | 430        | 430      | 0                                      | 13,223  | 13,223   | 0                                      |
| CASH, DECEMBER 31                   | \$ 927     | (23,017) | (23,944)                               | 33,559  | 430      | (33,129)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MCDONALD COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT SALES TAX FUND

| Year Ended December 31,             |           |           |  |
|-------------------------------------|-----------|-----------|--|
| 1998                                |           |           |  |
|                                     | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |           |  |
| Sales tax                           | \$ 0      | 58        | 58                                     |
| Total Receipts                      | 0         | 58        | 58                                     |
| DISBURSEMENTS                       |           |           |  |
| Transfer out                        | 145,979   | 146,037   | (58)                                   |
| Total Disbursements                 | 145,979   | 146,037   | (58)                                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (145,979) | (145,979) | 0                                      |
| CASH, JANUARY 1                     | 145,979   | 145,979   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0      | 0         | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Charges for services                | \$ 15,000 | 17,058        | 10,000  | 15,143  | 5,143         |  |
| Interest                            | 350       | 356           | 0       | 348     | 348           |  |
| Total Receipts                      | 15,350    | 17,414        | 10,000  | 15,491  | 5,491         |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Prosecuting Attorney                | 19,000    | 18,425        | 19,000  | 14,629  | 4,371         |  |
| Transfer out                        | 0         | 2,465         | 0       | 5,000   | (5,000)       |  |
| Total Disbursements                 | 19,000    | 20,890        | 19,000  | 19,629  | (629)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,650)   | (3,476)       | (9,000) | (4,138) | 4,862         |  |
| CASH, JANUARY 1                     | 5,032     | 5,032         | 9,170   | 9,170   | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,382  | 1,556         | 170     | 5,032   | 4,862         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Charges for services                | \$ 10,000 | 9,870         | 8,500   | 10,133  | 1,633         |  |
| Interest                            | 1,500     | 1,234         | 0       | 1,544   | 1,544         |  |
| Total Receipts                      | 11,500    | 11,104        | 8,500   | 11,677  | 3,177         |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Ex Officio Recorder of Deeds        | 20,800    | 21,260        | 12,550  | 19,737  | (7,187)       |  |
| Total Disbursements                 | 20,800    | 21,260        | 12,550  | 19,737  | (7,187)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (9,300)   | (10,156)      | (4,050) | (8,060) | (4,010)       |  |
| CASH, JANUARY 1                     | 43,774    | 43,774        | 51,834  | 51,834  | 0             |  |
| CASH, DECEMBER 31                   | \$ 34,474 | 33,618        | 47,784  | 43,774  | (4,010)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL RECORDS FUND

| Year Ended December 31,             |         |               |         |         |               |  |
|-------------------------------------|---------|---------------|---------|---------|---------------|--|
| 1999                                |         |               | 1998    |         |               |  |
|                                     |         | Variance      |         |         | Variance      |  |
|                                     |         | Favorable     |         |         | Favorable     |  |
|                                     |         | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |         |               |         |         |               |  |
| Intergovernmental                   | \$ 0    | 0             | 2,513   | 2,503   | (10)          |  |
| Total Receipts                      | 0       | 0             | 2,513   | 2,503   | (10)          |  |
| DISBURSEMENTS                       |         |               |         |         |               |  |
| Salaries                            | 900     | 0             | 1,175   | 0       | 1,175         |  |
| Other                               | 265     | 0             | 0       | 0       | 0             |  |
| Transfer out                        | 0       | 1,165         | 0       | 0       | 0             |  |
| Total Disbursements                 | 1,165   | 1,165         | 1,175   | 0       | 1,175         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,165) | (1,165)       | 1,338   | 2,503   | 1,165         |  |
| CASH, JANUARY 1                     | 1,165   | 1,165         | (1,338) | (1,338) | 0             |  |
| CASH, DECEMBER 31                   | \$ 0    | 0             | 0       | 1,165   | 1,165         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit L

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S SPECIAL FUND

| Year Ended December 31,             |          |               |        |         |               |  |
|-------------------------------------|----------|---------------|--------|---------|---------------|--|
| 1999                                |          |               | 1998   |         |               |  |
|                                     |          | Variance      |        |         | Variance      |  |
|                                     |          | Favorable     |        |         | Favorable     |  |
|                                     |          | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |          |               |        |         |               |  |
| Intergovernmental                   | \$ 0     | 0             | 10,000 | 7,844   | (2,156)       |  |
| Interest                            | 0        | 0             | 0      | 187     | 187           |  |
| Other                               | 1,000    | 7,467         | 0      | 2,067   | 2,067         |  |
| Total Receipts                      | 1,000    | 7,467         | 10,000 | 10,098  | 98            |  |
| DISBURSEMENTS                       |          |               |        |         |               |  |
| Sheriff                             | 1,201    | 7,863         | 9,368  | 12,604  | (3,236)       |  |
| Transfer out                        | 0        | 840           | 0      | 0       | 0             |  |
| Total Disbursements                 | 1,201    | 8,703         | 9,368  | 12,604  | (3,236)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (201)    | (1,236)       | 632    | (2,506) | (3,138)       |  |
| CASH, JANUARY 1                     | 1,236    | 1,236         | 3,742  | 3,742   | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,035 | 0             | 4,374  | 1,236   | (3,138)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
EXTRADITION AND TRANSPORTATION FUND

| Year Ended December 31,             |           |               |        |         |               |  |
|-------------------------------------|-----------|---------------|--------|---------|---------------|--|
| 1999                                |           |               | 1998   |         |               |  |
|                                     |           | Variance      |        |         | Variance      |  |
|                                     |           | Favorable     |        |         | Favorable     |  |
|                                     |           | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |           |               |        |         |               |  |
| Intergovernmental                   | \$ 20,000 | 13,084        | 10,000 | 27,408  | 17,408        |  |
| Total Receipts                      | 20,000    | 13,084        | 10,000 | 27,408  | 17,408        |  |
| DISBURSEMENTS                       |           |               |        |         |               |  |
| Sheriff                             | 20,000    | 10,711        | 10,000 | 28,486  | (18,486)      |  |
| Total Disbursements                 | 20,000    | 10,711        | 10,000 | 28,486  | (18,486)      |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 2,373         | 0      | (1,078) | (1,078)       |  |
| CASH, JANUARY 1                     | 2,601     | 2,601         | 3,679  | 3,679   | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,601  | 4,974         | 3,679  | 2,601   | (1,078)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT SALES TAX FUND

|                                     |    | Year Ended December 31, |        |                            |        |        |                            |
|-------------------------------------|----|-------------------------|--------|----------------------------|--------|--------|----------------------------|
|                                     |    | 1999                    |        |                            | 1998   |        |                            |
|                                     |    |                         |        | Variance                   |        |        | Variance                   |
|                                     |    | Budget                  | Actual | Favorable<br>(Unfavorable) | Budget | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |                            |        |        |                            |
| Charges for services                | \$ | 500                     | 3,067  | 2,567                      | 500    | 325    | (175)                      |
| Other                               |    | 0                       | 275    | 275                        | 0      | 0      | 0                          |
| Total Receipts                      |    | 500                     | 3,342  | 2,842                      | 500    | 325    | (175)                      |
| DISBURSEMENTS                       |    |                         |        |                            |        |        |                            |
| Prosecuting Attorney                |    | 0                       | 2,034  | (2,034)                    | 0      | 0      | 0                          |
| Total Disbursements                 |    | 0                       | 2,034  | (2,034)                    | 0      | 0      | 0                          |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |                         |        |                            |        |        |                            |
| CASH, JANUARY 1                     |    | 500                     | 1,308  | 808                        | 500    | 325    | (175)                      |
| CASH, DECEMBER 31                   | \$ | 526                     | 526    | 0                          | 201    | 201    | 0                          |
|                                     |    | 1,026                   | 1,834  | 808                        | 701    | 526    | (175)                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S CIVIL FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | \$ 11,421 | 11,156        | 11,941 | 12,071 | 130           |  |
| Total Receipts                      | 11,421    | 11,156        | 11,941 | 12,071 | 130           |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Sheriff                             | 11,416    | 14,508        | 11,941 | 10,958 | 983           |  |
| Transfer out                        | 0         | 0             | 0      | 500    | (500)         |  |
| Total Disbursements                 | 11,416    | 14,508        | 11,941 | 11,458 | 483           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 5         | (3,352)       | 0      | 613    | 613           |  |
| CASH, JANUARY 1                     | 871       | 871           | 258    | 258    | 0             |  |
| CASH, DECEMBER 31                   | \$ 876    | (2,481)       | 258    | 871    | 613           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,500 | 3,005         | 2,000  | 3,075  | 1,075         |  |
| Interest                            | 0        | 42            | 0      | 52     | 52            |  |
| Total Receipts                      | 2,500    | 3,047         | 2,000  | 3,127  | 1,127         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Law library                         | 2,000    | 2,462         | 2,000  | 3,866  | (1,866)       |  |
| Total Disbursements                 | 2,000    | 2,462         | 2,000  | 3,866  | (1,866)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 500      | 585           | 0      | (739)  | (739)         |  |
| CASH, JANUARY 1                     | 1,745    | 1,684         | 2,423  | 2,423  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,245 | 2,269         | 2,423  | 1,684  | (739)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT COURT INTEREST FUND

| Year Ended December 31,             |    |               |         |       |               |  |
|-------------------------------------|----|---------------|---------|-------|---------------|--|
| 1999                                |    |               | 1998    |       |               |  |
|                                     |    | Variance      |         |       | Variance      |  |
|                                     |    | Favorable     |         |       | Favorable     |  |
|                                     |    | (Unfavorable) |         |       | (Unfavorable) |  |
| Budget                              |    | Actual        | Budget  |       | Actual        |  |
| RECEIPTS                            |    |               |         |       |               |  |
| Interest                            | \$ | 2,400         | 2,091   | (309) |               |  |
| Total Receipts                      |    | 2,400         | 2,091   | (309) |               |  |
| DISBURSEMENTS                       |    |               |         |       |               |  |
| Circuit Clerk                       |    | 4,200         | 4,366   | (166) |               |  |
| Total Disbursements                 |    | 4,200         | 4,366   | (166) |               |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (1,800)       | (2,275) | (475) |               |  |
| CASH, JANUARY 1                     |    | 6,990         | 7,003   | 13    |               |  |
| CASH, DECEMBER 31                   | \$ | 5,190         | 4,728   | (462) |               |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

MCDONALD COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S INTEREST FUND

| Year Ended December 31,             |        |        |               |
|-------------------------------------|--------|--------|---------------|
| 1999                                |        |        |               |
|                                     |        |        | Variance      |
|                                     | Budget | Actual | Favorable     |
|                                     |        |        | (Unfavorable) |
| RECEIPTS                            |        |        |               |
| Interest                            | \$ 130 | 140    | 10            |
| Total Receipts                      | 130    | 140    | 10            |
| DISBURSEMENTS                       |        |        |               |
| Ex Officio Recorder of Deeds        | 600    | 390    | 210           |
| Total Disbursements                 | 600    | 390    | 210           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (470)  | (250)  | 220           |
| CASH, JANUARY 1                     | 793    | 820    | 27            |
| CASH, DECEMBER 31                   | \$ 323 | 570    | 247           |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



MCDONALD COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of McDonald County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Recorder's Interest Fund for the year ended December 31, 1998, and the county did not adopt formal budgets for the Domestic Violence Fund, DARE Fund, and the River Patrol Fund for the years ended December 31, 1999 and 1998.

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                                       | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| General Revenue Fund                              | 1998                            |
| Law Enforcement Training Fund                     | 1999 and 1998                   |
| Law Enforcement Sales Tax Fund                    | 1998                            |
| Prosecuting Attorney Bad Check Fund               | 1999 and 1998                   |
| Recorder's Fund                                   | 1999 and 1998                   |
| Sheriff's Special Fund                            | 1999 and 1998                   |
| Extradition and Transportation Fund               | 1998                            |
| Prosecuting Attorney Delinquent<br>Sales Tax Fund | 1999                            |
| Sheriff's Civil Fund                              | 1999                            |
| Law Library Fund                                  | 1999 and 1998                   |
| Circuit Court Interest Fund                       | 1999 and 1998                   |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1999. However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1999 and 1998, did not include the Law Library Fund, Circuit Court Interest Fund, Recorder's Interest Fund, DARE Fund, and the River Patrol Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than

depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998 were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Schedule

MCDONALD COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

**99-1**

**County Road Monies**

In April 1998, McDonald County voters renewed a fifty cent county revenue property tax levy for an additional four years. The ballot designated that thirty-eight cents (or 76 percent) of the levy was for general revenue and twelve cents (or 24 percent) was for road and bridge. The County Commission subsequently ordered that 24 percent of the General Revenue Fund property tax collections be allocated to the Special Road and Bridge Fund and to the special road districts in the same manner as County Aid Road Trust (CART) funds. In the prior audit, it was reported that at December 31, 1997, the General Revenue Fund owed \$127,807 and \$13,293 to the Special Road and Bridge Fund and to the special road districts, respectively.

During the two years ended December 31, 1999, the county did not transfer any property tax to the Special Road and Bridge Fund or the special road and bridge districts. However, the county did not make the 3 percent administrative transfer from the Special Road and Bridge Fund as allowed by statute in 1999 or 1998, and the county considered this as at least partially offsetting the amount owed to the Special Road and Bridge Fund. Taking these adjustments into consideration, we determined that at December 31, 1999, the General Revenue Fund owed \$217,580 to the Special Road and Bridge Fund. Since the special road districts dissolved in May 1999, the entire amount is to be transferred to the Special Road and Bridge Fund.

This condition was noted in our prior report and the County Commission responded that they would make an effort to implement this recommendation; however, little or no corrective action has been taken.

**WE AGAIN RECOMMEND** the County Commission transfer \$217,580 from the General Revenue Fund to the Special Road and Bridge Fund and make the required allocation to the road fund on a periodic basis.

**AUDITEES RESPONSE:**

*We are fully aware of the required property tax transfer to the Special Road and Bridge Fund. We had planned on transferring some of the property taxes in 2000; however, we simply were unable to do so. Due to the demands for general services in 2001, it does not appear feasible to expect any transfers in that year. We will review the possibility of changing the property tax levy in the future. We will continue to provide the services we believe our constituents expect to have provided for them.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

MCDONALD COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by McDonald County, Missouri, on the applicable finding in our prior audit report issued for the three years ended December 31, 1997.

3.A. County Road Monies

The county did not distribute a portion of the General Revenue Fund property tax collections to the road funds as authorized by a ballot approved by the voters.

Recommendation:

The County Commission:

Transfer \$127,807 from the General Revenue Fund to the Special Road and Bridge Fund and distribute \$13,293 to the special road districts from the General Revenue Fund and make the required allocation to the road funds on a periodic basis.

Status:

Not Implemented. See finding number 99-1.

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Findings

MCDONALD COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of McDonald County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 21, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of McDonald County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|           |                                   |
|-----------|-----------------------------------|
| <b>1.</b> | <b>County Financial Condition</b> |
|-----------|-----------------------------------|

The McDonald County General Revenue Fund is experiencing a decline in cash balances. The following chart shows the General Revenue Fund's receipts, disbursements, and cash balances for the three years ended December 31, 1999:

|                           |    | Year Ended December 31, |           |           |
|---------------------------|----|-------------------------|-----------|-----------|
|                           |    | 1999                    | 1998      | 1997      |
| Cash Balance, January 1   | \$ | 88,270                  | 343,378   | 228,591   |
| Receipts                  |    | 1,384,169               | 1,583,147 | 1,344,694 |
| Disbursements             |    | 1,436,305               | 1,838,255 | 1,229,907 |
| Cash Balance, December 31 | \$ | 36,134                  | 88,270    | 343,378   |

During 1998, the county completed its courthouse addition project which totaled approximately \$440,000. The county planned on funding the courthouse addition by using much of the accumulated cash balance in the General Revenue Fund plus funds remaining in the Law Enforcement Sales Tax Fund (approximately \$146,000). The county also borrowed \$100,000 of which approximately \$76,000 (plus interest) remained outstanding at December 31, 1999.

It appears the county has exhausted most of its accumulated cash balance in the General Revenue Fund and continues to spend at a level that is beyond its ability to fund. As noted in finding number 99-1, the General Revenue Fund owes the Special Road and Bridge Fund \$217,580 at December 31, 1999. The county is financing general operating activities by improperly retaining road monies. The county's budget for the year ended December 31, 2000, projects the ending cash balance of the General Revenue Fund to be \$6,869 with no expected transfer of property taxes to the Special Road and Bridge Fund. In addition, the county borrowed \$134,036 for patrol cars in January 2000 to be paid off over several years (increasing the debt of the county's General Revenue Fund). The county is close to exceeding the maximum amount of debt that it can legally incur considering the required property tax monies due the Special Road and Bridge Fund and the liabilities for the two loans.

The county is required to reduce its property tax revenues by 50 percent of the sales tax revenues collected each year. Upon review of the county's 1999 property tax rollback, it appears the county used a lower property tax ceiling while computing the required reduction

resulting in a lower property tax levy than was required. The county may want to review this situation when computing future property tax rollbacks.

The County Commission should review discretionary disbursements to ensure efficient use of resources available to the county and to determine if long term reductions in discretionary disbursements are possible. In addition, the County Commission should attempt to maximize receipts from all sources.

**WE RECOMMEND** the County Commission consider various alternatives of increasing receipts and/or reducing disbursements to ensure that the General Revenue Fund's financial condition improves and is able to maintain an adequate operating cash reserve.

**AUDITEES RESPONSE:**

*As noted in our earlier response to Finding 99-1, we are fully aware of the limited sources of revenue and expanding costs of services provided to the citizens of McDonald County. We will continue to do the best job possible using the funds available.*

|           |  |
|-----------|--|
| <b>2.</b> | <b>Budgetary and Reporting Practices</b> |
|-----------|--|

A. Actual expenditures exceeded budgeted amounts in the following funds:

| Fund                                      | Year Ended December 31, |        |
|---|-------------------------|--------|
|   | 1999                    | 1998   |
| General Revenue                           | \$ N/A                  | 44,742 |
| Law Enforcement Training                  | 3,310                   | N/A    |
| Prosecuting Attorney Bad Check            | 1,890                   | 629    |
| Recorder's                                | 460                     | 7,187  |
| Sheriff's Special                         | 7,502                   | 3,236  |
| Extradition and Transportation            | N/A                     | 18,486 |
| Prosecuting Attorney Delinquent Sales Tax | 2,034                   | N/A    |
| Sheriff's Civil                           | 3,092                   | N/A    |
| Law Library                               | 462                     | 1,866  |
| Circuit Court Interest                    | 166                     | N/A    |

It appears this situation occurred because the applicable officials do not adequately monitor the budgetary status of the various funds.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo.1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1999, provides that counties may amend the annual budget during any year in which the county receives

additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

- B. Formal budgets were not prepared for the Domestic Violence Fund, DARE Fund, and the River Patrol Fund for the years ended December 31, 1999 and 1998.

Chapter 50, RSMo requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing budgets or obtaining budgets for all funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- C. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.
- D. The Health Center Fund and the Sheriff's Civil Fund had a negative cash balance of \$23,017 and \$2,481, respectively at December 31, 1999. In addition, the Law Enforcement Training Fund had a negative cash balance of \$1,765 at December 31, 1998. The County Commission and other officials allowed these funds to incur disbursements greater than the available resources of these funds. Article VI, Section 26(a) of the Missouri Constitution states, "No county . . . shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years . . . ."

Conditions similar to parts A, B, and C were also noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure expenditures are kept within the amounts budgeted. If additional disbursements are necessary, the circumstances should be fully documented and the budgets properly amended.
- B. Ensure budgets are prepared or obtained for all county funds.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.
- D. Ensure expenditures are not incurred in excess of available monies.

**AUDITEES RESPONSE:**

A. *The General Revenue Fund was overspent in 1998 because we decided to complete the courthouse project. We will continue to make the other county officials aware of their budgetary status.*

B&C. *This has been done for all county funds we were aware of.*

D. *We will attempt to implement.*

|                               |
|-------------------------------|
| <b>3. County Expenditures</b> |
|-------------------------------|

- A. A review of expenditures indicated that the county generally made efforts to seek competitive bids for most major purchases; however, several items purchased by elected officials and the county were noted in which bids were not solicited, nor was bid documentation always retained. Examples of items purchased, for which bid documentation could not be found or was not solicited, are as follows:

|   |          |
|---|----------|
| Computers for the Prosecuting Attorney's office | \$ 8,365 |
| Carpet for the courthouse                       | 6,563    |

Section 50.660, RSMo Cumulative Supp.1999, requires the advertisement of bids for all purchases of \$4,500 or more. Bidding procedures for major purchases provide a framework for economical management of county resources and help ensure the county receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding ensures all parties are given equal opportunity to participate in county business. Documentation of bids should always be retained as evidence that the county's established purchasing procedures as well as statutory requirements are followed.

- B. The County received \$2,401 from the Department of Public Safety for Peace Officers Standards and Training (POST) commission in 1998. These monies were not receipted by the County Treasurer. The check was endorsed and turned directly over to the local law enforcement academy to pay for training. Neither the County Treasurer nor the Sheriff have documentation of disbursing these funds to the local law enforcement academy.

The county should ensure all monies are properly recorded and deposited into the depository accounts. Subsequent disbursements should be made upon official county checks and supported by adequate documentation.

- C. According to the County Commission and the road and bridge foreman, the road and bridge grader operators are allowed to grade private roads in the county if time allows. A log is not maintained to document the roads graded. The county does have a written policy prohibiting the use of county equipment and resources on private

property. Considering the overwhelming responsibility of maintaining adequate county roads and bridges along with the limited resources available, county resources and equipment should be used for official county business.

- D. In February 1999, the county purchased 2.5 acres of land next to the county's road and bridge barn. The county did not obtain a professional appraisal to value the land prior to purchase and negotiated with the owner for a final purchase price. The county's records show the county paid \$7,200 for the land.

While the County Commission believes the amount paid for the real estate was reasonable and cheaper than relocating the road barn, a written independent appraisal from a private company should have been obtained prior to the purchase of the land and used to provide the basis for price negotiations. This would have helped to better ensure the amount paid was reasonable.

**WE RECOMMEND:**

- A. The County Commission and other County Officials solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained. If bids are not obtained and/or sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.
- B. County Treasurer ensure all monies received by the county are deposited, posted to the fund ledger, and payments are made through the county disbursing system.
- C. The County Commission discontinue the practice of allowing county equipment and resources to be used on private property and ensure usage logs are maintained to monitor the use of county equipment.
- D. The County Commission obtain professional appraisals on land it considers purchasing and review all possible options for the most cost-effective method of obtaining land.

**AUDITEES RESPONSE:**

*The County Commission provided the following responses:*

- A. *We have made vast improvements in our bidding efforts and will continue to do so in the future.*
- C. *We do have a policy prohibiting the use of county equipment on private property which we plan to follow. Any work performed on private property to assist our citizens in emergency situations or when their roads are washed out will be fully documented.*
- D. *We will do so in the future.*

*The County Treasurer provided the following response:*

*B. I agree. This was an isolated situation.*

|   |
|---|
| <b>4. Personnel Policies and Procedures</b> |
|---|

- A. The county's employee handbook includes provisions that any hours worked over forty hours a week will be paid overtime. Payment for overtime is granted as time off at the rate of one and a half units for each unit of overtime worked. In addition, any overtime accumulated must be taken within six months of the time accumulated or it is lost.

This policy may not comply with the Fair Labor Standards Act (FLSA) which states that covered employees may accumulate a maximum of 240 hours of compensatory time and amounts over these limits will be compensated in pay. The county is required to account for and pay either overtime or allow compensatory time off for nonexempt employees.

The County Commission should review its personnel policy for all employees and adopt overtime and compensatory time policies which comply with the FLSA.

- B. Centralized records of leave balances and leave used and earned are not maintained for all offices. The sheriff's office and the health department maintain the leave and compensatory time records within their offices.

Without centralized records, the County Commission cannot ensure that employees' vacation, sick leave, and compensatory time balances are accurate and that all employees are treated equitably. Centralized leave records also aid in determining unused vacation leave upon termination of employment.

A condition similar to part B was also noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Review the current overtime and compensatory time policies to ensure such policies comply with the FLSA.
- B. Maintain centralized records of leave earned, used, and accumulated for all county employees.

**AUDITEES RESPONSE:**

- A. *We were aware of this and have been in the process of reviewing and changing our policy to comply with the FLSA.*



B. *We agree.*

|                              |
|------------------------------|
| <b>5. Property Tax Books</b> |
|------------------------------|

The County Assessor enters the assessment information into the county's computer system. The county's computer operator obtains the tax rates from the County Clerk, enters them into the computer system and generates the tax books. There is no evidence that the County Clerk is adequately verifying the tax books charged to the County Collector. Sections 137.290 and 140.050, RSMo 1994, require the county clerk to extend tax books and to charge the county collector with the total amount of the current tax books and the aggregate amount of taxes and fees in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide a system of checks and balances. Failure to perform reviews of the tax books and test some individual tax bill computations may result in the failure to discover errors and irregularities.

This condition was noted in our last two reports and the County Clerk responded that she would make an effort to implement this recommendation; however, little or no corrective action has been taken.

**WE AGAIN RECOMMEND** the County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.

**AUDITEES RESPONSE:**

*I will do this.*

|  |
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| <b>6. Court Accounting Controls and Procedures</b> |
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A review of the Circuit Court, Associate and Probate Divisions under the Circuit Clerk's authority disclosed the following concerns:

- A. On January 1, 1998, the Circuit Clerk's office opened one consolidated bank account for the Circuit Court, Associate Civil Division, and Probate Division. An open-items list is prepared only for the Circuit Court. At December 31, 1999, the reconciled cash balance exceeded the open items listing by \$16,940.

Accurate open-items listings help to ensure that receipts and disbursements are properly handled and accurately posted to the case fee sheets, and to verify there is sufficient cash to satisfy all liabilities. The court should make an effort to identify the cases (the Associate Civil and Probate Division) that are associated with the excess cash balance.

- B. At December 31, 1999, \$3,484 in cash bonds had been held in the criminal account of the Associate Division for more than two years. Cases that are open for an extended period of time should be reviewed and the related monies distributed as appropriate with the approval of the Associate Judge. For bonds which are unclaimed and the defendant cannot be located, the monies should be distributed to the state Unclaimed Property Section in accordance with Sections 447.500 through 447.595, RSMo 1994.
- C. Although the Associate Division began recording and depositing all current criminal and traffic receipts on a consolidated Associate Criminal Management System (ACMS) in January 1998, the division continues to utilize a separate ACMS accounting system and bank account for traffic cases that were filed prior to that time. Fines and costs collected during the audit period for the old traffic cases for the period April 1998 through December 1998 totaling \$4,208 were not disbursed until February 1999 and for the period January 1999 through March 2000 totaling \$2,785 were not disbursed until April 2000.

Section 483.023, RSMo Supp. 1999, requires that court costs payable to the state and county be distributed monthly.

- D. A listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. The Circuit Clerk should review the status of all old cases, and if all costs have not been received, collection of outstanding amounts should be pursued. In addition, the Circuit Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.

A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected on a timely basis.

- E. The Associate and Probate Divisions maintain several old bank accounts that are no longer utilized. Monies held in these accounts should be identified and disbursed so that the accounts may be closed. The account balances at December 31, 1999, are as follows:

|                             |          |
|-----------------------------|----------|
| Associate Division Traffic  | \$ 3,201 |
| Associate Division Civil I  | 24,615   |
| Associate Division Civil II | 4,992    |
| Probate                     | 1,212    |

Reconciling these accounts in order to disburse the monies and close out the accounts will reduce the bookkeeping tasks of the Circuit Clerk's office.

Conditions similar to parts A and B were noted in the prior report.

**WE RECOMMEND** the Circuit Clerk:

- A. Actively supervise the various offices under his supervision.
- B. Attempt to identify the excess cash balance which currently exists in the consolidated Circuit Court account.
- C. Ensure bond monies are distributed on a timely basis. Unclaimed bonds should be disposed of in accordance with Chapter 447, RSMo 1994.
- D. Ensure Associate Division court costs are distributed on a monthly basis as required.
- E. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.
- F. Identify the monies held in the old bank accounts and disburse the monies so that the accounts can be closed.

**AUDITEES RESPONSE:**

- A. *We have delegated portions of financial responsibilities, thereby allowing ample time for proper bookkeeping procedures.*
- B. *We are paying out garnishments at month end instead of 90 days, eventually achieving a zero monthly balance. An open items list will be created on a monthly basis. We are currently updating the previous months' open balance. We will identify, disburse, and reconcile the open items to the bank account on a monthly basis.*
- C. *These were reviewed in January 2000, and disbursed, with the exception of certain bonds wherein old case files need to be located in order to identify who posted the bond and where it should be sent. We cannot turn these over as unclaimed property as we are required to identify who posted the bond. We are continually working to resolve this problem and hope to disburse all of these bonds; however, we may require some guidance from the Office of the State Court Administrator's Office should this not be possible.*
- D. *All of the outstanding fines and costs have been disbursed in this old account. We have developed and will implement procedures to completely close out this traffic account and use only the current account.*
- E. *We are in the process of developing and implementing written policies and procedures to be followed by our office wherein all outstanding fine and costs will be collected or deemed uncollectible and turned over to the county within a reasonable time for collection. We will be seeking guidance from the office of State Court Administrator's Office in certain cases where we currently have no avenue for identifying the party responsible for payment.*

- F. *The Probate account has been reconciled and paid out. We are currently in the process of reconciling, disbursing, and closing out the Civil I and Civil II accounts. We have identified 92 percent of the Civil I account and all of the Civil II account. The Associate Division Traffic account; however, was being utilized (refer to "D").*

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| <b>7. Sheriff's Accounting Controls and Procedures</b> |
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During our review of the Sheriff's accounting controls and procedures, we noted the following areas of concern:

- A. Accounting and bookkeeping duties are not adequately segregated. One deputy is primarily responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. An independent review of the accounting records is not performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording receipts and preparing disbursements. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- B. Monthly listings of open items (liabilities) are not prepared for the fee account. Consequently, liabilities are not reconciled with cash balances. Monthly listings of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities.

- C. Our review of cash receipting and depositing procedures revealed the following concerns:

1. Receipt slips are not always issued for monies received. To adequately account for all receipts, receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.
2. Checks received and deposited in the fee account are not endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- D. Adequate controls over seized property have not been established. Although the sheriff's office maintains an inventory listing of seized property, the listing is not properly updated. In addition, periodic inventories of the property on hand are not conducted.

We observed a chain saw and a weed eater that were not on the listing as well as noting a pistol, holster, and ammunition that had been released but were still shown on hand because the proper disposition forms had not yet been filled out.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

E. The Sheriff's department maintains two bank accounts (the DARE and the River Patrol account) outside of the control of the County Treasurer. The Sheriff's department received approximately \$17,000 in donations during the two years ended December 31, 1999, that were deposited into the two accounts that were used to purchase equipment and supplies for law enforcement purposes. During our review of these accounts, the following concerns were noted:

1. There is no authority for the Sheriff to maintain custody of these accounts. These monies represent county funds and should be turned over to the County Treasurer. At December 31, 1999, the account balances totaled \$1,819.

Attorney General's Opinion No. 45, 1992 to Henderson, concluded that the sheriff of a third class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

2. Bank reconciliations are not performed for the DARE and the River Patrol account. The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are detected on a timely basis. When performing bank reconciliations, the numerical sequence of checks should also be accounted for and check details (such as payee, amount, signature, and endorsement) should be reviewed for reasonableness and propriety.

**WE RECOMMEND** the Sheriff:

- A. Segregate the duties of receipting, recording, disbursing, and reconciling cash. There should be a supervisory review of reconciliations between receipts and deposits and bank reconciliations should be reviewed and signed by the Sheriff or another designated individual independent of cash duties.
- B. Prepare an open-items listing monthly and reconcile it to the fee account cash balance.

- C.1. Issue prenumbered receipt slips for bond monies immediately upon receipt and account for their numerical sequence.
- 2. Restrictively endorse checks and money orders immediately upon receipt.
- D. Maintain a complete inventory record of all seized property. In addition, a periodic inventory should be performed and compared to the inventory listing and any differences investigated.
- E. Turn over the remaining \$1,819 of funds to the County Treasurer. Until such time as the funds are turned over, the Sheriff's department should prepare and retain bank reconciliations for all accounts.

**AUDITEES RESPONSE:**

*The Sheriff's bookkeeper provided the following responses:*

- A. *I will encourage the new Sheriff to review these areas.*
- B. *This will be done.*
- C.1. *This is supposed to be our procedure.*
- 2. *This has been implemented.*
- D. *The department is currently working on this area.*
- E. *The River Patrol account has been closed. We will review the DARE account with the new Sheriff.*

|   |
|---|
| <b>8. Prosecuting Attorney's Accounting Controls and Procedures</b> |
|---|

A review of the records and procedures of the Prosecuting Attorney's office disclosed the following concerns:

- A. Accounting and bookkeeping duties are not adequately segregated. One individual is responsible for receiving, recording, depositing and distributing monies for the restitution account. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. At a minimum, there should be a documented review made by a supervisor. We did not observe any documented review by the Prosecuting Attorney.

- B. Checks and money orders are not restrictively endorsed until the deposit is prepared. To reduce the potential for loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. A monthly report of bad check fees turned over to the County Treasurer is not filed with the County Commission. Section 50.370, RSMo 1994, requires that an itemized and accurate list of fees collected be filed by county officials with the County Commission monthly.

A condition similar to part C was noted in our prior report.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Restrictively endorse checks and money orders immediately upon receipt.
- C. File monthly reports of bad check fees in accordance with state law.

**AUDITEES RESPONSE:**

*I see no problem with any of these three recommendations and will do my best to implement.*

|           |                                     |
|-----------|-------------------------------------|
| <b>9.</b> | <b>Health Department Procedures</b> |
|-----------|-------------------------------------|

Our review of county health department cash receipt records and procedures revealed the following concerns:

- A. Receipt slips are not written for all monies received. To ensure receipts are accounted for properly and to lessen the risk of monies being misplaced or stolen, prenumbered receipt slips should be issued for all money received.
- B. The health department transmits receipts directly to the County Treasurer. Receipts are not transmitted to the County Treasurer intact as cash is withheld to make change. The health department does not keep the change fund at a constant amount. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer intact daily and the change fund should be maintained at a constant amount.

**WE RECOMMEND** the Health Center Administrator:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of all receipts.

- B. Remit all monies received to the County Treasurer intact daily or when accumulated receipts exceed \$100. If a change fund is needed, the fund should be established and maintained at a constant amount.

**AUDITEES RESPONSE:**

*The Health Center Administrator responded that the recommendations had been implemented.*

This report is intended for the information of the management of McDonald County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



## Follow-Up on Prior Audit Findings

## MCDONALD COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by McDonald County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1997. Finding number 3.A. is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Budgetary and Reporting Practices

- A. Formal budgets were not prepared for various county funds.
- B. Disbursements exceeded budgeted amounts for several county funds.
- C. The annual published financial statements of the county did not include the financial activity of some county funds as required.

#### Recommendations:

- A. Ensure budgets are prepared or obtained for all county funds.
- B. Ensure expenditures and transfers between funds are kept within the amounts budgeted. If additional disbursements are necessary, the circumstances should be fully documented and the budgets properly amended.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

#### Status:

- A-C. Not implemented. See MAR No. 2.

### 2. Federal Financial Assistance

- A&B. Salary expenditures of the Sheriff's deputies paid under federal grants were not supported by adequate documentation.
- C. The county health department records related to federal grant expenditures and resulting reimbursements were not maintained in a complete and organized manner.

Recommendation:

The County Commission consult with the grantor agencies to resolve the questioned costs. In addition, the County Commission should:

A&B. Ensure the Sheriff's department maintains adequate documentation to support the expenditures of federal grant funds and ensure that documentation is retained. In addition, checks received related to grant programs should be turned over to the County Treasurer for deposit and the monies processed through the county's established disbursement system. Also, all compensation paid to employees should be included on those individuals' W-2 forms.

C. Ensure the health department records related to grant expenditures and the resulting reimbursements are maintained in a complete and organized manner.

Status:

A-C. Implemented

3.B. County Road Monies

The county distributed road monies to two special road districts without some type of contractual agreement.

Recommendation:

The County Commission:

Obtain written agreements, which specifically state what services are to be provided to the county, for any distribution of CART or road and bridge sales tax monies to the special road districts.

Status:

Not implemented. The special road districts dissolved in May 1999.

4. Collateral Securities

Collateral securities pledged by the county's depository bank at December 31, 1997, were insufficient by approximately \$685,000, to cover monies in the custody of the County Treasurer and County Collector.

Recommendation:

The County Commission ensure collateral securities pledged by the depository bank are sufficient to protect monies at all times.

Status:

Implemented.

5. Property Tax Books

The County Clerk did not verify the tax books charged to the County Collector.

Recommendation:

The County Clerk review the tax books for accuracy, test individual tax bills for accuracy, and document all procedures performed.

Status:

Not implemented. See MAR No. 5.

6. Sheriff's Controls and Procedures

- A. Time sheets were not prepared by some Sheriff's department employees. In addition, leave (vacation, sick, and compensatory time) records were maintained within the Sheriff's department rather than by the County Clerk's office.
- B. Sheriff's deputies (driver and guard) were paid a per diem when performing extraditions. The officer driving received an additional amount if a personal vehicle was used.

Recommendation:

The County Commission:

- A. Require the Sheriff's department employees to prepare time sheets and submit them to the County Clerk's office for review and to support the preparation of payroll. In addition, leave records for Sheriff's department employees should be maintained by the County Clerk.
- B. Ensure deputies and employees who serve as guards are paid their normal salary for the amount of time spent. If reimbursable expenses are incurred by the Sheriff and his employees, reimbursement should be claimed only for actual miles driven in personal cars or for other actual expenses incurred.

Status:

- A. Partially implemented. Time sheets are prepared and copies are submitted to the County Clerk's office. Sheriff's department employees leave records are still maintained in the Sheriff's department. See MAR No. 4.
- B. Implemented.

7. Prosecuting Attorney's Accounting Controls and Procedures

- A. The Prosecuting Attorney's office maintained one bank account which had been inactive since February 1995.
- B. Bank reconciliations and open-items listings were not prepared for the bad check and restitution bank account.
- C. The cash control ledger was not adequately maintained.
- D. Two receipts totaling \$60 could not be traced to a deposit and were not detected because recorded receipts were not reconciled to deposits.
- E. A monthly report of bad check fees was not filed with the County Commission.

Recommendation:

The Prosecuting Attorney:

- A. Take action to close the inactive bank account. Any monies which can be identified should be distributed to the appropriate parties. Any monies which cannot be identified should be remitted to the state Unclaimed Property Section.
- B. Perform monthly bank reconciliations for the active bank account. In addition, a listing of open items should be prepared on a monthly basis and reconciled to the bank and book balances.
- C. Maintain a proper and complete cash control ledger noting monthly receipt and disbursement totals and ending cash balances.
- D. Investigate those instances where recorded receipts could not be traced to bank deposits and take appropriate action to recover the monies. In addition, recorded receipts should be reconciled to bank deposits on a regular basis.
- E. File monthly reports of bad check fees in accordance with state law.

Status:

- A-C. Implemented.
- D. Partially implemented. The Prosecuting Attorney did not recover the receipts totaling \$60. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Not implemented. See MAR No. 8.

8. Court Accounting Controls and Procedures

- A. The Circuit Clerk's reconciled cash balance exceeded the open-items listing by \$9,826, at December 31, 1997.
- B. The cash control ledger maintained by the Probate Division was not maintained accurately or adequately reconciled to the bank balance. As a result, the Probate Division did not distribute court fees on a monthly basis as required.
- C. Court costs related to the civil section of the Associate Division were not disbursed on a timely basis.
- D. Cash bonds totaling \$1,747 had been held in the criminal account of the Associate Division for more than two years.

Recommendation:

The Circuit Clerk actively supervise the various offices under his supervision. In addition, the Circuit Clerk should:

- A. Attempt to identify the excess cash balance which currently exists in the Circuit Court civil accounts. Any unidentified amount should be disposed of in accordance with Chapter 447, RSMo 1994, and Section 50.500, RSMo 1994.
- B. Ensure the cash control ledger of the Probate Division is maintained accurately and reconciled to the bank balance on a periodic basis. In addition, the fee distributions should be made accurately and on a monthly basis as required.
- C. Ensure Associate Division civil court costs are distributed on a monthly basis as required.
- D. Ensure bond monies are distributed on a timely basis. Unclaimed bonds should be disposed of in accordance with Chapter 447, RSMo 1994.

Status:

A-D. Not implemented. See MAR No. 6.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information



MCDONALD COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1849, the county of McDonald was named after Alexander McDonald, a Revolutionary War soldier and congressman. McDonald County is a county-organized, third-class county and is part of the 40th Judicial Circuit. The county seat is Pineville.

McDonald County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where McDonald County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 324,267   | 12         | 314,533   | 11         |
| Sales taxes               | 1,068,056    | 40         | 978,064   | 35         |
| Federal and state aid     | 927,991      | 35         | 911,207   | 33         |
| Fees, interest, and other | 364,332      | 13         | 569,855   | 21         |
| Total                     | \$ 2,684,646 | 100        | 2,773,659 | 100        |

The following chart shows how McDonald County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 733,935   | 27         | 1,171,170 | 39         |
| Public safety             | 702,370      | 26         | 667,085   | 22         |
| Highways and roads        | 1,278,721    | 47         | 1,186,974 | 39         |
| Total                     | \$ 2,715,026 | 100        | 3,025,229 | 100        |

The county maintains approximately 42 county bridges and 731 miles of county roads.

The county's population was 12,357 in 1970 and 16,938 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |       |       |        |        |
|------------------------|----|-------------------------|-------|-------|--------|--------|
|                        |    | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |       |       |        |        |
| Real estate            | \$ | 84.0                    | 83.9  | 46.0  | 13.6   | 8.6    |
| Personal property      |    | 44.6                    | 40.2  | 16.3  | 7.1    | 3.0    |
| Railroad and utilities |    | 16.5                    | 13.8  | 6.1   | 4.7    | 3.0    |
| Total                  | \$ | 145.1                   | 137.9 | 68.4  | 25.4   | 14.6   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

McDonald County's property tax rates per \$100 of assessed valuations were as follows:

|                               |    | Year Ended December 31, |      |
|-------------------------------|----|-------------------------|------|
|                               |    | 1999                    | 1998 |
| General Revenue Fund          | \$ | .26                     | .22  |
| Special Road and Bridge Fund* |    | .00                     | .00  |

\* The Special Road and Bridge Fund should receive 24 percent of the General Revenue Fund property tax collections.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

| Year Ended February 28,      |                     |                  |
|------------------------------|---------------------|------------------|
|                              | 2000                | 1999             |
| State of Missouri            | \$ 43,693           | 42,031           |
| General Revenue Fund         | 370,461             | 310,816          |
| Special Road and Bridge Fund | 6,692               | 12,979           |
| Assessment Fund              | 52,627              | 46,256           |
| Schools                      | 3,988,062           | 3,587,160        |
| Library                      | 146,347             | 127,226          |
| Crowder College              | 580,104             | 540,312          |
| Overplus Fund                | 14,111              | 16,437           |
| Tax Sale Advertising         | 665                 | 1,057            |
| Cities                       | 29,187              | 31,875           |
| County Clerk                 | 394                 | 196              |
| County Employees' Retirement | 35,239              | 28,106           |
| Commissions and fees:        |                     |                  |
| General Revenue Fund         | 92,720              | 82,886           |
| Total                        | \$ <u>5,360,302</u> | <u>4,827,337</u> |

Percentages of current taxes collected were as follows:

| Year Ended February 28, |      |      |
|-------------------------|------|------|
|                         | 2000 | 1999 |
| Real estate             | 88 % | 88 % |
| Personal property       | 88   | 90   |
| Railroad and utilities  | 98   | 99   |

McDonald County also has the following sales taxes; rates are per \$1 of retail sales:

|                            | Rate     | Expiration Date | Required Property Tax Reduction |
|----------------------------|----------|-----------------|---------------------------------|
| General                    | \$ .0050 | None            | 50 %                            |
| Road and bridge operations | .0050    | None            | 100                             |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| Bill Wilson, Presiding Commissioner                               | \$     | 27,080 | 14,580 |
| Henry Smith, Associate Commissioner                               |        | 14,580 | 14,580 |
| Lawrence Myers, Associate Commissioner                            |        | 14,580 | 14,580 |
| Joye Helm, County Clerk   |        | 38,000 | 28,365 |
| Stephen Geeding, Prosecuting Attorney                             |        | 45,000 |        |
| Duane Cooper, Prosecuting Attorney                                |        |        | 30,800 |
| Don Schlessman, Sheriff   |        | 29,520 | 29,520 |
| Mary Lou Shaddox, County Treasurer                                |        | 28,120 | 18,103 |
| Gale Duncan, County Coroner                                       |        | 5,330  | 5,330  |
| Donna Underwood, Public Administrator *                           |        | 4,000  |        |
| Robert Hamilton, Public Administrator *                           |        |        | 4,000  |
| Cloteel Atkins, County Collector,<br>year ended February 28,      | 38,000 | 30,750 |        |
| Kenneth Christerson, County Assessor **, year ended<br>August 31, |        | 39,526 | 38,860 |
| James Loncarich, County Surveyor ***                              |        |        |        |
| State-Paid Officials:   |        |        |        |
| Gene Hall, Circuit Clerk and<br>Ex Officio Recorder of Deeds      |        | 44,292 | 42,183 |
| John LePage, Associate Circuit Judge                              |        | 87,235 |        |
| Ray Gordon, Associate Circuit Judge                               |        |        | 85,158 |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

\*\*\* Compensation on a fee basis.

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 2 *                         | 7        |
| County Clerk                                   | 3                           | 0        |
| Prosecuting Attorney                           | 5                           | 0        |
| Sheriff  | 18 **                       | 0        |
| County Collector                               | 2                           | 0        |
| County Assessor                                | 5                           | 0        |
| Road and Bridge                                | 18                          | 0        |
| Health Center                                  | 7                           | 0        |
| Total  | <u>60</u>                   | <u>7</u> |

\* Includes one part-time employee

\*\* Includes two part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. McDonald County's share of the 40th Judicial Circuit's expenses is 27.59 percent.

General obligation bonds, dated October 1, 1994, were issued in the original amount of \$1,950,000. These bonds were issued to provide funds loaned to Sibley Industries pursuant to an agreement to acquire, construct, extend, and improve and industrial plant. Bonds payable at December 31, 1999, totaled \$1,670,000 and this debt issue is scheduled to be fully liquidated in 2014.

All improvements are owned by Sibley Industries. The loan agreement requires Sibley Industries to pay the principal, interest, and fiscal charges as they become due. All payments servicing the debt are paid directly to the trustee bank by Sibley Industries. If Sibley Industries defaults on the payments, the improvements and/or plant reverts to the county and the county is obligated to make the debt service payments and may levy a property tax for such purpose.



REVIEW OF INDEPENDENT AUDITS OF  
FIRE PROTECTION DISTRICTS  
IN GREENE COUNTY

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-134  
December 29, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The annual review of audits of fire protection districts in Greene County has been completed. This review covered reports for the year ended December 31, 1999 that were required to be submitted to the State Auditor's office within six months after the year end.**

---

State law requires Greene County fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year.

Eight of 11 districts in the county are required to have at least a biennial audit. However, the Walnut Grove Fire Protection District has not obtained an audit for the years ended December 31, 1999 and 1998 and therefore are not in compliance with state law. The three other districts submitted unaudited financial reports.

This report includes information about the districts' revenues, expenditures, and balances, and summarizes comments made by the various districts' independent auditors including recommendations for improving accountability and management of finances.

**Copies of the audit are available upon request.**

YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN GREENE COUNTY

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Roger Wilson, Governor  
and  
Members of the General Assembly  
and  
Boards of Directors of Fire Protection  
Districts in Greene County

We have conducted a special review of independent audits of the fire protection districts in Greene County as required by Section 321.690, RSMo. The purposes of this review were to:

1. Evaluate the impact of statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.
2. Assess the degree of compliance by these districts with statutory audit requirements and the State Auditor's regulations.
3. Bring to the attention of the various fire districts and independent auditors any specifically identifiable reporting deficiencies which should be taken into consideration and corrected in future audit reports.
4. Summarize and evaluate the financial data presented for the various fire districts.

Section 321.690, RSMo 1994, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district

is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor received and accepted four of the five required audit reports for the year ended December 31, 1999. The Walnut Grove Fire Protection District had not obtained an audit for the years ended December 31, 1999 and 1998 as of October 24, 2000.

During our review, we considered Section 321.690, 1994 and 15 CSR 40-4 (which are presented in Appendices B and C), and audit reports and other financial information submitted to the State Auditor by the various fire districts for the year ended December 31, 1999. Because some data presented in the schedules and appendices was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures, we express no opinion on the schedules and appendices.

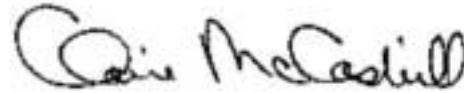
Our review was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Some problems were noted during our review of the fire protection districts' audit reports and the compliance deficiencies are summarized on Schedule 4. The problems noted included, failure to submit an audit report to the State Auditor's office (SAO) by June 30, 2000, and failure to submit engagement letters to the SAO.

To better determine the quality of the fire district audits, we reviewed the supporting working papers of various independent auditor reports for the year ended December 31, 1999. The information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters. Generally Accepted Governmental Auditing Standards (GAGAS) require that a written record of the auditor's work be retained. However, some auditor's working papers need to be improved in this area.

As shown in Appendix A, independent auditors made a few specific recommendations to improve the overall management of the fire districts. Recommendations included concerns regarding budgets and pledged securities. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

This is the sixth review the State Auditor's office has performed of the Greene County fire protection districts' reports and many improvements have been noted. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. We solicit from the readers of this report any suggestions for changes or requests for other new information which may be of benefit to those involved with the Greene County fire protection districts.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 24, 2000 (fieldwork completion date)

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Donna Christian, CPA  |
| Audit Staff:        | Ted Fugitt, CPA       |

## SCHEDULES

## Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
 SCHEDULE OF REVENUES, EXPENDITURES, AND BALANCES

| Year Ended December 31, |                      |           |              |                   |           |              |                   |
|-------------------------|----------------------|-----------|--------------|-------------------|-----------|--------------|-------------------|
| 1998                    |                      |           |              | 1999              |           |              |                   |
| District                | Beginning<br>Balance | Revenues  | Expenditures | Ending<br>Balance | Revenues  | Expenditures | Ending<br>Balance |
| Ash Grove               | \$ 8,233             | 39,955    | 41,267       | 6,921             | 44,411    | 49,378       | 1,954             |
| Battlefield             | 1,059,283            | 679,375   | 334,582      | 1,404,076         | 709,768   | 1,455,572    | 658,272           |
| Bois D'Arc              | 2,602                | 25,906    | 21,390       | 7,118             | 23,556    | 28,649       | 2,025             |
| Brookline               | 160,517              | 123,189   | 124,519      | 159,187           |           | (Note 1)     |                   |
| Ebenezer                | 73,036               | 87,643    | 86,368       | 74,311            | 94,661    | 85,870       | 83,102            |
| Fair Grove              | 69,432               | 69,738    | 51,712       | 87,458            |           | (Note 1)     |                   |
| Logan-Rogersville       | 348,832              | 464,201   | 334,940      | 478,093           |           | (Note 1)     |                   |
| Strafford               | 167,518              | 165,975   | 144,134      | 189,359           | 182,023   | 184,310      | 187,072           |
| Walnut Grove            | 4,716                |           | (Note 1)     |                   |           | (Note 1)     |                   |
| West Republic           | 4,891                | 37,020    | 37,219       | 4,692             | 37,879    | 30,751       | 11,820            |
| Willard                 | 229,988              | 204,432   | 165,762      | 268,658           | 203,429   | 170,310      | 301,777           |
|                         | \$ 2,129,048         | 1,897,434 | 1,341,893    | 2,679,873         | 1,295,727 | 2,004,840    | 1,246,022         |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
SCHEDULE OF GENERAL FIXED ASSETS

| District          | December 31, 1999        |                               |           | December 31,<br>1998 |
|-------------------|--------------------------|-------------------------------|-----------|----------------------|
|                   | Land<br>and<br>Buildings | Furniture<br>and<br>Equipment | Total     | Total                |
| Battlefield       | \$ 1,403,951             | 1,181,954                     | 2,585,905 | 1,477,581            |
| Brookline         |                          | (Note 1)                      |           | 257,240              |
| Ebenezer          | 137,367                  | 255,968                       | 393,335   | 355,055              |
| Logan-Rogersville |                          | (Note 1)                      |           | 1,384,516            |
| Strafford         | 235,657                  | 252,081                       | 487,738   | 471,660              |
| Willard           | 317,590                  | 626,706                       | 944,296   | 924,508              |
|                   | \$ 2,094,565             | 2,316,709                     | 4,411,274 | 4,870,560            |

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
SCHEDULE OF ASSESSED VALUATIONS AND TAX LEVIES  
YEARS ENDED DECEMBER 31, 1999 AND 1998

| District          |                    |             | Tax Levy<br>Per \$100 of<br>Assessed Valuation |      |
|-------------------|--------------------|-------------|--|------|
|                   | Assessed Valuation |             | General  |      |
|                   | 1999               | 1998        | 1999   | 1998 |
| Ash Grove         | \$ 15,368,419      | 14,482,067  | 0.27   | 0.27 |
| Battlefield       | 239,675,108        | 227,771,730 | 0.27   | 0.27 |
| Bois D'Arc        | 12,044,227         | 11,315,355  | 0.20   | 0.20 |
| Brookline         | 47,941,475         | 42,644,953  | 0.27   | 0.27 |
| Ebenezer          | 58,686,887         | 56,812,303  | 0.15   | 0.15 |
| Fair Grove        | 32,215,740         | 31,409,564  | 0.20   | 0.20 |
| Logan-Rogersville | 183,354,671        | 171,800,807 | 0.26   | 0.26 |
| Strafford         | 61,755,213         | 60,540,847  | 0.26   | 0.25 |
| Walnut Grove      | 21,789,700         | 19,123,092  | 0.30   | 0.30 |
| West Republic     | 13,291,570         | 12,614,052  | 0.28   | 0.28 |
| Willard           | 68,690,012         | 64,137,916  | 0.27   | 0.27 |

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
SUMMARY OF COMPLIANCE DEFICIENCIES NOTED CONCERNING 15 CSR 40  
YEAR ENDED DECEMBER 31, 1999

| <u>Description of Deficiencies</u>                           | <u>Title</u>    | <u>Number of<br/>Errors</u> | <u>Number of<br/>Applicable<br/>Reports</u> | <u>Percent</u> |
|--|-----------------|-----------------------------|---|----------------|
| Audit report was not submitted<br>by June 30, 2000.          | 15 CSR 40-4.010 | 1 *                         | 5   | 20%            |
| Engagement letter was not submitted<br>to the State Auditor. | 15 CSR 40-4.010 | 2                           | 4 **  | 50%            |

\* The Walnut Grove Fire Protection District has not obtained an audit for the years ended December 31, 1999 and 1998 as of October 24, 2000.

\*\* The Walnut Grove Fire Protection District was not included as applicable.



## NOTES TO THE SCHEDULES

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS  
IN GREENE COUNTY  
NOTES TO THE SCHEDULES

1. Significant Information

A. General

At December 31, 1999, there were eleven fire protection districts in Greene County. Districts are required to have biennial audits performed if revenues exceed \$50,000, or file a financial statement if revenues are less than \$50,000.

Upon completion of the audit, copies of the report and management letter are to be submitted to the State Auditor for review. Four audits and three financial statements have been received as follows:

1. The Battlefield, Ebenezer, Strafford, and Willard Fire Protection Districts obtained audits for the year ended December 31, 1999. Each of these districts previously obtained audits for the year ended December 31, 1998.
2. The Walnut Grove Fire Protection District notified the State Auditor's office in writing of their plans to obtain an audit for the two years ended December 31, 1999; however, the district had not received an audit as of October 24, 2000.
3. The Brookline, Fair Grove, and Logan-Rogersville Fire Protection Districts obtained audits through December 31, 1998. These districts plan to obtain an audit for the two years ended December 31, 2000.
4. The Ash Grove, Bois D'Arc and West Republic Fire Protection Districts were not required to obtain audits. Information presented in this report was obtained from unaudited information provided by these districts.

B. Schedules

Information included in these schedules was compiled from the audit reports, management letters, and unaudited financial statements received from the Greene County fire protection districts.

In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Reasons for some problems in comparison are:

1. The financial statements of the Battlefield, Brookline, Ebenezer, Fair Grove, Logan-Rogersville, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles. The ending balances represent assets net of liabilities. Revenues are recognized in the fiscal period in which they become available and measurable. Expenditures are recognized in the fiscal period in which the related liability is incurred.
2. The financial statements of the Ash Grove, Bois D'Arc and West Republic Fire Protection Districts are presented on a cash basis of accounting. The ending balances represent cash balances. Revenues are recognized when received in cash and expenditures are recognized when disbursed in cash.

The schedules presented are as follows:

Schedule 1 presents revenues, expenditures, and fund balance for the General Fund in a combined format. The General Fund is the general operating fund of each district and is used to account for all operating resources.

Schedule 2 presents the general fixed asset balances of the districts at December 31, 1999, with comparative totals of general fixed assets at December, 31 1998. The fire protection districts that are presented are only those which obtained an audit for 1998 or 1999. However, the Fair Grove Fire Protection District's 1998 audit report did not include a schedule of general fixed assets.

Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies. Immaterial differences were noted in the assessed valuations presented in the audit reports and the amounts reported by the districts to the State Auditor's office. In addition, in 1998 and 1999, Walnut Grove Fire Protection District levied .01 and .02, respectively, in excess of the levies approved by the State Auditor's office. In 1998 and 1999, the Fair Grove Fire Protection District levied .01, in excess of the levies approved by the State Auditor's office.

Schedule 4 is a listing of deficiencies noted regarding compliance with State Auditor's regulation 15 CSR 40.

C. Method of Accounting

All of the districts' operations are accounted for in the General Fund, which is a governmental type fund. As described in Note 1.B., the districts use various methods of accounting for their General Funds.

For those districts which have obtained audits, all fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the General Fund and are capitalized in the General Fixed Assets Account Group. Purchased fixed assets are capitalized at historical cost or at estimated historical cost if actual historical cost is not available.

2. Independent Audits

For the year ended December 31, 1999, two independent auditors each performed one audit, and one independent auditor performed two audits.

3. Compensation Of Directors

The independent audit reports included the names of the principal officeholders during the year ended December 31, 1999, and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 1994. Most of the districts have three-member boards of directors, except for the Brookline and Willard Fire Protection Districts which have five-member boards. When more than three or five names were listed, it was due to a change in the officials serving on the board.

The following is a list of total compensation paid to directors by each district which was audited.

| <u>District</u> | <u>Total Compensation Paid</u> |             |
|-----------------|--------------------------------|-------------|
|                 | <u>1999</u>                    | <u>1998</u> |
| Battlefield     | \$ 5,745                       | 5,730       |
| Ebenezer        | 0                              | 0           |
| Strafford       | 5,150                          | 5,150       |
| Willard         |                                | 1,000 1,000 |

## APPENDICES

## Appendix A

### REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR ENDED DECEMBER 31, 1999

The following is a summary of the various comments contained in those management letters received by the State Auditor for audits of the year ended December 31, 1999. These comments apply to one fire protection district unless otherwise noted. The comments extracted from the management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

#### Budgets

- \* Actual expenditures exceeded budgeted expenditures.

#### Pledged Securities

- \* District deposits of \$15,715 were uninsured and uncollateralized as of December 31, 1999.

## Appendix B

### 321.690 RSMo Cum. Supp 1999

1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.
- 2.(1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.
- (2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.
3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.
4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.



DEKALB COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-133  
December 28, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like DeKalb, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of DeKalb County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

The audit includes some matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

DEKALB COUNTY, MISSOURI

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DEKALB COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of DeKalb County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of DeKalb County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

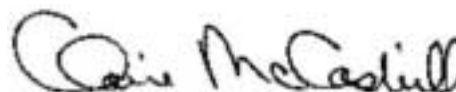
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of DeKalb County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of DeKalb County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of DeKalb County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,



1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 5, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 5, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Mark Ruether, CPA     |
| In-Charge Auditor:  | Todd Stoll            |
| Audit Staff:        | Christina Brown       |
|                     | Kimberly Fowler       |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of DeKalb County, Missouri

We have audited the special-purpose financial statements of various funds of DeKalb County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated December 5, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

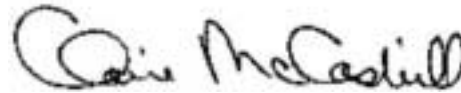
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of DeKalb County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of DeKalb County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of DeKalb County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 5, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

DEKALB COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                   | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                        | \$ 124,622         | 961,918   | 997,858       | 88,682               |
| Special Road and Bridge                | 805,619            | 911,505   | 968,831       | 748,293              |
| Assessment                             | 768                | 157,778   | 156,037       | 2,509                |
| Law Enforcement Training               | 8,421              | 4,887     | 2,734         | 10,574               |
| Prosecuting Attorney Training          | 0                  | 822       | 0             | 822                  |
| Prosecuting Attorney Delinquent Tax    | 2,449              | 98        | 1,473         | 1,074                |
| Capital Improvement Sales Tax (Gravel) | 374,664            | 542,089   | 627,799       | 288,954              |
| Nursing Home Sales Tax                 | 437,555            | 19,781    | 200,705       | 256,631              |
| Victims of Domestic Violence           | 0                  | 534       | 534           | 0                    |
| Recorder's User Fees                   | 4,765              | 4,634     | 4,388         | 5,011                |
| Prosecuting Attorney Bad Check         | 0                  | 9,108     | 4,631         | 4,477                |
| Sheriff's Calendar                     | 1,100              | 35        | 716           | 419                  |
| Multi-County (ACCD) 911 Board          | 482,882            | 468,074   | 378,326       | 572,630              |
| Local Emergency Planning Committee     | 3,368              | 2,335     | 3,194         | 2,509                |
| Cemetery Trust                         | 4,991              | 3,448     | 2,973         | 5,466                |
| Sheriff Civil Fees                     | 8,653              | 10,796    | 14,745        | 4,704                |
| Senate Bill 40 Board                   | 84,269             | 75,784    | 45,936        | 114,117              |
| Law Library                            | 3,532              | 2,983     | 394           | 6,121                |
| Circuit Clerk Interest                 | 3,419              | 10,218    | 4,753         | 8,884                |
| Election Fees                          | 0                  | 265       | 0             | 265                  |
| Total                                  | \$ 2,351,077       | 3,187,092 | 3,416,027     | 2,122,142            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DEKALB COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                   | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                        | \$ 80,946          | 992,424   | 948,748       | 124,622              |
| Special Road and Bridge                | 686,149            | 781,581   | 662,111       | 805,619              |
| Assessment                             | 325                | 132,761   | 132,318       | 768                  |
| Law Enforcement Training               | 7,046              | 3,653     | 2,278         | 8,421                |
| Prosecuting Attorney Training          | 244                | 701       | 945           | 0                    |
| Prosecuting Attorney Delinquent Tax    | 1,916              | 533       | 0             | 2,449                |
| Capital Improvement Sales Tax (Gravel) | 321,356            | 571,548   | 518,240       | 374,664              |
| Nursing Home Sales Tax                 | 422,461            | 55,689    | 40,595        | 437,555              |
| Victims of Domestic Violence           | 0                  | 566       | 566           | 0                    |
| Recorder's User Fees                   | 3,483              | 4,692     | 3,410         | 4,765                |
| Prosecuting Attorney Bad Check         | 0                  | 7,412     | 7,412         | 0                    |
| Sheriff's Calendar                     | 366                | 1,411     | 677           | 1,100                |
| Multi-County (ACCD) 911 Board          | 356,261            | 424,397   | 297,776       | 482,882              |
| Local Emergency Planning Committee     | 4,324              | 2,764     | 3,720         | 3,368                |
| Cemetery Trust                         | 4,692              | 5,088     | 4,789         | 4,991                |
| Sheriff Civil Fees                     | 2,976              | 12,437    | 6,760         | 8,653                |
| Senate Bill 40 Board                   | 55,234             | 59,596    | 30,561        | 84,269               |
| Law Library                            | 2,591              | 2,200     | 1,259         | 3,532                |
| Circuit Clerk Interest                 | 3,965              | 3,099     | 3,645         | 3,419                |
| Local Use Tax                          | 211,271            | 4,721     | 215,992       | 0                    |
| Records Grant                          | 1,576              | 0         | 1,576         | 0                    |
| Total                                  | \$ 2,167,182       | 3,067,273 | 2,883,378     | 2,351,077            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

DEKALB COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |          |  |          |         |  |
|--|-------------------------|----------|--|----------|---------|--|
|  | 1999                    |          |  | 1998     |         |  |
|  | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                                |                         |          |  |          |         |  |
| Property taxes                                 | \$ 42,000               | 35,774   | (6,226)                                | 60,950   | 35,256  | (25,694)                               |
| Sales taxes                                    | 492,578                 | 494,958  | 2,380                                  | 492,416  | 462,235 | (30,181)                               |
| Intergovernmental                              | 103,284                 | 89,988   | (13,296)                               | 75,975   | 114,777 | 38,802                                 |
| Charges for services                           | 126,100                 | 170,807  | 44,707                                 | 137,815  | 150,908 | 13,093                                 |
| Interest                                       | 10,000                  | 9,971    | (29)                                   | 8,000    | 9,810   | 1,810                                  |
| Nursing home lease                             | 63,000                  | 65,000   | 2,000                                  | 63,600   | 63,000  | (600)                                  |
| Other  | 34,100                  | 49,309   | 15,209                                 | 19,400   | 41,413  | 22,013                                 |
| Transfers in                                   | 42,820                  | 46,111   | 3,291                                  | 35,000   | 115,025 | 80,025                                 |
| Total Receipts                                 | 913,882                 | 961,918  | 48,036                                 | 893,156  | 992,424 | 99,268                                 |
| <b>DISBURSEMENTS</b>                           |                         |          |  |          |         |  |
| County Commission                              | 73,130                  | 72,470   | 660                                    | 44,273   | 43,058  | 1,215                                  |
| County Clerk                                   | 67,203                  | 66,439   | 764                                    | 60,758   | 56,967  | 3,791                                  |
| Elections                                      | 3,000                   | 3,044    | (44)                                   | 20,000   | 19,126  | 874                                    |
| Buildings and grounds                          | 66,755                  | 106,373  | (39,618)                               | 60,400   | 50,065  | 10,335                                 |
| Employee fringe benefits                       | 110,000                 | 94,483   | 15,517                                 | 91,994   | 90,556  | 1,438                                  |
| County Treasurer                               | 31,990                  | 31,849   | 141                                    | 32,090   | 31,181  | 909                                    |
| Ex Officio County Collector                    | 14,500                  | 9,734    | 4,766                                  | 14,500   | 21,744  | (7,244)                                |
| Circuit Clerk and Ex Officio Recorder of Deeds | 44,719                  | 44,199   | 520                                    | 43,449   | 47,075  | (3,626)                                |
| Associate Circuit Court                        | 18,350                  | 18,419   | (69)                                   | 18,334   | 16,946  | 1,388                                  |
| Court administration                           | 500                     | 710      | (210)                                  | 385      | 605     | (220)                                  |
| Public Administrator                           | 5,000                   | 4,980    | 20                                     | 5,000    | 4,687   | 313                                    |
| Sheriff  | 275,380                 | 278,556  | (3,176)                                | 267,601  | 271,852 | (4,251)                                |
| Prosecuting Attorney                           | 61,200                  | 58,900   | 2,300                                  | 54,937   | 56,920  | (1,983)                                |
| Juvenile Officer                               | 21,818                  | 15,361   | 6,457                                  | 24,675   | 20,045  | 4,630                                  |
| County Coroner                                 | 13,593                  | 12,743   | 850                                    | 9,694    | 12,386  | (2,692)                                |
| Tax Increment Financing District               | 90,000                  | 83,658   | 6,342                                  | 75,000   | 82,116  | (7,116)                                |
| Public health and welfare services             | 6,136                   | 7,604    | (1,468)                                | 6,136    | 5,000   | 1,136                                  |
| Other  | 66,275                  | 63,336   | 2,939                                  | 73,224   | 76,419  | (3,195)                                |
| Transfers out                                  | 41,654                  | 25,000   | 16,654                                 | 47,152   | 42,000  | 5,152                                  |
| Emergency Fund                                 | 27,260                  | 0        | 27,260                                 | 24,500   | 0       | 24,500                                 |
| Total Disbursements                            | 1,038,463               | 997,858  | 40,605                                 | 974,102  | 948,748 | 25,354                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS            | (124,581)               | (35,940) | 88,641                                 | (80,946) | 43,676  | 124,622                                |
| CASH, JANUARY 1                                | 124,622                 | 124,622  | 0                                      | 80,946   | 80,946  | 0                                      |
| CASH, DECEMBER 31                              | \$ 41                   | 88,682   | 88,641                                 | 0        | 124,622 | 124,622                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

DEKALB COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |          |  |           |         |  |
|---------------------------------------|-------------------------|----------|--|-----------|---------|--|
|                                       | 1999                    |          |  | 1998      |         |  |
|                                       | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |          |  |           |         |  |
| Intergovernmental                     | 735,000                 | 831,773  | 96,773                                 | 670,000   | 710,620 | 40,620                                 |
| Charges for services                  | 10,000                  | 4,152    | (5,848)                                | 10,000    | 8,926   | (1,074)                                |
| Interest                              | 40,000                  | 38,079   | (1,921)                                | 35,000    | 37,147  | 2,147                                  |
| Other                                 | 29,500                  | 37,501   | 8,001                                  | 25,500    | 24,888  | (612)                                  |
| Total Receipts                        | 814,500                 | 911,505  | 97,005                                 | 740,500   | 781,581 | 41,081                                 |
| DISBURSEMENTS                         |                         |          |  |           |         |  |
| Salaries                              | 150,000                 | 115,697  | 34,303                                 | 150,000   | 108,575 | 41,425                                 |
| Employee fringe benefits              | 37,500                  | 25,031   | 12,469                                 | 37,100    | 26,704  | 10,396                                 |
| Supplies                              | 24,500                  | 17,397   | 7,103                                  | 24,300    | 17,668  | 6,632                                  |
| Insurance                             | 20,000                  | 4,317    | 15,683                                 | 20,000    | 4,156   | 15,844                                 |
| Road and bridge materials             | 303,000                 | 157,062  | 145,938                                | 328,000   | 187,882 | 140,118                                |
| Equipment repairs                     | 10,000                  | 7,085    | 2,915                                  | 10,000    | 7,411   | 2,589                                  |
| Rentals                               | 1,000                   | 0        | 1,000                                  | 1,000     | 0       | 1,000                                  |
| Equipment purchases                   | 241,000                 | 89,495   | 151,505                                | 96,000    | 10,460  | 85,540                                 |
| Construction, repair, and maintenance | 466,500                 | 509,826  | (43,326)                               | 476,500   | 276,833 | 199,667                                |
| Other                                 | 10,500                  | 14,649   | (4,149)                                | 12,500    | 3,113   | 9,387                                  |
| Transfers out                         | 32,820                  | 28,272   | 4,548                                  | 34,662    | 19,309  | 15,353                                 |
| Total Disbursements                   | 1,296,820               | 968,831  | 327,989                                | 1,190,062 | 662,111 | 527,951                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (482,320)               | (57,326) | 424,994                                | (449,562) | 119,470 | 569,032                                |
| CASH, JANUARY 1                       | 805,619                 | 805,619  | 0                                      | 686,149   | 686,149 | 0                                      |
| CASH, DECEMBER 31                     | \$ 323,299              | 748,293  | 424,994                                | 236,587   | 805,619 | 569,032                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit D

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Intergovernmental                   | \$ 131,627 | 130,082       | 116,327 | 88,721  | (27,606)      |  |
| Interest                            | 535        | 1,424         | 1,700   | 534     | (1,166)       |  |
| Other                               | 1,200      | 1,272         | 550     | 1,506   | 956           |  |
| Transfers in                        | 41,654     | 25,000        | 47,152  | 42,000  | (5,152)       |  |
| Total Receipts                      | 175,016    | 157,778       | 165,729 | 132,761 | (32,968)      |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Assessor                            | 175,016    | 156,037       | 166,054 | 132,318 | 33,736        |  |
| Total Disbursements                 | 175,016    | 156,037       | 166,054 | 132,318 | 33,736        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 1,741         | (325)   | 443     | 768           |  |
| CASH, JANUARY 1                     | 768        | 768           | 325     | 325     | 0             |  |
| CASH, DECEMBER 31                   | \$ 768     | 2,509         | 0       | 768     | 768           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 1,000 | 4,887         | 2,800   | 3,653  | 853           |  |
| Total Receipts                      | 1,000    | 4,887         | 2,800   | 3,653  | 853           |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Sheriff                             | 2,000    | 2,734         | 9,846   | 2,278  | 7,568         |  |
| Total Disbursements                 | 2,000    | 2,734         | 9,846   | 2,278  | 7,568         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,000)  | 2,153         | (7,046) | 1,375  | 8,421         |  |
| CASH, JANUARY 1                     | 8,421    | 8,421         | 7,046   | 7,046  | 0             |  |
| CASH, DECEMBER 31                   | \$ 7,421 | 10,574        | 0       | 8,421  | 8,421         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |     |        |        |               |
|-------------------------------------|--------|---------------|-----|--------|--------|---------------|
| 1999                                |        |               |     | 1998   |        |               |
|                                     |        | Variance      |     |        |        | Variance      |
|                                     |        | Favorable     |     |        |        | Favorable     |
|                                     |        | (Unfavorable) |     |        |        | (Unfavorable) |
|                                     | Budget | Actual        |     | Budget | Actual |               |
| RECEIPTS                            |        |               |     |        |        |               |
| Charges for services                | \$ 700 | 822           | 122 | 1,000  | 701    | (299)         |
| Total Receipts                      | 700    | 822           | 122 | 1,000  | 701    | (299)         |
| DISBURSEMENTS                       |        |               |     |        |        |               |
| Prosecuting Attorney                | 700    | 0             | 700 | 1,244  | 945    | 299           |
| Total Disbursements                 | 700    | 0             | 700 | 1,244  | 945    | 299           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 822           | 822 | (244)  | (244)  | 0             |
| CASH, JANUARY 1                     | 0      | 0             | 0   | 244    | 244    | 0             |
| CASH, DECEMBER 31                   | \$ 0   | 822           | 822 | 0      | 0      | 0             |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | \$ 500   | 0             | 600    | 429    | (171)         |  |
| Interest                            | 100      | 98            | 75     | 104    | 29            |  |
| Total Receipts                      | 600      | 98            | 675    | 533    | (142)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 1,137    | 1,473         | 0      | 0      | 0             |  |
| Total Disbursements                 | 1,137    | 1,473         | 0      | 0      | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (537)    | (1,375)       | 675    | 533    | (142)         |  |
| CASH, JANUARY 1                     | 2,449    | 2,449         | 1,916  | 1,916  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,912 | 1,074         | 2,591  | 2,449  | (142)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT SALES TAX (GRAVEL) FUND

| Year Ended December 31,             |            |          |  |           |         |  |
|-------------------------------------|------------|----------|--|-----------|---------|--|
| 1999                                |            |          | 1998                                   |           |         |  |
|                                     | Budget     | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |          |  |           |         |  |
| Sales taxes                         | \$ 492,578 | 522,264  | 29,686                                 | 492,416   | 468,707 | (23,709)                               |
| Interest                            | 20,000     | 19,825   | (175)                                  | 18,100    | 19,724  | 1,624                                  |
| Transfers in                        | 0          | 0        | 0                                      | 0         | 83,117  | 83,117                                 |
| Total Receipts                      | 512,578    | 542,089  | 29,511                                 | 510,516   | 571,548 | 61,032                                 |
| DISBURSEMENTS                       |            |          |  |           |         |  |
| Road and bridge materials           | 750,000    | 526,302  | 223,698                                | 748,584   | 428,538 | 320,046                                |
| Tax increment financing district    | 90,000     | 83,658   | 6,342                                  | 75,000    | 82,094  | (7,094)                                |
| Transfers out                       | 8,646      | 17,839   | (9,193)                                | 8,288     | 7,608   | 680                                    |
| Total Disbursements                 | 848,646    | 627,799  | 220,847                                | 831,872   | 518,240 | 313,632                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (336,068)  | (85,710) | 250,358                                | (321,356) | 53,308  | 374,664                                |
| CASH, JANUARY 1                     | 374,664    | 374,664  | 0                                      | 321,356   | 321,356 | 0                                      |
| CASH, DECEMBER 31                   | \$ 38,596  | 288,954  | 250,358                                | 0         | 374,664 | 374,664                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

DEKALB COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 NURSING HOME SALES TAX FUND

| Year Ended December 31,             |            |           |  |           |         |  |
|-------------------------------------|------------|-----------|--|-----------|---------|--|
| 1999                                |            |           | 1998                                   |           |         |  |
|                                     | Budget     | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |           |  |           |         |  |
| Sales taxes                         | \$ 2,800   | 183       | (2,617)                                | 500       | 2,985   | 2,485                                  |
| Interest                            | 21,000     | 19,598    | (1,402)                                | 24,000    | 21,420  | (2,580)                                |
| Transfers in                        | 0          | 0         | 0                                      | 0         | 31,284  | 31,284                                 |
| Total Receipts                      | 23,800     | 19,781    | (4,019)                                | 24,500    | 55,689  | 31,189                                 |
| DISBURSEMENTS                       |            |           |  |           |         |  |
| Nursing home renovations            | 200,000    | 200,705   | (705)                                  | 200,000   | 40,595  | 159,405                                |
| Total Disbursements                 | 200,000    | 200,705   | (705)                                  | 200,000   | 40,595  | 159,405                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (176,200)  | (180,924) | (4,724)                                | (175,500) | 15,094  | 190,594                                |
| CASH, JANUARY 1                     | 437,555    | 437,555   | 0                                      | 422,461   | 422,461 | 0                                      |
| CASH, DECEMBER 31                   | \$ 261,355 | 256,631   | (4,724)                                | 246,961   | 437,555 | 190,594                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
VICTIMS OF DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 600 | 525           | 600    | 557    | (43)          |  |
| Interest                            | 10     | 9             | 15     | 9      | (6)           |  |
| Total Receipts                      | 610    | 534           | 615    | 566    | (49)          |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Domestic violence shelter           | 610    | 534           | 615    | 566    | 49            |  |
| Total Disbursements                 | 610    | 534           | 615    | 566    | 49            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 0             | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0      | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0   | 0             | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Charges for services                | \$ 4,800 | 4,634  | (166)                                  | 4,500  | 4,692  | 192                                    |
| Total Receipts                      | 4,800    | 4,634  | (166)                                  | 4,500  | 4,692  | 192                                    |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Ex Officio Recorder of Deeds        | 4,300    | 4,388  | (88)                                   | 3,000  | 2,380  | 620                                    |
| Transfers out                       | 0        | 0      | 0                                      | 1,030  | 1,030  | 0                                      |
| Total Disbursements                 | 4,300    | 4,388  | (88)                                   | 4,030  | 3,410  | 620                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 500      | 246    | (254)                                  | 470    | 1,282  | 812                                    |
| CASH, JANUARY 1                     | 4,765    | 4,765  | 0                                      | 3,483  | 3,483  | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,265 | 5,011  | (254)                                  | 3,953  | 4,765  | 812                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit L

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 7,500 | 8,974         | 6,000  | 7,345  | 1,345         |  |
| Interest                            | 100      | 134           | 150    | 67     | (83)          |  |
| Total Receipts                      | 7,600    | 9,108         | 6,150  | 7,412  | 1,262         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 7,500    | 4,631         | 3,768  | 5,030  | (1,262)       |  |
| Transfers out                       | 0        | 0             | 2,382  | 2,382  | 0             |  |
| Total Disbursements                 | 7,500    | 4,631         | 6,150  | 7,412  | (1,262)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 100      | 4,477         | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0        | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 100   | 4,477         | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S CALENDAR FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Interest                            | \$ 0   | 35            | 0      | 26     | 26            |  |
| Other                               | 500    | 0             | 0      | 1,385  | 1,385         |  |
| Total Receipts                      | 500    | 35            | 0      | 1,411  | 1,411         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Sheriff                             | 1,000  | 716           | 366    | 677    | (311)         |  |
| Total Disbursements                 | 1,000  | 716           | 366    | 677    | (311)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (500)  | (681)         | (366)  | 734    | 1,100         |  |
| CASH, JANUARY 1                     | 1,100  | 1,100         | 366    | 366    | 0             |  |
| CASH, DECEMBER 31                   | \$ 600 | 419           | 0      | 1,100  | 1,100         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MULTI-COUNTY (ACCD) 911 BOARD FUND

| Year Ended December 31,             |            |         |  |           |         |  |
|-------------------------------------|------------|---------|--|-----------|---------|--|
| 1999                                |            |         | 1998                                   |           |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |           |         |  |
| Intergovernmental                   | \$ 406,000 | 447,708 | 41,708                                 | 407,900   | 404,274 | (3,626)                                |
| Interest                            | 21,000     | 20,366  | (634)                                  | 20,000    | 20,123  | 123                                    |
| Total Receipts                      | 427,000    | 468,074 | 41,074                                 | 427,900   | 424,397 | (3,503)                                |
| DISBURSEMENTS                       |            |         |  |           |         |  |
| Dispatching and coordination        | 87,500     | 87,500  | 0                                      | 85,000    | 85,000  | 0                                      |
| Office expenditures                 | 15,500     | 11,955  | 3,545                                  | 14,500    | 11,989  | 2,511                                  |
| Equipment                           | 266,000    | 10,881  | 255,119                                | 206,961   | 11,115  | 195,846                                |
| Mileage and training                | 46,000     | 15,458  | 30,542                                 | 46,000    | 9,212   | 36,788                                 |
| Mapping                             | 140,000    | 165,000 | (25,000)                               | 100,000   | 75,000  | 25,000                                 |
| Phone expense and maintenance       | 144,000    | 81,939  | 62,061                                 | 203,000   | 99,753  | 103,247                                |
| Other                               | 183,700    | 5,593   | 178,107                                | 128,700   | 5,707   | 122,993                                |
| Total Disbursements                 | 882,700    | 378,326 | 504,374                                | 784,161   | 297,776 | 486,385                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (455,700)  | 89,748  | 545,448                                | (356,261) | 126,621 | 482,882                                |
| CASH, JANUARY 1                     | 482,882    | 482,882 | 0                                      | 356,261   | 356,261 | 0                                      |
| CASH, DECEMBER 31                   | \$ 27,182  | 572,630 | 545,448                                | 0         | 482,882 | 482,882                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit O

DEKALB COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LOCAL EMERGENCY PLANNING COMMITTEE FUND

| Year Ended December 31,             |          |        |  |         |        |  |
|-------------------------------------|----------|--------|--|---------|--------|--|
| 1999                                |          |        | 1998                                   |         |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |         |        |  |
| Intergovernmental                   | \$ 2,800 | 1,974  | (826)                                  | 2,800   | 2,631  | (169)                                  |
| Interest                            | 150      | 89     | (61)                                   | 150     | 133    | (17)                                   |
| Other                               | 0        | 272    | 272                                    | 0       | 0      | 0                                      |
| Total Receipts                      | 2,950    | 2,335  | (615)                                  | 2,950   | 2,764  | (186)                                  |
| DISBURSEMENTS                       |          |        |  |         |        |  |
| Salaries                            | 800      | 0      | 800                                    | 800     | 800    | 0                                      |
| Office expenditures                 | 1,300    | 2,229  | (929)                                  | 1,263   | 1,543  | (280)                                  |
| Mileage and training                | 4,218    | 965    | 3,253                                  | 5,211   | 1,377  | 3,834                                  |
| Total Disbursements                 | 6,318    | 3,194  | 3,124                                  | 7,274   | 3,720  | 3,554                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,368)  | (859)  | 2,509                                  | (4,324) | (956)  | 3,368                                  |
| CASH, JANUARY 1                     | 3,368    | 3,368  | 0                                      | 4,324   | 4,324  | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 2,509  | 2,509                                  | 0       | 3,368  | 3,368                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CEMETERY TRUST FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Interest                            | \$ 2,500 | 3,383         | 3,700  | 3,700  | 0             |  |
| Donations                           | 0        | 65            | 0      | 488    | 488           |  |
| Other                               | 0        | 0             | 0      | 900    | 900           |  |
| Total Receipts                      | 2,500    | 3,448         | 3,700  | 5,088  | 1,388         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Maintenance and upkeep              | 4,200    | 2,973         | 3,800  | 4,789  | (989)         |  |
| Total Disbursements                 | 4,200    | 2,973         | 3,800  | 4,789  | (989)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,700)  | 475           | (100)  | 299    | 399           |  |
| CASH, JANUARY 1                     | 4,991    | 4,991         | 4,692  | 4,692  | 0             |  |
| CASH, DECEMBER 31                   | \$ 3,291 | 5,466         | 4,592  | 4,991  | 399           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FEES FUND

| Year Ended December 31,             |           |               |       |         |        |               |
|-------------------------------------|-----------|---------------|-------|---------|--------|---------------|
| 1999                                |           |               |       | 1998    |        |               |
|                                     |           | Variance      |       |         |        | Variance      |
|                                     |           | Favorable     |       |         |        | Favorable     |
|                                     |           | (Unfavorable) |       |         |        | (Unfavorable) |
|                                     | Budget    | Actual        |       | Budget  | Actual |               |
| RECEIPTS                            |           |               |       |         |        |               |
| Charges for services                | \$ 10,000 | 10,521        | 521   | 8,400   | 12,227 | 3,827         |
| Interest                            | 0         | 275           | 275   | 100     | 210    | 110           |
| Total Receipts                      | 10,000    | 10,796        | 796   | 8,500   | 12,437 | 3,937         |
| DISBURSEMENTS                       |           |               |       |         |        |               |
| Sheriff                             | 16,500    | 14,745        | 1,755 | 11,476  | 6,760  | 4,716         |
| Total Disbursements                 | 16,500    | 14,745        | 1,755 | 11,476  | 6,760  | 4,716         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,500)   | (3,949)       | 2,551 | (2,976) | 5,677  | 8,653         |
| CASH, JANUARY 1                     | 8,653     | 8,653         | 0     | 2,976   | 2,976  | 0             |
| CASH, DECEMBER 31                   | \$ 2,153  | 4,704         | 2,551 | 0       | 8,653  | 8,653         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

DEKALB COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENATE BILL 40 BOARD FUND

|                                     | Year Ended December 31, |         |  |         |        |  |
|-------------------------------------|-------------------------|---------|--|---------|--------|--|
|                                     | 1999                    |         |  | 1998    |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |        |  |
| Property taxes                      | \$ 50,000               | 70,166  | 20,166                                 | 46,000  | 55,422 | 9,422                                  |
| Interest                            | 3,000                   | 5,614   | 2,614                                  | 2,616   | 4,174  | 1,558                                  |
| Other                               | 0                       | 4       | 4                                      | 0       | 0      | 0                                      |
| Total Receipts                      | 53,000                  | 75,784  | 22,784                                 | 48,616  | 59,596 | 10,980                                 |
| DISBURSEMENTS                       |                         |         |  |         |        |  |
| Funding for services                | 30,000                  | 26,104  | 3,896                                  | 29,380  | 17,596 | 11,784                                 |
| Client transportation               | 0                       | 0       | 0                                      | 1,500   | 385    | 1,115                                  |
| Office expenditure                  | 3,000                   | 524     | 2,476                                  | 3,000   | 1,680  | 1,320                                  |
| Funding for equipment               | 20,000                  | 19,308  | 692                                    | 18,000  | 10,900 | 7,100                                  |
| Total Disbursements                 | 53,000                  | 45,936  | 7,064                                  | 51,880  | 30,561 | 21,319                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 29,848  | 29,848                                 | (3,264) | 29,035 | 32,299                                 |
| CASH, JANUARY 1                     | 84,269                  | 84,269  | 0                                      | 55,234  | 55,234 | 0                                      |
| CASH, DECEMBER 31                   | \$ 84,269               | 114,117 | 29,848                                 | 51,970  | 84,269 | 32,299                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

|                                     |    | Year Ended December 31, |        |                       |        |        |                       |
|-------------------------------------|----|-------------------------|--------|-----------------------|--------|--------|-----------------------|
|                                     |    | 1999                    |        |                       | 1998   |        |                       |
|                                     |    |                         |        | Variance<br>Favorable |        |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual | (Unfavorable)         | Budget | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |        |                       |        |        |                       |
| Charges for services                | \$ | 2,000                   | 2,983  | 983                   | 2,000  | 2,200  | 200                   |
| Total Receipts                      |    | 2,000                   | 2,983  | 983                   | 2,000  | 2,200  | 200                   |
| DISBURSEMENTS                       |    |                         |        |                       |        |        |                       |
| Law Library                         |    | 3,000                   | 394    | 2,606                 | 2,000  | 1,259  | 741                   |
| Total Disbursements                 |    | 3,000                   | 394    | 2,606                 | 2,000  | 1,259  | 741                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (1,000)                 | 2,589  | 3,589                 | 0      | 941    | 941                   |
| CASH, JANUARY 1                     |    | 3,532                   | 3,532  | 0                     | 2,591  | 2,591  | 0                     |
| CASH, DECEMBER 31                   |    | \$ 2,532                | 6,121  | 3,589                 | 2,591  | 3,532  | 941                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit T

DEKALB COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Interest                            | \$ 2,690 | 10,198        | 1,680   | 3,099  | 1,419         |  |
| Other                               | 0        | 20            | 0       | 0      | 0             |  |
| Total Receipts                      | 2,690    | 10,218        | 1,680   | 3,099  | 1,419         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Circuit Clerk                       | 3,700    | 4,753         | 3,000   | 3,645  | (645)         |  |
| Total Disbursements                 | 3,700    | 4,753         | 3,000   | 3,645  | (645)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,010)  | 5,465         | (1,320) | (546)  | 774           |  |
| CASH, JANUARY 1                     | 3,419    | 3,419         | 3,965   | 3,965  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,409 | 8,884         | 2,645   | 3,419  | 774           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

DEKALB COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL USE TAX FUND

| Year Ended December 31,             |            |           |  |
|-------------------------------------|------------|-----------|--|
| 1998                                |            |           |  |
|                                     | Budget     | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |           |  |
| Interest                            | \$ 11,500  | 4,721     | (6,779)                                |
| Total Receipts                      | 11,500     | 4,721     | (6,779)                                |
| DISBURSEMENTS                       |            |           |  |
| Other                               | 0          | 18,471    | (18,471)                               |
| Transfers out                       | 0          | 197,521   | (197,521)                              |
| Total Disbursements                 | 0          | 215,992   | (215,992)                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 11,500     | (211,271) | (222,771)                              |
| CASH, JANUARY 1                     | 211,271    | 211,271   | 0                                      |
| CASH, DECEMBER 31                   | \$ 222,771 | 0         | (222,771)                              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

DEKALB COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDS GRANT FUND

|                                     | Year Ended December 31, |         |  |
|-------------------------------------|-------------------------|---------|--|
|                                     | 1998                    |         |  |
|                                     |                         |         | Variance<br>Favorable<br>(Unfavorable) |
|                                     | Budget                  | Actual  |  |
| RECEIPTS                            |                         |         |  |
| Intergovernmental                   | \$ 0                    | 0       | 0                                      |
| Total Receipts                      | 0                       | 0       | 0                                      |
| DISBURSEMENTS                       |                         |         |  |
| Transfers out                       | 1,576                   | 1,576   | 0                                      |
| Total Disbursements                 | 1,576                   | 1,576   | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,576)                 | (1,576) | 0                                      |
| CASH, JANUARY 1                     | 1,576                   | 1,576   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 0       | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

DEKALB COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of DeKalb County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Multi-County (ACCD) 911 Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Election Fees Fund for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Law Enforcement Training Fund            | 1999                            |
| Prosecuting Attorney Delinquent Tax Fund | 1999                            |
| Nursing Home Sales Tax Fund              | 1999                            |
| Recorder's User Fees Fund                | 1999                            |
| Prosecuting Attorney Bad Check Fund      | 1998                            |
| Sheriff's Calendar Fund                  | 1998                            |
| Cemetery Trust Fund                      | 1998                            |
| Local Use Tax Fund                       | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 1999 and 1998, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Of the county's bank balance at December 31, 1999, \$100,000 was covered by federal depositary insurance and \$1,677,413 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

The Multi-County (ACCD) 911 Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the Board's custodial bank in the Board's name.

The Senate Bill 40 Board's deposits at December 31, 1998, were entirely covered by federal depositary insurance.

Of the Senate Bill 40 Board's bank balance at December 31, 1999, \$100,000 was covered by federal depositary insurance and \$15,677 was uninsured and uncollateralized.

Schedule



DEKALB COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Follow-Up on Prior Audit Findings

DEKALB COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## SECTION ON OTHER MATTERS

## DEKALB COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of DeKalb County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated December 5, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of DeKalb County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### Senate Bill 40 Board

The board does not have written contracts with some organizations that receive funding. Contracts should specifically address how funds are to be used, applicable bidding requirements, and clarify asset ownership. The board does not have a written depositary agreement with its bank as required by state law. As a result, the board's bank balances in excess of FDIC coverage (\$100,000) were not covered by collateral securities.

The board treasurer does not always maintain a checkbook balance or prepare complete and accurate bank reconciliations. Various financial records of the board, including the December 1999 bank statement and invoices to support several expenditures, could not be located.

This Letter on Other Matters is intended for the information of the management of DeKalb County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**AUDIT OF  
CHILD ABUSE AND NEGLECT  
REPORTING AND RESPONSE SYSTEM**

From The Office Of State Auditor  
Claire McCaskill

Report No. 2000-132  
December 28, 2000

The child abuse and neglect hotline system could be more effectively managed. Children are at risk because quality control systems are not effective and in some instances are non-existent.

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

PERFORMANCE AUDIT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

***Concerned citizens seeking protection for at risk children through the child abuse and neglect hotline cannot always depend on the results.***

---

Our office began auditing the hotline system run by the Division of Family Services after two boys died from abuse, despite at least 11 hotline calls about possible neglect - including an incorrectly categorized call just before their deaths. Our staff focused on determining how the system received, reviewed and resolved hotline calls. The audit tested decision making processes, tracked actions taken and studied the outcomes.

Our review showed that while many calls are properly handled, ineffective oversight by top managers leaves many children in danger of further mistreatment. Our findings fall into two major issues: overall quality control and investment in field staff. Without an adequate monitoring system, managers could not detect problems when they occurred and, in some cases, ignored detected problems. Managers also did not adequately support their field staff, which contributed to low morale and high turnover. The following highlights our findings:

**Inconsistent decision making**

Our tests showed that field staff did not make consistent decisions about hotline calls. We presented a series of calls to several workers and received varying responses. The workers were requested to decide if the calls met abuse or neglect criteria and if so to classify them for either investigation or family assessment. In our test, we included two calls made on behalf of three children who died and found 83 percent of those tested chose a different action than was chosen by the workers who originally handled those cases. In a call of a mother forcing an 8-year-old to breast feed which was not accepted by the original call taker, all those tested said it should have been accepted as a child abuse and neglect report or referral for services rather than an unable to investigate case, which it was. We proposed a decision making model that leaves less room for inconsistencies and worker judgment. (See page 4)

**Calls incorrectly classified**

Of the 95,000 calls received in 1999, call takers determined one quarter of them could not be investigated, which means no action occurred. But our audit showed many calls are incorrectly classified. In our small sample, we found 50 incorrectly categorized calls. We presented these cases to DFS officials in May 2000 to give the children another chance at protection, but officials only agreed with our reassessment on one case and took no action on the rest. One of our examples included an inadequately clothed boy locked outside his home on a cold day. The hotline manager defended the decision with: "Let's face it, 38 degrees isn't going to kill anyone." (See page 6)

YELLOW SHEET

Our review of these uninvestigated calls showed hotline workers did not always indicate if they checked for previous reports of abuse and did not fully document the call on the manual worksheet. In addition, supervisors approving the categorization of these calls never listened to the taped calls to monitor a call taker's judgment. Finally, once a call is considered unable to investigate, usable records of the call are destroyed within two months. (See page 9)

### **Reports of abuse ignored**

There is no assurance that the county offices will act on calls referred to them by the hotline unit. We found 33 calls in three months that received no action because the county staffs never pulled the call off the automated referral system. We could not determine the historical magnitude of this problem because the automated system only displays calls for a 3-month period. DFS officials have since tried to correct this issue. (See page 11)

### **Nearly half substantiated calls overturned**

During 1999, the child abuse review board overturned on appeal 40 percent of all investigations substantiating probable abuse. The review board cited poor case management as the reason for 26 percent of the overturned cases. DFS has known of the high overturn rate for at least four years and hired an employee to create a better case-management plan, but then ignored the employee's suggestions. (See page 13)

### **More investment in staff needed**

The DFS Central office has not fully supported the field staff which suffers from low morale and high staff turnover and as a result cannot complete tasks within deadlines or have confidence in their decision-making. We attribute these problems to low pay, inadequate equipment, and training.

Missouri ranks 45<sup>th</sup> in the nation on basic pay and offers only a 4 percent raise for promotion to supervisor, which is nearly one third less than what four surrounding states offer. There is also no pay differential for staff obtaining a Master's degree or professional licensing. (See page 26) Workers are inefficient due to inadequate equipment, such as some workers having to type or handwrite their reports due to a lack of computers. (See page 29) And all employee levels, from workers to supervisors, shared concerns about the adequacy of training and lack of guidance. In fact some directors, with background in Income Maintenance not Children Services, said they were uncomfortable supervising social workers. (See page 31)

We realize that the role of DFS staff in receiving and processing hotline calls and cases is very difficult. We also realize that no one in DFS wants a child at risk to remain at risk. For this realization to remain true, senior managers need to take a more proactive role in managing the organization and institute effective quality controls. Our recommendations offer some simple mechanical steps to meet this goal.



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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Roger Wilson, Governor  
and  
Steve Renne, Acting Director Department of Social Services  
and  
Denise Cross, Director Division of Family Services

The State Auditor's Office audited the Department of Social Services Division of Family Services' (DFS) child abuse and neglect hotline reporting and response system. The impetus for this audit came from the public outcry over some high profile abuse/neglect cases. My office received numerous calls expressing great concern over the plight of abused or neglected children in many locations over the state.

The purpose of the audit was to determine if hotline calls that alleged child abuse and neglect were properly received, documented, and referred to the appropriate local DFS city or county office; whether those offices made certain the child or children were adequately protected and the calls were handled in accordance with the Missouri statutes, Code of State Regulations, and division policy. The audit included a review of operations of the central Child Abuse/Neglect Hotline unit and the subsequent follow-up handling of abuse and neglect cases in local DFS offices.

We concluded the child abuse and neglect hotline response system was not effectively managed and some children were unnecessarily left at risk. Quality control systems were not effective and in some instances were non-existent. Senior managers in the DFS need to take a more proactive role in managing the hotline and child abuse/neglect system.

We also determined the DFS Central Office has not been as supportive of field staff as they need to be. Field staffs are expected to carry unreasonable workloads while at the same time they have not received competitive salaries, modern tools, and training that could alleviate some of their burden. DFS officials generally agreed with most of the recommendations and provided acceptable implementation dates. Some responses were not clear and they will be followed up on during our followup process.

Claire McCaskill  
State Auditor

August 30, 2000 (fieldwork completion)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | William D. Miller, CIA |
| Audit Manager:      | James Helton, CPA,     |
| In-Charge Auditor:  | Christina Davis        |
| Audit Staff:        | Patrick T. Devine, CPA |
|                     | Scott Evans            |
|                     | Stacy Griffin          |

## **RESULTS AND RECOMMENDATIONS**

### **1. Child Abuse and Neglect Cases Can Be Better Managed to Ensure Children Are Protected**

The decentralized, reactive management style of the Division of Family Services (DFS) did not ensure that child abuse and neglect hotline calls would be processed properly and meet the need to adequately protect each at risk child. Audit tests disclosed:

- The decision to accept a child abuse and neglect report as an investigation or family assessment was not consistent among DFS social workers.
- Hotline staff decided not to accept child abuse and neglect reports when they should and could have referred allegations to local offices for investigation or other services.
- Hotline calls forwarded to field locations were not always reviewed or acted on.
- Substantiated hotline cases were overturned on appeal because they were not properly prepared or presented.
- Children's services were cut back or denied because field staff were told to reduce costs.

These conditions occurred because DFS management did not take a proactive approach to evaluating major elements of the hotline decision-making process. Quality control systems did not work properly or were nonexistent in some management processes. In some instances, no action was taken to correct problems that were disclosed. More guidance and supervision was needed to assist field level social workers in making consistent decisions and developing cases. As a result, some children did not receive the services or protection they were entitled to and there is no assurance that child abuse and neglect decisions are correct or will be appropriate.

#### **The DFS is responsible for handling Child Abuse and Neglect Hotline calls**

The DFS Children's Services personnel receive calls reporting child abuse and neglect and determine how to respond by evaluating the information received, performing an investigation if necessary, and documenting the circumstances found. If needed, appropriate services intended to prevent future incidents of abuse or neglect are initiated.

*(See Appendix III, page 45, for a more detailed description of the Child Abuse and Neglect System process.)*

The DFS receives a very high volume of calls. Calls are received from private citizens, mandated reporters,<sup>1</sup> family members, and non-caretakers. Call takers classify calls in various

---

<sup>1</sup> Mandated reporters are required by law to call the child abuse hotline if they see evidence of child abuse and neglect. Examples of mandated reporters are school officials, law enforcement, nurses, doctors, day care workers etc.

categories of which the large majority are classified as either child abuse and neglect reports, mandated reporter referrals, or unable-to-investigate calls and to a lesser extent, new born crisis, non caretaker, or preventive service referrals.

In order for a call to be classified as child abuse and neglect, it must meet the following criteria:

- The child is under age 18.
- The alleged perpetrator has care, custody, and control of the child.
- The alleged abusive or neglectful treatment is having an adverse effect on the child.
- The report meets the definition of abuse/neglect described in state statutes.

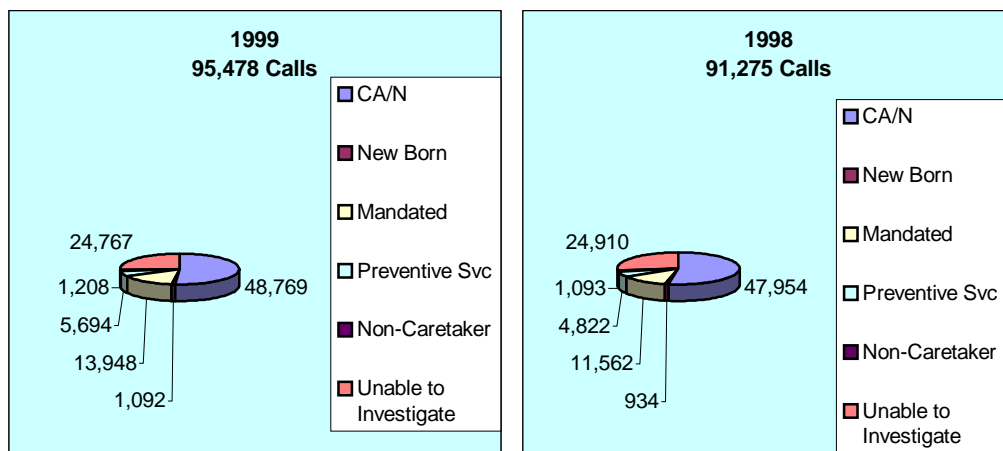
In instances when the call taken by the hotline unit does not meet either child abuse and neglect or referral criteria or if no identifying information can be obtained, the information is coded unable to investigate.

There are two types of newborn crisis referrals--drug-involved and non-drug-involved. For drug-involved referrals the new born must show signs and symptoms of drug/alcohol. For non-drug-involved referrals there must be allegations of potential serious risk of abuse/neglect upon release of the newborn from the hospital.

Non caretaker referrals result from calls from persons other than mandated reporters identifying possible abuse or neglect where the alleged perpetrator has no care, custody, or control of the child.

Preventive Service Referrals result from calls made by persons other than mandated reporters where actual abuse or neglect has not yet occurred, but where the actions of the child, caretaker, another juvenile or adult demonstrates the need for intervention and possible service delivery to prevent child abuse and neglect from occurring.

The number and classifications of hotline calls received during 1999 and 1998 are shown below:



## DFS staff need help to make consistent decisions on case handling

Audit tests revealed that given the same case situations, local office personnel would choose varying responses. We asked 17 local social workers to read documentation of 5 actual hotline calls to determine, using available policy and resources, whether the allegations met child abuse and neglect criteria and if so to classify for either the Family Assessment<sup>2</sup> or Investigation track. The following table discloses test results that identify inconsistencies in the responses received from the workers in the test and workers who handled the actual calls.

| Number of social workers who categorized cases as |                   |               |       |       |                                |
|---|-------------------|---------------|-------|-------|--------------------------------|
| Case No   | Family Assessment | Investigation | Other | Total | Actual Result                  |
| 1   | 3                 | 11            | 0     | 14    | Family Assessment <sup>3</sup> |
| 2   | 2                 | 15            | 0     | 17    | Family Assessment              |
| 3   | 7                 | 9             | 1     | 17    | Unable to Investigate          |
| 4   | 17                | 0             | 0     | 17    | Family Assessment              |
| 5   | 8                 | 9             | 0     | 17    | Family Assessment              |

- Case number three was actually classified as unable-to-investigate (no action taken to protect child), by the hotline unit while all the test workers believed it met child abuse and neglect or referral criteria and most thought it should have been classified as an Investigation. This call reported a mother who was forcing her 8-year old child to breast-feed nightly. We brought the lack of action on this case to the attention of the Child Abuse and Neglect Hotline Unit (hotline unit) and DFS Central Office on May 18, 2000, but they declined to take any action to protect the well being of this child. This denial is a reflection of problems with categorizing cases as unable to investigate when something could have been done. We discuss this problem on page 6 of this report.
- Three children in cases one and two died as a result of abuse and/or neglect within months of being incorrectly classified and handled by DFS as Family Assessment cases. While most workers participating in the test correctly classified and screened these two hotline reports as Investigations, the deaths lend a tragic emphasis to the problems of inconsistency in decision making on DFS cases.

Three  
children  
died

In order to gain an understanding of why decisions varied significantly, we reviewed training procedures and supervisory practices, queried social workers, participated in a walk-through of an actual call, and examined decision-making systems used in other states. We determined that the basic training was satisfactory but field workers were confused in some cases about when or when not to use the Family Assessment track. Additionally, differences in decision making from one case to another and from one social worker to another occurred because social workers could

<sup>2</sup> The two-track system (family assessment/investigation) provides the social worker the flexibility in determining whether to bring law enforcement in or to counsel the family. Investigations are ordered when the social worker feels there is a high likelihood that some abuse or neglect has occurred. These require law enforcement involvement. Family assessments allow the social worker to determine what type of services including counseling, parenting classes etc. might help the family overcome their problems in handling children.

<sup>3</sup> One case was not given to some workers because they were aware of the case.

exercise considerable judgment in their decision-making. Other states developed useful decision making tools that would help social workers make better and more consistent decisions.

## **Structured Decision Making Model**

The National Council on Crime and Delinquency established The Children's Research Center to help federal, state and local child welfare agencies reduce child abuse and neglect by developing case management systems and conducting research that improves service delivery to children and families.

A structured decision model would help

According to the Children's Research Center published materials, the National Council was established in 1907 to perform a similar role for private and public agencies serving delinquent children. The National Council branched out to Children's Protective Services after successful completion of a risk assessment model for Alaska's delinquent population by devising a system to provide the same structure for Alaska's Children's Protective Service program.

Approximately 12 states have implemented some elements of the structured decision model approach. The model is a system of several basic components used to structure the decision-making process for Children's Protective Services. At the heart of the system is a series of tools used to assess families and structure the agency response to them. The following tools are used at multiple decision points, ranging from call intake to family reunification:

- Response Priority--A decision system to guide whether a call should be accepted or not and how quickly investigative staff should respond to a report alleging child abuse/neglect.
- Safety Assessment--To determine the threat of immediate harm and identify steps needed to protect children.
- Risk Assessment--A research-based system to estimate the likelihood of future abuse/neglect.
- Family and Child Strengths and Needs Assessments--Assessments to guide service planning.
- Reassessments--Safety, risk and needs are reassessed periodically to determine the need for changes in service levels and/or changes in permanency planning.
- Service Levels--The service levels and associated standards are designed to ensure that staff time and attention is concentrated on those families at the highest levels of risk and need.
- Workload Management--A workload measurement and accounting system for determining the number of child welfare staff needed to allocate the workload equitably among staff.

- Management Information--A process of using aggregate family assessment data, agency response/decision data and workload data to assist managers in planning, monitoring, budgeting and evaluation.

The objectives of the model are:

1. To introduce structure to critical decision points in the child welfare system.
2. To increase the consistency and validity of decision making.
3. To target resources to families most at risk.
4. To improve the effectiveness of Child Protective Services.

Our audit work included research into other states that have implemented elements of the model. This research led us to visit Michigan because that state has used the model longer than most other states. While in Michigan, we discussed the model with State officials, several local front line workers having varying levels of experience and length of service, front line supervisors, and County Administrators from two different counties. In those discussions, workers gave varying responses depending upon their level of experience as to the helpfulness of the model, but most agreed it was especially helpful as a learning tool for inexperienced workers serving to guide them in making difficult decisions. Everyone we interviewed stated that the model should be retained and thought it was a better system than other systems they had experienced.

### **Quality controls could be improved**

The DFS should have more effective oversight systems to ensure child abuse allegations are reviewed and appropriate actions are taken. DFS relies more on supervisory reviews and signature systems rather than proactive review and oversight of program activities. As a result, central office staff is not aware of problems or do not take effective corrective action when problems are known.

### **Calls could have been referred for local action but were classified as unable to investigate by the hotline unit**

The hotline unit tape records all calls received. Our audit found that the hotline unit categorized calls as “Unable-To-Investigate” when the calls actually met child abuse and neglect or referral criteria, leaving children at risk. The hotline unit classifies approximately 25 percent of all calls as unable-to-investigate. There were 1,757 and 1,880 calls classified unable-to-investigate in December 1999 and January 2000 respectively. To evaluate the hotline unit’s handling of unable-to-investigate calls we tested 6 percent of the December 1999 calls and all of the January 2000 calls. We concluded that 50 of the unable-to-investigate calls tested (3%) were incorrectly classified as unable-to-investigate and some action should have been taken. *(See Appendix III, page 51, for a more detailed description of unable-to-investigate classification and Appendix VI page 61, for detailed test results).*

The following are examples of calls incorrectly classified:



- The caller alleged that the parents of a 9-year old girl beat her with a broken hockey stick. The call taker said the case would be considered a child abuse and neglect case if a prior call could be found with the address for the victim. No action was taken. We found the victim's address in a prior report in the hotline system. The child continued to be at risk.

Girl allegedly beaten with broken hockey stick

- The caller and his friends observed a 5-year old child screaming, "Mommy, Mommy, let me in, it's cold out here!" The caller said the temperature was 38 degrees and he was concerned because the child had been outside for up to 1 hour in only a short sleeve T-shirt, thin pants, and socks. The caller stated he and his friends, in spite of wearing coats and heavy clothing, were still cold. The caller reported that the child's mother told him she was punishing the child. The call taker told the caller the hotline could not do anything because the incident did not meet the 1-hour "lock out law." (Being locked out for over an hour.) A supervisor told us that this case did not meet the criteria for child abuse and neglect because the call taker could not be certain that the door was locked. Our audit disclosed that there is no "lock out law," the wind chill at that day and time was 16 degrees, and the hotline unit manager was not concerned with this case. He stated in response to our concern, "Let's face it, 38 degrees isn't going to kill anyone."

Inadequately clothed child left out in cold

- A mandated reporter (psychologist) stated that a 12-year old boy revealed in a therapy session that his friend's parents punished his friend by keeping him in a cage 5' high and 9' wide. The reporter could only give the victim's first name, age, and school. The call taker did not pursue the call because the caller did not identify the victim's last name or address. Our audit disclosed that this call could have been referred to the local county office, which could have contacted the school and obtained such information.

Boy alleged to be locked in cage by his parents

- The caller stated a mother and 3 children under the age of five were living in a filthy apartment. Human feces and rotten, molded laundry covered much of the floor the last time the caller went to the home a few months prior. At that time, the caller and others had to wear masks to enter the home due to the strong odors. Ten days before the reporter called in, fumigators refused to spray the apartment because of the odors. The call taker dismissed the call because the caller could not confirm if the condition existed within 1 or 2 days of the call. The hotline received a repeat call a few days later and a different call taker determined that the condition had existed within the last week before the call and referred the case to the local office for review.

Family is living in filthy conditions

All of the questions we posed on the 50 cases were presented to DFS executive and management officials in May 2000 when we discovered them in an attempt to make sure the children had another chance for protection. We presented them again 2 months later. At the first presentation, these officials assured us that they would look into each case because they were concerned that children were still at risk. At the second presentation, the officials acknowledged that they agreed with only 1 of the 50 cases and never took action on the rest. The above examples are typical of all 50 cases we questioned. These examples demonstrate that at least a referral for preventive services could have been made. For each case, children are still at risk.

DFS officials  
choose not to  
respond

**Call takers and supervisors should be more diligent in documenting and reviewing calls before categorizing as unable-to-investigate**

The hotline unit call takers did not document on the unable-to-investigate worksheet whether they had checked DFS records for prior child abuse and neglect calls or Referrals for the child's family on 288 of 882 (33%) calls tested. Prior child abuse and neglect calls and referrals are important because they could indicate a family history of abuse or neglect and that the current allegations should be checked out. Prior records could also provide addresses or other needed information the current caller cannot provide, raising the priority of the call from an unable-to-investigate to a child abuse and neglect or Referral. We located prior records for 140 of 333, or 43 percent of all calls tested (the 288 mentioned above and 45 others we questioned). In all 140 instances, the call takers either did not document that they checked for priors or documented fewer prior records than we found.

Not enough is  
done to ensure  
that cases are  
reviewed

From listening to the tape recordings of these unable-to-investigate calls, we noted that hotline unit call takers do not always fully document the call on the unable-to-investigate worksheet, often omitting pertinent information. One call taker did not put any narrative on the majority of her unable-to-investigate worksheets. This omission made it impossible for the supervisor to review the allegations of the call (which supervisors are required to do) to approve the decision. Even so, the supervisor signed off on all the worksheets.

We also noted in 18 of 331 unable-to-investigate calls tested, the reporter called again, gave the same information to a different call taker, and the second call taker classified the case as either a child abuse and neglect report or Referral. This further supports that the initial calls should not have been classified unable-to-investigate.

The causes for improperly categorizing calls as unable-to-investigate may be attributed to a policy in the hotline unit that too narrowly interprets what can be referred for review, the lack of attention by unit supervisors, the lack of thorough review of prior records by call takers, and the lack of a quality control system to detect problems.

### **Hotline unit personnel narrowly interpreted procedures unnecessarily**

According to the hotline unit manager, calls are categorized as unable-to-investigate when they do not meet the criteria for child abuse and neglect, various special referral categories, or 11 specific criteria for preventive service referrals. Our review of this policy disclosed that it is not an effective management tool and it causes calls to be improperly dismissed. For example, a caller could allege that a child is going from door to door begging for food, or that there are drug activities in a child's home and the hotline unit would not consider making a referral for preventive services. The 11 criteria for referral to preventive services were not meant to be exclusive for any case. In fact, the DFS Investigative Manual and guidance provided by DFS Training and Policy personnel confirm that these 11 criteria are not the only criteria to consider when deciding if preventive service is needed.

DFS trainers and policy specialists stated the 11 situations listed in the manuals are only the more severe examples and are not the only situations that should be considered appropriate for preventive service. Preventive services are intended to prevent child abuse or neglect from occurring. According to the DFS training supervisor a preventive service referral is any call where no specific incident of abuse or neglect has occurred, but the caller has concerns for the family.

### **Unable-to-investigate calls are not included in the hotline unit quality control system and the limited quality control placed on these calls is not effective**

Hotline unit senior officials advised that incoming calls received are subject to random supervisory check. This check includes reviewing documentation by the call taker and listening to the tape recordings of the calls to ensure that they are satisfied with the call taker's response. This quality control measure assures the officials that they can identify judgment errors or identify staff training needs.

However, once a call is categorized as an unable-to-investigate call, the only quality control measure used is the supervisor's signature, which signifies agreement that it is an unable-to-investigate call. Audit results disclosed that supervisors never listen to the tape recordings of the calls, and do not know that information recorded on the unable-to-investigate worksheets is incomplete. This is troubling because the unable-to-investigate call is the most vulnerable to judgmental error and the impact of the error is to do nothing for the endangered child. The implication of the terms "unable-to-investigate" is that the call cannot be investigated—there is some missing information that does not allow the call taker to take action. However, as discussed previously, this is not the case. Call takers are making judgments based on narrow interpretations of policies that could and have led to making inappropriate decisions.

Unable to investigate or won't investigate?

Review of the hotline unit monthly and yearly production reports for calendar year (CY) 1999 indicated that although the hotline's average unable-to-investigate calls are 25 percent of total calls received, some call takers had unable-to-investigate average percentages as low as 11 and as high as 50. Hotline unit management should have

discovered these inconsistencies when reviewing the monthly production reports. These reports could help identify workers who need more training or call takers who need more management monitoring.

Our 2-month review of unable-to-investigate calls, previously discussed, identified that workers who unjustifiably categorized multiple calls as unable-to-investigate often had above average unable-to-investigate percentages:

- A new call taker who was in her first month made multiple errors on unable-to-investigate calls and she classified 48 percent of her calls as unable-to-investigate. This high rate suggests there is reason for concern about the adequacy of the hotline unit training program and/or the adequacy of supervisory monitoring of the new workers.
- One experienced call taker has categorized 50 percent of the calls received as unable-to-investigate for the last 3 years. At one point in CY99, this call taker's percentage of unable-to-investigate calls was 60.
- The call taker who failed to document a narrative for most of her unable-to-investigate calls also had multiple errors on our 2-month unable-to-investigate review and classified an average of 35 percent of all her calls in CY99 as unable-to-investigate.

The record keeping system for unable-to-investigate calls is not currently conducive to effective quality controls and needs to improve. There are no tape or manual records of unable-to-investigate calls after 6-months and all written records are destroyed after 60 days. Manual unable-to-investigate worksheets are not filed in an easily retrievable manner and are destroyed after 60 days, leaving no written record of the call. Although the tape recordings of these calls are retained for 6 months, they are not easily retrievable without the worksheet, so the tapes are only useful for 60 days. After 6 months, the tapes are erased and there are no records of the calls.

Quality control is not effective

Better quality control would include (i) retaining all documentation of unable-to-investigate calls for the same period as other calls, (ii) ensuring documentation of the call on the worksheets is complete, (iii) reviewing production reports to identify problem areas, (iv) trending of calls to determine how many are received on the same victim (whether or not they were categorized as unable-to-investigate), and randomly listening to tape recordings of unable-to-investigate calls to ensure call takers and supervisors made the appropriate decisions. Additionally, we found that one state compiles unable-to-investigate calls and refers the victim to the county office for review after three unable-to-investigate calls with similar allegations from different sources are received. A similar system would be helpful and would serve as a final check on the quality of the unable-to-investigate decision.

**Children were left at risk because local offices did not always act on child abuse and neglect reports and Referrals from the hotline unit**

There is no assurance that the county offices will act on calls referred to them by the hotline unit. In February 2000 we visited a field office to review local abuse report handling. One referral we asked to review had not been retrieved from the automated referral system and no action had been taken even though the office received the referral nearly 3 months earlier. The office did not know about this call until our request. To determine the extent of the problem, we checked for similar delayed handling in other counties for the 3-month period of December through February.

Reports of abuse were ignored

We found 33 calls in the 3 months that received no action because the county staffs never retrieved the calls from an automated referral system. We also found 10 calls that remained on the automated referral system for up to 7 days or more before being retrieved for action. Such inaction left some of the children listed in these calls at risk. Many children may have been similarly ignored in the past, but because the automated referral system only displays calls for a 3-month period, there is no way to determine the historical magnitude of this problem. Our audit also found that DFS officials could have identified these unretrieved calls by reviewing monthly overdue listings and following up on cases more than 1 month old. Adequate review would have detected the child abuse and neglect reports not taken off the automated referral system for action.

In response to these problems, DFS management issued corrective policy to their staff during June 2000. However, managers did not monitor if the staff followed the new policy. To ensure the corrective action worked, we again reviewed the automated referral system in August and found another 27 referrals that were not retrieved in the 3 months from May 1<sup>st</sup> through July 31<sup>st</sup>.

Initial DFS corrective action not effective

During September 2000, the DFS responded to our second review

- indicating that 4 of the 27 incidents still on the automated referral system on our August review had not been acted on by the local office until we brought this to their attention, and
- outlining a new corrective action plan that included periodic Central Office monitoring that may address these problems.

**Inconsistencies and errors in case handling at field offices could be improved by initiating quality control and peer review programs**

The lack of adequate, systemwide quality controls or peer review programs prevented DFS management from identifying inconsistencies and errors noted during our field visits and case handling reviews.

During our audit we visited five field offices to review case processing activities for appropriateness and consistency with policy. We interviewed both Area and county front-line and administrative personnel to ensure we understood how each office applied the various DFS policies and procedures. We reviewed case files to evaluate policy compliance. Audit tests disclosed:

- Required supervisory review and approval was not done or was not documented on 30 percent of 181 cases reviewed.
- Child contact was not initiated within 24 hours as required on child abuse and neglect reports for 11 percent of 187 cases reviewed.
- Required notification to involved parties that investigations were going to take over 90 days to complete was not sent in 40 of 40 (100%) delayed cases reviewed.
- Required risk assessment forms were not completed for 20 percent of the 35 investigations reviewed.
- Case files contained no record of sending the required perpetrator notification of the right to appeal in 9 of 95 affected cases.

The DFS needs to implement adequate quality controls or peer review systems to ensure case handling errors or policy noncompliance by field offices are identified and corrected.

#### **The Child Abuse and Neglect Review Board overturned substantiated findings**

During state Fiscal Year (FY) 99, the review board overturned on appeal 40 percent of all investigations substantiating probable abuse. (*See Appendix III, page 48, for a more detailed description of the review board appeal process.*) The cases reviewed and overturned by the review board in FY 99 and FY00 are shown below:

| <i><b>Fiscal Year</b></i> | <i><b>Number Reviewed</b></i> | <i><b>Number Overturned</b></i> | <i><b>Percent</b></i> |
|---------------------------|-------------------------------|---------------------------------|-----------------------|
| <b>1999</b>               | 301                           | 119                             | 40                    |
| <b>2000 (9 Mo)</b>        | 185                           | 58                              | 31                    |

Audit tests disclosed that the review board cited poor case management as the reason for 26 percent of the overturns of cases in FY 1999. The review board defined poor case management as

- incomplete interviews with child abuse victims,
- incomplete interviews with collateral witnesses,
- failure to collect available documentation or evidence to support allegations,

- improper investigation procedures,
- incomplete reports,
- poor question formulation in interviews,
- poor writing skills, and
- poor case presentation skills.

The DFS has been aware of these investigation problems for at least 4 years. They hired a former review board member in 1996 as an employee to study cases brought to the review board to determine how the cases could have been better managed. The former board member reviewed 250 case appeals and attended review board hearings for 18 months. The employee provided four memos from August 1996 to January 1998 to the former DFS Director outlining her findings and suggestions for decreasing the number of overturns due to poor investigations. She suggested that workers receive specialized case investigation and presentation training. She recommended that DFS officials notify DFS workers when a finding is overturned and describe the deficiencies causing the overturn. She stressed the need for supervisory involvement to help ensure the deficiencies were corrected.

DFS  
executives  
ignored  
suggestions

On January 22, 1998, the former DFS Director responded that nothing could be done. As a result, 5 years have elapsed and the same problems are occurring—high overturn rates and no action to remedy the causes. The former review board member, out of frustration, accepted a different job opportunity with the Department of Social Services.

Our review of overturned cases and discussions with review board members and DFS employees revealed the following:

- **DFS did not correct 14 instances of overturned probable cause findings in the computer record system.** As a result, the name of the alleged perpetrator remained on the abuse registry, which can subject DFS to litigation, and it is unfair to the alleged perpetrator.
- **DFS was not represented at 22 of 465 (5%) hearings during 1999 and 2000.** In instances when DFS was not represented at the hearings, the review board overturned the finding decision on 10 cases or 33 percent in FY99 and in 71 percent of cases during the FY00 to date (July 1999-March 2000). The failure to appear at appeal hearings to explain probable cause findings could contribute to the review board overturning the findings. In addition, state regulations require that appropriate local and area division staff and/or legal counsel represent DFS in the appeal hearings.
- **DFS only represented 1 of 33 children in state custody in appeals hearings during FY 1999 and FY 2000.** Social workers assigned to children in state custody

DFS not  
represented in  
22 appeal  
hearings



revealed they were confused as to their responsibility to represent the child in appeal hearings when an investigation has found probable cause of abuse by a foster parent or residential home worker. While the DFS is not required by law to represent the child in these hearings, it is the responsibility of the legal custodian to decide whether and by whom the child should be represented. The DFS or a Guardian ad Litum should usually represent these children in appeal hearings.

- **Notification letters to perpetrators are not sent by registered mail.** Some perpetrators requested and were granted appeal reviews from “probable cause” incidents as far back as 1995 even though under state law the alleged perpetrator only has 60 days after notification to request an appeal hearing. These late appeals occur because the DFS has no proof the perpetrator received the required notification letter sent after the original finding. If DFS sent the notification letters by registered mail as several other states do, they would have the necessary proof to prevent outdated appeal hearings.

Late appeals  
can be avoided

### **Cost reduction initiative cut Children’s Treatment Services**

Two high level supervisors told us the utilization review contributed to delays in providing services and may ultimately have been one contributor to one child’s death from abuse. The worker was considering how to obtain needed services in view of DFS management’s orders limiting children’s treatment services expenditures and using only Medicaid covered services where possible. During the time the worker was trying to locate drug counseling services the child died. At the time of the death, the delay had been over 2 weeks and although the death might still have occurred absent the children’s treatment services expenditure cutbacks, the concerns of the high level supervisors appear to be warranted.

Staff believes  
service  
cutbacks were  
detrimental

The children’s treatment services program provides for many different services to children and families, including counseling, therapy, psychological evaluations, drug screenings, and paternity testing. DFS senior managers realized in early March 2000, that if spending for these services continued at the then current rates, expenditures would exceed available funding. These senior managers ordered staff to perform a utilization review. The Central Office mandate required that every authorization for children’s treatment services be reviewed by staff above the supervisor I level, and any new service requests had to be thoroughly documented and forwarded to the Area Office for approval. All Medicaid eligible children would receive services from a Medicaid provider, thus avoiding use of children’s treatment services funds.

According to DFS management, they intended the review to ensure that Medicaid covered services would be used in place of children’s treatment services funds because of the funding limitation problem. They assured us that they did not cut essential services and have approved new authorizations if it was in the best interest of the child.



## **Front line staff and supervisors say children are going without needed services**

Although Central Office officials stated they did not intend for services to be cut or for children to go without needed services, social workers insist the message they received was to cut services, which caused some children to go without needed services. This inconsistency may be attributed to DFS' decentralized communication and management style. For example, the following are the instructions received by social workers in one office regarding the utilization review process :

“If there are children receiving children’s treatment services for therapy, they will be cut off as of March 31. Unless court has ordered you to provide a specific number or hours per week or month, cut whatever they have in half,” and in closing, “. . . it is my recommendation that you do not suggest or imply to any court official that a service will be put in place if they order DFS to pay for it. If word were to get out that you had taken such action . . . well, you can fill in your own blank.”

The concerns noted below were received from front line staff and supervisors in response to our questionnaires and discussions. These conflict with the Central Office stance that no children have been harmed by this review.

A supervisor stated:

- “DFS is no longer able to provide preventative services to children and their families. Only after the family is in serious trouble will DFS give them the services they need.”

Social Workers stated:

- “If the services were not ordered by a court or if the child could not receive services through a Medicaid provider the child was actually going without needed services.”
- “Some kids had seen a counselor for 4-5 months and then had to start seeing a new counselor who is Medicaid eligible, it was just like having the child start over.”
- “In my county there is only one Medicaid provider, and those people don’t have the needed background in child abuse and neglect like other children’s treatment services counselors, so we have no choice but to send children to these unqualified providers.”

## **Inadequate Preventive Service Referral policies leave children at risk**

The hotline unit classifies calls concerning (i) parents who abuse alcohol and drugs, (ii) children with inadequate food and hygiene, and (iii) children with inadequate shelter (those who face

eminent eviction, homelessness or utility shutoff) as unable-to-investigate instead of considering a preventive service referral or a child abuse and neglect referral. We attribute this problem to the hotline unit's narrow interpretation of DFS policy. Preventive service referrals are calls made by permissive reporters (those not mandated) where no actual abuse or neglect has occurred, but where the actions of the child, caretaker, another juvenile or adult demonstrates the need for intervention and possible service delivery to prevent child abuse and neglect from occurring.

### **Hotline unit handling of preventive service referrals:**

The DFS training and policy personnel gave us several examples of what would constitute a preventive service referral. This guidance confirmed our conclusions that DFS should not ignore calls alleging drug and alcohol use by parents, or calls claiming children begged for food. Examples include a concerned citizen who reported children in the neighborhood going around begging for food and reports of children at risk because the parent was in a drug induced stupor. Calls such as these and others should have been classified as preventive service referral and sent to county offices for review and action, instead they were classified as unable-to-investigate, which prevented any action to help the children.

DFS staff stated their opinion, which is not stated anywhere in policy, that drug and alcohol abuse is simply a “lifestyle choice” for parents and does not constitute child abuse if the child is not using. Although the act of abusing drugs and alcohol around children itself does not constitute child abuse, studies have shown that without preventive measures in many such children's lives, they are at great risk of abuse and neglect. DFS staff chooses to ignore these children until an actual act of child abuse or neglect has occurred. Waiting for the effects of these and other problems to be obviously visible is unfortunate and often comes too late for the emotional and physical well being of children.

Preventive  
services  
should be used

The only reports involving drugs and alcohol the hotline unit classifies as child abuse and neglect are those involving:

- Working Methamphetamine labs, because they pose a physical threat to the child.
- Providing drugs or alcohol for consumption to children, only if under 8 years old.
- Forcing children to sell drugs.
- Allowing children under 8 to use tobacco, drugs and alcohol because of the danger of fires or similar problems that could cause physical harm to the child.

DFS managers should expand the hotline unit criteria for accepting calls as preventive service referral and child abuse and neglect calls to include additional areas of concern such as drugs and alcohol abuse by parents, and inadequate food, hygiene or shelter. Even if the hotline unit call takers feel that calls do not meet the criteria for preventive service referrals or child abuse and neglect, they should ensure that appropriate authorities are informed in the case of drug use or sale by parents and inform callers of community services that could help children who are going without adequate food or shelter.

### **Better policy is needed to guide local office handling of preventive service referrals**

Local DFS county offices are not handling preventive service referrals consistently across the state. We attributed these inconsistencies to unclear policy guidance to local offices. Training personnel explained that local offices should see the family and use the suggested assessment techniques to get to know the family's strengths/needs and determine services that can best help the family and protect the children. Local DFS office handling of preventive service referrals varied from visiting with the family and filling out assessment forms to simply returning the reporter's call.

Policy guidance is not clear

The DFS should issue clear policy guidance for the handling of preventive service referrals and use quality control and peer review programs to ensure the policy is implemented consistently across the state.

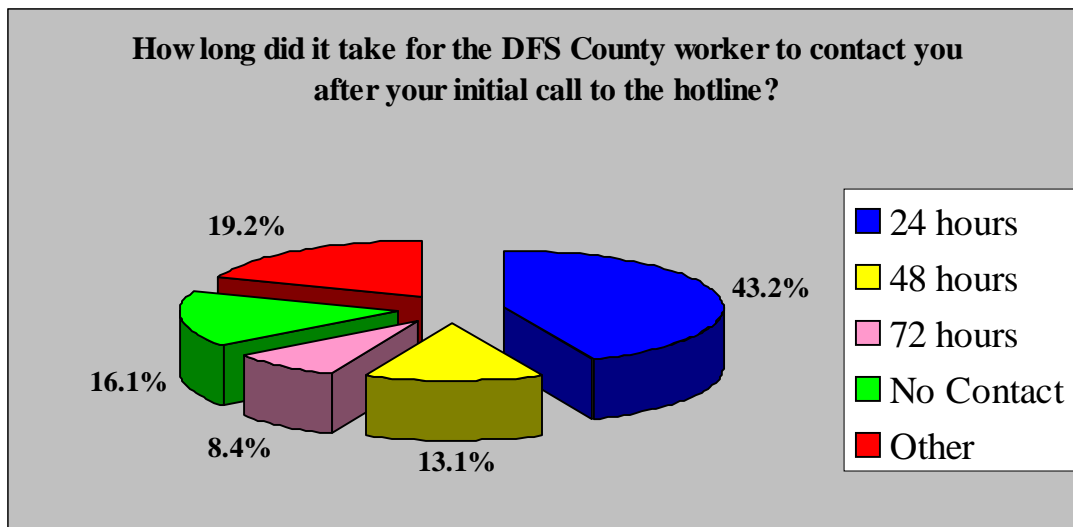
### **Mandated reporters often have a negative perception of the DFS**

We received several calls from mandated reporters during our audit where the caller expressed concern with how DFS handled their calls. Based on these calls, we conducted a survey of 1,530 mandated reporters throughout the state and confirmed that there is a perception problem with mandated reporters. This result confirms the result of DFS' own study done in August and September 1999, however DFS managers had not taken any corrective action. The DFS has contributed to this perception by:

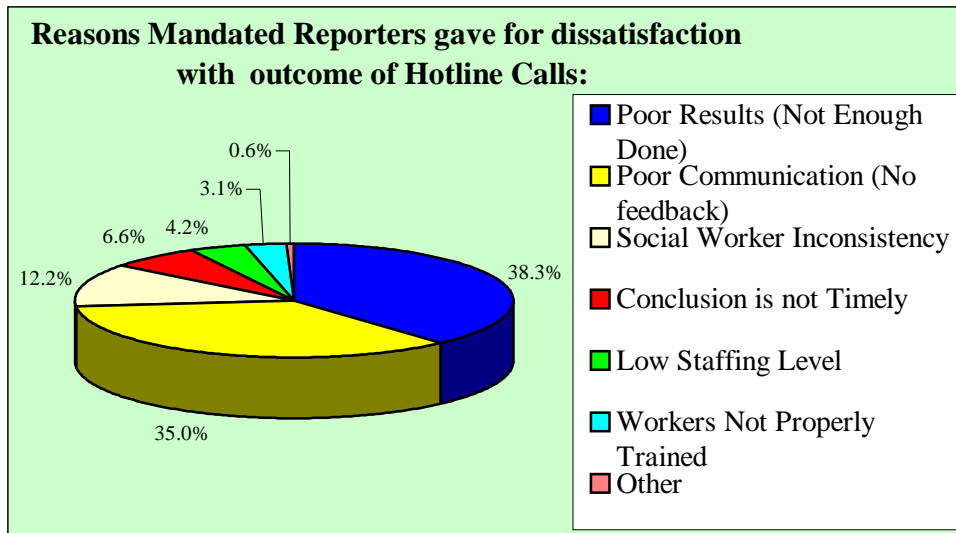
- Not contacting the mandated reporter within the required time frames for both child abuse and neglect reports and Mandated Reporter Referrals.
- Not informing mandated reporters of the outcome of their calls.
- Not providing adequate policy and guidelines for handling Mandated Reporter Referrals.
- Assuming mandated reporters are aware of the hotline system and how it works.
- Not taking steps to correct mandated reporter misunderstanding of the hotline system.

State law requires certain professionals such as physicians, nurses, teachers, and police officers having reasonable cause to suspect a child has been or may be subjected to abuse or neglect or observing a child being subjected to such conditions or circumstances to immediately report to the DFS. However, what should be reported is not always clear to these reporters. This creates a dilemma for the DFS on how to handle the numerous calls made by mandated reporters. Many abuse reports from mandated reporters do not meet DFS criteria for family intervention, family contact, or even further review by the DFS, while mandated callers expect something to be done. When nothing happens, the negative perception grows. (*See Appendix II, page 38, for more information on laws covering Mandated Reporter rules and Appendix III for additional detailed Mandated Reporter procedures.*)

DFS decided to deal with the mandate for professionals by creating a category for calls from mandated reporters that do not meet child abuse and neglect report criteria. When a mandated reporter calls the hotline unit, the call can either be classified as a child abuse and neglect report or a Mandated Reporter Referral (referral). If a call is classified as a child abuse and neglect report, it will be sent to the county office and the assigned social worker should contact the mandated reporter and initiate action within 24 hours. If not a child abuse and neglect report, the call is classified as a referral. All calls classified as mandated referrals are sent to the local offices where workers are to call the mandated reporter within 3 days (72 hours) so they can agree on community services that might help the family or agree that further action is or is not needed. Audit tests showed that in 31 percent of the referrals reviewed DFS did not contact the reporter in a timely manner. As shown in the chart below mandated reporters indicated in questionnaire responses they are not always contacted by DFS staff in a timely manner.



Until September of 2000, the call back within 72 hours was the only requirement for mandated referrals, but DFS has recently issued new policy and guidance on how workers should document their handling of referrals. In addition to not ensuring mandated reporter calls are returned in a timely manner, DFS officials also do not require letters to be sent to mandated reporters informing them of the outcome and actions taken on their calls.



As the chart confirms, the lack of collaboration and feedback on case outcomes by DFS leads to mandated reporter dissatisfaction.

#### **DFS hotline unit staff could communicate better with mandated reporters**

The hotline unit policies and procedures take for granted that mandated reporters understand the hotline system, when in fact many do not. For example, during September 2000, a mandated reporter who was very concerned about a child she reported as being sexually abused contacted us. When a DFS worker did not contact the caller and the child had not been seen or examined within 24 hours, the caller called the hotline again believing her previous call had been a child abuse and neglect report and questioned why no action had been taken.

DFS hotline staffs do not explain call procedures

Our review of the situation determined the hotline worker did not explain to the reporter that, based on responses to the call taker's questions, the call would be handled as a mandated referral and not a child abuse and neglect report. This misunderstanding caused the call to be downgraded to a referral requiring a call to the mandated reporter within 72 hours when it should have been a child abuse and neglect call requiring investigation the same day. The caller believed the call reported a child abuse and neglect situation and it would be acted on immediately. This misunderstanding caused a 2-year old child to be left at risk of continuing abuse.

#### **DFS staff can improve mandated reporter and public understanding**

The DFS is aware many mandated reporters have a negative perception and attribute the perception to a lack of understanding of the role and powers of the DFS. The hotline unit conducted a survey of mandated reporters during part of August and September 1999 that reconfirmed this image, but DFS management has taken no action to correct the problem. We planned to review the DFS survey results during our audit, but DFS staff destroyed the responses.

DFS didn't work to educate reporters

Our study determined that DFS managers had not taken any proactive action to correct the perception problems with mandated reporters. Possible corrective actions to improve mandated reporter perceptions would include:

- Expanding informational program efforts to inform mandated reporters (and the public) as to how the hotline system works and what they *can* and *cannot* expect to result from a call reporting abuse or neglect. During our research, we noted other states and the St. Louis City DFS office have prepared manuals explaining the entire hotline process to the mandated reporters and providing guidance on what information is needed to make a report. Some states also include this type of information on their Internet websites.
- Using quality control and peer review programs to ensure that mandated reporters be contacted within the required time for child abuse and neglect reports and referrals.
- Sending notification letters to mandated reporters informing them of the outcome of their calls to the hotline unit.
- Ensuring that hotline unit personnel explain expected call classification and handling to reporters so they agree calls are given the proper classification.

#### **DFS Central Office managers need to disseminate preventive best practices to all offices**

DFS managers have not developed a means to identify and disseminate across the system the best preventive practices used in various local offices or in other states. Some of these best practices originated at local DFS offices, but have not been established on a statewide basis by DFS management. The following are best practices that could be implemented to help DFS staff statewide serve the best interest of children's safety.

- A Substance Abuse Specialist is used by St. Louis City DFS (Area 6) to assist social workers in identifying and treating families with substance abuse problems during home visits and family conferences.
- St. Louis City has developed a way to identify and treat chronic neglect families. These families need intensified treatment services to make lasting improvements in their lives. This is one of the first programs of its kind in the nation. St. Louis City staff has frequently presented program details at the request of many other states, but DFS management has not disseminated the program across Missouri.
- St. Louis City has taken a preventive approach to educational neglect. The hotline unit does not take calls reporting education neglect unless the reporter shows exhaustive effort on the part of the school to correct the problem and the child has missed a great deal of school. In contrast, St. Louis City DFS arranged for schools to send a fax notice when a

St. Louis City  
pioneers  
chronic  
neglect  
reviews

child has missed 10 days of school. This allows the local office to initiate early preventive or intervention efforts before the problem becomes more serious.

- In at least some Michigan counties, unable-to-investigate calls are put into the computer system to allow for easy tracking and access and to allow for re-evaluation of the need for possible DFS intervention when a family has three unable-to-investigate calls of similar allegations of abuse from three different sources.

*(See Appendix IV, page 53, for a complete listing of best practices noted during our audit.)*

### **DFS performance goals and measures need improvement**

At least one performance goal and measure used by DFS was not valid or measurable. The DFS goal was to “Increase the number of safe children from 90.7 percent to 91.5 percent.” The measure used was the number of children returned to their home safely from DFS custody, which they defined as “a child who has been home for 1 year without another substantiated incident of child abuse and neglect.” The outcome actually reported by DFS in the FY 2001 Budget Request for this goal was 98.2 percent, but audit analysis showed the measurement was not valid.

DFS managers used a partial year measurement instead of a complete calendar year for each child. As a result, a child who was returned home in the last month of the FY was counted as safe for the entire year instead of just safe for 1 month. In addition, the measure did not include the children removed from their homes during family assessments, children removed from their homes because of referrals, or children who received some type of services but were left in their homes. During FY00, DFS managers realized this error and began using a full-year measurement. In the future when measuring and reporting its performance, DFS managers should ensure the performance goals used are valid and measurable and should not exclude major segments of the population it seeks to protect and/or serve.

### **Conclusion**

We realize that the role of DFS staff in receiving and processing hotline calls and cases is very difficult. DFS staffs are always under scrutiny for whatever decision they make on a call. We also realize no one in DFS wants a child at risk to remain at risk and DFS staff make many decisions that are right for the family and the child. The audit, however, disclosed that improvements in management are necessary and needed to ensure that children are not at risk when they do not have to be. The issues we have discussed in this section of the report and will discuss in the next section concern the role of top management in DFS. Senior officials will need to take a proactive role in ensuring their organization is functioning as they envisioned and in the best interest of the public. These officials need to take the responsibility and accountability for establishing effective quality controls to ensure decisions are properly made and to ensure staff receive the support they need to make and document decisions. Senior officials need to heed the concerns of staff and reviewers and proactively identify problems and resolve them. Our recommendations will assist in identifying some of the things that need to be done.

## **Recommendations**

We recommend DFS officials:

- 1.1 Implement a structured decision making tool to increase consistency and accuracy in making intake, screening, risk assessment, service and placement decisions.
- 1.2 Require that hotline unit call takers check DFS records for prior reports of abuse on the child or family and document that check.
- 1.3 Ensure unable-to-investigate worksheets document completely and appropriately the phone reports of abuse received by the hotline unit.
- 1.4 Improve the hotline unit quality control review process to ensure unable-to-investigate decisions are appropriate.
- 1.5 Enter unable-to-investigate records into the automated Production System and retain them.
- 1.6 Retain tape recordings of hotline calls for possible use in future criminal prosecutions or for review board hearings.
- 1.7 Ensure reports are retrieved and acted on by field office staff by establishing a quality control system that requires the hotline unit to reconcile reports sent to field offices to reports printed and taken off the system for action.
- 1.8 Establish a peer review quality control system to ensure policies and practices are consistently followed and applied throughout the DFS child abuse and neglect response system.
- 1.9 Readdress the DFS study of overturns by the Child Abuse and Neglect Review Board on appeal of probable cause findings and take appropriate corrective action as suggested in the report.
- 1.10 Establish quality controls that ensure the child abuse central registry and local case records are appropriately corrected to remove the probable cause finding when the alleged perpetrator wins an overturn on appeal.
- 1.11 Develop a quality control system to ensure DFS is represented at Child Abuse and Neglect Review Board hearings as required by statute.
- 1.12 Ensure Children's Services workers are provided adequate guidance and training on their responsibility to make appropriate decisions on whether to represent DFS custody children in probable cause finding appeal hearings.
- 1.13 Send perpetrator notification letters by certified return receipt requested mail.



- 1.14 Redefine hotline unit criteria definitions for preventive service referral classifications to better allow for the best interest of children to be served.
- 1.15 Provide better policy and guidance to field staff on the handling of preventive service referrals.
- 1.16 Improve the understanding of the child abuse and neglect system by mandated reporters and the public by improving the quality and quantity of detailed information easily available. The DFS should increase efforts to explain what can be expected from the system.
- 1.17 Send responses to mandated reporters on the outcome of every call and the reasons for action or inaction.
- 1.18 Ensure that hotline unit call takers make clear to mandated reporters what action can be expected based on the information provided.
- 1.19 Develop methods to identify and disseminate best practices throughout the DFS system.
- 1.20 Ensure DFS children's services goals are valid and measurable.

#### **Division of Family Services Comments**

The Division provided a response that indicated general agreement with the recommendations and contained reasonable implementation dates. Some responses were not clear or adequate and these will be followed up on during our followup process. The Division's detailed comments are found at Appendix VII, page 62, and the State Auditor's Office detailed comments are found at Appendix VIII, page 63.

## **2. DFS Senior Officials Need to Invest in Their Field Staff to Ensure They Have The Best Opportunity to Accomplish Their Duties**

DFS Central Office has not been as supportive of field staff as they need to be. Field staffs are expected to carry unreasonable workloads while at the same time they have not received competitive salaries, modern tools, and training that could alleviate some of their burden. Audit tests disclosed overdue Child Abuse and Neglect Reports and morale problems. We attribute these problems to workers not being provided with adequate:

- Pay. Missouri ranks 45<sup>th</sup> out of the 50 states in basic pay. Supervisory pay level differentials are miniscule compared to salary structures in surrounding states.
- Equipment such as computers, cell phones, dictation machines or transcription services, and telephone voice mail.
- Training on the two-track approach (Investigation/Family Assessment).
- Specialized training on case development and presentation to appeal boards.

As a result, field staff cannot (i) complete tasks within established timeframes, (ii) accomplish tasks efficiently, (iii) have confidence in decision-making, or (iv) ensure that DFS has the best opportunity to prevail in appeal hearings.

### **One Third of the Child Abuse and Neglect Reports in 1999 were not completed in a timely manner**

Audit tests showed that as of February 3, 2000, there were a total of 4,482 overdue child abuse and neglect reports, and 36 percent of the overdue reports were more than 3 months overdue.

Many child abuse and neglect reports are overdue

The DFS local county offices are responsible for conducting an investigation or family assessment review for each child abuse and neglect report received from the Child Abuse and Neglect Hotline, and under Section 210.145 (12), RSMo, the resulting child abuse and neglect reports must be completed within 30 days and the results entered into the computer record system.

*(See Appendix II, page 37, for a more detailed description of the statutory requirements.)*

The following table shows the number and percentage of overdue reports by state geographic area.

### Overdue Reports by Area as of 2/3/00

| <i>Area</i>  | <i>Location</i>  | <i>Number<br/>Overdue</i> | <i>Percent<br/>Overdue</i> |
|--------------|------------------|---------------------------|----------------------------|
| <i>1</i>     | St. Joseph       | 109                       | 3                          |
| <i>2</i>     | Fulton           | 827                       | 19                         |
| <i>3</i>     | Cape Girardeau   | 139                       | 3                          |
| <i>4</i>     | Springfield      | 1,453                     | 32                         |
| <i>5</i>     | Jackson County   | 776                       | 17                         |
| <i>6</i>     | St. Louis City   | 323                       | 7                          |
| <i>7</i>     | St. Louis County | 855                       | 19                         |
| <i>Total</i> |                  | 4,482                     | 100                        |

The DFS officials attribute this high volume of overdue reports to the high volume of new child abuse and neglect reports received and to low staffing levels, causing the paperwork on previous reports to be preempted by work needed to review the new child abuse and neglect reports of children at risk.

The DFS officials reduced the number of overdue reports to just over 3,000 by May. Officials accomplished this decrease in overdue reports after some areas and counties requested permission from management to pay overtime for extra workdays for workers to catch up on the overdue reports. Area and local management staff had to ask for paid overtime because the workers often have already accumulated compensatory time they cannot take because of their heavy caseloads.

The decrease in the number of overdue reports was only temporary because by October the volume increased again. These increases are occurring because of staffing and workload imbalances. This is most evident in Area 4 (Springfield area). Area 4 was responsible for 46 percent of the child abuse and neglect reports over 3 months overdue and for 73 percent of all DFS case reports over 1 year overdue. Even with the reduction of the number of overdue reports, Area 4 increased in percentage of overdue reports from 32 percent to 43 percent. This indicates an imbalance in the workload and staffing of Area 4 compared to the rest of the state. As the above table shows, similar imbalances are occurring in Areas 2, 5, and 7.

#### **DFS does not consider relevant information when allocating staff**

The DFS method of determining worker position allocation has caused several counties to be severely understaffed while other locations have open positions they cannot fill by hiring more workers. For example, during April 2000, St. Louis County (Area 7) had 60 open positions they could not fill, while Greene and Jasper counties (Area 4) were only authorized at 64 and 33 percent respectively of the staff position allocations needed to meet Council on Accreditation standards. (*See Appendix III, page 51, for discussion of the council and its mission and requirements*). This has contributed to Area 4 worker overload and the highest level of overdue reports in the state. The St. Louis County DFS administration explained the 60 positions could not be filled because competing organizations, including the state of Illinois, paid better and had more

DFS staffing  
approach  
causes case  
overloading

manageable workloads. The Greene County administration said they do not have as much difficulty filling their allocations.

The maximum caseload for a social worker recommended by the council is 15 new cases at one time, or continuing services on 30 prior cases, or a combination of the two. Additionally, the council recommends that organizations such as DFS adjust their protective services worker caseload to allow for variations in complexity of cases, range of family support services available to augment the worker's role, number of cases per worker at any one time involving investigation or intensive intervention, and travel and other non-direct service time required to fulfill the workers' responsibilities. DFS managers do not make such adjustments. Instead, they determine staffing allocations by dividing the number of cases an area had the previous year by the council's suggested maximum workload per worker.

DFS managers have not performed a workload or time study to determine the necessary time required to complete each type of case, and, in several instances, could not or would not provide adequate related information we requested to perform a staffing analysis.

DFS managers need to perform time and work load studies to determine the necessary worker time required for each type of case taking into consideration all the factors mentioned above. Careful analysis of such factors would help the DFS identify staffing needs and pinpoint problem areas that would warrant attention. A workload and staffing analysis, properly used, could reduce case handling delays and improve the quality and timing of services provided to children. It would serve as the basis for deciding which areas need staff or whether a special team of workers would be needed to serve as "hotspot" specialists, deployed as needed wherever the workload approaches imbalance in the local field offices.

Based on a request for more staff to meet the accreditation standards, DFS increased staff after April 30. However, without the proper development of workload and staff analyses, DFS managers will not be able to effectively deploy staff and efficiently manage the workload.

### **Social worker compensation needs to be more competitive to enable DFS to hire and retain qualified workers**

DFS officials have difficulty recruiting and retaining the social workers needed to deal with child abuse and neglect, because Missouri's base salary for a beginning social worker is too low to compete with private industry and other surrounding states. Missouri ranks 45<sup>th</sup> in the nation in base salary ahead of only South Carolina, Louisiana, Kentucky, Tennessee and New Hampshire. Missouri does not compare favorably with contiguous states. The following table compares Missouri DFS social worker and supervisor base salaries with the salaries paid by four states contiguous to Missouri.

| <i>Salary Comparison to Contiguous States</i> |                            |                                       |                             |                                       |                             |
|---|----------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| <u>State</u>                                  | Base Salary<br><u>SW I</u> | Amount of Raise<br>to<br><u>SW II</u> | Base Salary<br><u>SW II</u> | Amount of Raise<br>to<br><u>Sup I</u> | Base Salary<br><u>Sup I</u> |
| <i>Missouri</i>                               | \$22,248                   | \$2,208                               | \$24,456                    | \$984                                 | \$25,440                    |
| <i>Arkansas</i>                               | \$23,433                   | \$1,498                               | \$24,931                    | \$3,358                               | \$28,289                    |
| <i>Illinois</i>                               | \$25,836                   | \$2,292                               | \$28,128                    | \$4,152                               | \$32,280                    |
| <i>Kansas</i>                                 | \$26,000                   | \$2,704                               | \$28,704                    | \$4,493                               | \$33,197                    |
| <i>Oklahoma</i>                               | \$26,083                   | \$2,592                               | \$28,675                    | \$5,803                               | \$34,478                    |

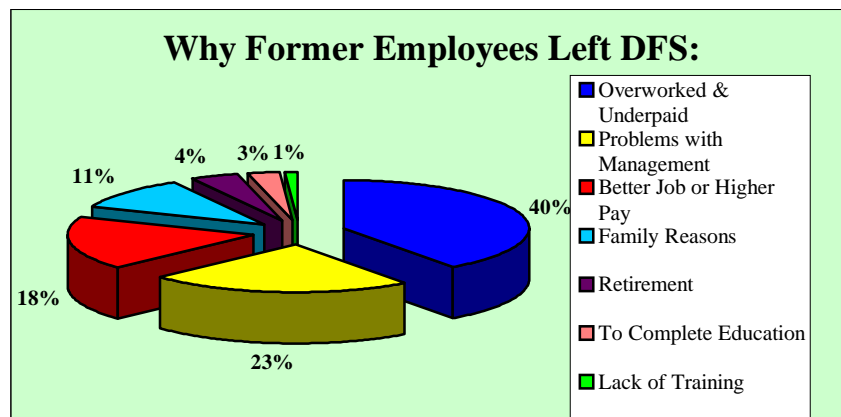
These low pay rates make it difficult for the Missouri DFS to compete effectively with contiguous states for social workers and supervisors. This is particularly true for Missouri's two major metropolitan areas. For example, both St. Louis City and County DFS officials voiced concerns over not being able to fill all their 122 unfilled open positions as of April 2000. They explained they could not compete with the pay level of Illinois (a difference of \$3,588 in starting salary) or private organizations because of the state's low salary and heavy caseload for workers. Even when they are successful in hiring workers, the workers often do not stay with the DFS. In comparison to competing employers, DFS workers in the St. Louis area are expected to handle double the caseload because of the shortage of workers protecting Missouri's children.

DFS unable to fill 122 open positions in St. Louis

Because of low worker and supervisor pay levels, the Missouri DFS is often considered only a temporary position that allows workers to gain social work experience, before moving on to better paying positions. Given the disparity in supervisor pay between Missouri and the contiguous states, there is little incentive for workers seeking advancement to supervisory level positions to stay with the DFS.

Low DFS pay causes high worker turnover

We asked former employees why they left DFS Children's Services. As shown by the following chart, 58 percent of the respondents said they left because of low pay and/or high caseloads (overworked/underpaid and better job/higher pay).



**Financial incentives for obtaining advanced degrees and licensing is needed to obtain and retain qualified staff**

DFS officials do not pay additional salary to staff that obtain a Master's degree. Similarly, they do not require workers to be licensed social workers and do not provide any increased compensation for achieving professional licensing. Our audit research of pay practices in other states showed several states give salary increases to workers with a Master's degree and similarly require and pay more for workers to be licensed. One former DFS supervisor told us when she transferred to Missouri, she had to take a \$10,000 per year pay cut to work in the Missouri DFS even though she was licensed in four states and held a Master's degree.

**Inadequate compensation may keep DFS from meeting accreditation goals**

Missouri is currently applying for accreditation by the Council on Accreditation for Family and Children's Services, Inc. The council accomplishes its mission by developing standards of best practice, delivering a program of provider recognition and accreditation, providing educational and technical assistance programs, and advocating for policies that promote high quality services for families and children.

To be accredited the council recommends that:

- Supervisors of child protective workers monitor no more than seven experienced and professionally trained workers.
- Caseloads not exceed 15 new cases or continuing services on 30 prior cases or a combination of the two at one time.
- All social worker supervisors have a Master's degree.

Audit tests showed that:

- The DFS meets the supervision ratio in most areas of the state.
- State legislators have supported the accreditation process by increasing staffing allocations.
- The DFS plans to meet the supervisor education goal by making social work specialists, who have their Master's degrees, available for consultation with supervisors who do not have a Master's degree.

According to our discussions with St. Louis County officials and other DFS staff, and reviews of former and present employee questionnaires, DFS may not be able to fully meet the accreditation case load to staffing ratio goals without providing increased pay, better staffing allocation, and compensation for advanced degrees.

## **Current technologies could be put to better use to allow workers to use their time more efficiently and effectively**

The audit found many workers do not have ready access to computers or must share computers, must type or handwrite their own reports on manual forms and share or provide their own cell phones. Sharing or using personal cell phones limits worker efficiency that state owned cell phones would alleviate. Workers could perform their jobs more efficiently, effectively and safely if they were provided with laptop computers, dictation equipment and transcription services, computerized forms, voice mail and cellular phones. The lack of this modern technology contributes to the inability to complete timely reports and directly impacts the rate of overdue reports and stress on the workers for not completing reports on time.

Efficiency  
could be  
improved

In addition to the morale problems caused by not having proper technology and increasing pressure to meet unreasonable deadlines, the outcome of overdue reports and improperly prepared reports affects the ultimate outcome of resolution of the child abuse case. As discussed in Result 1 in this report, untimely reports can cause overturns of substantiated cases by the review board. Untimely reports could have an impact on the availability to the call taker of a prior record on the perpetrator. Therefore, it is incumbent upon senior managers to make sure the field staff have the best equipment and technology to improve the product that field staff produce and to improve employee morale, which will ultimately improve staff retention rates.

## **Social workers, supervisors and county directors need more training to be comfortable with their decisions**

A total of 76 of 524 (15%) social workers and supervisors in our survey stated they had concerns about the adequacy of the training they received. New social workers are given 3 weeks of formal training in a classroom setting to provide an overview of what their job will entail. Each local office determines what additional formal training (if any) is needed, before the worker starts actual on-the-job training. Beyond the initial training, the central office provides no additional specific training on how child abuse and neglect investigators should ensure their assigned cases are properly screened and assessed or investigated. Similarly there is no guidance from central office managers on how investigations should be documented and presented so decisions can withstand appeal or prevail in court proceedings.

### **Training on the two-track system was not adequate**

DFS left children at risk of continued abuse or death because training on the two-track (Investigation/Family Assessment) system was not adequate. With the two-track system, DFS intended to shift the focus toward a greater preventive effort, rather than only performing investigations as were previously done. The Family Assessment approach requires a thorough study of the family's strengths, weaknesses and needs. The study involves the family and is intended to provide preventive services that would prevent abuse, or additional abuse by first time perpetrators of less serious abuse and/or neglect. However, our field visits, questionnaires, and discussions with DFS employees and employees of other organizations showed that children are often left at risk by:

- Incorrect screenings of child abuse and neglect calls as Assessments when they should have been Investigations. (*Refer to examples previously discussed on pages 3 and 4*)
- Staffs being more likely to screen child abuse and neglect calls as Assessments because they are viewed as easier and quicker than Investigations, while DFS officials correctly state that Assessments, when done correctly, should be just as thorough and effective, if not more so, than Investigations.
- Staffs not performing complete Assessments.
- Workers not being comfortable with their decisions. Sixty-five percent of the workers polled in our questionnaires stated they did not receive enough training on the two-track system to always make accurate and correct decisions.

Interviews and questionnaires revealed that county directors, supervisors, and social workers often believed training on how central office management expected the two-track (Investigation vs. Family Assessment) system to be used was not adequate. Significantly, the DFS has not performed adequate quality control checks or peer reviews to determine if the two-track system worked correctly and consistently when it went statewide in May 1999.

The DFS should provide additional training to staff on the two-track system's purposes, goals and procedures. Additionally, in the future, DFS should ensure staffs receive adequate training and use quality control and peer review programs to ensure correct and consistent implementation of the new tools.

**Specialized investigation training is needed to reduce overturns of decisions because of poor investigations**

Our review of overturned decisions and discussions with present and former review board members revealed probable cause conclusions are often overturned because of poor investigation procedures or lack of adequate documentation. For fiscal year 1999, the review board overturned on appeal 40 percent of cases that were initially found as substantiated abuse or neglect. Following are examples of the review board's reasons for overturns during fiscal year 1999 and 2000 appeals hearings:

- ❑ "Despite compelling evidence that the girls were victims of sexual abuse, there was insufficient evidence to support the finding that the (alleged) perpetrator was involved."
- ❑ "Perpetrator is likely guilty, but the DFS report had too many discrepancies!!! The DFS report was incomplete and no effort was made to clarify discrepancies. The victim was never evaluated medically for rape."
- ❑ "There was insufficient evidence to support the DFS investigator's failure to see the child in a timely manner (one month after child's injuries), and the Investigator did not talk to the accused perpetrator."



As discussed in Result 1, proper case development by DFS investigators was of major concern to the review board. The DFS should provide specialized training to workers performing investigations to ensure substantiated cases will withstand administrative appeal and criminal court proceedings. An alternative would be for the DFS to hire workers having a criminal justice education or experience background to perform investigations of child abuse and neglect, similar to practices in Arkansas.

### **Workers are not always receiving adequate supervisory guidance**

Half of the DFS employees (current and former) responding to our questionnaires stated they did not always receive adequate guidance from supervisors. The Children's Services social workers face very difficult decisions every day, and often feel a need for supervisory assistance and direction. Many of these directors and supervisors do not have a Social Work degree or child abuse and neglect investigation experience, and thus are not always able to give adequate support and supervision to their Children's Services social workers.

Half of  
workers  
wanted more  
guidance

Several county directors and supervisors, who have backgrounds in Income Maintenance, instead of children services indicated through questionnaires that they are uncomfortable with their role of supervising social workers because their experience and background is in Income Maintenance instead of Children's Services. One county director said, "I am not a social worker however, I am a County Director who is responsible for the direct supervision of two social workers and all other staff in our county office. I do not have any degree and do not feel that I have had the proper training to do my job as it should be done." That director went on to say he does not know what will happen once the experienced social workers retire because he cannot provide the necessary direct guidance to less experienced social workers. Problems such as this typically occur in smaller population counties where social workers must handle all types of Children's Services. These duties include child abuse and neglect investigations and family assessments, adoptions, foster care, independent living, residential treatment services, and ongoing family centered services. Low population counties typically lack adequate staffing levels to allow assignment of specialized investigators and supervisors.

Supervisors  
said they need  
more training

A staffing best practice was instituted in Area 4 where Pulaski, Texas, Maries, and Phelps counties joined forces to form an Investigation Team responsible for performing all investigations in the 4-county area. The team consists of seven investigators and one supervisor. This approach allows these lower population counties to designate specialized investigators who work under an adequately trained and experienced supervisor. This approach should be considered for other rural county groups throughout the state.

## DFS managers need to better manage the accumulation and use of compensatory time

As of April 5, 2000, social workers had a total compensatory time balance of over 102,700 hours with a resulting payoff liability of nearly \$1.4 million. This results in an average of over 65 hours and over \$880 per worker. Below is a summary of compensatory time averages by state area.

DFS owes  
\$1.4 million in  
compensatory  
time

Average Compensatory Time Balances

| <i>Area</i>             | <i>Avg Hours<br/>Per Worker</i> | <i>Avg Liability<br/>Per Worker</i> |
|-------------------------|---------------------------------|-------------------------------------|
| <i>St. Joseph</i>       | 87                              | \$1,182                             |
| <i>Fulton</i>           | 66                              | 875                                 |
| <i>Cape Girardeau</i>   | 58                              | 772                                 |
| <i>Springfield</i>      | 56                              | 771                                 |
| <i>Jackson County</i>   | 81                              | 1,095                               |
| <i>St. Louis City</i>   | 52                              | 729                                 |
| <i>St. Louis County</i> | 61                              | 859                                 |

Saline County has the highest average per worker, totaling 240 hours and an average liability of over \$3,118 per worker. The worker having the highest balance works in Jackson County (Area 5). That worker accumulated 872 hours or nearly 6 months' compensatory time and a resulting liability for the DFS of over \$11,981.

The DFS policies regulating compensatory time earnings and use are not adequate. DFS compensatory time policy provides for workers to accumulate compensatory time and then be paid for it when they separate from service. There are no requirements for when compensatory time should be taken or priority of compensatory time leave over other types of leave. For example, other agencies set maximum allowable compensatory time balances and workers must use their compensatory time before they use accumulated Annual Leave. The payoff policy does not encourage workers to take the time they earned and could result in an incentive to separate from service if the employee is considering other employment. The compensatory time payoff could be a determining factor in whether they accept the new opportunity.

The DFS managers do not effectively use a monitoring system to manage workers' accumulation and use of compensatory time. While reports of compensatory time are generated, central office personnel do not use them in planning, staffing or identifying problems. In addition, the reports are not sent to county directors who told us such reports would be very useful. This lack of adequate monitoring has led to some social workers accumulating excessive compensatory time balances.

## **Recommendations**

We recommend that DFS management:

- 2.1 Ensure that the child abuse and neglect investigations and/or assessments are completed within the required time frame.
- 2.2 Ensure all accreditation council and other appropriate standards available as staffing planning tools are used to establish staffing allocations and future needs and goals.
- 2.3 Perform time and workload studies to help determine needed staff allocations.
- 2.4 Relocate open staff positions from areas unable to fill positions to areas where the positions can be filled, when necessary or beneficial.
- 2.5 Develop a special team of investigators to assist “problem” areas and help ease the local offices’ caseloads. This team could be sent to help counties who are having problems completing child abuse and neglect cases and making initial contacts on cases within the required time frames.
- 2.6 Increase salaries for both social worker and supervisor positions to make DFS jobs more competitive with surrounding states and private organizations who hire social workers.
- 2.7 Provide increased financial compensation to workers who obtain advanced degrees or certifications.
- 2.8 Ensure that each full time Children’s Services social worker is provided with a state-owned cellular phone.
- 2.9 Provide Children’s Services social workers with laptop computers and standard automated forms and letters, and/or dictation equipment and transcription services.
- 2.10 Provide specialized training for:
  - Front line staff and supervisors on how to use the two track (Investigation/Family Assessment) system to achieve the best possible results and to meet DFS management goals for the system.
  - Staff involved in child abuse and neglect investigations. This training should teach staff to adequately investigate, document and present investigation cases, increasing child safety and decreasing overturns on alleged perpetrator appeals.
  - Supervisors and county directors who supervise child abuse and neglect Investigations and Family Assessments, but have no clinical experience in protective services.

- 2.11 Develop Investigative teams for low population county groups to ensure specially trained workers and supervisors handle child abuse and neglect cases. These employees should not have other duties that interfere with their primary children's services functions.
- 2.12 Make better use of the compensatory time monitoring system to more effectively manage its accumulation and use. Compensatory time should be:
- Used before annual leave.
  - Used within a reasonable time frame.
  - Monitored for purposes of planning future staff allocations and identifying staffing problems or inequities.

### **Division of Family Services Comments**

The Division provided a response that indicated general agreement with the recommendations and contained reasonable implementation dates. Some responses were not clear or adequate and these will be followed up on during our followup process. The Division's detailed comments are found at Appendix VII, page 62, and the State Auditor's Office detailed comments are found at Appendix VIII, page 63.

**OBJECTIVE, SCOPE AND METHODOLOGY**

**OBJECTIVE**

The objective of the audit was to determine whether calls reporting child abuse/neglect received by the DFS Child Abuse/Neglect Hotline were properly documented, processed, referred to the appropriate local DFS city or county office, and whether those offices made certain the child or children were adequately protected and the calls were handled in accordance with the Missouri statutes, Code of State Regulations, and division policy.

**Scope and Methodology**

Audit fieldwork started during late calendar year 1999 and continued through late summer 2000. Most of the calls reporting child abuse and neglect and related case records reviewed were currently active during or just prior to that time period. The audit staff:

- Reviewed the year 2000 revisions to Section 210 RSMo and evaluated the apparent appropriateness of related DFS policy changes but did not test the effectiveness of those changes.
- Reviewed applicable state statutes, code of state regulations, division policies and procedures, division training programs, and child and family case files.
- Interviewed area and local employees, supervisors, and other local, area and state level administrative officials.
- Attended a DFS training session on child abuse and neglect procedures and participated in home visits with DFS social workers.
- Discussed child abuse concerns with various groups and individuals who often come in contact with abused and neglected children.
- Solicited information from current and former DFS social workers, supervisors and county directors, and from mandated reporters of child abuse such as police officers, juvenile officers, school employees and officials and hospital employees.
- Listened to calls from concerned citizens.
- Contacted officials of similar protective agencies in other states to obtain information regarding child abuse and neglect practices and procedures.
- Traveled to another state to view a child abuse decision making system and discussed the system in detail with a variety of front line, supervisory, and state level officials.

## **APPENDIX I**

- Listened to child abuse hotline calls, reviewed individual case files to evaluate the adequacy and timeliness of responses to calls reporting child abuse and neglect, and reviewed internal DFS reporting systems.
- Reviewed actions of the Child Abuse and Neglect Review Boards and interviewed various board officials.

The audit was made in accordance with applicable generally accepted government auditing standards and included such tests of the procedures and records as were considered appropriate under the circumstances.

**STATUTES AND CODE OF STATE REGULATIONS**

The State of Missouri's commitment to protecting children from child abuse and neglect is evidenced by various statutes and rules under the Code of State Regulations. The ultimate intent of these laws and regulations is to protect children who cannot adequately protect themselves from abuse and neglect by those responsible for their care and protection (often parents). These laws and rules provide the framework within which DFS constructs operating policy and procedures to guide employee social workers responding to reports of incidents of alleged child abuse and neglect for the purpose of preventing future incidents of abuse and neglect. Section 210.109 and Sections 210.110 through 210.183 RSMo and 13 CSR 40-31 are the principal laws and rules, respectively governing the handling of child abuse and neglect.

Section 210.109, RSMo required the Division of Family Services to establish a child protection system for the entire state designed to promote the safety of children and the integrity and preservation of their families by conducting investigations or family assessments in response to reports of child abuse or neglect. The system was to endeavor to coordinate community resources and provide assistance or services to child and families identified to be at risk, and to prevent and remedy child abuse and neglect.

**Definitions**

Section 210.110 provides several key definitions to set the framework within which DFS must operate in meeting the mandates established by Section 210.109, RSMo.

**“Abuse”** is any physical injury, sexual abuse, or emotional abuse inflicted on a child other than by accidental means by those responsible for the child's care, custody, and control, except that discipline including spanking, administered in a reasonable manner, shall not be construed to be abuse.

**“Central Registry”** is a registry of persons where the division has found probable cause to believe or a court has substantiated through court adjudication that the individual has committed child abuse or neglect or the person has pled guilty or has been found guilty of a crime under various sections if the victim is a child less than eighteen years of age and the perpetrator is twenty-one years of age or older, or has attempted to commit any such crimes.

**“Child”** is any person, regardless of physical or mental condition, under eighteen years of age.

**“Investigation”** is the collection of physical and verbal evidence to determine if a child has been abused or neglected.

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**“Neglect”** is failure to provide, by those responsible for the care, custody, and control of the child, the proper or necessary support, education as required by law, nutrition or medical, surgical, or any other care necessary for the child’s well-being.

**“Probable cause”** condition of available facts when viewed in the light of surrounding circumstances which would cause a *reasonable person* (emphasis added) to believe a child was abused or neglected.

**“Those responsible for the care, custody, and control of the child”** including but not limited to the parents or guardian of a child, other members of the child’s household, or those exercising supervision over a child for any part of a twenty-four-hour day. Those responsible for the care, custody and control shall also include any adult who, based on relationship to the parents of the child, members of the child’s household or the family, has access to the child.

**“Family assessment and services”** is an approach . . . developed by the DFS which will provide for a prompt assessment of a child who has been reported to the division as a victim of abuse or neglect by a person responsible for that child’s care, custody or control and of that child’s family, including risk of abuse and neglect and, if necessary, the provision of community-based services to reduce the risk and support the family.

## STATUTES

Section 210.115 prescribes that physicians, dentists, other physical and mental health care providers, day care workers, law enforcement officers, teachers, and many others in responsible or professional positions in contact with children and who have reasonable cause to suspect that a child has been or may be subjected to abuse or neglect or who observes a child being subjected to conditions or circumstances which would reasonably result in abuse or neglect shall immediately report the abuse to the DFS using the child abuse and neglect hotline. These persons required to report are commonly referred to as *Mandated* reporters. As used in this section, the term "abuse" is not limited to abuse inflicted by a person responsible for the child's care, custody and control, but shall also include abuse inflicted by any other person. Any person or individual required to report may also report the suspicion of abuse or neglect to any law enforcement agency or juvenile office. Such report shall not, however, take the place of reporting to the division.

This statute provides that DFS is allowed to make reasonable exception to the normal abuse and neglect provisions in instances of any child who does not receive specified medical treatment by reason of the legitimate practice of the religious belief of the child’s parents, guardian, or other legally responsible person.

This statute also provides that any other person, that is, any *non-mandated* person, with reason to suspect that a child has been or may be subjected to abuse or neglect may also report to the DFS hotline.



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Section 210.125 provides that a police officer, law enforcement official, or a physician who has reasonable cause to suspect that a child is suffering from illness or injury or is in danger of personal harm by reason of his surroundings and that a case of child abuse or neglect exists, may request that the juvenile officer take the child into protective custody under chapter 211, RSMo. In instances where these persons have reasonable cause to believe a child is in imminent danger of suffering serious harm, it provides authority to take protective custody of a child for up to twenty-four hours, without the consent of the child's parents, guardian or others legally responsible for his care.

In no event is an employee of the division, acting upon his own, allowed to remove a child under the provisions of this act.

Section 210.130 establishes that oral reports of abuse or neglect shall be made to the division by telephone or otherwise. In addition, that the reports shall include the names and addresses of the child and his parents or other persons responsible for his care, if known; the child's age, sex, and race; the nature and extent of the child's injuries, type of abuse, or neglect; and much other additional information, including the name and address of the person responsible for the injuries, abuse or neglect, whenever available to allow the division to identify and locate the child and his family.

Section 210.135 provides that any person, official, or institution complying with the provisions of sections 210.110 to 210.165 in the making of a report, the taking of color photographs, or the making of radiologic examinations pursuant to sections 210.110 to 210.165, or the removal or retaining a child pursuant to sections 210.110 to 210.165, or in cooperating with the division, or any other law enforcement agency, juvenile office, court, or child-protective service agency in any of the activities pursuant to sections 210.110 to 210.165, or any other allegation of child abuse, neglect or assault, pursuant to sections 568.045 to 568.060, RSMo, shall have immunity from any liability, civil or criminal, that otherwise might result by reason of such actions. Exception is provided for intentionally filing a false report, acting in bad faith, or with ill intent. This section also provides the same immunity with respect to participation in any judicial proceeding resulting from the report.

Section 210.140 provides that any legally recognized privileged communication, except that between attorney and client, shall not apply to situations involving known or suspected child abuse or neglect and shall not constitute grounds for failure to report as required or permitted by sections 210.110 to 210.165, to cooperate with the division in any of its activities pursuant to sections 210.110 to 210.165, or to give or accept evidence in any judicial proceeding relating to child abuse or neglect. As a result, privileged communications are not recognized for many mandated child abuse reporters.

Section 210.145 prescribes that the division shall establish and maintain an information system operating at all times, capable of receiving and maintaining reports. This information system shall have the ability to receive reports over a single, statewide toll-free number. Such information system shall maintain the results of all investigations, family assessments and services, and other relevant information.

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The section prescribes that the division shall maintain a central registry.

The section prescribes that although reports may be made anonymously, the division shall in all cases attempt to obtain the name and address of any person making a report.

Section 210.145 also prescribes that upon receipt of a report, the division shall immediately communicate such report to its appropriate local office, after a check has been made with the information system to determine whether previous reports have been made regarding actual or suspected abuse or neglect of the subject child, of any siblings, and the perpetrator. Upon receipt of a report, which, if true, would constitute violation of several criminal sections against a child, and the perpetrator is twenty-one years of age or older, or an attempt to commit any such crimes, the local office shall contact the appropriate law enforcement agency and provide such agency with a detailed description of the report received. In such cases the local division office shall request the assistance of the local law enforcement agency in all aspects of the investigation of the complaint. The appropriate law enforcement agency shall assist the division in the investigation or provide the division, within a reasonable time, an explanation in writing detailing the reasons why it is unable to assist.

In addition, the local office of the division shall cause a thorough investigation to be initiated immediately or no later than within twenty-four hours of receipt of the report from the division, except in cases where the sole basis for the report is educational neglect, in which case the investigation shall be initiated within seventy-two hours of receipt of the report. If the report indicates the child is in danger of serious physical harm or threat to life, an investigation shall include direct observation of the subject child within twenty-four hours of the receipt of the report.

The investigation shall include but not be limited to the nature, extent, and cause of the abuse or neglect; the identity and age of the person responsible, the names and conditions of other children in the home, the home environment and the relationship of the subject child to the parents or other persons responsible for the child's care; any indication of incidents of physical violence against any other household or family member; and other pertinent data. The record shall contain the facts ascertained which support the determination as well as the facts that do not support the determination.

The section prescribes that when a report has been made by a mandated reporter, the division shall contact the person who made such report within forty-eight hours of the receipt of the report in order to ensure that full information has been received and to obtain any additional information or medical records, or both, that may be pertinent.

The section prescribes that upon completion of the investigation, if the division suspects that the report was made maliciously or for the purpose of harassment, the division shall refer the report and any evidence of malice or harassment to the local prosecuting or circuit attorney.

The section prescribes that protective or preventive social services shall be provided by the division to the family and subject child and to others in the home to prevent abuse or neglect, to

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safeguard their health and welfare, and to help preserve and stabilize the family whenever possible. The juvenile court shall cooperate with the division in providing such services.

The section prescribes that multidisciplinary services shall be used whenever possible in conducting the investigation and in providing protective or preventive social services, including the services of law enforcement, the juvenile officer, the juvenile court, and other agencies, both public and private. The division shall cooperate with law enforcement agencies and juvenile courts to develop training programs to increase the ability of division personnel, juvenile officers and law enforcement officers to investigate suspected cases of abuse and neglect.

The section prescribes that within thirty days of an oral report of abuse or neglect, the local office shall update the information in the information system with the determination made as a result of the investigation, identifying information on the subjects of the report, those responsible for the care of the subject child and other relevant dispositional information. The division shall complete all investigations within thirty days, unless good cause for the failure to complete the investigation is documented in the information system and if not completed within thirty days, the information system shall be updated at regular intervals and upon the completion of the investigation. In addition, the information shall be updated to reflect any subsequent findings, including any changes to the findings based on an administrative or judicial hearing on the matter.

The statute prescribes that a mandated reporter shall be informed by the division of his right to obtain information concerning the disposition of his report from the local office, and if requested, shall respond to the request within forty-five days.

Section 210.150 prescribes that the division shall ensure the confidentiality of all reports and records of child abuse and neglect made and maintained by the division, its local offices, the central registry, and other appropriate persons, officials, and institutions. To protect the rights of the family and the child, the division of family services shall ensure that any disclosure of information concerning the abuse and neglect involving that child is made only to persons or agencies that have a right to such information, such as appropriate federal, state or local criminal justice agency personnel, a physician or a designated agent, appropriate staff of the division, or a multidisciplinary provider of professional treatment services for a child referred to the provider, and others as specified.

The statute requires that any alleged perpetrator named in the report shall have access to information and records of the results of the division's investigation, but the names of reporters shall not be furnished to persons in this category. However, the investigation reports will not be released to any alleged perpetrator with pending criminal charges arising out of the facts and circumstances named in the investigation records until an indictment is returned or an information filed.

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The statute provides that after a period of two years following a finding by the division, any person who is the subject of a report where there is insufficient evidence of abuse or neglect shall have the records removed from the division and destroyed.

The statute provides that any person who knowingly violates the provisions of this section, or who permits or encourages the unauthorized dissemination of information contained in the information system or the central registry and in reports and records made pursuant to sections 210.109 to 210.183, shall be guilty of a class A misdemeanor.

Section 210.152 sets record keeping retention time frames for information from reports of child abuse and neglect and related investigations. The specified retention time varies depending on whether evidence of abuse or neglect was sufficient or insufficient for a finding conclusion of probable cause to believe the abuse occurred. The results of the investigative or family assessment and services approach reports shall include any exculpatory evidence (of innocence) known by the division, including exculpatory evidence obtained after the closing of the case.

The section prescribes that within ninety days after receipt of a report of abuse or neglect that is investigated, the alleged perpetrator named in the report and the parents of the child named in the report, if the alleged perpetrator is not a parent, shall be notified in writing of any determination made by the division based on the investigation. The notice shall advise either that the division has determined that there is probable cause to suspect abuse or neglect exists or there is insufficient probable cause of abuse or neglect. When there is a finding of probable cause, the division is to notify the alleged perpetrator he has sixty days from the date of receipt of the notice to seek reversal of the division's determination through an administrative appeal review by the child abuse and neglect review board.

The section prescribes that such request for review shall be made within sixty days of notification of the division's decision under this section. In those cases where criminal charges arising out of facts of the investigation are pending, the request review shall be made within sixty days from the court's final disposition or dismissal of the charges. In any such action for administrative review, the child abuse and neglect review board shall sustain the division's determination if such determination is supported by evidence of probable cause and is not against the weight of such evidence. In any such action for administrative review the child abuse and neglect review board shall notify the child or the parent, guardian or legal representative of the child that a review has been requested.

The section further provides that if the alleged perpetrator is aggrieved by the decision of the child abuse and neglect review board, he may seek de novo judicial review in the circuit court in the county in which he resides. The request for a judicial review shall be made within sixty days of the notification of the decision of the child abuse and neglect review board decision.

Section 210.153 provides for creation in the department of social services the "Child Abuse and Neglect Review Board", which shall provide an independent review of child abuse and neglect

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determinations in instances in which the alleged perpetrator is aggrieved by the decision of the division of family services, except findings of probable cause which are substantiated by court adjudication. The division may establish more than one board to assure timely review of the determination. Each board shall consist of nine members, who shall be appointed by the governor with the advice and consent of the senate, and shall include a physician, nurse or other medical professional, a licensed child or family psychologist, counselor or social worker, an attorney who has acted as a guardian ad litem or other attorney who has represented a subject of a child abuse and neglect report, and a representative from law enforcement or a juvenile office.

In addition, other members of the board may be selected from a person from another profession or field who has an interest in child abuse or neglect, a college or university professor or elementary or secondary teacher, a child advocate, or a parent, foster parent or grandparent. The members of the board serve without compensation.

The section prescribes others who may participate in a child abuse and neglect review board review, including appropriate division of family services staff and legal counsel for the department, the alleged perpetrator, who may be represented, and witnesses providing information on behalf of the child, the alleged perpetrator or the department. The alleged perpetrator's presence is not required for the review to be conducted, and he may submit a written statement for the board's consideration in lieu of personal appearance.

The section prescribes that the department shall promulgate rules and regulations governing the operation of the child abuse and neglect review board except as otherwise provided for in this section. These rules and regulations shall, at a minimum, describe the length of terms, the selection of the chairperson, confidentiality, notification of parties and time frames for the completion of the review.

Section 210.155 prescribes that the division shall, on a continuing basis, undertake and maintain programs to inform all persons required to report abuse or neglect pursuant to sections 210.110 to 210.165 and the public of the nature, problem, and extent of abuse and neglect, and of the remedial and therapeutic services available to children and their families; and to encourage self-reporting and the voluntary acceptance of such services. In addition, those mandated to report pursuant to this act shall be informed by the division of their duties, options, and responsibilities in accordance with this act.

The section provides that the division shall conduct ongoing training programs in relation to sections 210.110 to 210.165 for agency staff and shall continuously publicize to mandated reporters of abuse or neglect and to the public the existence and the number of the twenty-four hour, statewide toll free telephone service to receive reports of abuse or neglect.

Section 210.167 prescribes that if an investigation reveals that the only basis for action involves a question of an alleged violation of the compulsory school attendance law, the local office of the division shall send the report to the school district in which the child resides.

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Section 210.180 prescribes that each employee of the division who is responsible for the investigation or family assessment of reports of suspected child abuse or neglect shall receive not less than forty hours of preservice training on the identification and treatment of child abuse and neglect. In addition to such preservice training such employee shall also receive not less than twenty hours of inservice training each year on the subject of the identification and treatment of child abuse and neglect.

Section 210.183 prescribes that at the time of the initial investigation of a report of child abuse or neglect, the division employee conducting the investigation shall provide the alleged perpetrator with a written description of the investigation process and provides the prescribed content of the notice to be provided.

The section provides similar guidance for notification of the alleged perpetrator if the division uses the family assessment approach, including the possible services available and expectations of the family.

### **CODE OF STATE REGULATIONS**

13 CSR 40-31.025 establishes a child abuse and neglect review process for a review of child abuse and neglect determinations where an alleged perpetrator disagrees with the division's decision of probable cause. The alleged perpetrator must request the administrative review in writing within sixty days of the probable cause determination. Within fifteen days of receipt of the request the county director is required to review all appropriate material and determine whether the decision of the division should be upheld or reversed. The county director is to provide written notice of the decision to uphold or reverse the original finding and how to request further review by the child abuse and neglect review board, if he disagrees with the decision.

This rule also establishes the length of terms of the nine members of the child abuse neglect and review board, the review process, requires the division to be represented by local and area staff and/or legal counsel, requires the board decision be made within seven days of the review, and written finding notice within thirty-five days to the alleged perpetrator, division director, and local division office.

**BACKGROUND**

The Division of Family Services must deal with children and their families who are faced with problems coping with everyday life in addition to the reported abuse or neglect. Many of these families are poor, illiterate, unemployed, and addicted to drugs and alcohol. Children coming from these environments may have been abused or neglected by adults who went through the same cycle of abuse and neglect when they were children. This audit—and the problems we have identified—should be viewed within this environmental context.

Social workers and others involved in the day-to-day lives of abused children and their families must make decisions on a daily basis about what course of action they think is in the best interest of each child. Sometimes those interests are competing, such as trying to balance the safety and well being of children with the rights of families, and the alternatives often are not perfect. Often the decisions they make work out well; sometimes they do not. No child abuse response system can prevent all abuse or tragic results from occurring, but properly administered and handled it must keep such instances to an absolute minimum and protect children shown to be at risk. To accomplish these very difficult tasks, the social workers that are at the heart of the system, need the best resources and training the state can provide.

At the same time, program staff are to be commended for working in a very difficult program in which social workers are expected to confront openly hostile parents and suspected perpetrators of child abuse and/or neglect on a daily basis and attempt to document whether abuse or neglect occurred. Where necessary, they must take appropriate action to prevent additional abuse to children in their highly vulnerable situations.

**Mission Statement of Division of Family Service (DFS)**

To maintain or improve the quality of life for the people of Missouri by providing the best possible services to the public, with respect, responsiveness and accountability, which will enable individuals and families to better fulfill their potential.

As of January 2000, the Division of Family Services employed 5,627 full time employees (FTE) including 3,329 working in Children's Services. The Division of Family Service's Children Service unit is responsible for coordinating programs to provide assistance to children and their parents. The Children's Services Programs include Adoption, Foster Care, Child Abuse and Neglect, Treatment Services, Independent Living, Residential Program, Parental Stress Helpline and other programs. Our audit focused on the Child Abuse and Neglect system which is responsible for receiving hotline calls of suspected abuse or neglect and determining if the calls meet statutory or policy requirements to be sent to the local county DFS office as either Child Abuse and Neglect reports or referrals for services. The local county offices evaluate each report received to determine if it should be investigated or if the family assessment approach would benefit the family more. In cases of referrals, the local offices determine what steps need to be taken to help address the family's needs. In all cases, the safety and risk of harm to the child is to be an overriding concern.

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### Structure

The governor appoints the Director of Social Services who in turn appoints the Director of Family Services. The Family Service Director appoints the Children's Services Director. The Children's Services central office is located in Jefferson City, and the state is divided into seven geographic areas for administrative purposes. The state's 114 counties are clustered into these geographic areas, except for St. Louis City, St. Louis County, and Jackson County, which make up their own areas. The following are the area headquarters locations:

- **Area 1** – St. Joseph
- **Area 2** – Fulton
- **Area 3** – Cape Girardeau
- **Area 4** – Springfield
- **Area 5** – Jackson County
- **Area 6** – St. Louis City
- **Area 7** – St. Louis County

### Child Abuse/Neglect Reports

The Child Abuse/Neglect Hotline Unit is operated year-round on a 24-hour per day, seven days per week basis by approximately 50 social workers. Missouri's toll-free number for reporting child abuse/neglect is 1-800-392-3738.

The volume of hotline calls received for 1999 and 1998 and their classifications are shown below:

| <b><i>VOLUME OF CALLS<br/>HANDLED BY DFS</i></b>         |                           |                           |
|--|---------------------------|---------------------------|
| <b><i>Call Classification:</i></b>                       | <b>Calendar Year 1999</b> | <b>Calendar Year 1998</b> |
| <b><i>Child Abuse and Neglect</i></b>                    | 48,769                    | 47,954                    |
| <b><i>New Born Crisis Assessments (A Referrals)</i></b>  | 1,092                     | 934                       |
| <b><i>Mandated Reporter Referrals (M Referrals)</i></b>  | 13,948                    | 11,562                    |
| <b><i>Preventive Service Referrals (P Referrals)</i></b> | 5,694                     | 4,822                     |
| <b><i>Non-Caretaker Referrals (N Referrals)</i></b>      | 1,208                     | 1,093                     |
| <b><i>Unable to Investigate</i></b>                      | 24,767                    | 24,910                    |

The hotline unit receives calls of suspected abuse and/or neglect from permissive and mandated (certain professionals mandated by statute to report) callers. When a call is received at the hotline unit, the call taker must evaluate the information to determine whether the conditions reported meet the Child Abuse and Neglect criteria listed below.



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- The child is under age 18.
- The alleged perpetrator has care, custody, and control of the child.
- The alleged abusive or neglectful treatment is having an adverse effect on the child.
- The report meets the definition of abuse/neglect described in state statutes.

If the call meets the above criteria it is considered a child abuse and neglect report. Within moments of deciding a call is a child abuse and neglect report, the information is forwarded electronically to the appropriate county office where the victim lives. The county office personnel retrieve the report from the electronic automated retrieval system (list of cases from the hotline unit) and give it to the appropriate screener (determined by the local county offices) who determines whether the report should be handled as an Investigation or Family Assessment.

The DFS implemented a new two track approach (Investigation or Family Assessment) statewide in May 1999, to recognize different families have different intervention needs and require flexible responses from Children's Protective Services and the community, to protect children and meet family needs.

### *Investigation Approach*

The investigation track is chosen by the screener if the following are alleged:

- ❑ Serious physical, medical or emotional abuse and serious neglect where criminal investigation is warranted;
- ❑ All reports of sexual abuse;
- ❑ All other reports that if confirmed would be a (criminal) violation of certain sections of Chapters 565 – 568 and 573 RSMo;
- ❑ Reports, indicating the child is in danger at the time of the report and law enforcement involvement is needed;
- ❑ All reports referred to the Out-of-Home Investigation (OHI) unit or non-relative/non-household member caretaker reports investigated by county staff.

If the report is classified as an investigation, it is assigned to a social worker, who must initiate the report and have face-to-face contact with the child(ren) within 24 hours of receiving the report. In most cases, law enforcement is called to conduct a joint investigation. The investigator's role includes the responsibility to ensure services are provided to a family when service needs are immediate during the investigation. The social worker has 30 days to complete the investigation and to prepare the related documents and reports. The following are the possible investigation conclusions:

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- ☐ Court Adjudicated
- ☐ Probable Cause
- ☐ Unsubstantiated – Preventive services indicated
- ☐ Unsubstantiated
- ☐ Unable to Locate
- ☐ Inappropriate Report
- ☐ Located out of State

The alleged perpetrator and victim(s) are to receive written notification as to the decision determined by the local division office. If the finding is probable cause, the notification must contain a notice that if the alleged perpetrator disagrees with the probable cause decision, s/he has 60 days from the date of receipt of the notification to request an administrative review. The local county director conducts the administrative review. If the director upholds the office's decision and the perpetrator wishes to continue the process, the County Director must notify the Child Abuse and Neglect Review Board Liaison within 10 days. The Liaison schedules a hearing for the case and notifies the involved parties of the date.

There are currently three review boards composed of nine members each. The board members are appointed by the governor and are made up of independent citizens, some of whom must be from mandated professions such as law enforcement and child health care. The boards review the investigation case records and may hear testimony from involved parties. The Chairpersons submit a written decision to the liaison within 7 days of the review. The liaison provides a written decision notice to all parties within 30 days of receiving the recommendations from the review board. For cases that are overturned, the DFS also must change the investigation conclusion recorded in the case file and in the computer system.

### ***Family Assessment Approach***

The screener chooses the family assessment track if the following conditions are alleged:

- ☐ Mild, moderate, or first-time non-criminal reports of physical abuse or neglect (including medical neglect);
- ☐ Mild or moderate reports of emotional maltreatment; and
- ☐ Educational neglect reports.

If the report is classified as a Family Assessment, it is assigned to a social worker who contacts the family and conducts a thorough family assessment. Family assessments must be initiated within the first 24 hours. An exception is if the only allegation is educational neglect in which case it should be initiated within 72 hours. If the children are not seen within the first 24 hours, documentation must be recorded in the assessment form explaining how safety was determined. The Social Worker can either schedule this contact with the family or make an unannounced home visit. The goal of the family assessment is to:

- ☐ determine any risk to the child's safety;
- ☐ determine if the family needs assistance from the division or the community; and
- ☐ identify service needs of the family.

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During the family assessment process, workers use the forms provided as tools to help accomplish the goals listed above. If the family refuses to cooperate in the family assessment process and there is risk to the child, the report must be changed to place it on the investigation track, giving the worker more authority to deal with the situation.

The worker has 30 days to complete the family assessment and to prepare the related documents and reports. The family must be notified of the conclusion reached. The following are the possible family assessment conclusions:

- ☐ Services Needed
- ☐ Services Not Needed
- ☐ Non-Cooperative/Child Safe (Police Involvement)
- ☐ Services Needed (Family Declined)
- ☐ Services Needed (Linked in 30 days)
- ☐ Unable to Locate
- ☐ Inappropriate Report
- ☐ Located out of State
- ☐ Home Schooling

### **Referrals**

In instances when a call taken by the hotline unit does not meet the child abuse and neglect criteria, the hotline unit call taker must determine if the call meets the criteria for one of the four referral types (Mandated Reporter, New Born Crisis Assessment, Non-Caretaker, and Preventative Service Referrals). Like child abuse and neglect reports, once a call has been classified as a referral by the hotline unit it is forwarded electronically to the appropriate local county office.

#### ***Mandated Reporter Referrals***

The state child abuse and neglect law requires certain professional people known as mandated reporters to make a report to DFS when they have reasonable cause to suspect that a child has been or may be subjected to abuse or neglect. In an effort to recognize the importance of Mandated Reporters, the division has a policy to accept referrals of concerns that do not rise to the level of a child abuse and neglect report. The division refers to these calls as Mandated Reporter or “M” Referrals. Non-anonymous mandated reporters, acting in their professional capacity, and reporting family situations, must make these referrals.

Local personnel pull off the referral from the automated referral system and give it to the appropriate worker (as determined by local office policy). In most cases, new social workers or supervisors are assigned to the M Referrals. With one exception in the Central Office, local county offices set all policies regarding M referrals.

Central DFS policy requires local DFS staff to contact the mandated reporter within 3 working days of the referral (or the next working day if received on a Friday), to discuss the situation with the mandated reporter and to mutually determine the most appropriate response. In most

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situations, the DFS staff does not visit the family but advises the reporter of services the community and DFS can offer the family and suggests the reporter inform the family of those services.

### ***Newborn Crisis Assessments***

These referrals are cases in which medical personnel are referring a newborn. There are two types of newborn referrals--drug-involved and non-drug-involved. For drug-involved referrals there must be signs and symptoms of drug/alcohol involvement in the newborn at birth. For non-drug-involved referrals there must be allegations of potential serious risk of abuse/neglect upon release of the newborn from the hospital and must be called to the hotline unit prior to the newborn's discharge. These calls are coded as "A" referrals and forwarded electronically to the local county office to be handled as emergencies. Local personnel pull the referral off the automated referral system and give it to the appropriate worker as determined by local office policy. Policy requires the worker to start the Newborn assessment immediately after receiving the report.

### ***Non-Caretaker Referrals***

Permissive reporters (persons not mandated) identifying possible abuse/neglect where the alleged perpetrator has no care, custody, or control of the child are advised that the hotline unit will make an "N" referral to the county office, but that it is not considered a child abuse/neglect report. The referral is forwarded electronically to the local county office. Local personnel pull the referral off the automated referral system and give it to the appropriate worker for handling. The worker then decides whether to act on the case himself or herself or to refer the case to other agencies such as law enforcement or juvenile authorities.

### ***Preventive Service Referrals***

Preventive Service Referrals are calls made by permissive reporters (those not mandated) where no actual abuse or neglect has occurred, but where the actions of the child, caretaker, another juvenile or adult demonstrates the need for intervention and possible service delivery to prevent child abuse and neglect from occurring. The following are the only instances the hotline unit will take as Preventive Service Referrals:

- Family requests services.
- Caretaker is ill, hospitalized and no appropriate child care plan.
- Caretaker requesting placement of child, but no child abuse and neglect.
- Caretaker or child is suicidal.
- Child exhibiting extreme maladaptive behavior; or
- Domestic violence in the home and child is witness to violence.
- New information reported to the hotline unit which would be important for the local county office to have available on a currently open Preventive Services case.
- Non child abuse and neglect fatality referrals from permissive reporters.
- G.L. vs. Stangler referrals from permissive reporters (relates to a Jackson County court order).

## **APPENDIX III**

- Ex-parte orders (legal proceeding) with no child abuse/neglect allegations.
- Calls regarding children over 18 who remain in DFS custody.

Hotline unit personnel inform the permissive reporter that a “P” referral is being sent to the local office, but that it is not considered a child abuse/neglect report. The DFS policy manual guides the worker to the family assessment procedures for handling “P” referrals. All other policy concerning “P” referrals is set by each local office.

### **Unable to Investigate**

In instances when the call taken by the hotline unit does not meet either child abuse and neglect or referral criteria or if no identifying information can be obtained, the information is coded unable-to-investigate. The hotline unit unable-to-investigate worksheet must clearly show the reasons for the call being classified as unable-to-investigate and include the information provided by the caller. No action is taken on calls coded unable-to-investigate, there is no computer record of these calls, and the hotline unit keeps the paper worksheet for only 2 months before being destroyed. The following situations are classified as unable-to-investigate:

- ☐ Victim is 18 years old or older
- ☐ No child abuse/neglect allegations
- ☐ Out of state reports from non-mandated reporters
- ☐ No address, direction, or other means of locating the family
- ☐ Prior Checks (allows certain mandated reporters to check for possible prior reports on abuse or neglect of a child or family).

### **Accreditation**

The DFS is currently in the application phase of seeking accreditation by the Council on Accreditation of Services for Families and Children, Inc. The council is a leading independent accreditor of the full range of behavioral healthcare, social, and community services. According to their internet website, the council's mission is to "actively promote and improve the quality of social and mental health services that support and improve the lives of families and children and the well-being of society." The council accomplishes its mission by developing standards of best practice, by delivering a program of provider recognition and accreditation, by providing educational and technical assistance programs, and by advocating for policies that promote high quality services for families and children.

The council recommends certain caseload standards that will allow staff to more effectively work with families and children. Also, the council recommends that the supervisor of child protective workers only have responsibility for the direction of no more than seven experienced and professionally trained workers. DFS has been allocated additional social worker positions for FY2001 to help achieve the council staffing and caseload requirements.

### **APPENDIX III**

For more information and statistics on the Child Abuse and Neglect System readers may go to the DFS Internet Website at ***<http://www.dss.state.mo.us/dfs/dfs.htm>***.

**SUMMARY OF BEST PRACTICES**

During the course of our field work we identified various best practices that could be implemented by DFS on a statewide basis. Some of these best practices originated from within DFS but have not been disseminated beyond a few local areas. Others were identified while studying child abuse and neglect practices used in other states. The importance of ensuring the state maintains a compendium of the best and most effective practices in preventing and responding to reports of child abuse and neglect cannot be overstated. Many nations are struggling with the problem of child abuse and neglect and the problem is seen as growing in significance as drug and other substance abuse, for one example, reaches near epidemic proportions. It is imperative that new, improved and proven practices should be adopted and disseminated by the DFS in its efforts to respond to child abuse and neglect throughout Missouri. The practices shown below are worthy of serious consideration by the DFS for methodologies to improve various practices in Missouri.

**Best practices from other states:**

***Arkansas***

The Arkansas State Police operates a Family Protection Unit that handles 1/3 of the Child abuse and neglect reports received each year. The unit was established in 1997 to enhance the effectiveness of Arkansas child abuse and neglect investigations by using personnel trained in proper investigation procedures and documentation and to help ensure cases against perpetrators of child abuse could be effectively prosecuted. Unit personnel have arrest powers and may carry firearms. The unit works in joint venture with the Children Services Unit in handling child abuse cases and if a child must be removed from the family home, the Children Services Unit handles the placement.

***Iowa***

In Iowa, the position of child abuse investigator is the highest possible level a social worker can achieve before becoming a supervisor. It is also the highest paid position social workers can attain and continue to work with children.

***Illinois***

The state of Illinois will require all their Department of Children and Family Services social workers to be licensed by January 1, 2001. All those social workers will be required to pass a certification test to work as a social worker in Illinois.

## **APPENDIX IV**

### ***Kansas***

In Kansas, social workers are required to be licensed prior to being hired by the state.

### ***Oklahoma***

In Oklahoma, the social workers receive a 2.5% salary increase for having obtained a Master's Degree education level.

### ***Washington***

In Washington State, statutes require that conclusion notices to perpetrators must be sent by registered mail. The conclusion notices inform the alleged perpetrators of the abuse finding and the right to appeal the finding to an appellate organization much like the Missouri Child Abuse and Neglect Review Boards. In Missouri these appeal rights notices are sent by regular mail, allowing perpetrators to claim they never received the required notice and thus allowing them to force an appeal long after the rights have actually expired.

### ***Michigan***

In some counties, records of calls screened out as Unable to Investigate because of the low level of claimed abuse and not considered significant or worthy of investigation or review are kept in the computer system and also in paper files.

However, when three such calls have accumulated on the same family, social workers visit the family because of the high likelihood of real problems. This practice provides the children's services agency an opportunity to initiate preventive services, if needed.

The state has established several procedures intended to protect the safety of social workers. Examples include checking for any prior criminal history or child abuse and neglect records on any family members in the subject household prior to the family visit, each social worker is provided a cell phone and pager and provided state owned vehicles equipped with personal alarms and remote entry mechanisms. These and other safety procedures were established after a worker responding to a report of child abuse was murdered at the child's home.

A statewide Peer Review program has been developed to ensure consistency and appropriateness of the handling of all facets of children's protective services provided and in implementing departmental policies and procedures.

Social workers are paid a more competitive salary.



## APPENDIX IV

Increased compensation is given to workers who have obtained a Master's degree.

Various forms used in handling children's cases and perpetrator notification letters are maintained as master documents and are computer generated on demand as needed, thus saving worker time.

Mandated Reporter's are notified of the outcome of calls reporting child abuse and neglect.

### ***Florida***

Florida state has developed and posted on their Children and Families web page an outstanding policy guideline giving callers the standards of courtesy and professionalism the state child abuse hotline call takers are expected to follow. The guidelines also explain how callers can contact hotline supervisors if the standards were not followed. The Missouri DFS has similar policies but the information on what to do if the call is not handled properly is not publicly posted on the web site as in Florida. Posting this information in Missouri would improve communications with child abuse reporters and would allow them a mechanism to question the hotline worker's decision if they believe it is wrong. It could also provide a mechanism to alert management when problems develop.

### **Best practices within Missouri:**

#### ***St. Louis City***

The DFS (Area #6, St. Louis City) has developed a substance abuse specialist to accept referrals from workers with the purpose of assisting the workers in identification of substance abuse during their home visits and family conferences. The position duties include: consultation, assessment & screening of families, chemical dependency evaluation, psychological evaluations, attending family meetings & court hearings, pre-treatment counseling and education, training and workshops, and practicum opportunities. Common issues for families include: co-dependency, treatment referral & availability, support groups, breaking through barriers such as denial, enabling, reaching out for help, family violence, and mental health.

## **APPENDIX IV**

St. Louis City has also developed a way to identify and treat chronic neglect families. Chronic Neglect work is a relatively new approach in the United States, and St. Louis City is the only DFS office with their own specialist on staff. The Chronic neglect approach does not focus so much on the particular incident, but on the pattern and the “accumulation of harm.” Chronic Neglect is defined as a persistent pattern of family functioning in which the caregiver has not sustained and/or met the basic needs of the child, which results in harm, and the behavior may result in an accumulation of harm. Accumulation of harm is a heightened risk to children when the caretaker shows a repeated pattern of failing to meet a child’s basic needs.

The Chronic Neglect Specialist reviews every hotline call sent to the county. The specialist not only reviews the current incident, but looks at all prior involvement with the family (substantiated or not, referrals, information obtained regarding neglect while investigating an incident, etc.). St. Louis City chose to use 10 prior incidents as a starting point to classify a family as in a state of chronic neglect. The city staff has been asked to give presentations in other states and at CA/N conferences throughout the U.S. The DFS should develop policies for all local offices to help them better identify and treat chronic neglect families.

St. Louis City has taken a preventive approach to educational neglect. The DFS hotline unit does not take calls reporting education neglect unless the reporter shows exhaustive effort on the part of the school to correct the problem and the child has missed a great deal of school. In contrast, St. Louis City DFS arranged for schools to send a fax notice when a child has missed 10 days of school. This allows the local office to initiate early preventive or intervention efforts before the problem becomes more serious.

## APPENDIX V

### SUMMARY OF SURVEY QUESTIONNAIRE RESULTS

A survey questionnaire was sent to 1,183 current and former employees of DFS, Children's Services. A total of 514 responded to the questionnaires giving a response rate of 43%. The results of this survey are as follows:

| Question   | Always | Sometimes | Never |
|--|--------|-----------|-------|
| Do you feel that you received enough training to make accurate and correct decisions on handling child abuse and neglect reports in the two-track (Investigation/Assessment) system? | 153    | 238       | 46    |
| Is your caseload such that you feel you are able to successfully manage your cases?  | 52     | 206       | 187   |
| Does your workload allow you to act on a child abuse and neglect report in a timely manner?  | 159    | 221       | 39    |
| Do you feel that you are unable to do enough investigative work on a child abuse and neglect report due to time constraints?   | 72     | 260       | 74    |
| Have there been times that you could not include fully accurate records and details because of time limitations?   | 40     | 287       | 106   |
| Have you had any problems getting child abuse and neglect reports or any other information from the Central Registry Unit?   | 14     | 173       | 238   |
| Are there times when child abuse and neglect calls are made to the local county office and not reported to the Central Registry Unit?  | 7      | 171       | 221   |
| Does your supervisor provide adequate instruction and support?   | 221    | 192       | 31    |
| Is it necessary to vary from DFS procedures and policy to serve the best interest of the child?  | 23     | 304       | 114   |
| Has a lack of Out-of-Home resources been the reason for keeping a child in a dangerous home situation?   | 14     | 166       | 259   |
| Do you believe mandated reporter calls are given the proper classification and treatment?  | 127    | 252       | 54    |
| Is the name of the reporter ever given to the family?  | 1      | 29        | 414   |
| Are intensive In-Home services effective in keeping children safe?   | 58     | 369       | 15    |
| Do you contact mandated reporters within 3 days of their call?   | 286    | 117       | 7     |
| Do you feel you have the full needed cooperation of the other agencies shown below?  |        |           |       |
| The Department of Health?  | 181    | 225       | 31    |
| The Department of Mental Health?   | 75     | 263       | 109   |
| The Juvenile Office?   | 141    | 291       | 26    |
| The Courts?  | 117    | 301       | 31    |
| Law Enforcement Agencies?  | 173    | 257       | 15    |

| Question  | Yes | No  | % Yes |
|---|-----|-----|-------|
| Are available state resources adequate to address the problems causing abuse? | 102 | 347 | 23    |

We asked DFS social workers what they felt was the main cause of men and women abusing their children. The following are the main causes given in the survey responses:

## APPENDIX V

- ❑ Single Parent, Stress, Economics, No Support System, Anger, Control Issues
- ❑ Drug and Alcohol Abuse
- ❑ Lack of Parenting Skills/Education
- ❑ The way they were raised, poor role models, cycle of abuse

A survey questionnaire was sent to 803 mandated facilities including Police Departments, Juvenile Offices, Schools, and Hospitals. We received 1,530 responses, a 191% response rate. Many of the facilities made multiple questionnaire copies so more employees who make calls to the Child Abuse and Neglect Hotline could respond to the survey, thus causing a very high response rate. The results of this survey are as follows:

| Question  | Yes   | No    | % Yes |
|---|-------|-------|-------|
| Were you able to provide all of the information you wanted to give to the hotline worker?           | 1,371 | 108   | 93    |
| Have you ever had to exaggerate the condition of the child in order to get the hotline's attention? | 234   | 1,230 | 16    |
| Did the DFS county worker discuss fully your concerns for the family/children?                      | 1,064 | 352   | 75    |
| Has any alleged perpetrator confronted you about turning them in to the hotline?                    | 695   | 775   | 47    |
| Overall, are you satisfied with the way your calls are handled by hotline personnel?                | 1,126 | 305   | 79    |
| Overall, are you satisfied with the local field office's handling of the cases you call about?      | 900   | 466   | 66    |

| Question   | Always | Sometimes | Never |
|--|--------|-----------|-------|
| Do you report all suspected child abuse/neglect to the Child Abuse Neglect Hotline Unit?                               | 1,268  | 231       | 1     |
| Do you feel once you report the abuse the problem will be taken care of?   | 281    | 1,156     | 66    |
| Was the hotline worker courteous and tactful in your discussions?  | 988    | 471       | 6     |
| After you reported to the hotline, did you see subsequent improvement in the child's physical and/or mental condition? | 63     | 1,244     | 122   |
| From your calls, did cases receive action you considered appropriate?  | 311    | 1092      | 77    |

| Question  | Within 24 hours | Within 48 hours | Within 72 hours | No Contact | Other |
|---|-----------------|-----------------|-----------------|------------|-------|
| Did the DFS county worker contact you after your initial call to the hotline? | 552             | 167             | 108             | 205        | 245   |

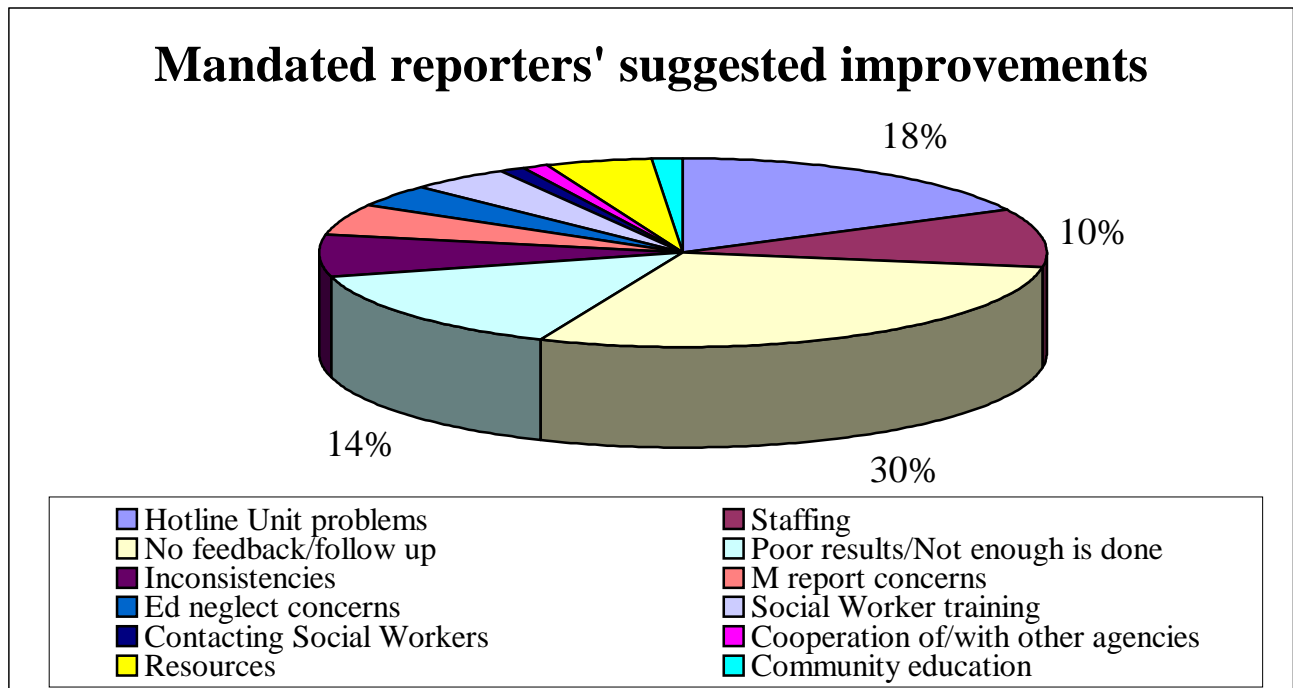
## APPENDIX V

| Question   | 1-3 | 4-6 | 7-10 | Over 10 | Over 20 |
|--|-----|-----|------|---------|---------|
| How many times have you, as a mandated reporter, called the Child Abuse Neglect Hotline? | 316 | 316 | 204  | 272     | 346     |

| Question   | Never | Occasionally | Often |
|--|-------|--------------|-------|
| Do you contact your local DFS office for informal consultations or assistance? | 180   | 936          | 357   |

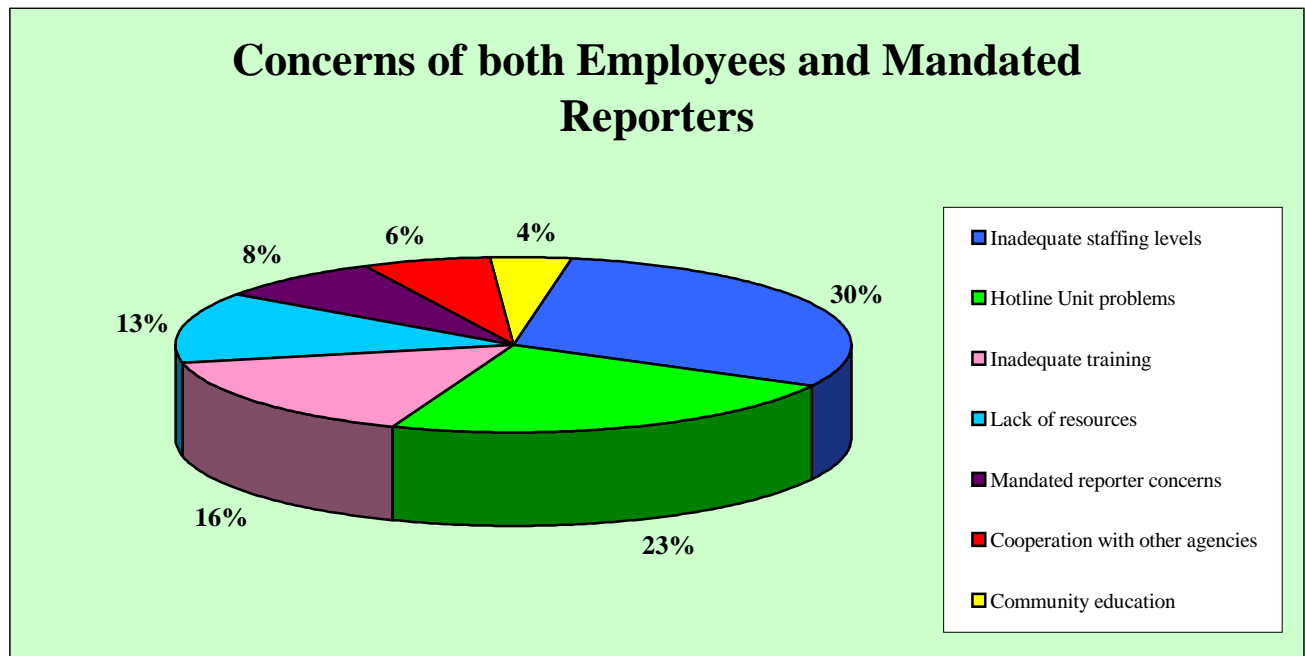
| Question   | Not Applicable | Never | Occasionally | Often |
|--|----------------|-------|--------------|-------|
| Do you find your local DFS office helpful and responsive to your request(s) when you contact them? | 76             | 43    | 636          | 716   |

We asked Mandated reporters what could be done to improve the handling of their calls reporting alleged Child Abuse and Neglect. The following chart shows their responses regarding the areas for improvement.



## APPENDIX V

We tallied the comments made by both employees and mandated reporters to identify areas of concern. The concerns and the level of importance based on the number of mentions are shown below:



## APPENDIX VI

### **RESULTS OF CALLS CLASSIFIED UNABLE TO INVESTIGATE**

The audit included a test of the justification for categorizing 1,984 calls received in December 1999 and January 2000 as unable to investigate to determine if they were properly categorized. Audit results showed that 50 of these calls were not properly categorized and some action could have been taken to assist an endangered child—a child who could still be at risk. Our test disclosed the following issues of concern.

#### **Didn't meet the criteria to be unable-to-investigate**

| Testing Dates    | Number of Errors | Total Tested | % Error Rate |
|------------------|------------------|--------------|--------------|
| December 11 & 15 | 10               | 104          | 10           |
| January 1 – 31   | 40               | 1880         | 2            |

#### **Call taker didn't explain why the call was unable-to-investigate**

| Testing Dates    | Number of Errors | Total Tested | % Error Rate |
|------------------|------------------|--------------|--------------|
| December 11 & 15 | Not tested       | Not tested   | Not tested   |
| January 1 – 31   | 79               | 1880         | 4            |

#### **No supervisory approval on unable-to-investigate worksheets**

| Testing Dates    | Number of Errors | Total Tested | % Error Rate |
|------------------|------------------|--------------|--------------|
| December 11 & 15 | 12               | 104          | 12           |
| January 1 – 31   | 34               | 1880         | 2            |

#### **Call taker didn't document a prior child abuse and neglect record check**

| Testing Dates    | Number of Errors | Total Tested | % Error Rate |
|------------------|------------------|--------------|--------------|
| December 11 & 15 | 23               | 70           | 33           |
| January 1 – 31   | 265              | 812          | 33           |

#### **DFS computer system record didn't agree with call taker's prior record check notation**

| Testing Dates  | Number of Errors | Total Tested | % Error Rate |
|----------------|------------------|--------------|--------------|
| December 15    | 8                | 66           | 12           |
| January 1 – 31 | 132              | 267          | 49           |

#### **A later report or referral was taken on the same allegation as the unable-to-investigate\***

| Testing Dates  | Number of Errors | Total Tested | % Error Rate |
|----------------|------------------|--------------|--------------|
| December 15    | 2                | 66           | 3            |
| January 1 – 31 | 16               | 265          | 6            |

\* A call giving the same allegation of abuse was accepted as valid for referral and handling

## **APPENDIX VII**

### **DEPARTMENT OF SOCIAL SERVICES**

#### **DIVISION OF FAMILY SERVICES**



**Department of Social Services  
Division of Family Services  
Audit Of Child Abuse and Neglect Response System  
Response to Recommendations**

We take our commitment to protecting children very seriously and are proud of the improvements made in the last several years. While there is always room for improvement, we feel this document borders on audit by anecdote and takes an overly simplified approach to an extremely complicated system.

Protecting children is difficult and vastly more challenging than designing the perfect system. Our staff is faced daily with making more serious judgment calls in people's lives than most people ever face in their lifetime. The standard they are held to is perfection, which is virtually unattainable.

For the record, we wish to register a strong disagreement with the harsh accusations and inflammatory generalizations used in the narrative. We will attempt to address the recommendations individually as listed below.

While Missouri's child protection system is better than most and has steadily continued to improve, we know intuitively that even with more staff, increased money and tougher laws, some children will still be lost to tragic circumstances. That is why solutions should involve more than one system. They include communities, parents, relatives, teachers, neighbors, law enforcement, health care professionals and many others beyond the Child Abuse and Neglect Reporting and Response system.

**1.1 Implement a structured decision making tool to increase consistency and accuracy in making intake, screening, risk assessment, service and placement decisions.**

In April 2000, the division began working with Children's Research Center, a division of the National Council of Crime and Delinquency in Madison, Wisconsin, to explore the adaptability of a specific structured decision-making model to our system. The first phase would focus on enhancing the current decision making tools used at two points in the system: the hotline, to classify calls received, and in the county office to determine if the report will be treated as an assessment or investigation. Further exploration will take place over the next year regarding other decision points in the system.

**1.2 Require that hotline unit call takers check DFS records for prior reports of abuse on the child or family and document that check.**

Currently social service workers at the hotline do check DFS records for priors on all calls (approximately 75,000 annually) except those classified as Unable To Investigate (UTI). DFS will work with the Division of Data Processing to implement a tracking system for these types of reports, which will include a check for priors when enough information is known from the caller to determine specific persons' identities. It should be noted that many UTIs do not

contain adequate information for clear data collections. Implementation will be expected by April 2001.

**1.3 Ensure unable to investigate worksheets document completely and appropriately the phone reports of abuse received by the hotline unit.**

The division is implementing a policy that hotline supervisors will read worksheets and listen to tapes of 10% (as consistent with Council on Accreditation (COA) expectations for peer reviews) of all calls classified as Unable To Investigate. Supervisors will review the work of staff other than those in their own unit. It should be noted that currently supervisors consult frequently with staff, especially new social service workers, when they are making a decision to classify a report as Unable To Investigate. Staff often seek consultation while the caller is still on the phone. It is also believed that implementing a Structured Decision Making model at the Hotline Unit may further enhance staff decision making. Finally, we are in the process of implementing changes to the MIS database system which will require more complete documentation for data entry and conclusion on reports classified as unable to investigate.

**1.4 Improve the hotline unit quality control review process to ensure unable to investigate decisions are appropriate.**

See #1.3

**1.5 Enter unable to investigate records into the automated Production System and retain them.**

See #1.2. Records will be maintained for one year.

**1.6 Retain tape recordings of hotline calls for possible use in future criminal prosecutions or for review board hearings.**

Currently the division keeps tapes of all calls for six months and cooperates by supplying copies of tapes as requested by prosecutors within that time frame. Rarely has the Child Abuse and Neglect Review Board (CANRB) requested a tape and most reviews are held within six months of the finding. Effective January 1, 2001 the division will keep tape recordings of all calls for one year. This will be done as a one-year pilot during which time, records will be kept regarding the number and type of requests made for copies of the tapes. At the end of one year this practice will be reevaluated.

**1.7 Ensure reports are retrieved and acted on by field office staff by establishing a quality control system that requires the hotline unit to reconcile reports sent to field offices to reports printed and taken off the system for action.**

As noted in the audit report, the division has made changes to ensure reports are retrieved from the system. Reports are sent from the central registry to the county offices electronically. There is an audio cue from the printer when the report first comes in. Staff check for new reports several times per day in case the audio alert is missed. The ALOG system has been enhanced

so that reports remain on the list indefinitely in case the daily checks miss one. In addition, local supervisors are charged with checking the system twice weekly for any that might have been missed and central office staff checks the system twice monthly to be sure all reports have been assigned. No further action is needed.

**1.8 Establish a peer review quality control system to ensure policies and practices are consistently followed and applied throughout the DFS child abuse and neglect response system.**

As a part of the statewide accreditation process begun prior to this review, each year DFS performs a Practice Development Review (PDR) in a judicial circuit in each of the four rural administrative areas of the state, and in each of the three metro areas. The PDR looks at all parts of the child protection system rather than just the division's work. These reviews include comprehensive interviews with the children and family members, as well as other people important in the treatment planning for each family. In addition, interviews are held with community stakeholders, including mandated reporters, to gain a more complete picture of how the system functions.

Regular peer reviews of all Children's Services programs begin March 2001, as part of the already established accreditation process. This review entails staff at all levels reading records for 10% of all families served by DFS Children's Services. At the hotline, supervisors will read 10% of the reports taken by staff other than those assigned to the supervisor's unit.

**1.9 Readdress the DFS study of overturns by the Child Abuse and Neglect Review Board on appeal of probable cause findings and take appropriate corrective action as suggested in the report.**

It should be noted that the division's overturn rate on appeals is lower than many other states, including Michigan, which is highlighted for best practices.

DFS will review the report noted above, regarding overturns and determine what action should be taken. A significant error occurred in the report. It states, in FY97 the overturn rate was 44%. In fact the overturn rate was 30%.

The division has already engaged the boards as one of the federally required Citizen Review Panels. In this capacity, the boards will have the opportunity to review files of reports that do not come before them for review, both probable cause and unsubstantiated. There will also be a team within DFS that will read recent CANRB decisions. This will facilitate discussion between the boards and the division regarding decisions made by both parties. Through this dialogue action steps will be identified by April 1, 2001.

**1.10 Establish quality controls that ensure the child abuse central registry and the local case records are appropriately corrected to remove the probable cause finding when the alleged perpetrator wins an overturn on appeal.**

Effective January 1, 2001, the central office staff supporting the Child Abuse and Neglect Review Board (CANRB) will make the necessary change for each alleged perpetrator in the central registry, when the CANRB overturns an investigation. Local offices will continue to be notified to make the necessary changes in the local file and send out corrected notification letters. This will be ensured through inclusion in the peer review done quarterly for other Children's Services Programs as part of accreditation. Unsubstantiated reports will continue to be expunged according to law.

**1.11 Develop a quality control system to ensure DFS is represented at Child Abuse and Neglect Review Board hearings as required by statute.**

At present the division staff participate in 95% of the hearings. DFS policy regarding participation in review board hearings will be reaffirmed in a memo to all staff.

**1.12 Ensure Children's Service workers are provided adequate guidance and training on their responsibility to make appropriate decisions on whether to represent DFS custody children in probable cause finding appeal hearings.**

Children should always be represented at hearings by virtue of the division's participation in the review. In 95% of the cases children were represented. For the 5% of the reviews where staff did not participate county directors will implement a backup plan to ensure representation.

**1.13 Send perpetrator notification letters by certified return receipt requested mail.**

Contacts with other states have indicated many states do not use certified mail and those that do continue to receive complaints regarding failure to receive notice.

**1.14 Redefine hotline unit criteria definitions for preventive service referral classifications to better allow for the best interest of children to be served.**

We believe the current system offers better than average preventive services that are in the best interest of the children. Missouri delivers preventive services to children at a rate of 35.9 children per 1,000. Comparatively, Illinois's child protective services system offers 12.4 children per 1,000 and Michigan's child protective services system serves only 3.9 children per 1,000. (National Child Abuse and Neglect Data System, Child Maltreatment 1998).

**1.15 Provide better policy and guidance to field staff on the handling of preventive service referrals.**

Effective November 15, 2000, the division implemented a data collection system for all referral categories. Through this mechanism DFS will have specific information, rather than anecdotal, about the actions field staff took with preventive service referrals. The division will analyze the first six months of data to determine what if any guidance is needed for staff by June 2001.

**1.16 Improve the understanding of the child abuse and neglect system by mandated reporters and the public by improving the quality and quantity of detailed information easily available. The DFS should increase efforts to explain what can be expected from the system.**

The division was already working on steps to increase the quality and quantity of information available to mandated reporters and the public at large. In March of 2000, DFS policy was implemented for social service workers to contact mandated reporters to share information about the findings and plan how they might work together to provide services for the family.

Changes in legislation strengthened mandated reporter contacts by creating a communication link with schools through a specified liaison within each school district so that information is shared on a regular basis. All of the language in RSMo 210 supports the concept of a strong connection among DFS and all of the other community partners on behalf of children.

Additionally, the division has updated its information packet, made available to all school districts throughout the state, with changes in law and practice. These packets have been available since 1995, and updated as needed.

The central office and local offices participate in innumerable training sessions and community education meetings every year. DFS is also the primary sponsor of a Child Abuse and Neglect Conference held bi-annually which attracts over 1,200 participants. The focus of the conference is on the detection, investigation and treatment of child abuse and neglect as a priority for all community partners.

The division partners with the Children's Justice Task Force and Prevent Child Abuse Missouri to promote professional awareness of Child Abuse and Neglect through the quarterly publication of the "Colleagues for Children" newsletter. This newsletter specifically written for mandated reporters is distributed to 25,000 professionals across the state. Presently, the division has information available on the DSS web site. The number of website visits to the Child Abuse and Neglect page has increased over the last year.

**1.17 Send responses to mandated reporter on the outcome of every call and the reasons for action or inaction.**

Action is taken on every mandated reporter call. Current policy dictates staff to contact the mandated reporter within five days of reaching a conclusion regarding the report. At this time, the social service worker discusses the outcome, reason for it and most importantly how the mandated reporter might assist the family.

**1.18 Ensure that hotline unit call takers make clear to mandated reporters what action can be expected based on the information provided.**

This is existing policy and is included as part of the desk guide check list used by all social service workers at the hotline to ensure appropriate steps are taken with each call. This checklist was developed in December 1999 and all staff received training on its use. There have been

numerous reminders for staff regarding this issue. Memos were sent November 5, 1999 and September 14, 2000 and it was a specific agenda item for a meeting of the hotline supervisors in June 2000. In order to monitor this on an ongoing basis, it will be included in the hotline peer review process mentioned in #1.8.

**1.19 Develop methods to identify and disseminate best practices throughout the DFS system.**

Through an initiative which began in 1996 to promote community based child protection, supported through the Edna McConnell Clark Foundation, the division is participating in the development of a "Best Practices Tool Kit" along with the Family Investment Trust, the Children's Trust Fund and Citizens for Missouri's Children. This package will give ideas to all community members, including DFS, to help ensure that an overall community system is in place to help protect children. The "Tool Kit" should tentatively be available in the summer of 2001.

Area staff meets monthly with central office staff to discuss policy and procedures, new initiatives and areas of concern. Quarterly Continuous Quality Improvement (CQI) meetings, which is part of the accreditation process, offer an opportunity to share ideas and to learn from each other. The PDR and peer review processes present further learning experiences.

**1.20 Ensure DFS Children's Services goals are valid and measurable.**

The auditor's report notes a single discrepancy. This was corrected prior to their review.

**2.1 Ensure that the child abuse and neglect investigations and/or assessment are completed within the required timeframe.**

DFS acknowledges the need to address overdue reports. Area office staff report that contacts have been completed with families to ensure that children are safe and services have been provided. The overdue reports reflect a need for system updates and documentation of actions taken. Current practices identify monthly each overdue report for each county by incident number. Central office has allowed overtime for staff to complete necessary documentation and system updates, and has worked with area staff to make a plan for each area of the state. The additional staff allocations received in the FY 2000 and 2001 budgets and requested in the FY 2002 budget will greatly enhance the ability of the agency to address this important issue. The division will monitor this monthly with the area offices and make corrective action plans.

**2.2 Ensure all accreditation council and other appropriate standards available as staffing planning tools are used to establish staffing allocations and future needs and goals.**

Current practice.

**2.3 Perform time and workload studies to help determine needed staff allocations.**

The division uses standards established through the Council on Accreditation.

**2.4 Relocate open staff positions from areas unable to fill positions to areas where the positions can be filled, when necessary or beneficial.**

The division has conscientiously worked to assure the protection of all children in Missouri. In 1999, a new staffing request for 174 social service workers, was made as part of the statewide accreditation process and was appropriated. These allocations were specifically identified in the budget for the three metro areas where need is the greatest. These areas represent 35% of the population of children in Missouri and 31% of all hotline reports.

DFS continues to request more staff for other areas of the state, including this year's 2000 appropriation request for 105 social service workers and 143 new social services workers for FY 2001.

**2.5 Develop a special team of investigators to assist "problem" areas and help ease the local offices' caseloads. This team could be sent to help counties who are having problems completing child abuse and neglect cases and making initial contacts on cases within the required time frames.**

The division believes a special team would not be necessary if staffed at COA standards.

**2.6 Increase salaries for both social worker and supervisor positions to make DFS jobs more competitive with surrounding states and private organizations who hire social workers.**

The division continues to support salary increases for all staff as revenue resources allow.

**2.7 Provide increased financial compensation to workers who obtain advanced degrees or certifications.**

The division supports educational advancement for staff by paying tuition, books, and fees for employees working on MSW degrees, as well as accommodating flexible work schedules.

**2.8 Ensure that each full time Children's Services social worker is provided with a state-owned cellular phone.**

The division has made 629 cell phones available statewide for staff to use when out of the office and on call.

**2.9 Provide Children's Services social workers with laptop computers and standard automated forms and letters and/or dictation equipment and transcription services.**

The division has been working on a comprehensive management information system and by April 2001, all staff will have computers. Approximately 763 of the available computers are laptops.

Through the rest of this fiscal year the division will be testing a case management application that will include standard automated forms, letters, and other enhancements.

## **2.10 Provide specialized training for:**

- **Front line staff and supervisors on how to use the two track (Investigation/Family Assessment) system to achieve the best possible results and to meet DFS management goals for the system.**

The division began implementing the two track system in 1995. An evaluation was performed and necessary changes in legislation occurred in order to make this statewide practice. Counties adopted the new practice incrementally and each county received training prior to their individual implementation. The practice was in place in all counties by June 1999.

The division has training planned for spring 2001 that will focus on supervisors and their ability to provide consultation and support to their staff. The supervisors, with consultation from central office training and policy staff, will in turn present training to the social service workers. Section 210 RSMo provides for annual training for staff.

- **Staff involved in child abuse and neglect investigations. This training should teach staff to adequately investigate, document and present investigation cases, increasing child safety and decreasing overturns on alleged perpetrators appeals.**

It should be noted that the division's overturn rate on appeals is lower than many other states, including Michigan, which is highlighted for best practices. A new decision item in the FY 2002 budget addresses the need for additional training staff. These trainers would provide skill building regarding the subjects mentioned above as well as other issues involved in the division's services to children and families.

## **2.11 Develop Investigation teams for low population county groups to ensure specially trained workers and supervisors handle child abuse and neglect cases. These employees should not have other duties that interfere with their primary children's services functions.**

The cost of this recommendation is prohibitive. In many rural judicial circuits, the number of reports is so low, it would be difficult to justify the number of full time staff necessary to also ensure adequate coverage for a large geographic area. For example, Circuit 4 includes the five counties of Atchison, Gentry, Holt, Nodaway and Worth. In a three-month period from July through September 2000, these counties received a combined total of 57 reports, or monthly average of 19. This would imply the need for just over one full time worker. The large geographic area and the unpredictable nature of hotline reports, coupled with the need to have staff available for emergencies 24 hours every day makes it impossible to staff with only one part time and one full time person.

The division has other mandated responsibilities for children in addition to investigations and assessments. All of which are primary functions for social service workers. We now staff smaller counties with social service workers who are responsible for a variety of duties. Services to families are often more consistent when the same worker can remain involved with a given family instead of reassigning staff after different phases of work are accomplished. By



combining functions the division makes better use of personnel and provides a more holistic approach to assuring safety and permanency for children. It is important that caseload sizes are appropriate as consistent with COA and the division continues to advocate for full staffing in all counties.

**2.12 Make better use of compensatory time monitoring system to more effectively manage its accumulation and use. Compensatory time should be:**

- **Used before annual leave.**

DSS administrative policy 2-108 indicates supervisors may not require employees to use their compensatory time after the workweek...unless prior approval from the division personnel officer is received. Many social service workers have accrued maximum annual leave and would lose annual leave if forced to use compensatory time instead.

- **Used within a reasonable time frame.**

DFS encourages staff to use compensatory time within the week it is earned. County directors and supervisors work with staff to try to arrange this. In many instances however, this is not possible. DFS will continue to follow DSS policy regarding earning and using compensatory time. Full staffing would help alleviate the need for earning compensatory time.

- **Monitored for purposes of planning future staff allocations and identifying staffing problems or inequities.**

Compensatory time is tracked through the attendance process that also includes sick leave and vacation. Each county office has responsibility for approving and tracking earned and used time for each worker based in the county.

## **STATE AUDITOR OFFICE'S RESPONSE**

The audit findings only highlight problems we found to be systemic and significant, and any examples used in the report were used for the purpose of illustrating the significant problems found. The overriding issues in the report identify significant breakdowns in quality controls and staff support. Stating the audit addressed anecdotal issues cannot dismiss the seriousness of these issues because they are systemic, and incidents will happen again if not corrected.

Although the Division did not state agreement or disagreement with the recommendations, their comments generally indicate agreement and they provided reasonable implementation dates. Some of their comments for corrective action are dependent upon receiving additional staffing. If this additional staffing is not received (and we support getting additional staffing) some corrective action as suggested by the audit will need to be taken. In this regard, we will follow-up with the Division to determine if they received the necessary staffing or if they have implemented interim corrective action. There are a few comments where the division neither agreed nor disagreed and therefore, we will also follow-up on them.

**Recommendation 1.13. Send perpetrator notification letters by certified return receipt requested mail.** The response stated that other states do not use certified return receipts and those that do, still get complaints that they were not received. The Division did not state whether they would or would not use certified return receipts. The point of the recommendation was to establish a cutoff time so late appeals do not have to be honored.

**Recommendation 1.14. Redefine hotline unit criteria definitions for preventive service referral classifications to better allow for the best interest of the children to be served.** The response stated that the Division provides better than average preventive services. This response misses the point. The recommendation is directly related to the incidents of categorizing cases as unable-to-investigate rather than considering preventive services; and that the cause for this action was that the Division had too narrow of an interpretation of what can be referred as preventive services.

**Recommendations 2.2 and 2.3 address staffing allocation methodologies.** The response stated that current practice and use of the Council on Accreditation standards satisfy the intent of our recommendations. In order for this to be true, the Division will have to acquire the staffing they need. In the absence of getting such staffing, our recommendations to develop staffing standards and contingency plans for allocating staff are still appropriate.

**Recommendation 2.7. Provide increased financial compensation to workers who obtain advanced degrees or certifications.** The response stated that the Division provides monetary assistance for social workers who want to obtain their Masters Degrees. However, it does not address the new hire social worker who already has a Masters Degree. By not providing additional salary compensation for individuals with higher-level degrees, the Division is vulnerable to turnover of their most qualified staff.



CITY OF LOUISIANA, MISSOURI

YEAR ENDED MAY 31, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-131  
December 28, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of an audit conducted by our office of the City of Louisiana, Missouri.**

---

During the period between December 1998 and January 2000, fines, court costs, and bonds received by the court totaling over \$3,800 were not deposited to the court's bank account. The monies that are missing represent cash receipts which were received and recorded but not deposited. These missing funds were not detected on a timely basis due to numerous internal control weaknesses, inadequate segregation of duties, and little or no independent review.

The Court Clerk resigned in November 2000. Information gathered during our review has been turned over to the Pike County Prosecuting Attorney's office and the Pike County Sheriff's office.

In late 1996, the city decided to construct a new water treatment plant rather than try to bring its two existing water treatment plants into compliance with new state Department of Natural Resources (DNR) regulations. Letters were sent to the owners of the two sites determined to be feasible indicating that the city was interested in buying one of the sites.

The city rejected an offer from one individual of approximately \$300,000 and accepted the offer from the second individual of \$120,000 plus the old water treatment plant land (valued at approximately \$32,000 by the Pike County Assessor).

The city did not obtain a professional appraisal of the land prior to purchase. According to the Pike County Assessor, the estimated market value of the building and land, prior to the city's purchase, was approximately \$44,000. The disparity between this amount and the amount paid demonstrates the benefit of an independent appraisal to help establish the market value of the land.

In January 1997, the city signed a contract for the land contingent upon the passage of the bond issue in April 1997. The bond issue passed and DNR approved the plans in October 1998. The city signed a contract with a construction company in February 1999. The contract for the purchase of the land for the new water treatment plan stated that the city would include a penalty clause in the new plant construction contract. Although the wording is unclear, it appears the clause would require the construction company to pay a \$500 per day penalty if the new plant was not operational within 24 months of the passage of the bond issue. The contract the city signed with the construction company, however, did not include this clause, but instead included a clause providing for a \$500 per day penalty if the construction was not completed within 455 calendar days of the date the

(over)

YELLOW SHEET

contract was signed. In April 1999, based on the required clause in the land purchase contract, the former owner of the land requested that the city either vacate the old water treatment plant facilities or that the city pay rent for the use of the facilities. The city refused and the owner filed a lawsuit against the city in April 2000.

In 1999, the city purchased a new city hall building for \$100,000. During the year ended May 2000, approximately \$34,000 was spent in renovations, including more than \$7,000 in labor costs and \$26,000 in materials. These expenditures were not planned for in the city budget. The renovations were authorized by the Mayor but were not formally approved by the city council prior to incurring the charges as required by city ordinance. In addition, there is no documentation that bids were solicited for this work and no contract was signed with the individuals performing the labor.

In June 2000, the city started collecting late fees of two-percent of the delinquent balance each month on its water bills. The city has an informal policy that allows city employees to be exempt from paying these late fees. In addition, it is currently the city's informal policy to allow city employees who normally operate city equipment to borrow the equipment during non-working hours for personal use.

Prior to April 1998, the city had a credit card to be used for miscellaneous city purchases. According to the current Mayor and the City Superintendent, the city previously had an informal policy allowing personal use of the credit card by city employees. Employees who used the card for personal use were supposed to either reimburse the city for the personal charges or pay the credit card company directly; however, the city did not track these personal charges to ensure reimbursement was received from the employees. Payments were processed without supporting documentation, approval, and documentation of purpose. In April 1998, the credit card was cancelled by the newly elected Mayor. Personal expenditures totaling \$1,074 were charged to the card from June 1996 through April 1998; the City Clerk could not provide documentation indicating these were city charges. Only \$204 of these personal charges have been shown to be reimbursed to the city. The City Clerk provided us with documentation showing reimbursement had been made in 1997 for an additional \$267; however, this documentation was not legitimate and appeared to be falsified. The city indicates she paid \$267 to the city and resigned in October 2000.

The city does not have a written depository agreement with an investment firm or the banks requiring collateral securities to be provided to cover deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Certificates of Deposit are covered by FDIC Insurance up to \$100,000; however, one CD exceeded the FDIC coverage by \$8,000 at June 30, 2000. The city also has money market accounts that are neither insured or guaranteed by the U.S. government.

The city does not have a formal bidding policy. The decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past few years, bids were either not solicited or bid documentation was not retained in several instances, such as for a street sweeper costing \$95,444 or two backhoes costing approximately \$87,000.

The city does not maintain records to account for all property owned by the city. The city owns approximately 30 vehicles and has not adopted a formal policy regarding the use of city-owned vehicles, including policies which prohibit personal use.

CITY OF LOUISIANA, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the City Council  
City of Louisiana  
Louisiana, Missouri 63353

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Louisiana, Missouri. The city had engaged Wade, Stables, Schanbacher & Walker, P.C., Certified Public Accountants (CPA firm), to perform a financial audit of the city for the year ended May 31, 2000. To minimize any duplication of effort, we reviewed the report and substantiating work papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended May 31, 2000. The objectives of this audit were to:

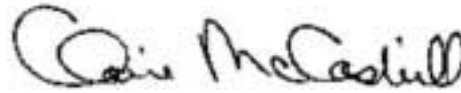
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed council minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Louisiana, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 10, 2000

The following auditors participated in the preparation of this report:

|                     |                    |
|---------------------|--------------------|
| Director of Audits: | Karen Laves, CPA   |
| Audit Manager:      | Alice M. Fast, CPA |
| In-Charge Auditor:  | Susan Beeler       |
| Audit Staff:        | Megan Seehafer     |



## HISTORY AND ORGANIZATION

| <u>Elected Officials</u>              | <u>Term Expires</u> | <u>Compensation<br/>Paid For<br/>the Year Ended<br/>May 31, 2000</u> | <u>Amount<br/>of Bond</u> |
|---------------------------------------|---------------------|--|---------------------------|
| Thomas Wallace, Mayor                 | April 2003          | \$ 5,400   | \$ 0                      |
| Dr. Howard Greene, Councilperson(1)   | April 2001          | 833  | 0                         |
| Steven Ballinger, Councilperson (2)   | April 2002          | 1,000  | 0                         |
| Frances Beck, Councilperson           | April 2001          | 1,000  | 0                         |
| Catherine Sippely, Councilperson      | April 2002          | 1,000  | 0                         |
| J. Mike Lesley, Councilperson         | April 2001          | 1,000  | 0                         |
| James R. Bell, Jr., Councilperson     | April 2002          | 1,000  | 0                         |
| William Estes, Councilperson          | April 2001          | 1,000  | 0                         |
| Wayne Baker, Councilperson            | April 2002          | 1,000  | 0                         |
| Wesley Meyers, City Marshall(3)       | April 2003          | 31,154   | 2,000                     |
| <u>Other Principal Officials</u>      |                     |  |                           |
| Kelly Henderson, City Superintendent  |                     | 19,136   | 0                         |
| Kathy Walker, City Clerk (4)          |                     | 22,880   | 2,000                     |
| Jeana Thomas, City Treasurer(5)       |                     | 10,722   | 20,000                    |
| Ruth Shumaker, City Collector(6)      |                     | 3,349  | 20,000                    |
| Patricia Chandler, Court Clerk (7)    |                     | 18,377   | 2,000                     |
| Bruce McGuire, Municipal Judge        |                     | 6,000  | 0                         |
| Jacqueline McGreevy, City Attorney(8) |                     | 0  | 0                         |

- (1) Dr. Howard Greene was appointed to the City Council when Allen Murry resigned in August 1999. Dr. Greene was re-elected in April 2000 for the one year unexpired term.
- (2) Steven Ballinger resigned from City Council in October 2000. A replacement has not been appointed.
- (3) Wesley Meyers served as City Marshall until his resignation in June 2000. William Laub was appointed City Marshall in June 2000.
- (4) Kathy Walker resigned in October 2000. Sharon Kakouris was appointed as City Clerk in November 2000.
- (5) Jeana Thomas was appointed Treasurer in November 1999, to replace Ruth Elliott.
- (6) Ruth Shumaker was appointed Collector in November 1999, to replace Jeana Thomas. Ruth resigned in June 2000. Christina McCormick was appointed Collector/Administrative Assistant in November 2000.
- (7) Patricia Chandler resigned in November 2000. Kristina Branstetter was appointed Court Clerk in November 2000.
- (8) Joseph Allwood served as City Attorney until his resignation in May 2000.

The city also employs approximately 40 full-time and 20 part-time employees.

Assessed valuation and tax rate information are as follows:

| ASSESSED VALUATION | 1999                 |
|--------------------|----------------------|
| Real Estate        | \$ 18,357,055        |
| Personal Property  | 8,387,426            |
| Total              | <u>\$ 26,744,481</u> |

#### TAX RATES PER \$100 ASSESSED VALUATION

|              | Rate    | Expiration Date |
|--------------|---------|-----------------|
| General Fund | \$ 0.73 | None            |
| Library      | 0.10    | None            |

The city has the following sales tax; the rate is per \$1 of retail sales:

|         | Rate     | Expiration<br>Date |
|---------|----------|--------------------|
| General | \$ 0.015 | None               |

## MANAGEMENT ADVISORY REPORT

CITY OF LOUISIANA, MISSOURI  
SUMMARY OF FINDINGS

1. New Water Treatment Plant (pages 10-11)

A professional appraisal was not obtained prior to purchasing land for a new water treatment plant. The land purchase contract included a deadline for vacating the old plant which the city did not pass along to the contractor and did not meet.

2. New City Hall (pages 11-13)

Renovation expenditures totaling \$34,364 were authorized by the Mayor without the formal approval of the city council. A formal written policy regarding leasing of office spaces has not been established and written agreements are not signed with entities using office space free-of-charge.

3. Personnel (pages 13-15)

Duties for all employees and officials of the city have not been established by ordinance. City employees are exempt from paying late fees on water bills and are allowed to use city equipment for personal use. The city does not track reimbursements of insurance premiums by city employees to ensure the city receives payments timely. Additionally, the city is not including all compensation on employees' W-2 forms and is not always issuing W-2 forms when applicable.

4. Expenditure Procedures (pages 15-17)

The city does not have formal written bidding policies and procedures. Bids were not solicited or bid documentation was not retained for purchases totaling over \$200,000. Forms 1099-MISC are not filed as required. City funds were used for an employee Christmas party, employee Christmas gifts, and flowers for funerals of former employees and relatives of current employees. Competitive bids were not obtained for purchases made from a company partially owned by a councilman. Additionally, an expenditure was deliberately charged to the wrong budget category.

5. Credit Card Procedures (pages 17-18)

The city credit card was used for personal charges totaling \$1,074. The city had documentation showing only \$204 in personal charges were reimbursed. The city did not have formal procedures for the use of the credit card and charges were not supported with adequate documentation.

6. Receipt Procedures (pages 18-19)

Prenumbered receipt slips are not issued for all monies received by the city and the method of payment is not recorded. Deposits are not made on a timely basis and checks are not restrictively endorsed immediately upon receipt.

7. Budgets, Financial Statements, and Minutes (pages 19-20)

The city's budgets do not reflect beginning available resources, projected ending fund balances, a budget message, and debt information. The city's semi-annual financial statements do not include the city's indebtedness. Council minutes are sometimes not signed by the Mayor and City Clerk.

8. Contracts (page 20)

The city did not enter into contracts with various individuals for sludge dumping.

9. Investments (page 21)

The city did not have adequate collateral securities pledged on an investment. Additionally, some city monies are deposited into money market mutual funds. These type of investment accounts are neither insured or guaranteed by the U.S. government and may not be proper investments of local public funds.

10. General Fixed Asset Records and Procedures (pages 21-23)

The city does not maintain records to account for all property owned by the city. Additionally, the city has not adopted a formal policy regarding the use of city-owned vehicles and mileage logs are not maintained for city vehicles.

11. Municipal Court (pages 23-26)

Cash receipts of \$3,800 were not deposited and are missing. Other court receipts were not always deposited intact on a timely basis. Receipt slips are not issued for all monies received, some copies of voided receipt slips are not maintained, and the method of payment is sometimes not recorded correctly. Duties of receiving, recording, and transmitting monies collected by the Municipal Court are not adequately segregated. Listings of open items are not prepared on a regular basis. Procedures utilized to monitor amounts due to the municipal division are not adequate. Adequate records are not maintained to account for all traffic tickets issued and their ultimate disposition. Additionally, court dockets are not always complete and accurate.

CITY OF LOUISIANA, MISSOURI  
MANAGEMENT ADVISORY REPORT

|                                     |
|-------------------------------------|
| <b>1. New Water Treatment Plant</b> |
|-------------------------------------|

In late 1996, the city decided to construct a new water treatment plant rather than try to bring its two existing water treatment plants into compliance with new state Department of Natural Resources (DNR) regulations. The city contracted with an engineering firm to perform preliminary engineering studies to determine feasible sites for construction. Letters were then sent to the owners of the two sites determined to be feasible indicating that the city was interested in buying one of the sites. The city rejected an offer from one individual of approximately \$300,000 and accepted the offer from the second individual of \$120,000 plus the old water treatment plant land (valued at approximately \$32,000, by the Pike County Assessor). The city signed a contract for the land in January 1997 contingent upon passage of the bond issue in April 1997. In April 1997, the bond issue passed, and in May 1997, the city issued \$3,000,000 in general obligation bonds. The city then contracted with an engineering firm to design the proposed water treatment plant. Due to the death of the lead engineer and various concerns regarding the plans and other problems, the plans were not approved by the DNR until October 1998. The city signed a contract with a construction company in February 1999. We noted the following concerns regarding this project:

- A. The city did not obtain a professional appraisal of the land prior to purchase. According to the Pike County Assessor, the estimated market value of the building and land prior to the city's purchase was approximately \$44,000. The disparity between this amount and the amount paid demonstrates the benefit of an independent appraisal to help establish the market value for the land.
- B. The contract for the purchase of the land for the new water treatment plant stated that the city would include a penalty clause in the new plant construction contract. Although the wording is unclear, it appears the clause would require the construction company to pay a \$500 per day penalty if the new plant was not operational within 24 months of the passage of the bond issue. The penalty was to be divided equally between the city and the landowner. The City Council indicated the City Attorney at the time reviewed and approved the contract for the purchase of the land for the new water treatment plant. The contract the city signed with the construction company, however, did not include this clause but instead included a clause providing for a \$500 per day penalty if construction was not completed within 455 calendar days of the date the contract was signed (May 3, 2000). The city indicated it believed this clause fulfilled the requirement of the land purchase contract, even though the penalty clause provided for a different time frame than the land purchase contract specified.

In April 1999, based on the required clause in the land purchase contract, the former owner of the land requested that the city either vacate the old water



treatment plant facilities or that the city pay rent for the use of the facilities. The city refused. In April 2000, the owner filed a lawsuit against the city because the city had not required the construction company to pay a \$500 per day penalty for exceeding the contract period. Additionally, the lawsuit is attempting to get the city to vacate the old water treatment plant facilities.

**WE RECOMMEND** the City Council:

- A. Obtain professional appraisals on buildings or land it considers purchasing.
- B. Ensure all contract terms and clauses are clear and unambiguous. The city should comply with terms of previous contracts when entering into new contracts that are based on prior contractual agreements.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

- A. *We will obtain appraisals next time we purchase land or buildings.*
- B. *The city's attorney at that time reviewed the contract for the purchase of the land and approved it. The City Attorney at the time also indicated that the deadline in the construction contract was adequate. The city followed its attorneys' opinions in this matter. In the future, we will ensure all contract terms are clear and any deadlines are within our control.*

|                         |
|-------------------------|
| <b>2. New City Hall</b> |
|-------------------------|

In 1999, the city purchased a new city hall building for \$100,000. We noted the following concerns regarding the city hall:

- A. During the year ended May 31, 2000, \$34,364 was spent in renovations to the new city hall building. This included \$7,671 in labor costs and \$26,693 in materials. These expenditures were authorized by the Mayor and were not planned for in the city budget. Although it appears that some discussion of the renovations occurred during the Building and Grounds Committee meetings, the renovations were not formally approved by the City Council prior to incurring the charges. The city's purchasing ordinance states that any officer of the city or committee of the city council must have prior approval of the council in the form of a council ordinance or resolution to expend more than \$300, except in the case of an emergency.

In addition, there is no documentation that bids were solicited for this work and no contract was signed with the individuals performing the labor.

The Mayor indicated the city currently allows department heads to expend monies without limit, so long as the council has included the purchase in the budget. However, since the project was not budgeted, it would appear this "informal" policy was not complied with either.

- B. Office space in the new city hall building is leased to individuals at a rate of \$200 per month for regular offices, \$250 per month for corner offices, and \$350 per month for two offices. The city indicated that the rent it charges will cover the city's costs to maintain the offices. Additionally, the city indicated that these prices are what the market would bear. However, the city did not perform a formal analysis to determine the costs of maintaining the building to ensure that these costs will be covered by the rent payments and no documentation was maintained indicating what prices the market would bear.

Additionally, the city has not adopted a formal written policy regarding leasing these office spaces. A formal written policy will help ensure that all lessees receive equitable treatment.

- C. The city does not have written lease agreements with the entities that are using offices in the city hall building free-of-charge (the Pike County Developmental Authority and a probation office). Formal written agreements are necessary to document each party's duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires political subdivisions' contracts be in writing.

**WE RECOMMEND** the City Council:

- A. Ensure all expenditures have prior approval of the council as required by ordinance. In addition, all large expenditures such as this should be bid and have written contracts.
- B. Establish a minimum lease amount to ensure the city recovers the cost of maintaining the building. Additionally, the City Council should adopt a formal written policy regarding leasing of office space in the city hall building.
- C. Obtain written agreements with all entities using office space in the city hall building to ensure the rights and responsibilities of all parties are specifically outlined.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

- A. *Expenditures such as these are always approved by the council prior to payment. However, they are not always approved prior to incurring the charges. The Building and Grounds Committee was aware of these expenditures prior to incurring the charges. We*

*will ensure all future expenditures are properly approved. We will also ensure large expenditures are properly bid and written contracts are entered into.*

- B. The city called around to check other rental prices in town. However, no documentation was kept of this. The city plans to do a formal analysis to ensure that the rental income is covering the related expenses and document other rental prices in town. This will be done by April 1, 2001.*
- C. We will obtain written agreements for all entities using office space in city hall by January 2001.*

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| <b>3. Personnel</b> |
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- A. Throughout calendar years 1997 and 1998, the city switched back and forth between having a City Treasurer and no City Collector and having a City Collector and no City Treasurer. The city's ordinances at that time regarding the Collector and Treasurer positions did not clearly define the duties of either position and as a result, during the time from September 1997 through April 1998, the city's general ledger was not maintained. In April 1998, the city paid the City Collector an additional \$3,500 to get the general ledger up-to-date. Documentation of duties and job descriptions would clarify the duties and responsibilities of each employee and official and help prevent misunderstandings.
- B. In June 2000, the city started collecting late fees of two-percent of the delinquent balance each month on its water bills. The city has an informal policy that allows city employees to be exempt from paying these late fees. One employee had a delinquent balance of approximately \$200 as of June 28, 2000. This policy does not appear equitable for all citizens of the city.
- C. It is currently the city's informal policy to allow city employees who normally operate city equipment to borrow the city equipment during non-working hours for personal use. This has raised concerns among citizens regarding the propriety of such usage and does not appear to be a prudent use of city resources.
- D. The city allows former city employees, family members of former city employees, and ex-spouses of current city employees to maintain their insurance through the city for a period of 18 months after termination or divorce. Additionally, the city allows former employees who have retired from the city to stay on the insurance plan indefinitely. The individuals are supposed to reimburse the city monthly for this cost; however, the city does not monitor payments from these individuals to ensure they are paying monthly and that they are paying the correct amount. Because the city was not monitoring this, the city failed to realize one individual was paying an incorrect amount, and, as a result, owes \$249 to the

city. The city should be monitoring the insurance reimbursements to ensure all reimbursements are made on a timely basis and for the correct amount.

- E.1. As set by ordinance, the city pays the personal utility costs of the city's fire truck driver/janitor. Total costs were approximately \$1,400 for the year ended December 31, 1999. These costs have not been included on the employee's W-2 form in the past. Internal Revenue Service (IRS) regulations require such benefits be considered gross income and require payroll taxes be withheld from this gross income. The failure to submit the required forms could result in penalties to the city.
- 2. For the year ended December 31, 1999, the city did not report, withhold payroll taxes, and pay the employer's share of social security for the library janitor's wages of \$1,664. The IRS regulations require employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 1994, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 1994, defines an employee of a political subdivision as an employee for social security tax purposes.

**WE RECOMMEND** the City Council:

- A. Establish by ordinance the duties of all city officials and employees.
- B. Discontinue the informal policy of allowing city employees exemption from paying late fees on city water bills.
- C. Discontinue the informal policy of allowing city employees to use city equipment for personal use.
- D. Monitor insurance payments from retirees and individuals on the insurance plan to ensure they are paying the correct amount and that the payments are timely.
- E. Ensure all compensation provided for or paid to city employees is properly reported and appropriate payroll taxes are withheld and paid. In addition, the city should consider filing amended W-2 forms for the unreported employee compensation.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

A,B,  
&D. *These recommendations have been implemented.*

- C. *We have developed a formal policy concerning the use of city equipment for personal use. It is awaiting council approval.*
- E. *This recommendation will be implemented. We will ensure all compensation is properly reported for 2000 and will consider filing amended W-2 forms for past years.*

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| <b>4.</b> | <b>Expenditure Procedures</b> |
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- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past few years, bids were either not solicited or bid documentation was not retained in several instances.

|                             |          |
|-----------------------------|----------|
| Street sweeper              | \$95,444 |
| Two backhoes                | 87,180   |
| Truck                       | 22,544   |
| City ordinance book binding | 10,560   |
| Laser printer               | 2,637    |
| Mosquito spray              | 2,117    |
| Cemetery mower              | 2,000    |
| Electrical supplies         | 1,989    |

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The city did not file Forms 1099 with the Internal Revenue Service. The Internal Revenue Code requires payments of \$600 or more annually for services by nonemployees (other than corporations) be reported to the federal government on Form 1099. During the year ended December 31, 1999, the city paid one individual \$4,560 in labor costs to renovate the new city hall building. Also, the city paid a software consultant \$150 each quarter (\$600 per year) in software rental charges. Additionally, in January 2000, the water department paid an individual \$3,036 for performing various services including checking various gear boxes and water stations during calendar year 1999.
- C. The city spent \$787 during the year ended May 31, 2000, for an employee Christmas party and employee Christmas turkeys. In addition, the city purchased flowers for the funerals of former employees and relatives of current employees.

These disbursements do not appear to be necessary or prudent uses of public funds. Expenditures such as these could be funded through an employee contribution fund or association. The city's residents have placed a fiduciary trust in their public officials to spend tax revenues and fees in a necessary and prudent manner.

- D. During the year ended May 31, 2000, the city made several purchases of paper products totaling approximately \$3,100 from a local paper supply company partially owned by a councilman. Competitive bids were not obtained for these expenditures.

Section 105.458.2, RSMo, Cumulative Supp. 1999, states "No sole proprietorship, partnership, joint venture, or corporation...in which any member of any political subdivision...is the partner...or owner...shall:... (2) Sell, rent or lease any property to the political subdivision or any agency of the political subdivision where the consideration is in excess of five hundred dollars per transaction or one thousand five hundred dollars per annum unless the transaction is made pursuant to an award on a contract let or a sale made after public notice and in the case of property other than real property, competitive bidding, provided that the bid or offer accepted is the lowest received." The city should obtain bids and retain bid documentation for all purchases, exceeding \$500 per transaction and \$1,500 annually, from businesses owned by city officials in order to ensure and adequately document compliance with this statute.

- E. The city does not always code expenditures to the appropriate line item. In April 2000, the council approved a cemetery mower expenditure of \$2,000 to be paid out of the cemetery salaries line item. The board approved coding this expenditure in this manner because the equipment line item had been depleted. The city should ensure all expenditures are correctly classified.

**WE RECOMMEND** the City Council:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Ensure that IRS Forms 1099 are filed as required for prior years as well as in the future.
- C. Limit disbursements to only those necessary to properly operate the city.
- D. Comply with state laws relating to purchases from businesses owned by city officials.
- E. Ensure expenditures are charged to the correct line item.

## **AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

- A. We have established a formal bid policy and will ensure all items are properly bid. This policy awaits council approval.*
- B. We will file amended 1099 forms for prior years and correct 1099 forms for 2000.*
- C. We believe the Christmas party and turkey expenses are a form of fringe benefit compensation to the employees. A policy has been written and awaits council approval. Funeral flowers will be paid by officials and employee donations in the future.*
- D. We will bid all future paper product purchases.*
- E. We have already implemented this recommendation.*

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| <b>5. Credit Card Procedures</b> |
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- A. Prior to April 1998, the city had a credit card to be used for miscellaneous city purchases. According to the current Mayor and the City Superintendent, the city previously had an informal policy allowing personal use of this credit card by city employees. Employees who used the card for personal use were supposed to either reimburse the city for the personal charges or pay the credit card company directly; however, the city did not track these personal charges to ensure reimbursement was received from the employees. Personal expenditures totaling \$1,074 were charged to the card from June 1996 through April 1998, by the City Clerk and various other city employees. The City Clerk could not provide documentation indicating these were city charges. Only \$204 of these personal charges have been shown to be reimbursed to the city. The City Clerk provided us with documentation showing reimbursement had been made in 1997 for an additional \$267; however, this documentation was not legitimate and appeared to be falsified.
- B. There were no formal procedures for use of this credit card including authorization, approval, and review of expenditures. As a result, payments were processed without supporting documentation, approval, and documentation of purpose. During the two years ended May 31, 1998, charges of \$1,418 (73% of total credit card expenditures) were not supported by adequate documentation. Without adequate documentation, the city cannot ensure purchases are for city purposes.

The credit card was cancelled by the newly elected Mayor in April 1998.

**WE RECOMMEND** that if city credit cards are used in the future, the City Council:

- A. Not allow personal use of city credit cards. In addition, the city should request payment of the \$870 in unreimbursed personal charges.
- B. Establish formal policies and procedures for credit card accounts.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

- A. *We received reimbursement for \$267 from the City Clerk on October 25, 2000. We will attempt to obtain reimbursement for the remaining \$603 in the next 12 months. We have referred this matter to the County Prosecuting Attorney.*
- B. *We do not have a credit card at this time. If a credit card is used in the future, we will not allow personal use and formal policies and procedures will be established.*

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| <b>6. Receipt Procedures</b> |
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- A. The City Collector's office collects various types of receipts, including property taxes, car licenses, pet licenses, and monthly turnovers from the license office manager. Property tax bills are marked paid and serve as the property tax receipt slips. Manual receipt slips are issued for all other monies received; however, these manual receipt slips are not prenumbered. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.
- B. The method of payment received (i.e. cash, check, money order) is not recorded on the receipt records. To ensure all receipts have been recorded properly and deposited intact, the method of payment received should be recorded on each receipt slip and the composition of receipt slips should be reconciled to the composition of bank deposits.
- C. Deposits are not made on a timely basis. During the year ended May 31, 2000, deposits were generally made every other day with deposits averaging over \$1,000. To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100.
- D. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should always be restrictively endorsed immediately upon receipt.



**WE RECOMMEND** the City Council:

- A. Require prenumbered receipt slips to be issued for all monies received, and ensure the numerical sequence of receipt slips is accounted for properly.
- B. Ensure the method of payment is recorded on each receipt slip and the composition of receipt slips is reconciled to the composition of bank deposits.
- C. Ensure deposits are made on a daily basis or when accumulated receipts exceed \$100.
- D. Ensure checks and money orders are restrictively endorsed immediately upon receipt.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated these recommendations have been implemented.*

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| <b>7. Budgets, Financial Statements, and Minutes</b> |
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- A. The budgets for the city's years ended May 31, 2001 and 2000, did not include some information required by state law. The budget did not reflect beginning available resources or projected ending fund balances; a budget message describing the important features of the budget and major changes from the preceding years; or interest, amortization, or redemption charges on debt.

Section 67.010, RSMo 1994, requires each political subdivision of the state to prepare annual budgets with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, and include the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message and information on interest, amortization, or redemption charges on debt.

- B. The city's semi-annual published financial statements do not include the city's indebtedness. The published financial statements for May 31, 2000 and December 31, 1999, did not include bonds payable or capital lease obligations of the city at that date.

Section 77.110, RSMo 1994, requires the city council to publish, semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. The publication of such financial statements are intended to provide information to citizens regarding the financial activity and condition of the city.

- C. The council minutes are prepared by the City Clerk, but the minutes are sometimes not signed. The minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the council meetings.

**WE RECOMMEND** the City Council:

- A. Ensure annual budgets include all relevant information, as required by state law.
- B. Ensure the published financial statements provide the citizens an adequately detailed account of the financial activity and indebtedness of the city.
- C. Ensure board minutes are signed by the City Clerk and the Mayor to attest to their completeness and accuracy.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

- A. *This recommendation will be implemented when the budget is prepared for next year.*
- B. *This recommendation will be implemented when the financial statements are published in December.*
- C. *This recommendation has been implemented.*

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| <b>8. Contracts</b> |
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During the year ended May 31, 2000, the city contracted with a landowner and paid him \$12,500 to allow the city to dump sludge from the city's sewer system onto his land. During the last three months of the fiscal year, the city began dumping sludge at five additional sites owned by five other individuals at no cost. The city did not enter into contracts with these five landowners.

Formal written agreements are necessary to document each party's duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires political subdivisions' contracts be in writing.

**WE RECOMMEND** the City Council enter into written agreements for all services.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated that this recommendation will be implemented by January 2001.*

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| <b>9. Investments</b> |
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- A. Through an investment firm, the city invests funds in Certificates of Deposit (CD's) at various banks. The city does not have a written depository agreement with the investment firm or the banks requiring collateral securities be provided to cover deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. CD's are covered by FDIC Insurance up to \$100,000; however, we noted one CD that exceeded the FDIC coverage by \$8,000 at June 30, 2000.

Section 110.020, RSMo 1994, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

- B. The city also has money market accounts at these various banks through the investment firm. However, the monies maintained in these accounts are neither insured nor guaranteed by the U.S. government. Investments of local public funds are limited to insured or collateralized banking deposits or direct investments in government securities that can be held to maturity.

**WE RECOMMEND** the City Council:

- A. Enter into written agreements requiring collateral securities be pledged for all funds on deposit in excess of FDIC coverage.
- B. Review this situation with its attorney and determine whether the money market accounts are a proper and legal investment for the city.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

- A. *We will no longer invest amounts totaling over the FDIC insured rate, unless we have entered into a written agreement requiring collateral securities be pledged for all funds on deposit in excess of FDIC coverage.*
- B. *We will have our attorney review this situation and make a determination by January 2001.*

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| <b>10. General Fixed Asset Records and Procedures</b> |
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- A. The city does not maintain records to account for all property owned by the city. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a

detailed description of the assets including the name, make and model numbers, and asset identification number, the physical location of the assets, and the date and method of disposition of the assets. In addition, all property items should be identified with a tag or other similar device, and the city should conduct annual inventories.

Adequate general fixed asset records are necessary to secure better internal control and safeguard city assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on city property.

A similar condition was reported in the city's independent CPA audit report.

- B. The city owns approximately 30 vehicles and has not adopted a formal policy regarding the use of city-owned vehicles, including policies which prohibit personal use. A formal policy would help ensure the vehicles are used only in a manner approved by the board.

In addition, mileage logs which document vehicle use are not maintained. Logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for city business, are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

**WE RECOMMEND** the City Council:

- A. Ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally, the city should properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.
- B. Establish a formal policy governing the use of city vehicles, and require complete and accurate mileage logs be maintained for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

**AUDITEE'S RESPONSE**

*The City Council and Mayor indicated:*

- A. *We are currently working on this area and will have complete and up to date property records by February 2001. We plan to tag any unmarked property and perform an inventory in March 2001.*

- B. *This policy has been composed and awaits council approval.*

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| <b>11. Municipal Court</b> |
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- A. Payments for fines, court costs, and bonds are received directly by the Court Clerk or police dispatchers. Prenumbered receipt slips are issued for all monies received. Prior to January 2000, the Court Clerk deposited fines, court costs, and bond monies directly into the court's bank account and performed the monthly bank reconciliations.

In January 2000, the Court Clerk began turning the fines, court costs, and bond monies over to the City Treasurer for deposit into the court's bank account and the City Treasurer began performing the monthly bank reconciliations.

During the period between December 1998 and January 2000, fines, court costs, and bonds received by the court totaling over \$3,800, were not deposited to the court's bank account. The monies that are missing represent cash receipts which were received and recorded but not deposited.

These missing funds were not detected on a timely basis due to numerous internal control weaknesses, inadequate segregation of duties, and little or no independent review as discussed below.

The Court Clerk resigned in November 2000. Information gathered during our review has been turned over to the Pike County Prosecuting Attorney's office and the Pike County Sheriff's office.

- B. Prior to May 2000, court receipts were not always transmitted to the City Treasurer intact on a timely basis. Transmittals were made approximately every other week and amounts often exceeded \$1,500. The majority of monies collected by the municipal division is cash. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be transmitted daily or when accumulated receipts exceed \$100.
- C. The municipal division accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The Court Clerk issues prenumbered receipt slips; however, receipt slips are not issued for some monies received and some copies of voided receipt slips are not retained. In addition, the method of payment is not consistently and accurately noted on the receipt slips. To provide assurance all monies received have been properly deposited, a receipt slip noting method of payment should be issued for all monies received, and the composition of monies received should be reconciled to the composition of bank deposits.
- D. The duties of receiving, recording, and transmitting monies collected by the municipal court are not adequately segregated. Currently, the Court Clerk

performs all of these duties. Although the City Treasurer does perform a bank reconciliation of the court account, she does not reconcile the bank amounts to the court clerk's records.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving monies from that of recording receipts and preparing and making transmittals. If proper segregation cannot be achieved, at a minimum, the City Treasurer should be reconciling the court clerk's records of receipts and disbursements to the deposits and bank reconciliations.

- E. Listings of open items (liabilities) were not prepared on a regular basis throughout the audit period. At our request, a May 31, 2000, listing was prepared and this listing reconciled to the cash balance.

Monthly listings of open items should be prepared and reconciled to the cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities. A review of old bond monies still remaining in the account should be made and these monies disposed of as provided for in various applicable statutory provisions.

- F. The municipal division allows defendants to sign a payment plan agreement and pay fines and costs over a period of time. At May 31, 2000, municipal division records indicated an accounts receivable balance of approximately \$65,808. Accounts receivable records and procedures are not adequate to account for and collect amounts due to the court. Several instances were noted where periodic payments as required by the payment plan agreements were missed and no follow up action was taken, the accounts receivable records were not updated for payments, partial payments were being made but no payment plan agreement was on file, individuals with balances due were not included on the accounts receivable listing, arrest warrants were not issued for individuals with delinquent balances, and individual case file receivable information did not agree to the summary listing.

To facilitate monitoring of amounts due to the division, and to provide information to the Municipal Judge, an accurate and complete accounts receivable listing is necessary. In addition, proper follow-up action should include requiring the defendant to appear in court to justify reasons for non-payment, the issuance of arrest warrants for those defendants not providing such justification, and writing off those accounts which are deemed to be uncollectible, after review and approval by the Municipal Judge. The accounts receivable listings should be periodically reconciled to the individual accounts receivable records to check the accuracy of each record.

- G. The Court Clerk maintains records of traffic tickets assigned to police officers; however, neither the police department nor the municipal division maintains adequate records to account for traffic tickets issued and their ultimate disposition. Several tickets selected for review could not be located.

Without a proper accounting of the numerical sequence and disposition of traffic tickets, the police department and the municipal division cannot be assured that all traffic tickets issued were properly submitted to the municipal division for processing. A log listing each ticket in numerical order, the date issued, and the violator's name would help ensure that all tickets issued have been submitted to the municipal division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each traffic ticket should also be maintained to ensure all traffic tickets have been accounted for properly.

- H. The court docket which lists all cases for the month is not always complete and accurate. Twelve of sixty tickets reviewed had information that did not agree to the court docket and one ticket was not on the docket. Section 479.070, RSMo 1994, requires the proceeding for every case be entered on the docket; furthermore, the amount paid and the disposition of each case should be noted on the docket.

**WE RECOMMEND** the Municipal Court:

- A. Along with the city, work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- C. Issue receipt slips for all monies received and retain all voided receipt slips. Additionally, the method of payment should be indicated on each receipt slip issued, and the composition of monies received should be reconciled to the composition of monies deposited by an independent person.
- D. Adequately segregate duties between available employees and/or require the City Treasurer to review and reconcile the municipal division records.
- E. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the municipal division. Any bonds remaining on hand over a period of time should be followed-up on and either refunded, forfeited, or turned over to the state's Unclaimed Property Section.
- F. Establish adequate accounts receivable reporting and follow up procedures including an accurate accounts receivable listing. In addition, the listing of accounts receivable should be reconciled to the individual accounts receivable records on a periodic basis.

G. Work with the police department to establish a log of tickets issued to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

H. Ensure every case is entered on the court docket accurately.

Except for parts A, C and H, similar conditions were also noted in our prior audit report.

### **AUDITEE'S RESPONSE**

*The Municipal Judge, Mayor, and City Council indicated:*

A. *We will work with law enforcement officials regarding any criminal prosecution and obtain restitution.*

B&C. *These recommendations have been implemented.*

D. *We will have the City Treasurer review and reconcile municipal court records starting immediately.*

E,G,

&H. *These recommendations will be implemented immediately.*

F. *This recommendation has been partially implemented. The court has sent some notices to individuals requesting payment of old fines and will attempt to do more in the future.*

This report is intended for the information of the management of the city of Louisiana, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.





SIXTEENTH JUDICIAL CIRCUIT

JACKSON COUNTY, MISSOURI

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-130  
December 22, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

The following audit report presents our findings and recommendations for the Sixteenth Judicial Circuit, Jackson County, Missouri. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved.

The receipts for the Child Support Section were approximately \$60 million annually. In June 1998, the court started using the Missouri Automated Child Support System (MACSS). As a part of the implementation of this statewide system, the court allowed the Office of the State Courts Administrator (OSCA) to start preparing bank reconciliations on the child support bank account. Our review of these reconciliations noted the following concerns:

- Bank reconciliations were not performed in a timely manner. Reconciling items totaling more than \$400,000, some of which could represent missing funds, were not reviewed or investigated. No follow-up action has been taken on approximately 3,000 checks, totaling nearly \$300,000, that have been outstanding for more than one year. Duplicate checks totaling nearly \$120,800 were issued of which \$34,400 remained uncollected as of November 1999. Differences between receipt and deposit amounts, or in the composition of the deposit, are not investigated and resolved in a timely manner. The court does not reconcile the open items listing to the cash balance of the child support account.

*Checks which have been outstanding for a considerable length of time should be periodically reviewed to determine if the checks should be canceled and reissued if the payee can be located. **Failure to follow up on outstanding child support checks in a timely manner unnecessarily deprives custodial parents of monies due them.** If the payees of old outstanding checks can be identified and located, these checks should be reissued.*

Criminal restitution payments are processed through the court's criminal office in Kansas City. Restitution receipts average approximately \$500,000 annually. Our review noted the following concern:

- The court has money on deposit in the criminal restitution bank account which cannot be properly distributed because the victims can no longer be located. Since an open-items list is not prepared, the court cannot monitor these monies to ensure that they are disbursed in accordance with state law.

(over)

YELLOW SHEET

The Criminal Records Section maintains offices in Kansas City and Independence. Separate bank accounts and records are maintained by the Kansas City and Independence offices. Criminal receipts for both offices average more than \$4 million annually. Our review noted the following concerns:

- A complete listing of accrued costs owed to the criminal division is not maintained and cost cards detailing amounts due to the court for each case are not prepared on a timely basis. A complete and accurate accrued cost listing would allow the court to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.

The court's Civil Section collects costs and other receipts for each case filed in the civil division. Our audit noted garnishment proceeds exceeding \$1.2 million and other court costs totaling over \$9.5 million that had not been disbursed in a timely manner. Some of the cases relating to these moneys dated as far back as the 1970's. To ease the administrative burden on the court and to provide these monies to the appropriate parties, distribution of funds must be done in a timely manner.

A detailed job description has not been developed for the Fiscal Officer position. The court's general ledger has not been properly maintained, bank accounts have not been properly reconciled, running book balances have not been maintained, and interest earned on Title IV-D child support collections has not been disbursed to the state in a timely manner.

SIXTEENTH JUDICIAL CIRCUIT  
JACKSON COUNTY, MISSOURI

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Presiding Judge and Court en banc  
and  
Court Administrator of the  
Sixteenth Judicial Circuit  
Jackson County, Missouri

The State Auditor is required under Section 29.200, RSMo 1994, to audit all accounts of the Sixteenth Judicial Circuit, Jackson County, Missouri. The judicial circuit had engaged Donnelly Meiners Jordan Kline, Certified Public Accountants (CPAs), to perform annual audits of the various divisions of the Sixteenth Judicial Circuit, Jackson County, Missouri for the years ended December 31, 1999, 1998, and 1997. In addition, the Jackson County Law Library, Inc., has engaged Winger and Company, Certified Public Accountants (CPAs) to perform annual audits of the Law Library Fund (a component unit of the Sixteenth Judicial Circuit) for the years ended December 31, 1999, 1998, and 1997. To satisfy our statutory obligation and minimize duplication of effort, the State Auditor has used the work of the CPAs. To the extent available, we reviewed the reports and substantiating working papers of the CPA firms to satisfy ourselves as to the appropriateness of using their reports, and we accept them in partial fulfillment of our responsibility under Section 29.200, RSMo 1994.

The objectives of this audit were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, and Attorney General's opinions as we deemed necessary or appropriate in the circumstances.
2. Examine certain management practices.
3. Follow up on the status of findings noted in our previous report.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the records and procedures, and interviewed personnel of the judicial circuit. The scope of this audit included, but was not necessarily limited to, the years ended December 31, 1999, 1998, and 1997.

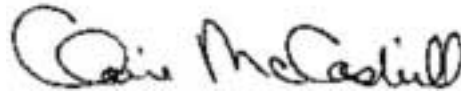
As part of our audit, we assessed the judicial circuit's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance

on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the judicial circuit's management and the Office of the State Courts Administrator and was not subjected to the procedures applied to our audit of the Sixteenth Judicial Circuit, Jackson County, Missouri.

The accompanying Management Advisory Report presents our findings arising from our audit of the Sixteenth Judicial Circuit, Jackson County, Missouri.



Claire McCaskill  
State Auditor

February 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |   |
|---------------------|---|
| Director of Audits: | Kenneth W. Kuster, CPA  |
| Audit Manager:      | John Birdno, CPA  |
| In-charge Auditors: | Todd M. Schuler, CPA<br>Steve Marriott, CPA                         |
| Audit Staff:        | Renee Alvarez<br>Christina Brown<br>Tiffany Blew<br>Nicole Brackman |

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Findings

SIXTEENTH JUDICIAL CIRCUIT  
JACKSON COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Fiscal Officer Duties (pages 8-11)

A detailed job description has not been developed for the Fiscal Officer position. The court's general ledger has not been properly maintained, bank accounts have not been properly reconciled, running book balances have not been maintained, and interest earned on child support collections has not been disbursed to the state in a timely manner.

2. Child Support Section Procedures (pages 12-18)

Bank reconciliations were not performed in a timely manner. Reconciling items totaling more than \$400,000, some of which could represent missing funds, were not reviewed or investigated. No follow-up action has been taken on approximately 3,000 checks, totaling nearly \$300,000, that have been outstanding for more than one year. Duplicate checks totaling nearly \$120,800 were issued to custodial parents of which \$34,400 remained uncollected as of November 1999. Differences between receipt and deposit amounts, or in the composition of the deposit, are not investigated and resolved in a timely manner. The court does not reconcile amounts owed to others (the open items listing) to the cash balance of the child support account.

3. Criminal Records Section Accounting Records and Procedures (pages 18-22)

A complete listing of accrued costs owed to the criminal division is not maintained and cost cards are not always completed for cases on a timely basis. There was a lack of accountability over the numerical sequence of some receipt slips. The mode of payment is not always listed on the receipt slips. A centralized listing of bonds is not maintained and reconciled to the criminal account book balance. Some bond information is not correctly input into the court computer system. Outstanding checks are not followed up on in a timely manner. The Prosecuting Attorney did not document approval of any amendments of traffic tickets and some records of conviction were not always forwarded to the Missouri State Highway Patrol, as required.

4. Civil Section Accounting Records and Procedures (pages 22-25)

Monthly listings of open items are not reconciled with the cash balance. Garnishment proceeds (exceeding \$1.2 million) and other monies collected on civil cases (totaling over \$9.5 million) were not disbursed in a timely manner. Deposits are not always made intact.

5. Criminal Restitution Accounting Procedures (pages 25-26)

A centralized listing of open items is not maintained and reconciled to the criminal restitution cash balance. The court has money on deposit which has not been properly distributed.

6. Delinquent Land Tax and Civil Process Section Accounting Procedures (pages 26-30)

Receipt slips are not issued for some monies received and the method of payment is not always indicated on the receipt slip. Copies of manual receipts are not always maintained and receipts are not always deposited intact on a timely basis. Fees are not paid to the county in a timely manner.

SIXTEENTH JUDICIAL CIRCUIT  
JACKSON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

|           |                              |
|-----------|------------------------------|
| <b>1.</b> | <b>Fiscal Officer Duties</b> |
|-----------|------------------------------|

The Court Administrator's office employs a fiscal officer who oversees the accounting functions of the court, prepares bank reconciliations for various accounts, and maintains the computerized general ledger. During our review of work performed by the fiscal officer, the following concerns were noted:

- A. The court has not established a detailed job description for this position and did not ensure the duties of this position were fulfilled during the three years ended December 31, 1999. Four different people held the position of fiscal officer. Tom Moore served as fiscal officer during 1996, but resigned in December 1996. The position was vacant until February 1997, when Doug Hewitt took over as fiscal officer. He resigned in August 1998, and the position was not filled until October 1998, when Brett Peters was appointed. He served as fiscal officer until June 1999, and in July 1999 the current fiscal officer, Joel Kesler, assumed the fiscal officer duties. As a result, some of the fiscal officer's duties were not performed and some of the duties were not performed in a timely manner. During December 1998, an assistant fiscal officer position was established to assist with the fiscal officer's duties.

Although there was no detailed job description or procedures manual, the current fiscal officer has been able to correct many of the problems caused by the turnover and/or lack of a fiscal officer during 1997 and 1998, while also keeping up with current records and attending training sessions on new computerized systems implemented in this court. The transition of a new employee to the position of fiscal officer would have been improved had the court developed a detailed job description as well as a procedures manual and enacted procedures to ensure the assigned duties were being performed as required.

- B. The duties performed by the fiscal officer include maintenance of the court's general ledger which tracks the balances of various court accounts. As a result of the turnover in the fiscal officer position and some erroneous entries, the court's general ledger was not accurately maintained after March 1998. This situation lead to the following concerns:

1. Through an agreement between the court and the bank used by the court, monies deposited in various court accounts, including the civil, criminal, and child support accounts, are swept into a Zero Balance Account (ZBA) each night. The court earns a higher rate of interest on the ZBA than on the

individual accounts. The court invests funds in the ZBA in short term investments to maximize interest income. When it was maintained, the general ledger detailed the amounts due from the ZBA to the court's division accounts, which was necessary to adequately reconcile the monthly bank statements for the various accounts. The court should be able to allocate the full balance of the ZBA and short term investments to the various division accounts at any given time. Since the general ledger was not accurately maintained during our audit period, it was not possible for the fiscal officer, or the assistant fiscal officer in the fiscal officer's absence, to reconcile the balance of the ZBA to the combined balance of those accounts swept into the ZBA. The balance of the ZBA and short term investments at December 31, 1998 was approximately \$17 million. At December 31, 1999, according to the court's records, the balance had been reduced to approximately \$11 million.

Monthly reconciliations on the various court accounts were not done on a timely basis and do not reflect the amount due to the accounts from the ZBA. Instead, the reconciliations for the various accounts show the difference between outstanding deposits and checks, which results in a negative balance on the reconciliation (outstanding checks exceeded outstanding deposits for all months we reviewed). In addition, the court does not maintain a running book balance for any of the accounts swept into the ZBA. A book balance is calculated each month using the previous months calculated book balance and adjusting for the current month's activity. The calculated book balance does not account for the funds transferred to the ZBA. The adjustments to the calculated book balance on several reconciliations we reviewed included recording errors and deposit differences which have not been followed up on by the fiscal officer. Currently, the fiscal officer is working to determine the propriety of these adjustments but has resolved very few. As of March 2000, bank reconciliations had only been completed through November 1999.

Monthly reconciliations and running book balances are necessary to ensure that all accounting records balance, transactions are properly recorded, and any errors or discrepancies are detected on a timely basis.

2. Since the general ledger was not maintained to calculate the balance of each account swept into the ZBA, the fiscal officer could not allocate interest between these accounts. As a result, the court has not disbursed some Title IV-D interest earned on the child support account to the state in a timely manner. The court did not disburse Title IV-D interest earned during the period May 1998 thru July 1999 until September 1999, when the amount was estimated to be \$45,537. Approximately \$21,000 in Title IV-D interest has been earned during the period August 1999 thru May 2000, but those funds have not yet been disbursed to the state.

Section 13 CSR 30-3.010 (5)(f) of the Code of State Regulations requires that when a child support account earns interest, the portion attributable to state Title IV-D child support monies is to be remitted monthly to the state. To comply with the state requirements, the fiscal officer should disburse the portion of Title IV-D interest to the state on a monthly basis.

**WE RECOMMEND** the Court Administrator and Fiscal Officer:

- A. Develop a written job description and/or procedures manual for the fiscal officer position.
- B.1. Ensure that the general ledger is updated timely and accurately maintained in the future and that the balance of the ZBA is allocated to the various accounts swept into the ZBA each month. In addition, bank reconciliations should be performed timely for all accounts, adjustments for errors and discrepancies should be reviewed on a timely basis to determine their cause, and a running book balance should be maintained for each of the division's accounts.
- 2. Ensure that interest is allocated properly and that interest earned on Title IV-D collections is remitted to the state monthly.

**AUDITEE'S RESPONSE**

A. *Policy and Procedure Manual*

*The Court had the same Fiscal Officer from 1973 to 1997. That individual retired without leaving written procedures or manuals for his position. When the Court received notice of his retirement, Donnelly Meiners Jordan and Kline (DMJK) was retained to work with the Fiscal Officer until his final date of employment, to continue to work during the gap until a new Fiscal Officer started, and to train the new Fiscal Officer to assist with a smooth transition.*

*A new Fiscal Officer (#2) started his position on February 24, 1997. Job performance issues began to surface with this individual and several duties began to fall behind. Again, Donnelly Meiners Jordan and Kline was retained to assist this individual, however, he resigned effective August 17, 1998. Donnelly Meiners again stayed to work during the gap until a new Fiscal Officer started, and stayed to train the new Fiscal Officer.*

*On October 7, 1998, Fiscal Officer (#3) started his position. He held this position until June 7, 1999. The current Fiscal Officer, Joel Kesler (#4), started with the Court on July 19, 1999.*

*The hiring of a Fiscal Officer is not done quickly. Candidates must be solicited and carefully screened to determine their qualifications and fitness for the job. The interim periods between Fiscal Officers #1 and #2, #2 and #3, and #3 and #4 lasted two months*

*each. During those periods, the Court contracted with the Controllershship Division of Donnelly Meiners Jordan and Kline to fill the Fiscal Officer position on a limited basis. At no time was the Court without a qualified individual in the position. During DMJK's initial tenure, they began the process of creating a handbook for the Fiscal Officer position, but left it to be completed by the new Fiscal Officer. However, as a result of the problems outlined above, the handbook was never completed. It should be noted that the current Fiscal Officer was the lead auditor of the Court's independent audit for the past four years, and is familiar with the procedures dating back to Fiscal Officer #1.*

*Since his hiring, the current Fiscal Officer has worked diligently to bring the Court's records up to date first, resolve all reconciling items second, and finally, to develop procedures (manuals) for his position, along with the new Assistant Fiscal Officer position, and other accounting positions within the Court. During his first year, the current Fiscal Officer has been able to essentially complete the first of the above three mandates by bringing all accounts, except Civil Records, current. This encompasses activity for a period of over three-and-a-half years for over 50 checking accounts. Bank reconciliations are now performed on a monthly basis and a general ledger has been updated and kept current. Outstanding reconciling items are currently being investigated and the Court anticipates resolution by June 30, 2001. The current Fiscal Officer has continued the process begun by DMJK and has collected previous documented procedures and statutes in preparation for assembly of a Fiscal Officer's handbook. The Court agrees that a procedural manual is essential and expects to have the Fiscal Officer Manual completed by June 30, 2001.*

**B. Duties performed by the Fiscal Officer**

- 1. The Court's fee accounts are Zero Balance Accounts (ZBA's) and are swept into an investment account each night. During the period under review, the general ledger was not maintained and balances owed by the investment account to each of the ZBA's was not known. Because the reconciliation process is now up to date, except for the resolution of identified reconciling items, the general ledger is current and the Court maintains a running, monthly, book balance for funds transferred between the ZBA's and the investment account (including Civil Records). In addition, the book balance for each fund (Civil Records, Child Support, Criminal Records, etc.) records a receivable for the amount due from the investment account. These receivables are reconciled against the payable on the investment fund books on a monthly basis. As indicated in the Court's response to item A above, it expects to have the reconciling items resolved by June 30, 2001.*
- 2. Because the general ledger and bank reconciliations are current, the Court has been able to become, and stay, current on its payment of Child Support (IV-D) interest. In July 2000, the Court made a \$21,000 payment to the Department of Social Services for the period August 1999 through June 2000. The Court has made timely payments since.*

The receipts for the Child Support Section total approximately \$60 million annually. We noted the following concerns applicable to this section:

A. As a part of the statewide system implementation, the court started using the Missouri Automated Child Support System (MACSS) in June 1998. This system allows for automated standardized recording and reporting of child support receipts and disbursements. As a part of this implementation, the court allowed the Office of the State Courts Administrator (OSCA) to start preparing bank reconciliations on the child support bank account. Our review of these reconciliations noted the following concerns:

1. Child support bank reconciliations are not performed in a timely manner. The December 1998 bank reconciliation was not completed until July 1999. As of January 31, 2000, OSCA had completed reconciliations through July 31, 1999. This timeliness problem was caused, at least in part, by the fact that MACSS was not originally set up for electronic clearing of checks. Since OSCA has begun electronic clearing of checks, reconciling bank accounts has become more timely. The court has indicated that reconciling the child support account after July 1999 will be the responsibility of the court's fiscal officer. As of October 2000, the Fiscal Officer has completed reconciliations on the child support account through August 2000.

Timely bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis. The court should ensure bank reconciliations are completed and that reconciling items are investigated and corrected on a timely basis.

2. We noted numerous adjustments were made on the December 31, 1998 bank reconciliation (completed in July 1999), including adjustments for checks issued twice, checks which were shown as voided that cleared the bank, checks which cleared the bank twice, unidentified deposit differences, and deposits not posted to the MACSS system. These various adjustments totaled over \$400,000 on the December 31, 1998 bank reconciliation.

OSCA notified the court in July 1999, of these adjustments and indicated it was the court's responsibility to follow up on the adjustments identified within three days. However, our audit found that little, if any, follow-up had been done on these adjustments. While reviewing the July 31, 1999 and August 31, 2000 bank reconciliation for the child support account, we noted that many of the same adjustments noted on the December 31, 1998 bank reconciliation were still required on subsequent bank reconciliations. The



court indicated that lack of personnel in key positions has hampered their ability to investigate these problems.

Several of the adjustment items identified on the reconciliation, especially those related to deposit differences, could represent missing funds. We asked the court to determine the causes of the deposit differences, but because the court failed to follow up on these differences on a timely basis, they indicated they would need more time to investigate the causes.

3. The court has not established procedures to follow up on checks which are outstanding for a considerable length of time. As of August 31, 2000, the current child support account had approximately 3,000 checks, totaling nearly \$300,000, which had been outstanding over one year. Court personnel indicated that no follow up action has been taken on these checks to determine why they are still outstanding. In addition, the “old” child support account, which is only used for electronic fund transfers of child support since the conversion to MACSS in June 1998, had over 900 outstanding child support checks, totaling approximately \$90,000, as of September 30, 2000. All of the outstanding checks on the “old” account were written prior to conversion, with some dating as far back as 1995.

Checks which have been outstanding for a considerable length of time should be periodically reviewed to determine if the checks should be canceled and reissued if the payee can be located. Failure to follow up on outstanding child support checks in a timely manner could unnecessarily deprive custodial parents of monies due them. If the payees of old outstanding checks can be identified and located, these checks should be reissued. Monies which remain unclaimed, including the unidentified balance of the “old” child support account, should be turned over to the state's Unclaimed Property Section in accordance with Section 447.532, RSMo 1994.

4. Approximately \$69,600 and \$51,200 in duplicate checks were issued during November and December 1998, respectively, which represent a portion of the adjustments discussed in part A.2 above. These checks were issued because child support personnel canceled batches of checks but did not realize that the computer had already printed these batches. This error was brought to the court's attention by child support recipients who received duplicate payments. Court personnel have pursued collection of these amounts from the custodial parents; however, approximately \$34,400 in duplicate payments remained uncollected as of November 1999.

Since December 1999, the court has implemented a procedure where the number of checks printed is compared to the batch total for that day. Court personnel need to continue to compare checks printed to those reported by MACSS to ensure duplicate payments do not occur in the future. In addition,

the court should continue to actively pursue collection of the duplicate payments which remain uncollected.

- B. Child support receipts are reconciled to deposits, but differences between receipt and deposit amounts, or in the composition of the deposit, are not investigated and resolved on a timely basis. As noted in part A.2 above, numerous deposit differences were identified by OSCA while performing child support reconciliations. OSCA identified a total of \$47,754 in adjustments from June 1998 to December 1998 where the deposit slip indicated a different amount being deposited than was actually deposited. Of the \$47,754 in adjustments, OSCA identified \$45,418 where the amount of the bank deposit was less than the deposit slips. In these instances, the bank sends a deposit correction advice to the court to explain the reason for the adjustment. It is then the court's responsibility to determine why the deposit required adjustment.

We attempted to review these adjustments to determine their cause, but the court was unable to locate the majority of the deposit correction advices, which explain the reason for the adjustment. We did review the deposits where the advices were located and noted that the amounts shown on the receipt ledger and deposit slip were higher than the amounts actually deposited, which would represent a possible shortage.

We reviewed each deposit where a difference was noted by OSCA and found little, if any, follow-up was performed by court or OSCA personnel. Therefore, the reasons for the deposit differences were not investigated or documented. Court personnel indicated they felt the majority of these differences were caused by delays in electronic funds transfers from the "old" child support account, but because the court failed to investigate these differences fully, as requested by OSCA, there is less assurance that all receipts were properly deposited.

Due to the significant deposit adjustments and differences identified by OSCA, and the court's failure to investigate and explain these differences, monies may be missing from the child support account. A full review of all affected deposits should be performed by court personnel to determine the cause of these differences.

The court should adopt procedures to ensure that receipts are reconciled to deposits and that differences noted during these reconciliations are fully documented and investigated on a timely basis.

- C. A listing of open items is obtained from the MACSS system monthly, but the court does not attempt to reconcile this listing to the cash balance of the current child support account. At August 31, 2000, the reconciled cash balance exceeded the open items listing by \$20,189. The court made no attempt to identify this difference.

An accurate open-items list helps to ensure that receipts and disbursements are properly handled and accurately posted to the case fee sheets, and to verify there is sufficient cash to satisfy all liabilities. The Court Administrator should make an effort to identify any liabilities associated with the excess cash balance. Any amount which remains unidentified, should be disposed of in accordance with state law.

**WE RECOMMEND** the Court Administrator:

- A.1. Ensure child support bank reconciliations are performed in a timely manner.
- 2. Ensure reconciling items are investigated and corrected in a timely manner. Reconciling items which appear to represent missing funds should be fully investigated and if not resolved, the court should seek assistance from applicable law enforcement officials.
- 3. Reissue old outstanding checks where the payee can be located. Any unclaimed amounts should be turned over to the state's Unclaimed Property Section in accordance with state law.
- 4. Continue to compare checks issued according to MACSS to those checks printed to ensure that duplicate checks are not issued. In addition, court personnel should continue to pursue collection of those duplicate payments not yet collected.
- B. Reconcile the composition of cash, checks, and money orders received to the amounts deposited and investigate and document the reasons for any differences noted. Differences noted by OSCA should be fully investigated.
- C. Reconcile the open-items listing to the child support cash balance on a monthly basis. In addition, the court should attempt to identify additional liabilities associated with the excess cash balance which currently exists in the child support account. Any amounts which cannot be identified should be disposed of in accordance with state law.

**AUDITEE'S RESPONSE**

A. *Child Support Bank Reconciliation*

- 1. *Prior to the implementation of the statewide child support system (MACSS), the Court was able to process the child support reconciliation monthly. As noted in the audit report, the timeliness problem was the result of the lack of electronic clearing of checks in MACSS. A manual marking of 100 checks requires 8 hours; the Court's child support section produced over 25,000 checks monthly. Beginning in early 1999 and with the September 1999 bank reconciliation, electronic clearing of checks was made available. In addition to the reasons above, other difficulties encountered*

during the implementation of the MACSS program and the related bank reconciliation through January 2000 were:

- *Excessive turn-over in key personnel*
- *Approximately 3,000 to 5,000 child support checks were mailed to the wrong addresses per the decisions of the Missouri Division of Child Support Enforcement (DCSE) to use their database for mailing addresses. The clients reported that they had never lived there, or had not lived there for 8 to 10 years.*
- *Arrearages were not converted to MACSS correctly requiring the Court to recalculate an inordinate number of cases.*
- *The same Court personnel responsible for processing child support payments were responsible for processing hundreds of phone calls that were the direct result of the MACSS conversion and operational errors noted above.*

*The child support checking account is now current (in reconciliation) and reconciling items have been identified. The Court is in the process of clearing the identified reconciling items, and, as indicated above, projects resolution of these items by June 30, 2001.*

2. *As indicated above, the Court is in the process of investigating the outstanding reconciling items/adjustments. However, this process is a long and arduous task. The Court must review the documentation on hand for each reconciling item and determine its status. Then, the Court must contact the bank for additional documentation of the reconciling items that have not been cleared. The bank may take up to two weeks to process the Court's request for additional information. In addition to focusing on current reconciliations, daily tasks that require the attention of the Fiscal Officer do not allow the Court to devote 100 percent of its time to resolution of the bank reconciliation adjustments. The Court expects to have the reconciling items cleared by June 30, 2001.*
3. *The Court has complied and continues to comply with the state's unclaimed property statutes. For the period under review, the statute required the Court to forward to the Unclaimed Property Section assets abandoned for seven years (currently five). The Court's policy is to perform annual reviews of outstanding checks and deposits to forward to the Unclaimed Property Section. The Court has no objection to forwarding property deemed unclaimed after a period shorter than the period outlined in the statutes, but is unable to do so because it does not have the necessary manpower to accomplish this task.*
4. *Duplicate checks were issued in November 1998 after the supervisor followed instructions from the MACSS helpdesk. The Court has devoted a great deal of time pursuing collection of the duplicate payments. However, the Court is hampered by*

*advice received by the Department of Social Services and the Office of State's Court Administrator that informed the Court that new Federal law prohibits collection of misapplied or duplicate payments from future child support funds. Therefore, collections can only be made from voluntary payments, demand letters, legal action or collection from sparse child support arrearage payments. The Court has reviewed its check printing procedures with the child support supervisors to guard against future duplication of payments. To the extent practicable, the Court expects to have the duplicate check issue resolved by June 30, 2001.*

**B. Child Support Receipts**

*It is the Court's policy to reconcile total cash, checks and money orders receipted to the amounts deposited and investigate and document the reasons for any differences noted. The majority of the variances noted in the audit report are related to electronic fund transfers from employers that were deposited into the Court's old child support checking account but receipted on the books of the new child support ledgers (MACSS). A receivable from the old child support ledgers is recorded on the new child support ledgers.*

*The Court has re-affirmed the daily receipt and deposit reconciliation policy with the Court's cashiers and supervisors. The Court will continue to investigate these variances and, as indicated in previous responses, resolve them by June 30, 2001.*

**C. Child Support Open Items Listing**

*The Court does not currently reconcile the open items listing produced by MACSS, as the listing is not reliable. A cursory review of the open items balance to the cash balance is performed monthly but because of errors in the listing, as outlined below, an adjustment to the exact balance is not made. The \$20,000 error noted in the audit report represents an excess of cash over the liability of child support payments to custodial parents.*

*The current open items listing indicates an erroneous open items balance in excess of \$8,000,000. This error was created during the MACSS conversion and has not been corrected by the MACSS Project. It is the Court's understanding that the Division of Child Support Enforcement is in the process of correcting this error. When the error is corrected, and a reliable listing is created, the Court will reconcile the balance to available cash. The Court expects the error to be corrected by June 30, 2001.*

**Child Support General**

*The Court has diligently and fervently attempted to maintain proper and current records, given its limited resources while maintaining a high standard of service to its child support customers. The overwhelming majority of the problems in the child support section procedures can be attributed to the implementation of MACSS. Prior to MACSS, the Court did not encounter the errors as noted in the audit. Evidence of this can be easily obtained from examination of the Follow-Up on Prior Audit Findings section in this audit, noting the lack of substantive findings from the prior audit in this area. The initial implementation of MACSS provided unreliable reports, such as the open items*

*listing, incomplete or incorrect data, labor intensive data entry screens, and did not include a complete cash reconciliation package. As a result, the Court was forced to develop time-consuming work-arounds for tasks that should have been included in the MACSS computer package.*

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| <b>3. Criminal Records Section Accounting Records and Procedures</b> |
|--|

The Criminal Records Section maintains offices in Kansas City and Independence. Separate bank accounts and records are maintained by the Kansas City and Independence offices. Criminal receipts for both offices average more than \$4 million annually. Our review noted the following concerns:

- A. A complete listing of accrued costs owed to the criminal division is not maintained and cost cards detailing amounts due to the court for each case are not prepared on a timely basis. The court prepares cost cards when payment is received or when the amount due is requested by the defendant's probation officer.

A complete and accurate accrued cost control listing would allow the court to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis. To ensure that proper costs are charged on all cases, cost cards should be prepared for all cases when the judgment is entered.

- B. Receipt slips are issued for monies received; however, we noted a lack of accountability over some receipts slips since they were not always issued in numerical order and were not always prenumbered. Also, for a short period of time in 1998, the Independence Criminal Office used unnumbered receipt slips. To provide assurance all monies are properly deposited, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

- C. The mode of payment is not always indicated on receipt slips. As a result, it is not always possible to reconcile receipt slips to deposits. To adequately account for all receipts and to ensure all receipts are deposited intact, the mode of payment should be indicated on the receipt slips and the composition of receipt slips should be reconciled to deposits.

- D. Bond cards are prepared for each case where a criminal bond is collected. However, a centralized listing of bonds held (open-items) is not prepared and reconciled to the cash balance. In addition, we noted one instance where a \$5,000 bond was posted on a criminal non-support case at the Kansas City criminal records office and subsequently transferred to the Independence criminal records office. Approximately one year later the judge ordered these monies be disbursed to the custodial parent. The Kansas City criminal records office disbursed these monies although these monies were not held in their bank account. Records maintained by the

Independence criminal records office indicate that this bond is still being held. As a result, the Kansas City criminal records account is due \$5,000 from the Independence criminal records account. This situation would not have occurred had the court properly maintained an open-items list, cost cards, and bond cards, and used those records to determine which office should make the disbursement.

Monthly listings of open items should be prepared and reconciled to monies held in trust by the court to ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities. Because of the large amount of criminal bonds being held and the failure to maintain a monthly open-items list and reconcile it to the cash balance, improprieties and errors could occur and not be detected.

- E. The court has not established procedures to follow-up on checks which are outstanding for a considerable length of time. As of September 30, 2000, checks totaling \$48,242 written on the Kansas City criminal account, have been outstanding for more than one year. As of August 31, 2000, checks totaling \$42,273 written on the Independence criminal account have been outstanding over one year. Each account contained over 200 checks written in 1997 or before.

Checks which have been outstanding for a considerable length of time should be periodically reviewed to determine if the checks should be canceled and reissued if the payee can be located. Monies which remain unclaimed, should be turned over to the state's Unclaimed Property Section in accordance with Section 447.532, RSMo 1994.

- F. Our review of traffic procedures noted the following concerns:

1. The Prosecuting Attorney does not sign appropriate case records to document his approval of any amendment of a ticket. To ensure the proper disposition of all cases has been entered in the court records, the Prosecuting Attorney should sign all amended and non-prosecuted case records, indicating his approval.
2. The court does not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). We noted three instances out of twenty-nine items tested (10 percent) in which the required record of conviction could not be located on state records. One of the tickets not reported was for Driving Under the Influence (DUI). Section 302.225, RSMo 1994, requires records of any pleas or finding of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

**WE RECOMMEND** the Court Administrator and Director of Criminal Records:

- A. Maintain a complete and accurate listing of accrued costs and ensure cost cards are completed for all cases on a timely basis.
- B. Ensure prenumbered receipt slips are issued for all monies received.
- C. Ensure that the mode of payment is correctly indicated on all receipt slips issued, and reconcile the composition of receipt slips to deposits.
- D.1. Prepare centralized listings of bonds held and reconcile the total amounts to the applicable cash balances monthly. In addition, the court should transfer the \$5,000 bond monies in question from the Independence criminal records account to the Kansas City criminal records account.
- 2. Ensure that bond cards are prepared for all bonds received and that bond information is accurately input in the court's computer system.
- 3. Use the open-items list, bond cards, and cost cards to determine which office should disburse bond monies.
- E. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable state law.
- F.1. Require the Prosecuting Attorney's signature on all amended and non-prosecuted case records.
- 2. Ensure that records of conviction on traffic offenses are submitted to the MSHP in accordance with state law.

**AUDITEE'S RESPONSE**

A. *Accrued Costs Owed to the Criminal Division*

*The Court has procedures for routing case files to the criminal records financial section for assessing court costs for all disposed cases, as well as any probation violation cases. With these procedures the Court has been able to assess court cost on almost all cases. Costs for the few remaining cases are assessed when payments have been received by mail or notification is received from the probation officer. The Court is in the process of obtaining a new computer accounting system that will minimize the instances in which assessment of court costs are missed. The Court expects to have the new accounting system implemented by December 31, 2000.*



B. *Numerical Sequence of Receipts*

*After the Court's independent audit in 1998, the Court established a receipt log that accounts for all receipts used by criminal records. Each cashier must sign for these receipts, in numerical order, and be accountable for each. The unused receipts are kept in a locked drawer, which is only accessible by the financial supervisor or in her absence, the Assistant Director or Director of Criminal Records. Since this procedure has been in place, the Court has been able to issue receipts in numerical sequence and account for all receipts issued. As a result, the Court considers this issue resolved.*

C. *Mode of Payment*

*Excessive employee turnover over the past few years has contributed to incomplete training and understanding of Court procedures. The Court has re-affirmed its procedures regarding payment type and instructed the employees to utilize proper entry of payment type on all receipt slips. Coinciding with the installation of the new automated financial system, the Court expects this issue to be resolved by December 31, 2000.*

D. *Bond Open Items Listing*

*The implementation of the new computerized financial accounting system will provide an accurate and current open items list of all bond money receipted by criminal records. Both the financial supervisors in Kansas City and Independence will maintain these open items listings. The Director of Criminal Records will review this listing on a monthly basis. Once information has been reviewed, the Director will pass on comments and/or concerns to the appropriate supervisor. In addition, in order to prevent any monies being disbursed into or out of the wrong accounts, the Court is in the process of creating separate checking accounts for the Kansas City and Independence criminal records offices, and a separate account for Traffic. The creation of an open items listing is being done in conjunction with the computerized financial accounting automation project noted above and is expected to be completed by December 31, 2000.*

E. *Unclaimed Property*

*As previously stated in the Court's response to the child support findings, the Court has complied and continues to comply with the unclaimed property statutes. For the period under review, the statute required the Court to forward to the Unclaimed Property Section assets abandoned for seven years (currently five). It is Court policy to perform an annual review of outstanding checks and deposits to forward to the Unclaimed Property Section. The Court has no objection to forwarding property deemed unclaimed after a period shorter than the period outlined in the statutes, but is unable to do so because it does not have the necessary manpower to accomplish this task.*

F. *Traffic Procedures*

1. *The Court will forward this recommendation to the Prosecuting Attorney. In addition, the Court will immediately implement procedures authorizing criminal records staff to accept a fine lower than the fine on the original traffic charge filed only when written confirmation is received from the Prosecutor that the traffic charge has been amended and reduced or when a judgment is entered by the Court on a lower charge.*
2. *The Court has procedures for forwarding records of conviction (roc's) on traffic offenses in which notification is required. The Court has contacted the Department of Revenue to resolve the missing roc's and has found that the missing roc's were returned to the Court for correction. The Court will resolve the missing roc's noted during the audit and review its procedures for responding to rejected roc's by June 30, 2001.*

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| <b>4. Civil Section Accounting Records and Procedures</b> |
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Civil receipts totaled approximately \$24.7 million and \$14.7 million during the years ended December 31, 1998 and 1997, respectively.

- A. Monthly listings of open items are prepared for the fee account; however, the listing is not reconciled with the cash balance. We noted one instance during our test work where monies received on a case in December 1998, and disbursed in February 1999, were not included on the December 31, 1998 open items listing. In addition, we noted numerous instances where the information on the open items listing did not agree to the case fee report, and in two instances we noted a negative open items balance for cases, indicating the court paid out more money than was received on those cases. The Court Administrator has indicated that because cases were converted to a new computer system during 1999, a review of all case files will be performed in the future to determine which cases have open items and if the open balance is accurate.

To ensure that receipts and disbursements are properly handled and accurately posted to the case files, and that there is sufficient cash to cover all liabilities for open cases, a complete and accurate open-items listing should be prepared monthly and reconciled to the cash balance. Such reconciliations would allow for prompt detection of errors and allow the Court Administrator to determine disposition of any unidentified monies remaining over a period of time.

B Our review of civil procedures noted the following concerns regarding the timeliness of disbursements:

1. Prior to February 1999, court policy stated that a court order was required before garnishment proceeds could be released to the garnishor. As a result, garnishment proceeds held by the court totaled approximately \$1,270,000 at December 31, 1998. During February 1999, the court adopted a new policy which allows garnishment monies to be disbursed without a court order. Garnishment monies received by the court after February 1999 have been disbursed in a timely manner, but the court has made little progress disbursing garnishment monies being held prior to that date. The court should strive to disburse garnishment proceeds to those due the amounts or dispose of the monies in accordance with state law.
2. The court collects court costs for each case filed in the civil division. Many of the funds held on deposit in the fee account are for old cases which contain deposits insufficient to cover all court costs charged in the case. The June 30, 1999 civil open items listing which represents the most recent bank reconciliation done for the civil division account, totaled over \$9.5 million and contained over one thousand cases originating in 1992 or before with numerous cases dating as far back as the 1970's. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance to be prorated among the various costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

C. Civil deposits are not always made intact. Although court policy states that employee personal checks will not be cashed, we noted one instance where a court employee's personal check was cashed for \$100.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact.

**WE RECOMMEND** the Court Administrator:

- A. Prepare monthly listings of open items and reconcile these listings to the cash balance. All differences should be investigated and resolved on a timely basis.

- B.1. Increase efforts to disburse garnishment monies held on all civil cases prior to February 1999.
- 2. Pursue collection of costs accrued on old cases. If collection of such costs cannot be made, monies held by the court should be distributed on a pro-rata basis, after obtaining a court order from the Circuit Judge.
- C. Ensure that deposits are made intact daily and that the court's policy regarding cashing of employees' personal checks is adhered to.

### **AUDITEE'S RESPONSE**

#### **A. Civil Records Open Items Listing**

*As was the case in child support, the Court implemented a new accounting system for civil records, known as Banner. Although implemented in February 1999, Banner is still in its genesis. Reconciliations between pre-Banner records to post Banner records, such as the open items listing, is an ongoing process. In addition, Banner, at its implementation, did not contain a complete financial package. Most notably missing from Banner was a bank account reconciliation process. The Court has obtained assistance from the Office of State's Court Administrator (OSCA) to bring the civil records bank account reconciliation up to date. As of November 2000, OSCA has completed the October 1999 bank reconciliation. When brought up to date, the Court will reconcile the open items listing to the bank reconciliation. Due to OSCA's limited manpower, and based upon the time it has taken to reconcile the August 1999 bank statement, the Court anticipates OSCA's completion of the bank reconciliations by March 31, 2001.*

*Also, in coordination with a review of the open items listing for old garnishment money (see item B.1, below) the Court has compared all open items greater than \$100 and less than five years old to the case fee reports to determine the validity of the open item. As of November 2000, the Court has completed this task and has reconciled case fee reports for the open items noted above. The Court will continue to review the open items outside of the parameters noted above and expects to have them resolved by June 30, 2001.*

#### **B. Timeliness of Disbursements**

- 1. *Prior to its change, local Court Rules, which were based on Missouri Supreme Court Rules in force at that time, required a court order to release collected garnishments to the garnishor. Effective January 1, 1999, the State Supreme Court amended the rules to allow garnishment proceeds to be released without court order. The Court has diligently attempted to comply with the amended rules, however, shortly after amendment the Court was in the process of converting to the new Banner system. After implementation of Banner, the Court was able to process one check a day, whereas previously it was able to process up to 300 checks per day. Months later, system enhancements allowed the Court to process several hundred checks in a business day. In addition, conversion of the old open items listing to Banner did not*

*identify previously collected garnishment funds as such. Therefore, the Court had to manually review every case with an open item.*

2. *The Court has reviewed funds on the open items list back to 1995 and has pulled and reviewed each case file to determine whether deposits were garnishment funds eligible for payment under the new Rule. Once identified as a garnishment, these funds were disbursed. The Court has completed this task and is currently reviewing open items over five years. The Court expects this task to be completed by June 30, 2001.*

*Along with the review of the open items listing for garnishments, the Court has reviewed the current open items listing for disposition of outstanding items on what appear to be old cases. The Court has found that in almost all cases that have in excess of \$100 on deposit, the Court is awaiting final disposition of a case or an order from the Court for disposition of funds held. The Court anticipates disbursement of the few outstanding open items for closed cases, or cases that require no further action or order by the Court, by June 30, 2001.*

C. *Intact Deposits*

*It is the Court's policy that deposits be made intact. The Court has reviewed the policy with the cashiers and supervisors and has cautioned them against the cashing of employee checks, as it is the Court's policy not to cash employee checks. As a result, the Court believes that this issue has been resolved.*

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| <b>5. Criminal Restitution Accounting Procedures</b> |
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Criminal restitution payments are processed through the court's criminal office in Kansas City. Restitution receipts average approximately \$500,000 annually. Our review noted the following concerns:

- A. The court does not prepare a monthly listing of open items (liabilities) for the criminal restitution account. As a result, the criminal restitution cash balance is not reconciled to open items. The cash balance of the restitution account at September 30, 2000 was approximately \$330,000. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the court are sufficient to meet liabilities. Because of the large amount of restitution payments being held and the failure to maintain a monthly open-items list and reconcile it to the cash balance, improprieties and errors could occur and not be detected.
- B. The court has money on deposit in the criminal restitution bank account which cannot be properly distributed because the victims can no longer be located. Since an open-items list is not prepared, the court cannot monitor these monies to ensure that they are disbursed in accordance with state law. We noted for 5 of 25 (20 percent) cases

tested the victim could not be located, with payments totaling over \$500 being held on each of these five cases.

An effort should be made to identify and properly disburse the money remaining in the criminal restitution account. Any amounts remaining that cannot be identified should be turned over to the state's Unclaimed Property Section in accordance with state law.

**WE RECOMMEND** the Director of Criminal Records:

- A. Prepare monthly listings of open items for the criminal restitution account and reconcile these listings to the cash balance. Any differences should be investigated and resolved on a timely basis.
- B. Disburse any money remaining in the criminal restitution account to the appropriate parties. If the victims cannot be located, the amounts should be disposed of in accordance with state law.

**AUDITEE'S RESPONSE**

A. *Open Items Listing*

*The Court understands the importance of an open items listing. The Court is in the process of automating its financial system in the Criminal Restitution Department (along with Criminal Records Department). The open items listing is one of the primary reports that the new system will be able to generate. The Court anticipates implementation of the new accounting system by December 31, 2000.*

B. *Victim Location*

*As stated above, the implementation of new software will enable the Court to provide an open items list effective December 31, 2000. This will enhance the Court's ability to monitor victim information, such as current address, and to comply with unclaimed property procedures in a more timely fashion.*

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| <b>6. Delinquent Land Tax and Civil Process Section Accounting Procedures</b> |
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- A. Our review of the delinquent land tax sale receipt ledger noted the following concerns:
  - 1. Receipt slips are not issued for monies received from bidders as deposits on delinquent land tax properties. These monies are usually paid by check and are deposited into the section's bank account. A manual ledger is used to track the deposits placed by the various bidders. At the time a sale occurs, a

receipt slip is written for the amount of the sale and any funds remaining out of the deposit are refunded to the successful bidder. The fiscal officer prepares refunds for unsuccessful bidders. We noted three instances, totaling \$6,800, where refunds to bidders were made in cash. Documentation of cash refunds is not maintained. In addition, the numerical sequence of receipt slips, which are posted to a receipt ledger by the computer, is not accounted for properly. We noted several instances where sequential receipt slip numbers were not listed on the ledger or some numbers were missing completely. Staff indicated this was caused by computer error. Because receipt slips are not issued for all monies received, the numerical sequence of receipt slips is not accounted for, and deposits are not made intact, there is less assurance that all monies received are deposited.

To properly account for all monies received, prenumbered receipts slips should be issued for all receipts and deposits should be made intact.

To facilitate the reconciliation of the composition of receipt slips to the composition of deposits and to ensure all monies received are accounted for properly, the court should discontinue the practice of making cash refunds.

2. The receipt ledger does not always indicate the method of payment. We noted several instances where the ledger identified the method of payment as "both", indicating that a portion of the monies received were check or money order and a portion was cash, but the amount of each type of payment was not indicated. As a result, it is not always possible to reconcile receipts to deposits. To ensure that all monies received are properly deposited intact, the method of payment should be specifically identified on the receipt ledger and the composition of receipt slips issued should be reconciled to the composition of deposits.

- B. In case of computer problems, manual receipt slips are issued for delinquent land tax sales and posted in a ledger. The court was unable to locate the manual receipt ledger for the September 1997 sale. In addition, when manual receipt slips are issued at a sale, a copy of the receipt slip is not maintained in the case file.

All records of original entry should be retained in accordance with the Secretary of State record retention guidelines. Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270 RSMo 1994, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

- C. Receipts from land tax sales are not always deposited intact on a timely basis. We noted a receipt of \$48,700 for a land tax sale which was not deposited until three days after it was received. In addition, a change fund of approximately \$1,000 is maintained. Cash is withheld from deposits to make change; however, the amount of

cash on hand varies from day to day. The court indicated that they only deposit large cash bills and leave the rest for the next day's change fund, but they are unwilling to ensure the cash on hand is maintained at a constant amount.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact daily or when accumulated receipts exceed \$100. In addition, change funds should be maintained at a constant amount.

- D. Fees are not always paid to the county in a timely manner. Civil Process fees collected in March 1998 were not turned over to the county until June 4, 1998, and fees collected in October 1998 were not turned over to the county until January 6, 1999.

Section 488.023, RSMo Cumulative Supp. 1999, requires that fees be turned over to the county within 30 days of collection.

**WE RECOMMEND** the Director of Civil Process:

- A.1. Ensure that receipt slips are issued for all monies received and that the numerical sequence of receipt slips is accounted for. In addition, refunds should be made by check.
2. Ensure that receipt slips indicate the method of payment and that the composition of receipt slips is reconciled to the composition of deposits.
- B. Retain all records in accordance with the Secretary of State's record retention guidelines and state law.
- C. Ensure receipts are deposited intact on a timely basis. In addition, change funds should be maintained at a constant amount.
- D. Ensure fees are paid to the county on a timely basis.

**AUDITEE'S RESPONSE**

A. *Receipt Slips and Ledger*

1. *In August 2000, an enhancement to the Delinquent Land Tax program was added which now allows pre-numbered receipts to be issued to any bidder placing money on deposit with the Court. Deposit receipts that are issued use a separate block of numbers so they will not be confused with receipts of purchasers. The receipt documents the payment type (cash and/or cashier's check with the cashier check number). Several reports were also added to track bidder deposits such as a bidder deposit report, bidder receipt report and bidder disbursement report. All refunds are now made by check, and the check number, date and amount can be entered on the*



*bidder disbursement report for complete tracking. Because of these enhancements, the Court believes that this issue has been resolved.*

2. *The same enhancement of August 2000 now enables the Court to indicate all methods of payment on each purchased parcel. A daily report was added that shows check numbers and amounts, cash returned, deposit money used and change returned for each parcel. As a result, the Court believed this issue has also been resolved.*

**B. Computer Problems and Manual Receipts**

*The Court has not been able to locate the ledger for the September 1997 sale but is continuing to look. Procedures have been implemented that forward a copy of the ledger to the Fiscal Officer, with the original remaining with the Department of Delinquent Land Trust.*

*During the period under review, the Court used a single-copy, carbon-free pegboard system for its manual receipting. The original receipt is given to the purchaser and the receipt information is recorded on the pegboard sheet that records 24 other sales per sheet. When the receipt is computer generated it prints an original and a copy; the copy is put in each file folder. The manual system does not facilitate the placement of receipt copies in individual case files. Because of the computer enhancements noted above, the Court believes that this issue has been resolved.*

**C. Intact, Timely Deposits**

*During the period under review, the cashiering function of the Court's annual land tax sale was performed by either individuals new to the Fiscal Officer position or temporary personnel provided by the Court's independent accounting firm of Donnelly Meiners Jordan and Kline. Inexperience in the cash flow requirements of the sale led to the excess cash availability. This inexperience, along with functional problems associated with the use of DMJK led to the deposit of receipts three days after the sale. At all times, though, this excess cash was either stored overnight in the Court's safe, or in the County's vault during the actual sale. During the 2000 Land Tax Sale, the cash remaining in the drawer overnight did not exceed \$5,000 and a day's receipts were deposited the following day. Due to cash flow needs during the Kansas City sale, a reduction in this amount for the first few days may not be possible. Sufficient cash must be available to make change on sales of small dollar amounts purchased with large dollar cashier checks. The Court, at the next land tax sale, will monitor this issue and reduce the cash drawer to an amount reasonably close to \$1,000 (the amount of the initial cash drawer).*

**D. Timely Payment of Civil Process Fees**

*The Court's policy is to pay these fees in a timely manner. Due to the prior instability in the Fiscal Officer position, these payments were overlooked for the periods noted. All payments were made at a later date. With the implementation of Banner, these payments are made*

*monthly with other fees collected in Civil Records. The Court is current in their payment of fees and as a result of the above factors, believes that this issue is resolved.*

This report is intended for the information of the judicial circuit's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

SIXTEENTH JUDICIAL CIRCUIT  
JACKSON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the Sixteenth Judicial Circuit, Jackson County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1994. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the judicial circuit should consider implementing these recommendations.

1. Distribution of Unidentified Monies

During September 1995, the Jackson County Circuit Court disbursed \$767,992 in unidentified monies from its civil accounts to Jackson County instead of disbursing the monies to the State Treasurer's Office, Unclaimed Property Section.

Recommendation:

No recommendation was made in our prior audit report because the court was working with the State Treasurer's Office and the county to determine the proper distribution of these monies.

Status:

The court provided documentation that the State Treasurer's Office reviewed this situation and determined that the \$767,992 cited above was not subject to the Unclaimed Property Act and should remain with Jackson County.

2. Child Support Section's Accounting Procedures

- A. Open-items (liabilities) records for the Child Support account were not reconciled to the cash balance. At December 31, 1994, the cash balance was approximately \$170,000 less than the open-items balance. In 1995, some excess (unidentified) monies were transferred from the civil accounts to child support to decrease the shortage. As a result, the July 31, 1995, cash balance was \$17,621 less than the open-items balance.
- B. A lack of segregation of duties existed because the two individuals who opened the mail could also post receipts to the receipt records.

Recommendation:

The Court Administrator require the Child Support Section to:

- A. Correct the open-items accounting problems noted by the independent certified public accountants and reconcile open items to the cash balance monthly. Any differences noted should be resolved in a timely manner.
- B. Segregate the duties of opening the mail from that of posting collections to the receipt records.

Status:

- A. Not implemented. See MAR No. 2.
- B. Implemented. Personnel opening the mail can no longer post receipts to the child support system.

3. Criminal Records Section's Accounting Procedures

- A. Deposits were not being adequately reviewed and compared to receipt records to ensure recorded receipts were deposited intact.
- B. A monthly open-items (liabilities) listing was prepared by the Restitution Division documenting those cases in which restitution had been received but not yet disbursed. The listing prepared as of December 31, 1994, included 20 cases totaling \$5,222 for which no monies had been received since December 31, 1990.

Recommendation:

The Court Administrator require the Criminal Records Section to:

- A. Review deposits and compare them to the receipts records to ensure all monies received are deposited. This would include agreeing the deposit total to the receipts total and agreeing the cash/check composition of the deposits to the cash/check composition of the receipts journal.
- B. Distribute restitution monies involving payees who cannot be located to the state's Unclaimed Property Section in accordance with state law.

Status:

- A. Not implemented. See MAR No. 3.
- B. Not implemented. The court no longer maintains a listing of open-items for the Criminal Restitution account and therefore cannot ensure that monies are turned over

to the state's Unclaimed Property Section within the time guidelines prescribed by statutes. See MAR No. 5.

4. Family Court Division's Recreation Accounts

- A. Bank reconciliations were not performed on a monthly basis for those bank accounts held by the McCune School for Boys and the Hilltop Co-educational Treatment Center.
- B. Certain accounting records were not maintained by the facilities mentioned above. Nearly all records related to 1993 were missing from both facilities. In addition, bank statements for various periods could not be located.
- C. Invoices or other documentation were not maintained to support all disbursements made by the above-mentioned facilities.
- D. Many disbursements were made by cash obtained from checks made payable to cash or to employees of the division. The facilities did not always maintain records to support how the cash was used.
- E. Checks were written out of sequence at both facilities and several books of unissued checks at the McCune School for Boys could not be located.

Recommendation:

The Family Court Division ensure:

- A. Monthly bank reconciliations are performed for all accounts.
- B. All accounting records are maintained.
- C&D. Supporting documentation, such as original invoices, are maintained for all disbursements.
- E. All checks are written in numerical sequence. In addition, unissued checks should be adequately safeguarded.

Status:

- A-E. Implemented. The Family Court Division closed all of the bank accounts which were held at the facilities and administers recreation monies through the accounting office.

5. Law Library's Procedures

- A. Free access to the materials in the library was limited to county judges, court officials, and member attorneys who had paid annual dues to the Jackson County

Law Library (JCLL). Nonmember attorneys were asked to pay a daily fee when using the law library materials.

- B.1. The library did not have a formal written policy for vacation and sick leave or compensatory time.
- 2. Timesheets were not required for some employees and some timesheets completed were not adequate. Full-time salaried employees were not required to complete timesheets; however, timesheets were required from part-time employees.

Recommendation:

The Presiding Circuit Judge:

- A. Review the JCLL's current policy concerning access to the law library with other members of the court and the JCLL for compliance with Section 514.480, RSMo 1994, and consider revising that policy as necessary.
- B.1. Ensure the JCLL establishes a formal written policy regarding vacation, sick leave, and other compensatory time.
- 2. Ensure the JCLL requires that timesheets be prepared and submitted by all employees. These timesheets should indicate the actual hours worked during the pay period, be signed by the employee, and be properly approved by the respective employee's supervisor.

Status:

- A. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- B.1&  
B.2. Implemented.

## STATISTICAL SECTION



History, Organization, and  
Statistical Information

SIXTEENTH JUDICIAL CIRCUIT  
JACKSON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organization

The Sixteenth Judicial Circuit includes only Jackson County, and consists of nineteen circuit judges, eight associate circuit judges, seven commissioners, and one deputy commissioner.

The court en banc consists of all of the divisions of the Sixteenth Judicial Circuit acting collectively. The circuit and associate circuit judges elect a presiding judge for a two-year term. The court en banc determines questions of policy for the court and promulgates court rules. The presiding judge operates as the chief executive of the court, with administrative authority over personnel and the assignment of cases filed in the court. The presiding judge is responsible for making management decisions involving the court on a daily basis, assigns the judges to dockets, presides over court en banc meetings, and acts as the spokesperson of the court. An administrative staff assists the court.

Effective August 28, 1993, the Juvenile Division was redesignated the Family Court Division pursuant to state law. The court en banc appoints commissioners who must possess the same qualifications as a circuit judge to hear family court cases.

The court operates out of four different locations in Jackson County: seventeen judges sit in the Jackson County Courthouse in Kansas City, seven judges sit in the Jackson County Courthouse in Independence, two judges who are assigned to criminal cases sit at the Criminal Justice Center in Kansas City, and one judge who is assigned to juvenile cases sits at the Family Justice Center in Kansas City.

The court appoints a court administrator who is in charge of the administrative functions of the court, except for the Probate Division. The Office of the Court Administrator plans, assigns, coordinates, and supervises the operation and administration of the courts presided over by the circuit and associate circuit judges. Duties of the Office of the Court Administrator include: docketing, clerical tasks, provision of documentation for court matters, accounting and recording, and receipt and disbursement of funds.

The Probate Division Judge is responsible for the administrative functions of the Probate Division.

The court appoints a Director of Family Court Services who is responsible for the administrative functions of the Family Court Division and who reports to the Family Court Administrative Judge and the Court Administrator. The Family Court Division operates nine facilities including detention centers, group homes, and schools for the detention and rehabilitation of juveniles.

The court also appoints a Jury Supervisor to oversee the jury selection system.

The court has appointed Jackson County Law Library, Inc., to operate and maintain the county law library.

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### Operating Costs

The operating expenses of the various courts, the Family Court Division, and judicial administration are paid by Jackson County. The salaries of the court administrator and immediate staff, the bailiffs, the Family Court Division employees, as well as the salaries of the employees in the Civil Process, Personnel, Computer Services, and Court Services Departments are paid by Jackson County. All other salaries are paid by the state of Missouri.

Expenditures incurred for the Sixteenth Judicial Circuit, Jackson County, Missouri, were obtained from the Jackson County budget and information provided by the State Courts Administrator's Office and are as follows:

| Year Ended December 31, |                      |                   |                   |
|-------------------------|----------------------|-------------------|-------------------|
|                         | 1999                 | 1998              | 1997              |
| State of Missouri:      |                      |                   |                   |
| Personal Service        | \$ 8,791,160         | 8,433,690         | 8,000,056         |
| Jackson County:         |                      |                   |                   |
| Personal Service        | 18,682,886           | 18,063,810        | 16,787,414        |
| Expenses                | 6,832,103            | 6,456,733         | 6,620,696         |
| Total                   | <u>\$ 34,306,149</u> | <u>32,954,233</u> | <u>31,408,166</u> |

### Caseload and Time Standards Statistics

Caseload statistics of the filings and dispositions as provided by the State Courts Administrator's Missouri judicial reports, are as follows:

| Year Ended June 30,   |               |               |               |               |               |               |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                       | 1999          |               | 1998          |               | 1997          |               |
|                       | Filings       | Dispositions  | Filings       | Dispositions  | Filings       | Dispositions  |
| Civil                 | 47,038        | 42,264        | 48,441        | 50,148        | 49,711        | 45,697        |
| Criminal              | 9,968         | 10,064        | 11,772        | 11,424        | 12,430        | 10,347        |
| Traffic and ordinance | 21,326        | 19,199        | 16,654        | 15,426        | 16,691        | 14,886        |
| Juvenile              | 7,717         | 6,770         | 6,839         | 6,050         | 6,714         | 5,671         |
| Probate               | 1,488         | 1,380         | 1,382         | 1,430         | 1,461         | 1,409         |
|                       | <u>87,537</u> | <u>79,677</u> | <u>85,088</u> | <u>84,478</u> | <u>87,007</u> | <u>78,010</u> |

::

Compliance by the Sixteenth Judicial Circuit, Jackson County, Missouri, with time standards for disposition of certain types of cases, provided by the State Court Administrator's Missouri Judicial Report for fiscal year 1999, is as follows:

| Type of Case       | Time Standard    | Sixteenth<br>Judicial Circuit,<br>Jackson County, |   | State Total |   |
|--------------------|------------------|---|---|-------------|---|
|                    |                  | Missouri  |   |             |   |
| Circuit Civil      | 90% in 18 months | 78  | % | 80          | % |
|                    | 98% in 24 months | 90  |   | 88          |   |
| Domestic Relations | 90% in 8 months  | 81  |   | 83          |   |
|                    | 98% in 12 months | 88  |   | 90          |   |
| Associate Civil    | 90% in 6 months  | 84  |   | 89          |   |
|                    | 98% in 12 months | 95  |   | 97          |   |
| Circuit Felony     | 90% in 8 months  | 83  |   | 87          |   |
|                    | 98% in 12 months | 92  |   | 94          |   |
| Associate Criminal | 90% in 4 months  | 80  |   | 77          |   |
|                    | 98% in 6 months  | 87  |   | 88          |   |

#### Personnel

At December 31, 1999, the judges, commissioners, and other key court personnel of the Sixteenth Judicial Circuit, Jackson County, Missouri, were:

##### Circuit Court judges:

Division One, David W. Shinn  
 Division Two, William W. Ely  
 Division Three, Thomas C. Clark  
 Division Four, Justine E. Del Muro  
 Division Five, W. Stephen Nixon  
 Division Six, John R. O'Malley  
 Division Seven, William F. Mauer  
 Division Eight, Lee E. Wells  
 Division Nine, Kelly Moorhouse  
 Division Ten, Charles E. Atwell  
 Division Eleven, J. D. Williamson, Jr.  
 Division Twelve, Edith L. Messina, Presiding Judge  
 Division Thirteen, Jay A. Daugherty  
 Division Fourteen, Thomas H. Newton  
 Division Fifteen, K. Preston Dean  
 Division Sixteen, Marco Roldan  
 Division Seventeen, C. William Kramer  
 Division Eighteen, Jon R. Gray  
 Division Nineteen, John A. Borron Jr., Probate Division

::

Associate Circuit judges:

Division Twenty-five, Richard E. Standridge  
Division Twenty-six, Anthony J. Romano  
Division Twenty-seven, Peggy Stevens McGraw  
Division Twenty-eight, Vernon E. Scoville, III  
Division Twenty-nine, Charles L. Stitt  
Division Thirty, Twila K. Rigby  
Division Thirty-one, Christine T. Sill-Rogers, Family Court Division  
Division Thirty-two, Robert L. Trout  
Division Thirty-three, Jeffrey Busher

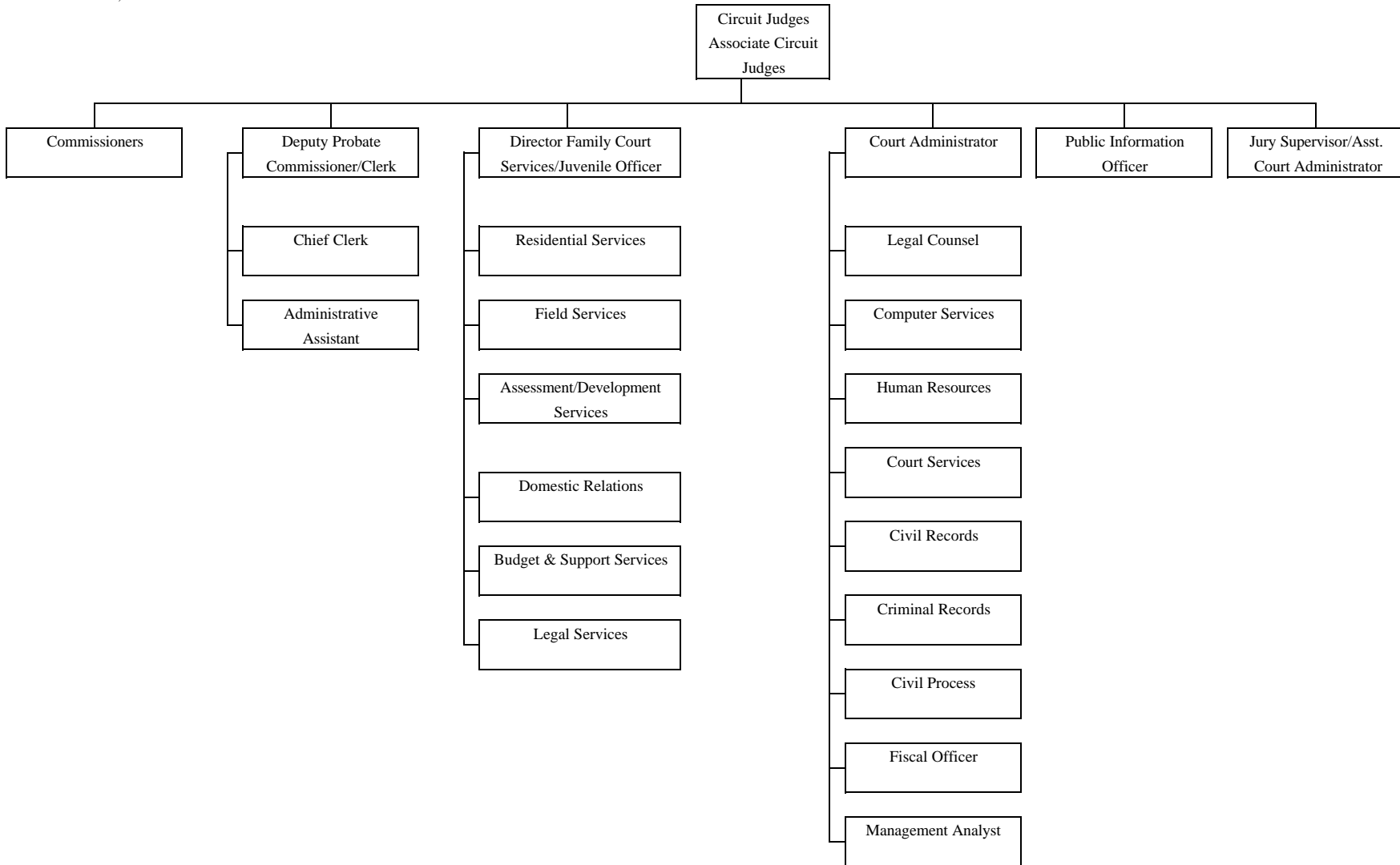
Commissioners:

Geoffrey Allen, Family Court Division  
John F. Payne, Family Court Division  
Sherrill L. Rosen, Family Court Division  
Robert L. Schieber, Family Court Division  
Molly M. Merrigan, Family Court Division  
Kathleen A. Forsyth, Probate Division  
Daniel P. Wheeler, Probate Division  
Gregory B. Gillis, Drug Court

Court Administrator, Jaci Mairs  
Juvenile Officer/Director of Family Court Services, David W. Kierst, Jr.  
Law Library Board President, F. Coulter DeVries  
Assistant Court Administrator/Jury Supervisor, Teresa Steelman  
Fiscal Officer, Joel Kesler

An organization chart follows:

SIXTEENTH JUDICIAL CIRCUIT  
 JACKSON COUNTY, MISSOURI  
 ORGANIZATION CHART  
 DECEMBER 31, 1999



\* \* \* \* \*



STATEWIDE ADVANTAGE FOR MISSOURI (SAM II) SYSTEM

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-129  
December 21, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

During fiscal year 1995, the state began discussing the need to replace the old accounting system (SAM) with a new integrated accounting system. The state decided to purchase a software package from a vendor that would be upgraded periodically. In addition, the State of Missouri wanted an integrated system that would incorporate various areas such as accounting, budget, payroll, procurement, fixed assets, leave accrual, etc.

The state issued a request for proposal to obtain bids for a new accounting system. In April 1997, the state awarded the contract to American Management Systems. On July 1, 1999, SAM II was implemented as the state's accounting system.

The state began using a new accounting system (SAM II) in fiscal year 2000. We audited the new accounting system to determine if the controls within the new system were adequate and effective. Our audit noted various concerns, as follows:

- The reporting needs of various state agencies have not been met by the SAM II system. Over 69 percent of the users who responded to our survey indicated they were not satisfied with the standard reports generated by the new SAM II system.
- We reviewed two year-end reports (the Balance Sheet report and the Statement of Revenue and Expense report) and noted various errors that made the reports inaccurate and unreliable.
- With the new SAM II system, state agencies are suppose to file all supporting documentation, such as purchase orders, receiving reports, and vendor invoices, with the Office of Administration. However, the Office of Administration does not ensure that state agencies file all original supporting documentation.
- Although the Office of Administration requested all state agencies to submit an internal control plan, only three agencies had done so and the Office of Administration did not adequately pursue the other agencies to get their internal control plan submitted.
- Some state agency personnel were not following proper procedures in processing interagency transactions which caused these transactions to be recorded improperly.
- The Office of Administration did not give proper guidance to the state agencies about system security access.

(over)

YELLOW SHEET



- The Office of Administration did not perform timely reconciliations between the new SAM II system and the State Treasurer's records, which caused monthly financial reports to be issued late.

As part of the audit, we surveyed the state agencies to determine if the new system satisfied their needs. Highlights of the survey responses from state agencies are as follows, with more detail in Appendix II, which starts on page 19.

- There appears to be widespread dissatisfaction with the standard reports generated by the system.
- Although most state agencies are using the data warehouse, some users indicated the data warehouse was difficult to use and the cost to use it was too high.
- Most responses indicated the new SAM II system required more staff time to process transactions.
- We asked users to rate their level of satisfaction with the new SAM II system and the 81 users that responded to our survey rated the system an average of 5.7 out of a possible 10.

# STATEWIDE ADVANTAGE FOR MISSOURI (SAM II) SYSTEM

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Roger B. Wilson, Governor  
and  
Richard A. Hanson, Commissioner  
Office of Administration

We have audited the SAM II system implemented by the State of Missouri on July 1, 1999. The objectives of this audit were to:

1. Review certain management and system controls to determine the propriety, efficiency, and effectiveness of those controls.
2. Determine if the financial statements, reports, and data warehouse information available through the SAM II system are satisfactory and meet the needs of the users.
3. Survey applicable state departments regarding the efficiency and effectiveness of the SAM II system.

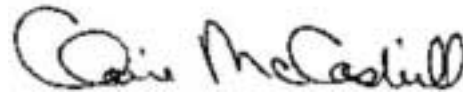
Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable state and federal laws, interviewed applicable personnel, analyzed responses to surveys distributed, and reviewed certain records and documents.

As part of our audit, we assessed the Office of Administration's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management and systems controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying information presented in the appendices is presented for informational purposes. This information was obtained from the state's management and was not subjected to the procedures applied in the audit of the SAM II system.

The accompanying Management Advisory Report presents our findings arising from our audit of the SAM II system.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 17, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Randy Doerhoff, CPA    |
| In-Charge Auditor:  | Randy Gordon, CPA      |
| Audit Staff:        | Frank Verslues         |
|                     | Robyn Vogt             |

## MANAGEMENT ADVISORY REPORT SECTION

STATEWIDE ADVANTAGE FOR MISSOURI (SAM II) SYSTEM  
SUMMARY OF FINDINGS

1. Reporting (pages 6-8)

The standard reports provided by the SAM II system do not adequately meet the needs of some state agencies. Two reports reviewed were not accurate or reliable.

2. Workflow and Document Listing (pages 9-10)

The workflow system does not facilitate the approval of payment voucher documents. As a result, the compliance auditors have been using the suspense file to approve payment voucher documents, a procedure that circumvents the payment approval processes in SAM II.

3. Filing Supporting Documentation (pages 10-11)

The Office of Administration does not ensure state agencies file all original supporting payment documentation with the Office of Administration.

4. Internal Control Plans (pages 11-12)

State agencies have not filed their internal control plans with the Office of Administration.

5. Receivable Document Processing (pages 12-13)

The receivable document does not have adequate edit checks to ensure the accurate processing of interagency transactions. SAM II does not cancel interagency transaction purchase orders automatically.

6. Cash Receipt Payment Document Processing (page 13-14)

The cash receipt payment document does not have adequate edit checks to ensure the accurate processing of an interagency payment.

7. SAM II Access Procedures (pages 14-15)

The Office of Administration did not establish adequate controls to ensure security request forms were properly authorized before processing.

8. Reconciliations (page 16)

The Office of Administration did not prepare monthly financial summary reports on a timely basis.

STATEWIDE ADVANTAGE FOR MISSOURI (SAM II) SYSTEM  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

|           |                  |
|-----------|------------------|
| <b>1.</b> | <b>Reporting</b> |
|-----------|------------------|

- A. Our surveys of state agencies indicated the reporting needs of various state agencies have not been met by the SAM II system. (See Appendix II for survey results) Some agencies indicated the standard reports generated by the SAM II system do not provide the detailed information needed for review of their transactions and for tracking their appropriations. In addition, some agencies indicated the information provided by the standard reports is organized in a format which is complex and confusing. SAM II is a fund based accounting system while SAM was an appropriation based system.

Many users indicated that reports are needed which include detailed information at the organization level and at the appropriation level. Many state agencies are unable to determine the current status of their appropriations. One agency indicated, "...We are three-fourths of the way through the fiscal year and have no real way to see where we are." The inability for agencies to evaluate their appropriation levels is a critical concern of many users. In addition, users indicated the formatting for standard reports is complex and not meaningful. As a result of inadequate reports, users are having difficulties reviewing reports for individual transactions. Some users indicated that although the SAM II standard reports provide adequate summary information, the information is difficult to analyze and understand what is included in these summary reports. Standard reports that provide significant detailed information regarding specific transactions are still needed. Many users also indicated the reports generated by the SAM II system are not similar to the previous reports produced by the SAM system. As one agency indicated, "...We were led to believe from the project that we would receive reports similar to what we were used to receiving. That turned out to be fiction..." Some agencies hired consultants to develop usable reports. The hiring of consultants was an additional expense incurred by these agencies.

In addition to the standard reports generated by the SAM II system, state agencies can generate reports from the data warehouse. The data warehouse enables agencies to query detailed information and to organize the information into the desired format. However, many users indicated that even though the data warehouse has the desired information, it is extremely difficult to obtain, download, and organize this information into a usable report.

As a result of complaints from the state agencies for more detailed and user friendly reports, a SAM II Data Warehouse/Reporting Information Technology Advisory Board (ITAB) Committee was formed. This committee was created to assist state



agencies in obtaining the information necessary for reporting purposes. The committee considered various agency needs and coordinated the development of three additional standard reports. Some agencies have indicated these three reports will be beneficial and will satisfy many reporting needs. The committee also encourages users to communicate with other users to determine successful data warehouse queries and the methods used in developing usable report information.

However, many survey responses received indicated the lack of adequate reports is the most important concern of users. The SAM II Data Warehouse/Reporting ITAB Committee has partially addressed this issue with the development of the three reports mentioned above. At the time of the survey, these three reports were still in the early implementation phase and agencies had not received or become familiar with these reports. Thus, survey responses indicated that many users were unable to obtain the necessary detailed information required for reporting purposes. One user indicated, "If the reports are not available, the system is useless. This needs top priority."

B. We reviewed the Comparative Balance Sheet By Fund report (F205) as of June 30, 2000, and the Statement of Revenue and Expense report (F140) for Fiscal Year 2000. Our review noted the following concerns:

1. The balance sheet for the General Revenue and the State Road funds did not balance as total assets did not equal total liabilities and fund equity.

For financial reporting purposes, total assets must equal total liabilities and fund equity. When this does not occur it is an indication of improperly recorded transactions.

2. An accurate statement of changes in fund balance could not be prepared for 19 of the 356 (5.3 percent) funds. The difference between calculated fund balance and the reported fund balance was \$92,290,033. The differences in these 19 funds ranged from \$(7,766,261) to \$84,614,374. An accurate statement of changes in fund balance is needed for financial reporting purposes. When this does not occur it is an indication of improperly recorded transactions.
3. An accurate statement of cash flows could not be prepared for 18 of the 356 (5.1 percent) funds. The difference between calculated cash balance and the reported cash balance was \$(13,302,986). The differences in these 18 funds ranged from \$(20,314,124) to \$11,587,147. Many of the differences were for the same funds indicated in 2 above. An accurate statement of cash flows is needed for financial reporting purposes. When this does not occur it is an indication of improperly recorded transactions.

4. We noted that accumulated depreciation was reported for six funds. However, four of these funds did not report a fixed asset amount and the other two funds reported a negative fixed asset amount. Accumulated depreciation is recorded as a reduction in the fixed asset amount and should only be reported when there are fixed assets. In addition, fixed assets should never be a negative number. These discrepancies indicate there are errors in the recording of fixed assets and accumulated depreciation.

From the errors indicated above, the Comparative Balance Sheet By Fund report as of June 30, 2000, and the Statement of Revenue and Expense report for Fiscal Year 2000 are not accurate and reliable.

**WE RECOMMEND** the Office of Administration:

- A. Continue to coordinate the development of reports to meet the reporting needs of the various state agencies.
- B. Determine the reasons for the inaccuracies in the SAM II reports and develop procedures to ensure the accuracy of reports.

**AUDITEE'S RESPONSE**

- A. *We concur. We did work with the ITAB Datawarehouse/Reporting Committee to develop and implement the three standardized reports identified in this finding. In addition, the ITAB Committee and the SAM II Steering Committee confirmed that these reports met the identified needs of systems users.*

*While the system has 170 standard reports available, we are encouraging agencies to make use of the adhoc reporting capabilities of the system. We envision that in the future more information will be used and analyzed by adhoc reports than by standardized reports.*

*To move from a batch, paper document, cash basis accounting system to an on-line real-time accrual based accounting system has been a major undertaking and we expect we will continue to experience a considerable learning curve.*

- B.1. *This error was caused by a human error when entering a transaction. This was corrected and these reports now balance.*
- 2&3. *These errors were the result of conversion errors in moving data from SAM I to SAM II. Cash balance amounts were loaded into the fund balance account. This was corrected and these reports now reflect correct totals.*
4. *These errors were caused when the payment voucher transactions to purchase the assets were entered incorrectly. The payment indicated that no asset record should be created.*

*However, correct entries were made in the fixed asset subsystem. These errors were caught and corrected as part of preparation of the Comprehensive Annual Financial Report.*

**2.**

**Workflow and Document Listing**

The SAM II workflow system routes documents from one user to another user to facilitate the processing and approval of various on-line documents. Included in the workflow system is a worklist which is a listing of all documents routed to a specified user. Each user has a unique worklist which identifies documents ready to be processed and approved.

Vendor invoices are processed using different types of on-line payment voucher documents. All payment vouchers except for automated payment vouchers and vendor payment vouchers require approval by the Office of Administration (OA) – Compliance Audit Section before payment is made. The on-line payment voucher documents are submitted to the compliance auditors from state agencies by the workflow system and the state agencies submit the original invoices to the compliance auditors for final approval of the payment voucher document.

The compliance auditors are not using the worklist in the workflow system to approve payment voucher documents. A large number of payment voucher documents from different state agencies are routed through the workflow system to the compliance auditors for the compliance auditors to approve the payment voucher document. However, the work list cannot locate payment voucher documents by using a specific document number. In addition, the worklist cannot be sorted to allow the compliance auditors to locate specific documents. To locate a document on the worklist, the compliance auditors must scroll through the listing of documents until the specific document is located. As a result, it takes a lot of time to search the worklist for specific documents needing approval. In order to locate documents quicker, the compliance auditors are using the document listing table which is also known as the suspense file (SUSF). However, the SUSF allows the compliance auditor access to documents before the documents have been processed and approved at the agency level.

The SUSF does not operate within the workflow system. The SUSF operates as a holding file storing documents from all workstations connected to the system. The SUSF stores documents until the documents are approved, completed or corrected. Compliance auditors are allowed access to the SUSF and use it to locate documents needing approval. The SUSF allows the compliance auditors to search by document number, document type, agency number, or fund number. However, by using the SUSF, compliance auditors have access to all documents, not just those documents pending approval from the compliance auditors. By not using the workflow system, which restricts the flow of documents to only the designated workstation, the OA compliance auditors could approve documents, which would generate a check to the vendor, before the documents have been reviewed and approved at the agency level. In addition, by using the SUSF the compliance auditors are circumventing the controls established with workflow in the SAM II system.

**WE RECOMMEND** the Office of Administration modify the workflow system to provide for the more efficient and timely location of documents by the compliance auditors and discontinue allowing the compliance auditors to approve documents from the SUSF.

**AUDITEE'S RESPONSE**

*The ability of the worklist to be sorted to locate a specific document has been identified as a significant shortcoming to AMS and they are currently working on an enhancement to the baseline software. In the meantime, we have strengthened our procedures to reduce the chance of error when using SUSF.*

|   |
|---|
| <b>3. Filing Supporting Documentation</b> |
|---|

The OA does not ensure the original supporting documentation is received from state agencies for Automated Payment Voucher (PVA) and Vendor Payment Voucher (P1) transactions. During our review of expenditures, the OA was unable to locate supporting documentation for 21 of 30 PVA expenditures reviewed (70 percent) and supporting documentation for 8 of 23 P1 expenditures reviewed (35 percent). In addition, one agency indicated it had not submitted supporting documentation for any PVA expenditures to the OA since the SAM II system was implemented.

Vendor invoices are processed using different types of payment voucher documents. The PVA documents are generated by the SAM II system as a result of the three-way match feature. According to SAM II policies and procedures, this feature provides the capability of generating payment vouchers automatically, provided the system has accepted the correct combination of the corresponding purchase order, receiving, and vendor invoice documents. When the required criteria has been matched on these three documents, a payment voucher is automatically generated. The P1 documents are payment vouchers which are prepared at the agency level. The P1 documents also reference a purchase order and vendor invoice, but is not an automatically generated payment voucher. Once the P1 document has been completed, the P1 will be approved and processed by designated personnel at the agency level and does not have to be approved by compliance auditors. Supporting documentation of expenditures is filed with the OA after the payment voucher documents have been processed and approved.

The OA is responsible for receiving all supporting documentation relating to PVA and P1 transactions. The OA will use a Data Warehouse query (payment document submission) to ensure supporting documentation for all PVA and P1 transactions has been submitted to the OA for filing. SAM II policies and procedures indicate the payment document submission query will be used by the agency and the OA to ensure all original supporting payment documents forwarded by the agency are physically present. In addition, SAM II policies and procedures indicate the OA will do a comprehensive verification of all submitted documents within three business days. If there are any discrepancies the agency will be contacted.

The OA indicated a monthly spot check is performed to verify that supporting documentation has been submitted for several expenditures before the documents are filed. However, not all expenditures are verified. In addition, as of May 2000, the payment document submission query had only been generated through December 1999 for the PVA documents and no review had been performed to ensure agencies submitted P1 documents to the OA. As of August 17, 2000, the payment document submission query had been generated through July 2000. However, the OA was still receiving documents dating back to July 1999. Therefore, it does not appear that a comprehensive verification of all documents is performed by the OA to ensure that all supporting documentation has been received.

SAM II policies and procedures indicate the OA has the primary responsibility of filing and archiving supporting documentation for most financial transactions. In addition, Section 33.060, RSMo 1994, indicates the Commissioner of Administration shall keep all vouchers, documents, and all papers relating to the accounts of the state, and Section 33.150, RSMo 1994, indicates the original of all accounts, vouchers, and documents approved or to be approved be kept by the Commissioner of Administration. Therefore, it is imperative for the OA to develop and follow procedures which will ensure supporting documentation for all expenditures has been submitted to the OA for filing.

**WE RECOMMEND** the Office of Administration develop and follow procedures to ensure supporting documentation for expenditures is received from the agencies and filed accordingly.

#### **AUDITEE'S RESPONSE**

*We concur.*

|                                  |
|----------------------------------|
| <b>4. Internal Control Plans</b> |
|----------------------------------|

Following the implementation of the SAM II system, state agencies were requested to submit an internal control plan to the OA. However, only three state agencies had submitted completed internal control plans as of August 17, 2000.

The instructions for the preparation of an agency internal control plan were distributed to state agencies in April 1999. Originally, internal control plans were to be submitted to the OA by October 1999. However, due to complications and increased workload associated with the implementation of the SAM II system, an extension was granted to January 2000. The OA had not received any internal control plans by January 2000 and extended the deadline to the spring of 2000 without setting an actual date for the submission of the internal control plans.

The state agencies are responsible for preparing the internal control plans and submitting the plans to the OA. The state agencies are also responsible for reviewing and evaluating internal controls on an annual basis and are required to report on the annual review to the

OA. The development of internal control plans by the state agencies will provide assurance that assets are being safeguarded, that applicable statutes, rules and regulations are being followed, and that the objectives of agency management are being met.

**WE RECOMMEND** the Office of Administration require all state agencies to submit internal control plans by a certain date and discontinue extending the deadline.

### **AUDITEE'S RESPONSE**

*We concur. We will meet with agency representatives and establish a workable deadline.*

|  |
|--|
| <b>5. Receivable Document Processing</b> |
|--|

The receivable (RE) document is used to record accounts receivable and interagency billings. In general, receivables are to be recorded in SAM II when the state has the right to an asset (cash) that has not been received.

The processing of an RE document results in a debit to accounts receivable and a credit to revenue. When cash is received for an applicable receivable, the cash receipt (CR) document will reference the RE document number and the system will debit cash and credit accounts receivable.

The RE document is also used to record interagency billings. When a RE document is used to bill another state agency, certain fields in the RE document must be coded correctly to ensure the transaction is accurately recorded. The net effect on cash when processing an RE document correctly for an interagency transaction is zero. A RE document for non-interagency transactions results in a cash increase. To ensure the proper recording of interagency transactions, the prefix IAB was added as the first three digits of the RE document number when processing an interagency billing. In addition to the IAB prefix, interagency revenue source codes were established to distinguish interagency revenue from non-interagency revenues.

Our review noted the following areas of concern:

- A. Users are not following SAM II policies and procedures for processing interagency RE documents. Since the RE document is used to code both interagency and non-interagency transactions, the SAM II system is unable to ensure the IAB prefix is indicated on the RE document for interagency transactions. It is the users responsibility to know when to manually add the IAB prefix and when to use the specified interagency revenue source code. The SAM II system does not provide an edit check to ensure IAB is coded in the first three characters of the document number when an interagency revenue source code is used or ensure an interagency revenue source code is used when IAB is coded in the first three characters of the document number. Without the IAB coding in the first three characters of the

document number, the SAM II system will not recognize the transaction as an interagency transaction and will not record the transaction correctly.

- B. For interagency transactions, the purchasing agency must manually cancel the purchase order generated by the SAM II system instead of being automatically liquidated, as the RE document does not include the purchase order document number. Without manually canceling the purchase order, the purchase order will remain on the SAM II system which causes reporting errors and understates the balance of remaining appropriations.

**WE RECOMMEND** the Office of Administration:

- A. Implement edit checks to ensure that agencies properly code the RE documents when processing interagency transactions by using IAB in the first three characters of the document number and to ensure that agencies use the interagency revenue source code.
- B. Change procedures for interagency transactions so that purchase orders will be liquidated automatically by the SAM II system.

### **AUDITEE'S RESPONSE**

*We have identified a number of problems associated with the interagency billing transactions and are considering elimination of the Cash Receipt Payment (CRP) transaction. We are exploring the possibility of using standard payment voucher transactions for the payment of interagency bills. Such an approach would use vendor information to identify transactions between agencies for financial reporting purposes.*

|  |
|--|
| <b>6. Cash Receipt Payment Document Processing</b> |
|--|

The cash receipt payment (CRP) document was a modification to the SAM II system and is used strictly to record payments for interagency billings. The CRP document is a clone of the SAM II cash receipt (CR) document consisting of the same fields. The CRP document is used to record both revenue and expense information. The CRP document references the interagency billing/invoice (RE) document and also records the expenditure accounting information for the billed/paying agency.

Our review noted the following areas of concern:

- A. Users are not following SAM II policies and procedures for the processing of CRP documents as users are not indicating IAB in the document prefix or entering the interagency bank account code. These two fields distinguish CRP documents from CR documents. Neither the IAB prefix nor the interagency bank account code populate the fields automatically for a CRP document. In addition, the CRP

document will accept any valid object or revenue source code in the SAM II system versus only accepting revenue source codes specific to interagency transactions. The CRP document does not have edit checks to ensure the above information has been entered correctly. Thus, interagency transactions are not being recorded correctly resulting in errors in the accounting records.

- B. In addition, the CRP document will process without referencing a valid RE document. When the CRP document is processed without referencing a valid RE document, the transaction will credit revenues instead of accounts receivables, overstating both revenues and accounts receivables. An edit check should be included on the CRP document to ensure a valid RE document is referenced.

**WE RECOMMEND** the Office of Administration:

- A. Modify the CRP document to populate the prefix IAB and the interagency bank account code automatically to ensure the proper processing of interagency billing transactions. In addition, the modification should ensure only interagency revenue source codes are used on a CRP document.
- B. Design an edit check to ensure a valid RE document is referenced on CRP documents.

### **AUDITEE'S RESPONSE**

*We have identified a number of problems associated with the interagency billing transactions and are considering elimination of the CRP transaction. We are exploring the possibility of using standard payment voucher transactions for the payment of interagency bills. Such an approach would use vendor information to identify transactions between agencies for financial reporting purposes.*

|                                    |
|------------------------------------|
| <b>7. SAM II Access Procedures</b> |
|------------------------------------|

The Office of Administration (OA) controls access to the SAM II system. The OA grants access to the system based on security request forms completed by agency personnel. We noted the following concerns in the state's system security access procedures:

- A. The OA did not instruct the agencies and/or give the agencies any guidance on proper controls and procedures to establish access to the system. As a result, each agency had to establish their own procedures to control access. In addition, the OA did not require agencies to report their procedures to the OA; therefore, the OA does not know if agency procedures are proper and adequate.
- B. The OA did not coordinate the designation by each agency of which employees would serve as the agency's security liaison. For proper control and to be able to



manage security more effectively, each agency should use a designated security liaison. This would help ensure that agency access requests are authorized by a person who is familiar with the various SAM II security profiles. It would also give the OA a list of agency employees to contact to discuss security concerns.

- C. The OA did not require agencies to submit a list of personnel who can authorize security request forms. The OA left it up to each agency to decide who could make these authorizations. In addition, the OA does not have a listing of the individuals designated as authorized signatures. As a result, the OA cannot ensure the access that is being granted by the form was appropriately approved. The OA should review the forms to determine if they are signed by an authorized person.
- D. Although the OA maintains a system that documents security access levels at various times on a historical basis, the OA does not produce any security reports. Without reports, the OA and the agencies cannot effectively manage security profiles assigned to individual users. Each agency, as well as the OA, should review security profiles on a continuing basis. Instead of each agency implementing their own system to track security access levels, it appears it would be more efficient and effective if the OA used the system to generate security access information.
- E. The OA does not review security request forms for reasonableness or to identify incompatible profiles where too much access is granted to an individual. Although each agency may be ultimately responsible for security access, we believe the OA or the SAM II system should have certain controls and procedures at a centralized level to reduce the risk of inappropriate financial activity.

**WE RECOMMEND** the Office of Administration:

- A. Provide appropriate guidance to agencies about system security access.
- B. Require each agency to designate a security liaison.
- C. Help agencies identify appropriate personnel to authorize security request forms, maintain a list of authorized personnel and review the security request forms to ensure they are signed by an authorized person.
- D. Produce security access information for review by the OA and agency personnel.
- E. Review security request forms for inappropriate access.

**AUDITEE'S RESPONSE**

- A. *While we are sure additional instruction would be beneficial, limited resources prevent us from doing more in this area.*

B,C,

&E. *We concur.*

D. *Reports on security are available on a weekly basis now.*

|                           |
|---------------------------|
| <b>8. Reconciliations</b> |
|---------------------------|

The OA did not prepare their monthly financial summary on a timely basis. As of July 2000, the last monthly financial summary completed was October 1999, indicating the OA was eight months behind in preparing the monthly financial summary. As of August 17, 2000, the OA had completed the monthly financial summary through May 2000 demonstrating that the OA has been able to improve on the timeliness of the monthly financial summary in the last few months.

To prepare the monthly financial summary, the OA reconciles SAM II data from the data warehouse to the State Treasurer's Office monthly cash balance report and the SAM II Monthly Fund Cash Activity Report. The OA reconciles the cash balance but also reviews transactions for possible coding errors to ensure transactions were processed properly. The OA has indicated that most problems encountered when reconciling are due to interagency transactions which have been discussed earlier in this report.

Timeliness of monthly reporting is essential to the monitoring of state activities. By not ensuring monthly financial summary reports are prepared on a timely basis, the state's activities cannot be properly monitored.

**WE RECOMMEND** the Office of Administration ensure monthly financial summary reports are completed on a timely basis.

**AUDITEE'S RESPONSE**

*We concur.*

**AUDITOR'S OVERALL COMMENT**

The development and implementation of the SAM II system has been and continues to be a significant and complex project for the State of Missouri and the OA. Because of the importance of the SAM II project, further review of its ongoing implementation and operation is needed. While we realize the resources available to resolve all issues relative to SAM II are limited, we will monitor the implementation of recommendations made in this report to ensure these issues are addressed.

This report is intended for the information of the management of the Office of Administration and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## APPENDICES

## STATEWIDE ADVANTAGE FOR MISSOURI (SAM II) SYSTEM

### APPENDIX I

#### BACKGROUND

During fiscal year 1995, the state began discussing the need to replace the old accounting system (SAM) with a new integrated accounting system. The state decided to purchase a software package from a vendor that would be upgraded periodically. In addition, the State of Missouri wanted an integrated system that would incorporate various areas such as accounting, budget, payroll, procurement, fixed assets, leave accrual, etc.

The state issued a request for proposal to obtain bids for a new accounting system. In April 1997, the state awarded the contract to American Management Systems. On July 1, 1999, SAM II was implemented as the state's accounting system.

As of January 1, 2000, SAM II contracted expenses with the vendor totaled approximately \$29 million, excluding the Missouri Department of Transportation. The SAM II contracted expenses for the Missouri Department of Transportation were approximately \$14 million. In addition, numerous hours were spent by state employees on SAM II but these costs were not identified as SAM II expenditures. Also, some state agencies needed to upgrade their computer equipment for SAM II. However, these computer equipment expenditures were also not specifically identified as SAM II expenditures.

## STATEWIDE ADVANTAGE FOR MISSOURI (SAM II) SYSTEM

### APPENDIX II

#### ANALYSIS OF SURVEY RESPONSES

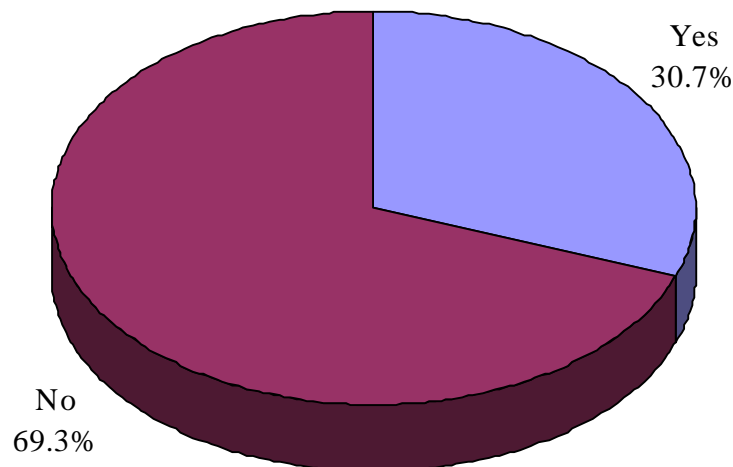
The purpose of our survey was to obtain information regarding the efficiency and effectiveness of the SAM II system. We distributed a survey on March 23, 2000, to the various state agencies who use the SAM II system. We also requested the agency to forward a copy of the survey to other agency personnel that handled SAM II processing.

We received eighty-one responses to the survey which included multiple responses from some state agencies. The surveys were completed by a wide range of users. For example, some surveys were completed by department executives detailing the experiences of the entire department, other surveys were completed by agency personnel indicating views of their staff, while other surveys were completed by individuals expressing their specific experiences with the SAM II system. The broad scope of survey responses provided us with an extensive review of all facets of the SAM II system. The survey responses provided user perspectives as to the success of the SAM II system, as well as problems the users are encountering.

The following is a summary discussion of specific questions that were included in the survey and some positive and critical comments received regarding the SAM II system.

- **Do the standard reports prepared by SAM II provide the information you need for financial management? If not, please explain.**

There appears to be widespread dissatisfaction with the standard reports generated by the system. As indicated in the following chart, over 69% of the responses indicated the standard reports generated by the SAM II system are not meeting their needs.



The users of the SAM II system have had difficulty obtaining detailed information that is specific to the reporting needs of that user. Some of the reports generated by the SAM II system are in a format that is difficult to understand and therefore, not meaningful to the user. Some responses indicated a few beneficial reports were recently developed. However, comments received from some users indicate improvements are still needed in this area:

There are very few standard reports which provide our office with any useful information. The standard reports are primarily "fund" based. Our agency tracks and monitors expenditures at the appropriation level. There is only one report that provides any useful information at the appropriation level, the A400 report. We need month-end appropriation status information.

So many reports provide only summary information, and the detail is not included. Some reports that provide detail information, provide information by fund rather than our specific appropriation from that fund, therefore giving us all transactions statewide from that particular fund all mixed together, which is of no use to us. We need detail for agency/organization/appropriation to get only our transactions. Every document we input has these fields entered, so it does not make sense that we cannot inquire by these fields as well as get a standard report of detail of expenditures, revenues, transfers, purchase order activity and outstanding encumbrances, fund activity and fund balance based on these fields.

What reports? What we received up until two weeks ago was useless.

Monthly reports received are two feet thick. I trash three-fourths of this stack. The one-fourth retained does not meet balancing needs.

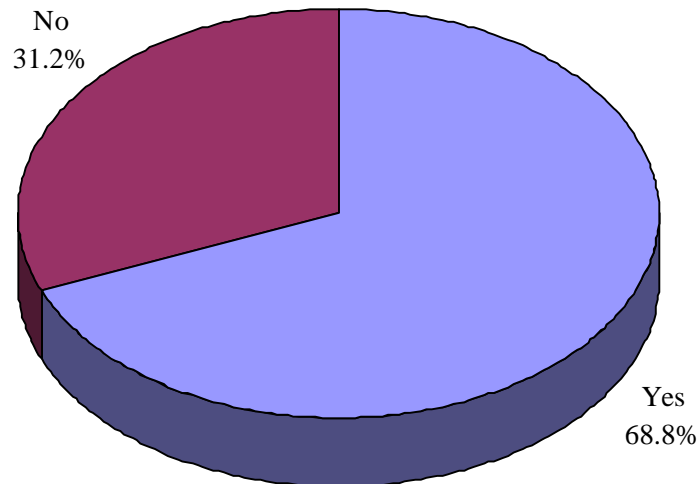
Contrary to the above opinions, some agencies expressed satisfaction with the information provided by the standard reports:

Several of the monthly reports are very useful for fund balancing.

The reports we are currently getting seem to meet our needs, along with the access to the data warehouse.

- **Is your agency using the data warehouse? If so, for what reasons is the data warehouse being used? For example, is the data warehouse being used to generate reports, perform reconciliations, or for other purposes?**

A majority (68.8%) of those responding to the survey indicated they used the data warehouse. However, comments included in the survey responses indicated the data warehouse is difficult to use. In addition, many users indicated they were forced to rely on the data warehouse because the standard reports did not provide them with the information needed.



Some users described the data warehouse as “not user friendly and difficult to use”, while other users described the data warehouse as “the best thing to come out of SAM II”. A few survey responses also indicated the users were discouraged from accessing the data warehouse because of the high cost associated with processing the information in the data warehouse. This financial impact appears to be preventing some agencies from using the data warehouse as the available information resource as originally intended. Some positive comments received include:

We are using the data warehouse to generate reports to monitor expenditures, verify transactions, accumulate data to enter into other systems for cost allocation and grant reporting and to monitor encumbrances. The data warehouse is a positive outcome of SAM II. It has given agency staff the ability to create reports of a detail nature in agency specific format in a timely manner.

We use the data warehouse to generate reports with specific data in formats more easily understood. We find it necessary for financial planning.

Yes, extensively. It is our primary means of providing reports to management.

Some negative comments received include:

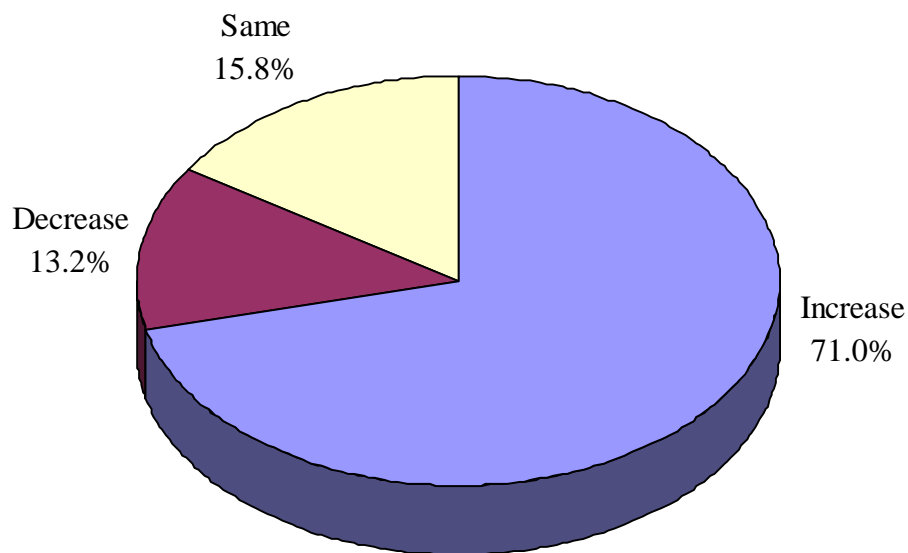
We use the data warehouse sparingly. First of all, the training last year was disastrous. We won't be able to use the data warehouse nearly as much as we would like because of the cost.

Initially we used the data warehouse on a very limited basis, and it will rarely be used by this agency in the future due to the excessive cost involved.

Although I have used the data warehouse to a limited extent I was disappointed. The data doesn't seem to be trustworthy and it is cumbersome.

- **Has SAM II reduced or increased time or staff required to process financial transactions? If increased, please explain.**

The implementation of the SAM II system increased the amount of time and/or personnel required to process financial transactions. As indicated in the following chart, over 70% of the responses indicated that using the SAM II system required more time than was previously necessary using the SAM system.





Reasons given for the increased time and/or staff burden were the SAM II system required more information to be entered and uses more on-line documents. In addition, document approval time has increased because each document must be approved individually instead of being able to approve several documents together as a batch. Also, some agencies reported the slow system response time was an extremely frustrating aspect of the SAM II system. Some comments regarding increased time or staff include:

Time has significantly increased. The difficulty and time involved with processing financial transactions has nearly doubled, requiring the addition of a second fiscal employee to accomplish the workload previously accomplished by one. I am concerned with similar impact with the upcoming conversion to the SAM II payroll system.

Our staff of four account clerks has been increased to seven, and we are still experiencing overtime. Entry time increased approximately five-fold. We migrated from a legacy system which had customized entry screens requiring only keyboard entry to entry screens which require use of both keyboard and mouse.

Time has greatly increased. More people are involved in the process. Approvers may spend 2-3 hours a day opening, reviewing, and approving documents. Managers spend more time helping staff modify transactions and working through system problems. More documents must be processed to get the transaction completed.

System response time is still an issue. It's improved, but we still have some instances where it takes five minutes to approve and run a document.

Some survey responses indicated a decrease in the time and/or staff required to process financial transactions while some survey responses indicated the time required to process financial transactions did not change:

SAM II has reduced the time to process financial transactions. The checks are received in much less time.

SAM II has reduced my staff by two positions.

After a period of adjustment, I believe that staff time for processing in SAM II is about the same as it was with the SAM system.

The system has reduced transaction processing time for some documents and expanded the requirement and time on others. In our opinion, we have changed the way we do business, but not saved work effort.

SAM II has neither reduced nor increased staff time. It has reallocated how the time is spent.

- **What problems is your agency having with SAM II?**

The survey responses indicated there were many problems with SAM II. Many users expressed concerns with specific features of the SAM II system which were not operating efficiently; other users identified general areas of the SAM II system where improvements would be beneficial; and other users indicated the SAM II system is operating smoothly and the users are not experiencing any problems. Some of the problems indicated were related to the SAM II reports, data warehouse, and the increase in time and/or staff needed to process documents which have been commented on in other sections of this appendix. Included below are a few comments in response to this question:

The way the object codes are set up makes it very time consuming to find the object code you need. It would be so much better if they could be compiled in area types. I think the vendor codes need to be compiled as there will be the same vendor code except for the last number, making numerous numbers for the same vendor.

The on-line screen views are very limited. It would be better if more data could be seen at once. If this happened, the trail of a transaction could be followed much easier.

The primary problem has been how to access detailed year-to-date financial information to know exactly the status of a particular appropriation, and at the same time prepare reports in the desired format to meet individual needs.

The system is very slow. The data warehouse is slower than SAM II. Error messages received often require telephone calls to determine problems.

The search for commodity codes takes too long and at times nothing satisfactory is found, which leads to the use of a miscellaneous code.

Commodity codes are very detailed and yet hard to find a fairly general description. We need a good listing of tables and what each provides - this listing needs to be in a good area without having to go through gyrations to find it. Access to the policy and procedures manual is not user friendly.

Numerous vendor numbers exist for the same vendor, indicating the same address, telephone number, etc. in the vendor information file. The decision of which vendor number to use is difficult when so many exist.

Our worst problem is that the detailed error messages could still be more informative - or the system needs a place to look up a very detailed synopsis of the error and corrective actions to take.

At this point, our document processing seems to be running smoothly and appears to be very efficient in all areas of the system. However, one item that seems to be a bit tedious is performing modifications to purchasing documents that require the addition of more than six accounting lines on a document.

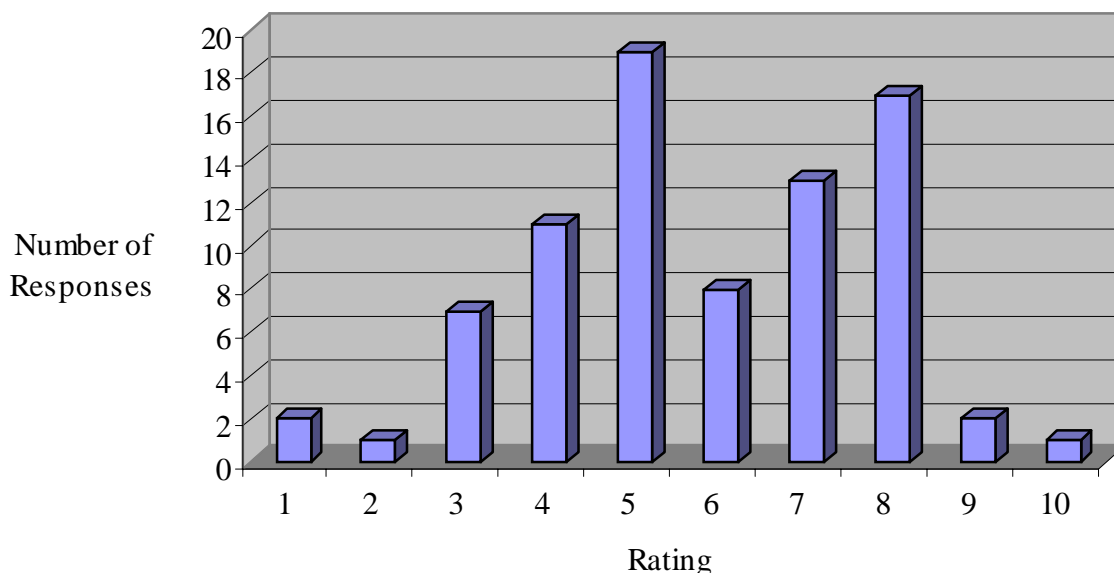
Currently, we do not have any major issues with SAM II. There are many small issues that could be solved with modifications to the system.

None - I just miss receiving all the SAM reports I used to get.

I'm not having any problems other than those I create for others by making mistakes.

- **On a scale of 1 to 10 with 10 being the best, what is your level of satisfaction with SAM II?**

As indicated in the following chart, a wide range of ratings was reported in response to this question. We calculated the average rating to be 5.74 which appears to be consistent with the comments reported by the SAM II users. Some users indicated a rating which included a decimal; for example 7.5. These ratings were rounded to the nearest whole number for graph presentation purposes. While some users reported positive comments relating to specific SAM II features, there were other users who were critical of the same SAM II features.



It is difficult to implement a system which meets the needs of all users. The following comments reinforce this viewpoint and indicate that while some users are progressing well with the SAM II system, other users are extremely disappointed.

Level of satisfaction is 10 except for the need of paper documentation.

Satisfaction with SAM II would be almost a 9, and when the remaining problems are taken care of, I feel it will be a 10.

The system is not fool proof, but it is better than what we have worked with in my 17 years experience. I rank the system 7.5. I think most of the functional problems present in the first six months have been resolved.

I'd say about a 6. A lot of training/learning issues caused much concern initially. Even though I feel there is much room for improvement, I would not want to go back to the old SAM system.

Overall rating of SAM II is 5. The biggest frustration is getting accurate information out of the system.

Our level of satisfaction rating is a 4. The best thing about SAM II is the payments to vendors have speeded up. At the outset of fiscal year 2000, the rating would have been a negative 1. As we come to the end of the fiscal year, the rating now is about a 3. With additional improvements, the rating may improve to a 5 or 6. From what we have been told and our understanding of the capabilities of the system, we do not feel SAM II will ever reach a 9 or 10 rating.

Our level of satisfaction rating is a 1. We purchased a cheap system and we got a cheap system. The biggest concern of everyone when we started this process several years ago was that any new system would eliminate the problem of having separate stand alone systems to obtain financial information. We were promised that the new system would provide any information we needed. It didn't. This entire system is outdated.

#### **Other Comments:**

Included below are a few other comments from the survey responses. These comments are included to provide a variety of viewpoints relating to the overall satisfaction of users with the SAM II system:

Even though I'm very far behind and still have a lot to learn – I am relatively happy with the system. There are some things much easier and faster and others much harder and slower. It's change.

It's okay, could be better, but could be worse. It takes time. In my position I do lots of jobs, and SAM II could be an entire job in itself. It works, after you get use to all of its quirks, however, it isn't particularly a user friendly system.

The system is too complex, too cumbersome, and too time consuming. There is no reason to take something simple (writing someone a check and adding up the amount you have spent) and make it complex. Unfortunately, I would use less time in keeping track of the money with a pencil and a ledger.

Slow response time is the biggest problem we have with SAM II. The daily challenge of SAM II is that it is slow. SAM II has a tendency to kick a user out without warning. The system downtime is a great inconvenience to work.

Although the SAM II system has many new features, users feel SAM II is more complex and labor intensive. In addition, while users are generally happy with more timely and greater access to on-line information, the users find the standard reports unsatisfactory and the data warehouse difficult to use. Furthermore, some users believe that charging agencies for use of the data warehouse discourages use and decreases the benefits of greater availability of information. While there are many benefits to the new SAM II system, users have identified a few areas where improvements are desired. Based on the survey responses reviewed, some users are satisfied with the SAM II system, while some users are not satisfied.

\* \* \* \* \*



SIXTH JUDICIAL CIRCUIT

ASSOCIATE DIVISION V

TRAFFIC VIOLATIONS BUREAU

PLATTE COUNTY, MISSOURI

JULY 1, 1999 THROUGH MAY 31, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-128  
December 21, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

The Traffic Violations Bureau of the Sixth Judicial Circuit, Associate Division V, Platte County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with traffic tickets handled by the court.

During June and July 2000, court officials in Platte County identified discrepancies in the court's collection of fines and court costs on a number of traffic cases. On July 24, 2000, the Platte County Circuit Clerk notified the Platte County Sheriff of these discrepancies, reported that a shortage existed, and requested that the matter be investigated. The Platte County Sheriff's Department subsequently contacted the State Auditor's office regarding this situation. Our audit was performed to review these discrepancies and more fully determine the extent of misappropriated court funds.

Between October 1999 and May 2000, payments on at least nine traffic tickets, totaling \$925, were not recorded or deposited. Defendants produced receipt slips issued by the court showing these nine tickets were paid; however, the collections were not recorded or deposited. It appears these monies were misappropriated. Payments on twenty-three additional traffic tickets, totaling \$2,225, also appear to have been misappropriated. Defendants provided verbal or written statements indicating the tickets were paid or there was documentation the tickets were paid in the manual case files, but collections were not recorded in the court's computer system. In addition, payments on a number of other traffic tickets do not appear to have been properly handled and we are continuing to follow-up on these tickets. Documentation in the manual case files of many of these tickets indicate payments may have been made and it is likely that additional monies related to at least some of these tickets were also misappropriated.

Certain procedural or control weaknesses existed in the Traffic Violations Bureau which allowed this misappropriation to occur without being detected on a timely basis.

Owens Lee Hull, Jr. serves as Presiding Judge of the Sixth Judicial Circuit. Gary D. Witt serves as Associate Circuit Judge of Division V, and Sandra Dowd serves as Circuit Clerk. During the period under review, one clerk was primarily responsible for handling the receipt and recording of collections on traffic tickets. On July 21, 2000, this clerk submitted her resignation and also provided a written statement to court officials indicating she was aware some monies were missing from cases.

YELLOW SHEET

SIXTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
TRAFFIC VIOLATIONS BUREAU  
PLATTE COUNTY, MISSOURI  
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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Presiding Circuit Judge  
and  
Associate Circuit Judge, Division V  
and  
Circuit Clerk  
Sixth Judicial Circuit  
Platte County, Missouri

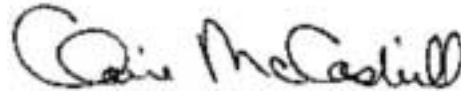
We have audited the traffic tickets and related collections handled by the Traffic Violations Bureau of the Sixth Judicial Circuit, Associate Division V, Platte County, Missouri. The scope of this audit included, but was not limited to, the period of July 1, 1999 through May 31, 2000. The objectives of this audit were to:

1. Investigate discrepancies in the handling of traffic tickets and the related collections, and determine the amount of court funds misappropriated.
2. Review and evaluate certain controls and procedures regarding the collection and processing of monies related to traffic tickets.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We reviewed the records and procedures of the Traffic Violations Bureau, interviewed court personnel, and examined other records and documents as we considered necessary.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations concerning the Traffic Violations Bureau of the Sixth Judicial Circuit, Associate Division V, Platte County, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 5, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                               |
|---------------------|-------------------------------|
| Director of Audits: | Karen Laves, CPA              |
| Audit Manager:      | Gregory A. Slinkard, CPA, CIA |
| In-Charge Auditor:  | Todd Stoll                    |
| Audit Staff:        | Christina Brown               |

## EXECUTIVE SUMMARY

SIXTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
TRAFFIC VIOLATIONS BUREAU  
PLATTE COUNTY, MISSOURI  
EXECUTIVE SUMMARY

Between October 1999 and May 2000, payments on nine tickets, totaling \$925, were not recorded or deposited, but the defendants were able to produce receipt slips issued by the court showing the tickets were paid. Payments on twenty-three additional tickets, totaling \$2,225, were not recorded or deposited, but the defendants either provided verbal or written statements indicating the tickets were paid or there was documentation the tickets were paid in the manual case files. It appears these monies were misappropriated. In addition, payments on a number of other tickets do not appear to have been handled properly and it is likely additional monies related to at least some of these tickets were also misappropriated. The lack of records related to collections recorded on manual receipt slips prevented us from assuring ourselves of the extent of missing monies.

Certain procedural or control weaknesses existed in the Traffic Violations Bureau which allowed this misappropriation to occur without being detected on a timely basis.

Owens Lee Hull, Jr. serves as Presiding Judge of the Sixth Judicial Circuit. Gary D. Witt serves as Associate Circuit Judge of Division V, and Sandra Dowd serves as Circuit Clerk. During the period under review, one clerk was primarily responsible for handling the receipt and recording of collections on traffic tickets. On July 21, 2000, this clerk submitted her resignation and also provided a written statement to court officials indicating she was aware some monies were missing from cases.

## MANAGEMENT ADVISORY REPORT

SIXTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
TRAFFIC VIOLATIONS BUREAU  
PLATTE COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

The Traffic Violations Bureau of the Sixth Judicial Circuit, Associate Division V, Platte County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with traffic tickets handled by the court.

During June and July 2000, court officials in Platte County identified discrepancies in the court's collection of fines and court costs on a number of traffic cases. On July 24, 2000, the Platte County Circuit Clerk notified the Platte County Sheriff of these discrepancies, reported that a shortage existed, and requested that the matter be investigated. The Platte County Sheriff's Department subsequently contacted the State Auditor's office regarding this situation. This audit was performed to review these discrepancies and more fully determine the extent of misappropriated court funds.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over receipts of the Traffic Violations Bureau.

|                                 |
|---------------------------------|
| <b>1. Misappropriated Funds</b> |
|---------------------------------|

Payments on at least nine traffic tickets, totaling \$925, were not recorded or deposited. Defendants produced receipt slips issued by the court showing these nine tickets were paid; however, the collections were not recorded or deposited. It appears these monies were misappropriated. Payments on twenty-three additional traffic tickets, totaling \$2,225, also appear to have been misappropriated. Defendants provided verbal or written statements indicating the tickets were paid or there was documentation the tickets were paid in the manual case files, but collections were not recorded in the court's computer system. In addition, payments on a number of other traffic tickets do not appear to have been properly handled and we are continuing to follow-up on these tickets. Documentation in the manual case files of many of these tickets indicate payments may have been made and it is likely that additional monies related to at least some of these tickets were also misappropriated.

The discrepancies noted above were not detected, or were not detected on a timely basis, due to certain internal control weaknesses which existed (See Management Advisory Report [MAR] No. 2).

Information gathered during our audit has been turned over to the Platte County Sheriff's Department.

**WE RECOMMEND** the Associate Division V Judge and Circuit Clerk work with the various law enforcement authorities regarding any criminal prosecution of this matter and to obtain restitution.

**AUDITEE'S RESPONSE**

*See letter included as an appendix.*

|  |
|--|
| <b>2. Accounting Controls and Procedures</b> |
|--|

- A. Most collections related to traffic tickets are recorded directly into the court's computer system and a computer-generated receipt slip is issued to the payor. However, manual receipt slips were issued to walk-in payors when payments could not be recorded directly into the system. Court personnel indicated this would occur when the computer system was not working, when the court clerk responsible for receipting monies into the system was not present, or when the monies were received after that day's transactions had been closed. These manual receipt slips were single copy receipts given to the payor, and were not prenumbered. No copy or other record of the manual receipt slips which were issued was maintained by the court.

This situation represented a serious control weakness and it appears the monies noted as misappropriated in MAR No. 1 were payments where these manual receipt slips were issued. The lack of records documenting collections recorded on these manual receipt slips prevented us from fully determining the extent of missing monies.

Since the discovery of these discrepancies, procedures have been changed. While manual receipt slips are still issued when payments cannot be recorded directly into the system, the current receipt slips are prenumbered and duplicate receipt slips are maintained and accounted for properly.

- B. It appears improvements are needed in the segregation of duties in the Traffic Violations Bureau. Except for collections received on court dates, one clerk was responsible for collecting and maintaining physical custody of receipts, recording payments into the court's computer system and filing the cases as closed. The clerk had access to the manual case files, the court's court computer system, and she had the ability to change or delete court dates and record case dispositions. In addition, this clerk had the capability of having warrants withdrawn.

To safeguard against possible loss or misuse of funds and to ensure that receipts are properly handled, duties should be segregated to the extent practical. If it is not feasible to segregate duties further, procedures should be established to periodically identify and review any traffic cases that have had no recorded activity or have not been otherwise resolved for an extended period of time.

**WE RECOMMEND** the Circuit Clerk:

- A. Continue to ensure any manual receipt slips issued are prenumbered, duplicate receipt slips are maintained, and that these receipt slips are accounted for properly.
- B. Ensure the duties surrounding the handling of traffic tickets and the related payments are segregated to the extent practical. At a minimum, procedures should be established to periodically identify and review any traffic cases that have had no recorded activity or have not been otherwise resolved for an extended period of time.

**AUDITEE'S RESPONSE**

*See letter included as an appendix.*

This report is intended for the information of the management of the Sixth Judicial Circuit, Associate Division V of Platte County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



## APPENDIX



CIRCUIT COURT  
SIXTH JUDICIAL CIRCUIT  
OF MISSOURI  
COURTHOUSE, PLATTE CITY, MO 64079

OWENS LEE HULL, JR.  
CIRCUIT JUDGE  
DIVISION II

December 13, 2000

415 THIRD STREET SUITE 65  
PLATTE CITY, MO 64079  
PHONE: 816-858-2232

Claire C. McCaskill  
Office of the State Auditor  
Truman State Office Bldg., Room 880  
Jefferson City, MO 65101

ATTENTION: Greg Slinkard

RE: Audit Report regarding audit of traffic department, Platte County, Missouri,  
July 1, 1999 through May 31, 2000

Dear Mr. Slinkard:

Having reviewed the management advisory report portion of the above-reference report, the Platte County Circuit Court and Circuit Clerk make the following response to paragraphs A and B set forth therein:

Manual receipting with regard to payment of traffic tickets became an absolute necessity as a result of the entire Platte County Court system and Circuit Clerk's Office undergoing a computer conversion between approximately October, 1999 and late December, 1999. There were lengthy "down times" for the entire computer system, i.e., the system would be up for an hour and then down for the rest of the day, and there were literally days when the system was of no use and could not be used for any purpose.

Manual receipt slips are still used when payments cannot be recorded directly with the system for whatever reason, but they are pre-numbered, and duplicate receipts are kept in a separate record which is not available to the traffic violations bureau.

Segregation of receipting collections, recording receipts, and maintaining case records in the traffic department, as suggested by the audit report, is not possible, feasible, nor practical because of limited personnel, required vacation time, sick leave, and staff turnover. All traffic personnel are cross-trained with regard to the various duties of the traffic violations bureau and


all circuit clerk and court personnel need access to the physical traffic files and to the traffic record maintained within the computer system. It is often necessary that various circuit clerk personnel access traffic files to provide attorneys, the public, judges, and law enforcement personnel with court date information. It may be necessary that cases be continued and court personnel must memorialize court action on the files and in the computer, and record the final disposition of the cases.

In the year 1999, there were 12,941 traffic cases filed, which is an average of 1,078 filings per month. In order for cases to be processed as expeditiously as possible, all traffic personnel, including other court personnel, have access to these files. We do not have a "secure room" or "secure, locked file system" to limit access to case files, nor do we have enough personnel to accomplish this type of segregation.


The Circuit Clerk's Office does a daily reconciliation of traffic payments and deposits and that duty is performed by a clerk who is independent of the collection function.

Every six (6) months, a computer run will be made of traffic cases that have had no recorded activity or otherwise been resolved within that period of time, and said cases will be docketed and reviewed by the Court and Circuit Clerk. This process was previously used but delayed because of computer conversion.


The Circuit Court and Circuit Clerk and related personnel have provided access and all relevant information to law enforcement authorities and audit officials since the institution of this investigation, and will continue to cooperate with regard to any criminal, civil or other legal proceeding that may be necessary. The Court and Clerk appreciate the help and assistance of the Missouri State Auditor's Office and that of the Platte County Sheriff's Department.



OWENS LEE HULL, JR.  
PRESIDING CIRCUIT JUDGE



GARY D. WITT  
ASSOCIATE CIRCUIT JUDGE  
DIVISION V



SANDRA L. DOWD  
CIRCUIT CLERK

OLH:rrd



CITY OF NAYLOR, MISSOURI

YEAR ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-127  
December 20, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Naylor, Missouri.**

In April 2000, the city paid a total of \$1,450 in severance pay to the former City Clerk and Chief of Police upon their resignation. This appears to represent additional compensation for services previously rendered, and as such, is in violation of the Missouri Constitution.

The city paid \$2,400 to the former Police Chief for the lease of law enforcement equipment during the year ended December 31, 1999 and \$1,374 to a service garage owned by an alderman for repair and maintenance services on city vehicles in July 1998. The equipment rental and the garage services were not competitively bid. The former City Clerk indicated the city did obtain price quotes on the equipment rental; however, no documentation could be located.

Personal interests in business matters of the city create the appearance of conflicts of interest and a lack of independence that could harm public confidence in the mayor and board and reduce their effectiveness. State law prohibits financial transactions between the city and an officer or employee (or spouse, dependent child, or business and corporate interest of the officer or employee) that involve \$500 per transaction or \$1,500 per year unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received.

The city pays wage and fringe benefit expenses from the general, water, sewer, and street funds. Records were not available to support the amounts charged to each of these funds.

Salaries of city officials and employees have not been established by ordinance. State law requires the Board of Aldermen to fix the salaries of all city officials and employees by ordinance.

The city exceeded the budgeted disbursement amounts in various funds during the year ended December 31, 1999, such as the General Fund by approximately \$30,000 and the Water Fund by approximately \$13,000. State law requires political subdivisions to keep disbursements within amounts budgeted or adopt a resolution setting forth the budget increase and the facts and reasons for such.

The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursements being made. In addition, supporting documentation was not maintained for some disbursements.

(over)

YELLOW SHEET

The city received federal assistance from the U.S. Department of Justice under the COPS FAST program to increase the number of law enforcement officers. The City Clerk is responsible for filing quarterly report/reimbursement request for the COPS FAST program. The City Clerk calculated the amounts for reimbursement; however, she did not retain documentation of her calculations or copies of the reports.

The City Collector does not prepare monthly or annual reports of tax collections and delinquent taxes. State law requires the City Collector to make annual reports of tax collections and delinquent taxes.

The minutes of the meetings of the Board of Aldermen did not contain some information required by statute. There were numerous instances where the minutes indicated a motion had passed, but did not indicate the number of votes for and against. Also, the board regularly conducts closed meetings. Minutes were not prepared to document the matters discussed in closed meetings, and board minutes did not always indicate the reasons for closing the meetings.

The duties of receiving, recording, and depositing court receipts are not adequately segregated. The City/Court Clerk performs all the duties related to the collection, deposit, and recording of fines, court costs, and bonds. Receipt slips are not issued for some monies received by mail. The composition of receipt slips issued is not reconciled to bank deposits. Also, various records related to the receipt of court monies could not be located for the period reviewed. In addition, data related to tickets issued was deleted from the computer without copies of the information being retained.

There is no independent oversight or adequate segregation of duties related to the city's utility system. The Utilities Secretary performs all functions related to generating monthly utility bills, receipting, recording, and depositing utility payments, and making credit adjustments.

The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, it has not prepared and maintained permanent, detailed property records for the water and sewer system. Also, annual physical inventories are not performed.

CITY OF NAYLOR, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
And  
Board of Aldermen  
City of Naylor  
Naylor, Missouri 63953

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Naylor, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

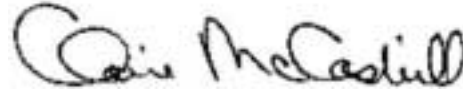
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.



The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Naylor, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                     |
|---------------------|---------------------|
| Director of Audits: | Karen Laves, CPA    |
| Audit Manager:      | Debra S. Lewis, CPA |
| In-Charge Auditor:  | Heather Thompson    |
| Audit Staff:        | Megan Seehafer      |

## HISTORY AND ORGANIZATION

# CITY OF NAYLOR, MISSOURI HISTORY AND ORGANIZATION

The City of Naylor is located in Ripley County. The city was incorporated in 1905 as a fourth-class city. The population of the city in 1990 was 620.

The city government consists of a mayor and four-member board of aldermen. The four members are elected for two-year terms. The mayor is elected for a two year term, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1999, were:

| Elected Officials                      | Term Expires | Actual Compensation<br>for the Year Ended<br>December 31, 1999 |
|--|--------------|--|
| James E. Price, Mayor (1)              | April, 2000  | \$ 300   |
| Bernard Allen, Alderman (2)            | April, 2000  | 180  |
| Eugene Jackson, Alderman (3)           | April, 2000  | 180  |
| Max Day, Alderman                      | April, 2001  | 120  |
| Frank Rigdon, Alderman                 | April, 2001  | 120  |
| <br>Other Principal Officials          |              |  |
| Tina George, City/Court Clerk (4)      |              | \$ 16,950  |
| Betty Gilbert, City Collector (5)      |              | 1,737  |
| David Kimbrough, City Treasurer (6)    |              | 600  |
| David George, Chief of Police (7)      |              | 18,000   |
| Don Young, Water/Street Superintendent |              | 21,120   |
| Ben Morrison, Sewer Superintendent     |              | 9,600  |
| Judy Wyatt, Utilities Secretary (8)    |              | 12,600   |

- (1) Darla Powell was elected Mayor in April 2000.
- (2) Brad Davis was elected in April 2000 to fill this seat.
- (3) Roy Dawes was elected in April 2000 to fill this seat.
- (4) Tina George resigned as City Clerk in April 2000 and was replaced by Roberta Carter. Roberta Carter resigned in August 2000 and was replaced by Sandra Sams. Sandra Sams resigned in October 2000 and was replaced by Katina Taylor.
- (5) Betty Gilbert resigned as City Collector in April 2000 and was replaced by Kim Jones. Kim Jones resigned in October. The Chief of Police will now serve as City Collector.

- (6) David Kimbrough resigned as City Treasurer in April 2000 and was replaced by Sheila Sullivan. Sheila Sullivan resigned in October 2000 and was replaced by Peggy McElhaney.
- (7) David George resigned as Chief of Police in April 2000 and was replaced by Charles Mays in July 2000.
- (8) Judy Wyatt resigned as Utilities Secretary in September 2000 and was replaced by Kim Jones in October 2000.

The city employed approximately nine full and part-time employees at December 31, 1999. In April 2000, the city disbanded the police department, reducing the number to seven.

Assessed valuation and tax rate information for 1999 were as follows:

ASSESSED VALUATION

|                   |    |                         |
|-------------------|----|-------------------------|
| Real Estate       | \$ | 1,348,910               |
| Personal Property |    | <u>476,975</u>          |
| Total             | \$ | <u><u>1,825,885</u></u> |

TAX RATES PER \$100 ASSESSED VALUATION

|              |    |     |
|--------------|----|-----|
| General Fund | \$ | .67 |
|--------------|----|-----|

A summary of the financial activity of the city of Naylor for the year ended December 31, 1999, is presented below:

|                                     | General<br>Fund | Collector's<br>Fund | Fire<br>Fund | Clutter's<br>Museum<br>Fund | Police<br>Training<br>Fund | Sewer<br>Fund | Sewer<br>Depreciation<br>Fund | Street<br>Fund | Water<br>Fund | Water<br>Depreciation<br>Fund | Municipal<br>Court<br>Fund |
|-------------------------------------|-----------------|---------------------|--------------|-----------------------------|----------------------------|---------------|-------------------------------|----------------|---------------|-------------------------------|----------------------------|
| <b>RECEIPTS:</b>                    |                 |                     |              |                             |                            |               |                               |                |               |                               |                            |
| Property Taxes                      | \$ 0            | 13,767              | 0            | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Utility franchise taxes             | 15,351          | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Transportation tax                  | 26,062          | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 7,443          | 0             | 0                             | 0                          |
| Sales tax                           | 15,859          | 0                   | 7,429        | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Local use tax                       | 2,163           | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Customer receipts                   | 25,621          | 0                   | 0            | 0                           | 0                          | 45,262        | 0                             | 0              | 41,670        | 0                             | 0                          |
| Grants                              | 19,437          | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Fines and court costs               | 20,311          | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Interest                            | 599             | 56                  | 237          | 376                         | 0                          | 3,403         | 955                           | 393            | 1,101         | 128                           |                            |
| Bonds                               | 0               | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 7,220                      |
| Other                               | 1,098           | 1,018               | 41           | 0                           | 500                        | 4,141         | 0                             | 1,620          | 1,434         | 0                             | 0                          |
| Transfer in                         | 16,690          | 0                   | 0            | 0                           | 446                        | 3,845         | 12,000                        | 21,159         | 15,022        | 900                           | 0                          |
| Total Receipts                      | 143,191         | 14,841              | 7,707        | 376                         | 946                        | 56,651        | 12,955                        | 30,615         | 59,227        | 1,028                         | 7,220                      |
| <b>DISBURSEMENTS:</b>               |                 |                     |              |                             |                            |               |                               |                |               |                               |                            |
| Salaries and fringe benefits        | 62,000          | 0                   | 0            | 0                           | 0                          | 14,150        | 0                             | 16,702         | 22,955        | 0                             | 0                          |
| Utilities                           | 3,696           | 0                   | 487          | 120                         | 0                          | 6,418         | 0                             | 0              | 3,395         | 0                             | 0                          |
| Audit                               | 183             | 0                   | 0            | 0                           | 0                          | 183           | 0                             | 0              | 213           | 0                             | 0                          |
| Advertising                         | 555             | 0                   | 0            | 0                           | 0                          | 108           | 0                             | 0              | 73            | 0                             | 0                          |
| Equipment and Supplies              | 23,675          | 0                   | 1,887        | 0                           | 0                          | 11,759        | 0                             | 3,695          | 6,166         | 0                             | 0                          |
| Building repairs                    | 0               | 0                   | 1,326        |                             | 0                          | 0             | 0                             | 0              | 2,208         | 0                             | 0                          |
| Street maintenance and repair       | 0               | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 1,476          | 0             | 0                             | 0                          |
| Police expenses                     | 0               | 0                   | 0            | 0                           | 508                        | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Trash service                       | 25,051          | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 0              | 0             | 0                             | 0                          |
| Insurance                           | 9,594           | 0                   | 0            | 0                           | 0                          | 9,638         | 0                             | 0              | 9,320         | 0                             | 0                          |
| Postage                             | 396             | 0                   | 0            | 0                           | 0                          | 346           | 0                             | 0              | 345           | 0                             | 0                          |
| Other                               | 6,402           | 0                   | 60           | 302                         | 0                          | 661           | 0                             | 8,474          | 2,725         | 0                             | 6,430                      |
| Bond principle and interest         | 0               | 0                   | 0            | 0                           | 0                          | 0             | 0                             | 0              | 15,022        | 0                             | 0                          |
| Transfer out                        | 21,605          | 15,000              | 0            | 0                           | 0                          | 12,000        | 6,095                         | 0              | 1,200         | 12,772                        | 1,390                      |
| Total Disbursements                 | 153,157         | 15,000              | 3,760        | 422                         | 508                        | 55,263        | 6,095                         | 30,347         | 63,622        | 12,772                        | 7,820                      |
| Receipts Over (Under) Disbursements | (9,966)         | (159)               | 3,947        | (46)                        | 438                        | 1,388         | 6,860                         | 268            | (4,395)       | (11,744)                      | (600)                      |
| Cash Balance, January 1,            | 29,133          | 3,669               | 13,815       | 756                         | 394                        | 7,535         | 103,218                       | 14,677         | 18,447        | 25,370                        | 1,100                      |
| Cash Balance, December 31,          | \$ 19,167       | 3,510               | 17,762       | 710                         | 832                        | 8,923         | 110,078                       | 14,945         | 14,052        | 13,626                        | 500                        |

## MANAGEMENT ADVISORY REPORT

CITY OF NAYLOR, MISSOURI  
SUMMARY OF FINDINGS

1. Expenditures and Related Items (pages 10-11)

Some questionable transactions were noted between the city and various city officials. Improvements are needed regarding payment procedures. The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursements being made. Supporting documentation is not maintained for some disbursements made by the city.

2. Budgetary Practices and Financial Reporting (pages 12-13)

Improvements are needed in the city's budget documents and procedures. The city exceeded the budgeted disbursement amounts in various funds. The city publishes a semi-annual financial statement; however, the receipts and disbursements published were not complete and/or accurate.

3. Property Tax Procedures (pages 13-14)

The City Collector does not prepare monthly or annual reports of tax collections and delinquent taxes. Improvements are needed regarding the collector's accounting procedures.

4. Water and Sewer System Procedures (pages 15-16)

Improvements are needed regarding the city utility's accounting procedures. Accounting and bookkeeping duties are not adequately segregated. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts remaining unpaid for water and sewer services.

5. Fixed Assets (pages 16-17)

The city does not maintain fixed asset records for city property. The city does not perform annual physical inventories of all city property.

6. Payroll Procedures (pages 17-18)

Salaries of city officials and employees have not been set by ordinance. The city pays wage and fringe benefit expenses from various funds and no documentation is available to support the method of allocation used. The city paid severance pay to the former City Clerk and Chief of Police upon their resignation.

7. Community Oriented Policing Services (COPS) Grant (pages 18)

No supporting documentation of the calculations used to prepare the quarterly financial reports for the Community Oriented Policing Services Grant (COPS), were retained by the city.

8. Minutes (pages 19)

The minutes of meetings of the Board of Aldermen did not contain some information required by statute. Minutes were not prepared to document the matters discussed in closed meetings, and did not always indicate the reasons for closing the meetings.

9. Municipal Court (pages 19-21)

Accounting and bookkeeping duties are not adequately segregated. Improvements are need in the city's municipal division's accounting documents and procedures. Various records related to the receipt of court monies could not be located for the period reviewed.



CITY OF NAYLOR, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                                       |
|-----------|---------------------------------------|
| <b>1.</b> | <b>Expenditures and Related Items</b> |
|-----------|---------------------------------------|

- A. The city paid \$2,400 to the former Police Chief for the lease of law enforcement equipment during the year ended December 31, 1999 and \$1,374 to a service garage owned by an aldermen for repair and maintenance services on city vehicles in July 1998. In addition, the city made several other small payments to this garage during 1998 and 1999. The equipment rental and the garage services were not competitively bid. The former City Clerk indicated the city did obtain price quotes on the equipment rental; however, no documentation could be located.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest and a lack of independence that could harm public confidence in the mayor and board and reduce their effectiveness.

Section 105.454 RSMo, 1994, prohibited financial transactions between the city and an officer or employee (or spouse, dependent child, or business and corporate interest of the officer or employee) that involved more than \$500 per year unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received. In 1998, this threshold was changed to \$500 per transaction or \$1,500 per year with Section 105.454, RSMo Cum. Supp. 1999.

To reduce the appearance of conflict of interest and to ensure full compliance with state and city law, the city should bid all services provided by city officials and employees, and particularly where it is possible the payments may exceed \$500 per year. The Board should also consider establishing an ordinance which addresses these types of situations and provides a code of conduct for city officials.

In addition, payments to the Chief were not included on either an IRS 1099-Misc form or a W-2 tax form.

- B. The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursements being made. In addition, although there is an occasional reference to a specific invoice being approved for payment, the board minutes usually only make a general reference that invoices are being approved for payment. A financial report is prepared monthly by the City Clerk which includes a detailed listing of all expenditures by fund; however, the expenditures represent the preceding month's activities.

Expenditures made from city funds should be reviewed and approved by the Board of Aldermen before payment is made to ensure all disbursements represent valid operating costs of the city. In addition, to adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

- C. Supporting documentation was not maintained for some disbursements made by the city. Various payments for professional services had no invoice or other documentation to support the payments. In addition, other invoices were not adequately detailed to support the work performed.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. The city should require detailed invoices for all services which include the number of hours worked by day, the work performed, and the hourly rate charged. Finally, the city should require that reimbursement requests include the date, purpose, and amount of the reimbursement.

**WE RECOMMEND** the Board of Aldermen:

- A. More closely examine future city transactions to identify and avoid apparent and actual conflicts of interests and carefully review all transactions with city officials and establish procedures to ensure all services obtained from city officials are properly bid in accordance with state law. In addition, the Board should ensure proper withholdings are made and compensation is reported to the IRS, as appropriate.
- B. Review and approve the expenditure of city funds prior to the disbursements being made. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.
- C. Ensure all disbursements are supported by paid receipts and/or vendor provided invoices which contain an adequate description of the goods or services rendered.

**AUDITEE'S RESPONSE**

- A. *This recommendation has been implemented.*
- B. *This recommendation has been implemented. A list of itemized bills is presented to the Board for approval.*
- C. *This recommendation has been implemented.*

**2.****Budgetary Practices and Financial Reporting**

- A. The budgets for the years ended December 31, 1999 and December 31, 2000 did not include budget messages, comparative statements of actual or estimated receipts and disbursements for the two previous years, or the beginning and projected ending cash balances for any of the funds budgeted. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. A complete budget should include separate receipt and disbursement estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

- B. The city exceeded the budgeted disbursement amounts in various funds during the year ended December 31, 1999, as follows:

| <u>Fund</u>           | <u>Year Ended<br/>December 31, 1999</u> |
|-----------------------|---|
| General Fund          | \$ 30,827                               |
| Water Fund            | 13,272                                  |
| Sewer Fund            | 3,868                                   |
| Clutter's Museum Fund | 122                                     |

Section 67.040, RSMo 1994, requires political subdivisions to keep disbursements within amounts budgeted. If there are valid reasons which necessitate excess disbursements, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such.

- C. Section 79.160, RSMo 1994, requires the Board of Aldermen to semiannually publish a full and detailed statement of the receipts, expenditures, and indebtedness of the city, in a newspaper in the city. However, the receipts and disbursements published for the year ended December 31, 1999, did not agree to the city's accounting records. It appears the city's financial statements were published before all transactions had been recorded to its accounting records.

Accurate and complete semiannual published financial statements are necessary to comply with state law and to keep the citizens informed of the financial activity and condition of the city.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Ensure expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the increase and reasons for such should be adopted.
- C. Publish complete and accurate semiannual financial statements for all city funds as required by state law.

**AUDITEE'S RESPONSE**

- A. *We have hired Kraft, Miles, and Tatum to aid in this matter.*
- B. *This recommendation has been implemented.*
- C. *This will be done by Kraft, Miles, and Tatum in the future.*

|                                   |
|-----------------------------------|
| <b>3. Property Tax Procedures</b> |
|-----------------------------------|

- A. The City Collector does not prepare monthly or annual reports of tax collections and delinquent taxes. Sections 79.310 and 94.320, RSMo 1994, require the City Collector to make annual reports of tax collections and delinquent taxes.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require the city collector to prepare monthly and annual reports to the board of aldermen of the amount of taxes collected and to prepare annual lists of delinquent taxes including a detailed list of persons who have not paid. The board is to examine and approve the reports and charge the City Collector to collect the amount of delinquent taxes due.

Detailed annual reports which comply with state law and are classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements, and additions. Without such a report, examined by the Board of Aldermen, any errors or irregularities that might occur are likely to go undetected.

- B. The city receives cash and checks for the payment of property taxes. The tax bills which accompany the payment serve as the town's record of receipt; however, the method of payment (cash, check, money order, etc.) is not noted on the tax bills.

To ensure proper handling and safeguarding of town monies, the method of payment should be indicated on the tax bills and the composition of receipts reconciled to the bank deposits.

- C. Throughout most of the year, the City Clerk performs all accounting and record keeping duties regarding the city's property tax system and essentially serves as the City Collector during this time. While the Board of Aldermen has appointed a City Collector, it appears the individual is not involved in the accounting, collection, or record keeping of property taxes during most of the year. The City Clerk collects the receipts, maintains receipt and disbursement records, and makes bank deposits.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded.

If duties cannot be adequately segregated, the board should ensure an independent review of the functions performed by the City Clerk is performed on a periodic basis. This review should include, but not necessarily be limited to, someone other than the City Clerk reviewing the cancelled checks, bank statements, bank reconciliations, and comparing recorded receipts to bank deposits.

**WE RECOMMEND** the Board of Aldermen:

- A. Require the City Collector to prepare and maintain detailed monthly and annual reports of taxes collected and delinquent taxes. In addition, the reports should be reviewed and approved by the Board of Aldermen.
- B. Require the City Collector to record the method of payment on the corresponding tax bills received and reconcile the composition of receipts to bank deposits.
- C. Segregate the duties of receipting and depositing monies from that of preparing bills and recording payments. If proper segregation cannot be achieved, at a minimum, there should be an independent review of the reconciliations between tax payments deposited and recorded.

**AUDITEE'S RESPONSE**

*These recommendations will be implemented immediately.*

The city operates a water and sewage system that provides services to city residents. Meters are read by a city employee around the nineteenth or twentieth of each month, customers are billed on the last day of the month, and payments are due by the fifteenth of the subsequent month. Also included in the billings are charges for trash collection services for participating customers. Our review of the city's billing and collections records and procedures revealed the following concerns:

- A.1. Checks and money orders received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- 2. The method of payment received (cash, check, money order, etc.) is not indicated on the water and sewer receipts. To ensure receipts are accounted for properly and transmitted intact, the method of payment should be recorded on the receipt records. The composition of receipts should be reconciled to the composition of deposits.
- B. There is no independent oversight or adequate segregation of duties related to the city's utility system. The Utilities Secretary performs all functions related to generating monthly utility bills, receipting, recording, and depositing utility payments, and making credit adjustments.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments recorded and deposits, and an independent review and approval of credit adjustments and delinquent account follow-up.

- C. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts remaining unpaid for water and sewer services.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support conclusions and any corrections made, and to facilitate independent reviews.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
- 2. Require the method of payment be recorded on the utility bill stub and reconcile the composition of receipts to bank deposits.
- B. Segregate the duties of receipting and depositing monies from that of preparing bills and recording payments. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments deposited and recorded, and an independent review of and approval for credit adjustments.
- C. Prepare monthly reconciliations of the amounts billed to amounts collected and delinquent accounts.

**AUDITEE'S RESPONSE**

- A.1. *This recommendation will be implemented immediately.*
- 2. *This recommendation has been implemented.*
- B. *This recommendation has been implemented. The City Clerk now reconciles the composition of utility deposits.*
- C. *This recommendation will be implemented within the next few months.*

|                        |
|------------------------|
| <b>5. Fixed Assets</b> |
|------------------------|

The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, it has not prepared and maintained permanent, detailed property records for the water and sewer system. Also, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

**WE RECOMMEND** the Board of Aldermen establish property records for general fixed assets and the fixed assets of the water and sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

**AUDITEE'S RESPONSE**

*This recommendation will be implemented within the next few months.*

|                              |
|------------------------------|
| <b>6. Payroll Procedures</b> |
|------------------------------|

- A. Salaries of city officials and employees have not been established by ordinance. Section 79.270, RSMo 1994, requires the Board of Aldermen to fix the salaries of all city officials and employees by ordinance.
- B. The city pays wage and fringe benefit expenses from the general, water, sewer, and street funds. The former City Clerk indicated that she allocates wages based on which funds have monies. Records were not available to support the amounts charged to each of these funds.

Time sheets are prepared by all employees, indicating the total hours worked. However, no documentation is maintained to separately indicate the number of hours related to streets, water and sewer, or other activities.

It is essential that the city properly allocate expenses to various funds. This information is needed for the city to properly establish the user charges for the utilities and to ensure compliance with laws restricting the use of certain revenues.

- C. In April 2000, the city paid a total of \$1,450 in severance pay to the former City Clerk and Chief of Police upon their resignation. This appears to represent additional compensation for services previously rendered and, as such, is in violation of Article III, Section 39 of the Missouri Constitution and contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered".

**WE RECOMMEND** the Board of Aldermen:

- A. Fix the salaries of all city officials and employees by ordinance.
- B. Ensure all salary expenses allocated to the various funds are reasonable and are supported by adequate documentation.



- C. Discontinue paying severance pay to city officials.

**AUDITEE'S RESPONSE**

- A. *This recommendation will be implemented immediately.*
- B. *This recommendation is being implemented.*
- C. *We agree with this recommendation. This practice has been discontinued.*

|   |
|---|
| <b>7. Community Oriented Policing Services (COPS) Grant</b> |
|---|

The city received federal assistance from the U.S. Department of Justice under the COPS FAST program to increase the number of law enforcement officers. In December 1995, the city received a grant award of \$42,142 for one full-time officer. In addition, the city received a supplement to this grant in May 1998 for an additional full-time officer and one part-time officer which increased the number of city officers to three (including the Police Chief). Under the grant provisions, the city was required to provide 25% of the cost of employing the additional officers for the first year of the grant, 30 percent for the second year, and 40 percent for the third year leading to 100 percent funding when the grant expires.

The City Clerk is responsible for filing quarterly report/reimbursement request for the COPS Fast Program. The reports were completed and submitted to the Department of Justice electronically via the Phone Activated Paperless Request System (PAPRS). The City Clerk calculated the amounts for reimbursement; however, she did not retain documentation of her calculations or copies of the reports.

To ensure grant funds are properly requested and information is correctly reported to federal programs, the city should ensure expenditures, local match provided, and other data reported on the grant reports/reimbursement requests are accurate, complete, and made in accordance with grant guidelines. In addition, copies of the reimbursement requests should be retained by the city.

**WE RECOMMEND** the Board of Aldermen work with the appropriate officials to ensure adequate documentation is maintained to support grant reports/reimbursement requests required to be filed with the grantor agency and that copies of the reports are retained by the city.

**AUDITEE'S RESPONSE**

*This grant has been discontinued at the advice of the federal government. We will attempt to maintain better documentation for future grants.*

**8.****Minutes**

- A. The minutes of the meetings of the Board of Aldermen did not contain some information required by statute. There were numerous instances where the minutes indicated a motion had passed, but did not indicate the number of votes for and against.

Section 610.020, RSMo, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes provide an official record of board actions and decisions.

- B. The board regularly conducts closed meetings. Minutes were not prepared to document the matters discussed in closed meetings, and board minutes did not always indicate the reasons for closing the meetings.

Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel issues. Section 610.022, RSMo, requires a closed meeting, record, or vote be held only for the specific reasons announced publicly at an open session. This law provides that public governmental bodies shall not discuss other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law, Chapter 610, RSMo, regarding these closed meetings, have been followed.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure minutes include all information required by statute.
- B. Ensure minutes are prepared for all closed meetings, and the reasons for closing the meeting are documented in the board minutes as required by law.

**AUDITEE'S RESPONSE**

*These recommendations have been implemented.*

**9.****Municipal Court**

- A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. The City/Court Clerk performs all the duties related to the collection, deposit, and recording of fines, court costs, and bonds. There is not an independent

reconciliation between receipts and deposits. In addition, there is no supervisory review performed of the City/Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from that of recording receipts. If proper segregating of duties cannot be achieved, at a minimum there should be a supervisory review of the reconciliations between receipts and deposits.

- B. Our review noted the following concerns related to receipts:
  - 1) Receipt slips are not issued for some monies received by mail. To adequately account for all receipts and to ensure all receipts are deposited intact, receipt slips should be issued for all monies received, and the numerical sequence of receipt slips should be accounted for properly.
  - 2) The composition of receipt slips issued is not reconciled to bank deposits. To ensure receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of bank deposits.
- C. Various records related to the receipt of court monies could not be located for the period reviewed. Receipt books were not kept to account for the sequence of receipts. In addition, data related to tickets issued was deleted from the computer without copies of the information being retained.

Supreme Court Administrative Rule 8 requires that all financial records be maintained for five years or upon completion of an audit. Retention of applicable records is necessary to properly account for all court monies received.

**WE RECOMMEND** the City of Naylor Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and depositing court monies. At a minimum there should be a documented periodic review of the municipal division records by an independent person.
- B. Issue receipt slips for all monies received and reconcile total cash, checks, and money orders received to bank deposits.
- C. Retain all court records in accordance with Supreme Court Administrative Rule 8.

**AUDITEE'S RESPONSE**

*The municipal division has been discontinued.*

This report is intended for the information of the city's management and other applicable officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



CITY OF LA PLATA, MISSOURI

YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-126  
December 20, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of an audit conducted by our office of the City of La Plata, Missouri.**

---

The city relies heavily upon utility and refuse funds to subsidize the city's General, Dispatch, and Library funds. The city operates the General, Dispatch, and Library funds with deficit cash balances throughout the fiscal year, and then transfers utilities and refuse monies, as well as general sales tax revenues, to these funds at the end of the year. These transfers are usually recorded after the city's independent audit is completed.

The Electric, Water and Sewer, and Refuse funds are separate accounting entities designed to account for specific city activities. Utility and refuse revenues should be used to fund the operations of the respective utility and refuse services only. The existing utility and refuse rate structure has allowed the city to, in effect, levy additional taxes without a vote of the citizens. It appears the city has established higher than necessary utility and refuse rate structures in lieu of increasing general revenues or reducing services provided by the city. Without the continued subsidies from utility and refuse funds, the General, Dispatch, and Library funds would be in poor financial condition.

Although the General Fund generally maintains a large negative balance in the city's checking account, some General Fund monies are held in passbook savings accounts, one for the future purchase of a fire truck and the other for monies collected from the city's soda machines. The balances in the accounts at June 30, 2000, were approximately \$25,000 for the fire truck and approximately \$1,900 from the soda machines. Considering the large negative balances of the General Fund in the city's checking account, the board should consider using the monies in the passbook accounts to pay current obligations.

State law prohibits municipalities from budgeting a deficit balance. The city's budgeted disbursements for the year ended June 30, 2000, exceeded available resources by more than \$289,000, \$60,000, and \$8,700, for the General Fund, Dispatch Fund, and Library Fund, respectively. This resulted in budgeted deficit fund balances for these funds. In addition, the city's budget for the year 2001, ending June 30, includes disbursements that exceeded available resources for these funds.

City library monies are held in the custody of both the city and the Library Board. The city has custody of the library's property taxes, interest, grant receipts, operating revenues, and subsidies from other city funds. The Library Board only has custody of donations and memorial contributions received. There is no written agreement between the city and the Library Board to outline the responsibilities of each party. State law indicates all monies

(over)

YELLOW SHEET

received by the city for a city library shall be disbursed to the library board treasurer monthly and city library boards shall have exclusive control of the expenditure of library monies. If the city continues to provide certain accounting and other services to the Library Board, there should be a written agreement which describes the responsibilities of each party.

The city owns a fire station which is occupied by both the La Plata Volunteer Fire Department (LVFD) and the La Plata Rural Fire Protection Association (LRFPA). Other than a building rental agreement between the city and the LRFPA, there are no written agreements between the city and these entities which outline the rights and responsibilities of each party, and as a result, the city has little assurance that city monies and assets are only used to provide fire protection services to city residents. From July 1999 through May 2000, LRFPA and LVFD responded to 37 calls within the city limits and 42 calls outside the city limits. There have been no formal studies regarding the percentage of services provided to city and non-city residents, and other than the building rental agreement, the cost allocations between the city and these entities are based on informal verbal agreements.

The city of La Plata owns the land on which the city cemetery is located. The city allows the La Plata Cemetery Association (LCA) to maintain custody of all monies received for the preservation, care, upkeep, and adornment of the city cemetery, including money received from the sale of cemetery lots, and to make all decisions regarding the use of these monies. However, the city has not entered into a written agreement with the cemetery association defining the rights and responsibilities of each entity, and has not established procedures to ensure the LCA is in compliance with statutory requirements regarding the investment and use of cemetery monies. The city does not require the LCA to be audited or to provide financial reports to the board on a regular basis.

The city owns a golf course and a lake which are operated under the authority of the Park and Recreation Board. Board minutes were not retained for meetings prior to January 24, 2000. In addition, board minutes were not signed. Also, golf course receipts are transmitted to the city approximately once a week and receipts are not always kept in a secure location. Prior to transmittal, some receipts are kept in an unlocked box in an unlocked drawer. Weekly transmittal amounts for the month of June 2000 ranged from \$2,767 to \$5,735.

The city does not have a formal bidding policy. The decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained for the purchases of a truck (\$23,350), water pipe (\$13,779), and water meters (\$11,463).

The Police Chief and City Collector accrue personal days, vacation leave, and sick leave. The city pays these elected officials for unused leave when they leave office. Annual salaries of city elected officials are set under state law and city ordinance. State law does not authorize compensated leave for elected officials. In addition, the city is not consistently following its leave accumulation policy. Some employees were allowed to exceed the maximum accumulations.

The duties of receiving, recording, reconciling, and depositing monies are not adequately segregated. The City Clerk, Deputy City Clerk, and City Collector collect money and issue receipt slips.

CITY OF LA PLATA, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Board of Aldermen  
City of La Plata  
La Plata, Missouri 63549

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of La Plata, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

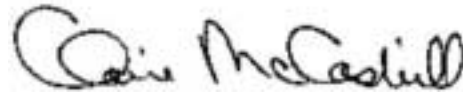
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of La Plata, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

August 4, 2000 (fieldwork completion date)

|                     |                          |
|---------------------|--------------------------|
| Director of Audits: | Karen Laves, CPA         |
| Audit Manager:      | Mark Ruether, CPA        |
| In-Charge Auditor:  | Cheryl Colter, CPA, CGFM |
| Audit Staff:        | Julie Vollmer            |

## HISTORY AND ORGANIZATION

# CITY OF LA PLATA, MISSOURI HISTORY AND ORGANIZATION

The city of La Plata is located in Macon County. The city was incorporated in 1881 and is currently a fourth-class city. The population of the city in 1990 was 1,401.

The city government consists of a mayor and a six-member board of aldermen. The six board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The other elected officials have two-year terms, except the city marshal has a four-year term. The Mayor, Board of Aldermen, and other principal officials at June 30, 2000, were:

| <u>Elected Officials</u>  | <u>Term Expires</u> | <u>Compensation for<br/>the Year Ended<br/>June 30, 2000</u> | <u>Amount<br/>Of Bond</u> |
|---|---------------------|--|---------------------------|
| Rich Rhea Jr., Mayor  | April 2002          | \$ 2,400   | \$ 10,000                 |
| Darrell Green, Alderman   | April 2001          | 660  | 0                         |
| Kerry Green, Alderman   | April 2001          | 660  | 0                         |
| Jeff Hagar, Alderman  | April 2001          | 660  | 0                         |
| Kevin East, Alderman  | April 2002          | 660  | 0                         |
| Gerald Lovingier, Alderman (1)                                    | April 2002          | 165  | 0                         |
| Lee Hall, Alderman/Mayor Pro-Tem                                  | April 2002          | 660  | 10,000                    |
| Lois Bragg, City Collector (2)                                    | April 2002          | 13,600   | 50,000                    |
| Stan East, Municipal Judge  | April 2002          | 1,200  | 0                         |
| Leon Shears, Police Chief/<br>City Marshal (3)                    | April 2004          | 10,770   | 500                       |
| <u>Other Principal Officials</u>                                  |                     |  |                           |
| Becky Hansen, Court Clerk and<br>Interim City Clerk/Treasurer (4) |                     | 16,945   | 50,000                    |
| Jeff Elson, City Attorney (5)                                     |                     | 7,799  | 0                         |
| Jerry Thomas, Fire Chief  |                     | 1,200  | 0                         |
| Delmont Senter, Electric<br>Superintendent (6)                    |                     | 7,131  | 0                         |
| Linden Wood, Water and Sewer<br>Superintendent                    |                     | 24,978   | 0                         |
| Greg Williams, Street<br>Superintendent                           |                     | 24,081   | 0                         |

(1) Elected in April 2000 to replace James Gladbach.

(2) Appointed to replace Teena Herleth who resigned in December 1999 to become City Clerk, and elected to a full term in April 2000. Compensation includes \$2,242 for serving as a city clerical worker prior to being appointed City Collector.

- (3) Appointed to replace Dexter Brookhart who resigned in December 1999, and elected to a full term in April 2000.
- (4) Appointed Interim City Clerk to replace Beverley Richardson who resigned in November 1999. Mrs. Hansen returned to her former position as Deputy Clerk when Teena Herleth was appointed City Clerk in December 1999. Mrs. Hansen was again appointed Interim City Clerk to replace Mrs. Herleth who resigned in June 2000. Compensation includes all payments to Mrs. Hansen for the year ending June 30, 2000, including \$1,200 for serving as Court Clerk for the entire fiscal year. Betty Wheeler was appointed Court Clerk in October 2000, and is paid on an hourly basis.
- (5) Compensation represents total payments to the City Attorney's law firm during the year ended June 30, 2000.
- (6) Appointed to replace Kelly Lyons who resigned in March 2000. Mr. Lyons had been appointed to replace Jeff Harris who resigned in August 1999.

In addition to the officials above, the city has seventeen full-time, six part-time, and nine seasonal employees.

Assessed valuation and tax rate information for 1999 are as follows:

#### ASSESSED VALUATION

|                        |                     |
|------------------------|---------------------|
| Real estate            | \$ 3,933,100        |
| Personal property      | 2,229,830           |
| Railroad and utilities | <u>275,680</u>      |
| Total                  | \$ <u>6,438,610</u> |

#### TAX RATE PER \$100 ASSESSED VALUATION

|                      |                |
|----------------------|----------------|
| General Revenue      | \$ .83         |
| Parks and Recreation | .19            |
| Library*             | <u>.19</u>     |
| Total                | \$ <u>1.21</u> |

- \* The La Plata City Library is a separate political subdivision; however, the library tax monies are in the custody of the city.

The city has a general sales tax of one percent of retail sales within the city.

## MANAGEMENT ADVISORY REPORT

CITY OF LA PLATA, MISSOURI  
SUMMARY OF FINDINGS

1. City Finances and Utility Rates (Pages 9-12)

During fiscal year 1999, the city used \$293,614 in utility and refuse revenues to pay for other city services. Electric and refuse user fees have not been set at a level consistent with the costs of providing the services and administrative costs have not been identified. The city does not generate sufficient unrestricted revenues to pay the expenditures incurred for the city's general operating funds. The Electric Fund was not reimbursed for a pickup truck transferred to the Street Department. Interest is not allocated to some funds maintained in the city's checking account. Some General Fund monies are held in passbook accounts, while the fund's checking account balance is negative.

2. Budgets and Financial Reporting (Pages 12-14)

Budgets did not include some information required by state law, deficit balances were budgeted for three funds, and disbursements exceeded budgeted amounts for four funds. The city's published financial statements are not sufficiently detailed and do not reflect some financial activity and indebtedness of the city.

3. Accounting Controls and Procedures (Pages 14-15)

Accounting duties are not adequately segregated, a \$50,000 certificate of deposit is not recorded on the city's general ledger, and the lists of meter deposits are not reconciled to the balances of the meter deposit funds.

4. Expenditures (Pages 15-16)

The city does not have a formal bidding policy, and receipt of goods is not always documented on invoices.

5. Personnel Policies and Procedures (Pages 16-17)

Time sheets are not always signed by the appropriate supervisor and do not indicate hours worked by activity. The city is not consistently following its leave accumulation policy and some elected officials are inappropriately allowed to accrue compensated leave benefits.

6. Park and Recreation Board Records and Procedures (Pages 17-19)

Controls over receipts need to be improved. Board minutes were not retained for meetings prior to January 2000, and minutes prepared after this date were not signed.

7. City Library (Page 19)

Library receipts are not disbursed to the Library Board Treasurer as required by state law, and the city has not entered into a written agreement with the Library Board.

8. City Cemetery (Pages 19-20)

The city has not entered into a written agreement with the La Plata Cemetery Association. The city does not require the association to provide complete financial reports to the Board of Aldermen on a regular basis and has not established procedures to monitor the cemetery association's compliance with state statutes.

9. Fire Protection Services (Pages 20-21)

The city has not entered into written agreements with the La Plata Volunteer Fire Department and the La Plata Rural Fire Protection Association.



CITY OF LA PLATA, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |  |
|-----------|--|
| <b>1.</b> | <b>City Finances and Utility Rates</b> |
|-----------|--|

- A. The city relies heavily upon utility and refuse funds to subsidize the city library and other city services. Transfers to the city's General, Dispatch, and Library Funds were made from the utility and refuse funds as follows:

| Transfers            | Year ended June 30, |         |         |
|----------------------|---------------------|---------|---------|
|                      | 1999                | 1998    | 1997    |
| Electric Fund        | \$ 148,637          | 250,179 | 221,843 |
| Water and Sewer Fund | 123,459             | 0       | 18,000  |
| Refuse Fund          | 21,518              | 5,950   | 0       |
| Total                | \$ 293,614          | 256,129 | 239,843 |

The city operates the General, Dispatch, and Library Funds with deficit cash balances throughout the fiscal year, and then transfers utilities and refuse monies, as well as general sales tax revenues, to these funds at the end of the year to bring the cash balances to \$0. These transfers are usually recorded after the city's independent audit is completed. The independent audit for the year ended June 30, 2000, has not yet been completed and no transfers have been made for this fiscal year. At June 30, 2000, the net unrestricted cash balance of the General, Dispatch, Library, and Sales Tax Funds was a negative \$300,238, so it appears the city will need to transfer approximately \$300,000 from the utility and refuse funds to eliminate these negative balances.

City officials indicated that part of the utility and refuse transfers are to offset utility and refuse administrative costs, such as bookkeeping and billing costs, that are incurred from the General Fund; however, the city has not specifically identified any administrative costs.

The Electric, Water and Sewer, and Refuse Funds are separate accounting entities designed to account for specific city activities. Utility and refuse revenues should be used to fund the operations of the respective utility and refuse services only. Rates for electric, water, sewer, and refuse services should be set to cover the costs of producing and delivering services (including administrative costs), repaying bonds, and repairing and replacing equipment. These services should not generate profits to fund other services provided by the city. The transfers represented 15-18 percent of the total revenues of the utility and refuse funds.

The existing utility and refuse rate structure has allowed the city to, in effect, levy additional taxes without a vote of the citizens. Property taxes, sales taxes and other fees can be established or increased; but, these require a vote of the citizens.

It appears the city has established higher than necessary utility and refuse rate structures in lieu of increasing general revenues or reducing services provided by the city.

- B. Without the continued subsidies from utility and refuse funds, the General, Dispatch, and Library Funds would be in poor financial condition. Profits from the Electric, Water and Sewer, and Refuse Funds provided approximately 50 percent of the total monies available to operate the General, Dispatch, and Library Funds during the year ending June 30, 1999. In addition, the city owed \$37,314 from the General Fund on outstanding lease obligations for a tractor and a backhoe used by the Street Department, and a police car.

The Board of Aldermen needs to closely monitor the ongoing financial condition of the General Fund and the Dispatch Fund. In addition, the board should decide whether the city should continue to fund the operation of the city library, which is a separate political subdivision under the supervision of the Library Board of Trustees. The Board of Aldermen should develop a plan which will allow the city to operate without subsidies from utility and refuse funds. If the board desires to continue its current level of services, it must increase unrestricted revenues or reduce costs.

- C. In September 1999, the city transferred a three year-old pickup truck from the Electric Department to the Street Department. The General Fund, which funds the operations of the Street Department, did not reimburse the Electric Fund for the fair market value of the pickup truck. The pickup truck was purchased for \$21,193 in 1996, and the National Auto Dealers Association Appraisal Guide for July 2000 indicates a pickup truck of this year, make, and model, has a retail value in excess of \$10,000.

As indicated in Part A. above, utility fund assets should not be used to fund general city operations. The city should reimburse the Electric Fund from the General Fund for the fair market value of the pickup truck.

- D. The city maintains one interest bearing checking account. The interest revenue earned from this account (\$3,261 during the year ended June 30, 2000) is credited to the city's General Fund, instead of being allocated to the various funds which maintain monies in the account. Based on the balances of the various funds, it appears the majority of this interest should have been credited to the Electric Fund and Water and Sewer Fund.

Interest should be credited to the funds which generated the revenue. To ensure all city funds receive the appropriate amount of revenue, interest earned on the city's checking account should be allocated based on the balances maintained by the various funds in the account.

- E. Although the General Fund generally maintains a large negative balance in the city's checking account, some General Fund monies are held in passbook savings accounts. The city maintains a passbook account for unrestricted monies the board decided to save and reserve for the future purchase of a fire truck. Another passbook account is maintained for monies collected from the city's soda machines. The balances in these accounts were \$25,729 and \$1,985, respectively, at June 30, 2000. Considering the large negative balances of the General Fund in the city's checking account, the board should consider using the monies in the passbook accounts to pay current obligations.

**WE RECOMMEND** the Board of Aldermen:

- A&B. Set utility and refuse rates to cover only those costs necessary to provide the related utility and refuse services. In addition, the board should develop a plan to operate the General, Dispatch, and Library Funds without continued subsidies, and limit expenditures and transfers from utility and refuse funds to only those which are necessary to operate the utility and refuse services.
- C. Reimburse the Electric Fund from the General Fund for the fair market value of the pickup truck transferred from the Electric Department to the Street Department.
- D. Allocate the interest income earned on the city's checking account to the various funds maintained in the account.
- E. Consider closing the General Fund passbook accounts and transferring the money to the checking account to help offset the negative checking account balance of the fund.

**AUDITEE'S RESPONSE**

- A&B. *There is no statute or law prohibiting the transfer of revenues from one fund to another. Any increases in utility rates have not kept pace with the general rate of inflation and increases in the costs of providing utility services. According to Missouri Supreme Court decisions, fee increases required in order to maintain and cover increased costs of providing a service are not required to be approved at an election. The city does not believe that the residents of the community desire a tax increase or a reduction in the level of services provided to the public as recommended by the State Auditor.*
- C. *This vehicle and other city vehicles are used by more than one department, therefore, we do not intend to reimburse the Electric Fund for the cost of this particular vehicle. We will consider ways to reasonably allocate vehicle costs to the various funds.*
- D. *We concur.*

- E. *We concur. The General Fund passbook accounts were transferred into the checking account on August 23, 2000.*

### **AUDITOR'S COMMENT**

A&B. We agree that fee increases to cover the costs of providing utility services generally do not require voter approval. However, the net result of the city's current practice is that the citizens of La Plata are paying higher than necessary utility rates to subsidize general city operations. As stated above, transfers represented 15-18 percent of the total utility and refuse funds revenues. While it is common for municipal governments to provide for a gross receipts tax on utility operations, it does not appear reasonable to expect the utilities to provide this amount of funding for general city operations.

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| <b>2. Budgets and Financial Reporting</b> |
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- A. The city's budgets did not comply with state law or were otherwise insufficient as follows:

1. The budgets did not reflect the actual beginning and projected ending fund balances, and did not include budget messages describing the important features of the budget and major changes from the preceding years.

Section 67.010, RSMo 1994, sets specific guidelines for the format of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A complete budget should include the beginning and projected ending balance for each fund and a budget message.

2. For year ended June 30, 2000, budgeted disbursements exceeded available resources by \$289,549, \$60,100, and \$8,750, for the General Fund, Dispatch Fund, and Library Fund, respectively, resulting in budgeted deficit fund balances for these funds. In addition, the city's budgets for the year ending June 30, 2001, include budgeted disbursements that exceeded available resources by \$306,365, \$57,500, and \$13,315 for the General Fund, Dispatch Fund, and Library Fund, respectively.

Section 67.010, RSMo 1994, prohibits municipalities from budgeting a deficit balance.

3. During the year ended June 30, 2000, the city approved disbursements in excess of budgeted amounts for various funds as follows:

| <u>Fund</u>         | <u>Budgeted<br/>Amount</u> | <u>Actual<br/>Disbursements</u> | <u>Actual<br/>over Budget</u> |
|---------------------|----------------------------|---------------------------------|-------------------------------|
| Park and Recreation | \$ 154,850                 | 214,102                         | 59,252                        |
| Refuse              | 59,000                     | 60,471                          | 1,471                         |
| Electric            | 1,022,300                  | 1,023,567                       | 1,267                         |
| Library             | 22,250                     | 23,237                          | 987                           |

The city did not prepare an amended budget or adopt a resolution authorizing the additional disbursements, nor did the city set forth any reasons for exceeding the budgeted amounts in the board minutes.

Section 67.040, RSMo 1994, requires political subdivisions to keep disbursements within amounts budgeted. If there are valid reasons which necessitate excess disbursements, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons.

- B. The city's semi-annual financial statements published for the six months ending June 30, 2000, and December 31, 1999, only presented total receipts and disbursements, as well as transfers in, transfers out, and beginning and ending cash and investment balances. The various revenue sources and disbursement categories were not shown. In addition, the financial statements include combined balances by fund type (general, special revenue, and proprietary), instead of showing each fund separately. For example, the Electric, Water and Sewer, and Refuse Funds are combined into the proprietary fund type, instead of showing each fund separately.

The published financial statements did not report any indebtedness, even though the city had a \$239,000 note payable and approximately \$132,000 in capital lease obligations at June 30, 2000. In addition, the balance of a \$50,000 certificate of deposit was omitted from the cash and investment balances.

Section 79.160, RSMo 1994, requires the Board of Alderman to prepare and publish a full and detailed account of the receipts, disbursements, and indebtedness of the city. Because the publication of such financial statements is intended to provide information to citizens regarding the financial activity and condition of the city, the board should consider showing more detailed revenue and expenditure categories and separate amounts for each city fund.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare budgets containing all information required by state law and refrain from adopting deficit budgets. In addition, the board should ensure actual disbursements do not exceed budgeted amounts. If circumstances require disbursements in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional disbursements and documenting the reasons.

- B. Publish complete, detailed semi-annual financial statements of all financial activity and indebtedness of the city.

**AUDITEE'S RESPONSE**

- A. *We concur. We will prepare and approve budget amendments as needed and make the appropriate changes to the next fiscal year's budget.*
- B. *We concur. More detail will be added to future published financial statements.*

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| <b>3. Accounting Controls and Procedures</b> |
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- A. The duties of receiving, recording, reconciling, and depositing monies are not adequately segregated. The City Clerk, Deputy City Clerk, and City Collector collect money and issue receipt slips. The City Collector records receipts on the subsidiary accounts receivable records for utility and refuse fees and property taxes, and generates computerized reports indicating the amounts recorded. In addition, the City Collector makes deposits, reconciles receipts to deposits, and prepares reports which summarize and classify the various types of monies received. The City Clerk or Deputy City Clerk use the reports to record receipts on the city's financial records; however, they do not review the report and its supporting documentation to ensure all receipts are being deposited and accounted for properly.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from those of recording receipts and reconciling receipts to deposits. If proper segregation cannot be achieved, at a minimum, procedures for adequate independent review should be established.

- B. In February 2000, the Parks and Recreation Board received a \$50,000 donation to be used for constructing a swimming pool. The \$50,000 was invested in a certificate of deposit in the city's name which is not recorded on the city's general ledger. To ensure all city monies are accounted for, all city monies should be recorded on the general ledger.
- C. The city maintains lists of water and electric customers' meter deposits held by the city; however, the lists are not reconciled to the balances of the meter deposit funds. At June 30, 2000, the balances of the Electric Meter Deposits Fund and the Water Meter Deposits Fund, excluding interest, were \$909 and \$629, respectively, less than the totals recorded on the city's lists. The meter fund balances as of June 30, 1999, agreed to the city's lists for that same date, so it appears the differences occurred during the year ended June 30, 2000.

The city should ensure its meter deposit records are complete and accurate by periodically reconciling the meter deposit fund balances to the totals on the meter deposit lists. Differences should be investigated and resolved.

**WE RECOMMEND** the Board of Aldermen:

- A. Segregate the duties of receiving and depositing monies from those of recording and reconciling receipts. If proper segregation cannot be achieved, procedures for independent reviews of the accounting records should be established.
- B. Ensure all city monies are recorded on the general ledger.
- C. Periodically reconcile the lists of water and electric meter deposits to the balances of the meter deposit funds. Any significant differences should be investigated and resolved.

**AUDITEE'S RESPONSE**

- A. *We concur. Based on standard accounting principles, several changes have already been made that the board feels appropriate and necessary for proper segregation of duties. The city would note that this is an accounting issue, and there has been no law violated.*
- B. *We concur. Based on standard accounting principles appropriate procedures have already been implemented. However, it is important to note that the audit found no evidence of misappropriation or missing funds and that there has been no violation of the law.*
- C. *We concur. A thorough investigation of the deposits on file was done prior to the state audit. The utility computer was updated to reflect correct deposits on file, however the accounting program was not updated. We will make appropriate adjustments to the meter deposit funds. In the future, we will perform regular reconciliations of the meter deposit funds. The city would note that this is an accounting issue, and there has been no violation of the law.*

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| <b>4. Expenditures</b> |
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- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained for the purchases of a truck (\$23,350), water pipe (\$13,779), and water meters (\$11,463).

Formal bidding procedures provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are

given an opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reason noted why the bid was selected.

- B. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. Documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies and procedures and retain all bid documentation.
- B. Ensure the receipt of goods is indicated on invoices prior to being approved for payment.

**AUDITEE'S RESPONSE**

- A. *The city is in the process of establishing a bidding policy. The city would note that there is no state law requiring or mandating the adoption of such a bidding policy and thus no law has been violated.*
- B. *We concur. This is a practice already established through purchase orders and verbal confirmation of goods or services received. Signatures of department supervisors will be required on packing slips or invoices in the future.*

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| <b>5. Personnel Policies and Procedures</b> |
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- A. Department supervisors complete daily reports indicating the number of hours each of their assigned employees worked for each city department. The City Clerk uses the daily reports to allocate salaries and fringe benefits to the appropriate funds. The daily reports are not signed by the preparers or the employees, and are not approved by the supervisors of the other departments to which hours were charged. Time sheets are prepared but are not always signed by the appropriate supervisor and do not indicate the hours worked for each department.

Time sheets which indicate the hours worked for each department should be prepared by each employee and approved by each applicable supervisor. This helps ensure that payroll costs are charged to the appropriate funds.



- B. The city is not consistently following its leave accumulation policy. Some employees were allowed to exceed the maximum accumulations. One employee's sick leave balance exceeded the maximum accumulation by three and one-half days and two other employees' vacation leave balances exceeded the maximum by twenty hours and nineteen hours, respectively. The city should follow its leave accumulation policy to ensure equitable treatment for all employees. Any exceptions to the policy should be approved by the Board of Aldermen.
- C. The Police Chief and City Collector accrue personal days, vacation leave, and sick leave. The city pays these elected officials for unused leave when they leave office. Annual salaries of city elected officials are set under state law and city ordinance. State law does not authorize compensated leave for elected officials.

**WE RECOMMEND** the Board of Aldermen:

- A. Require employees to prepare time sheets which include actual hours worked for each city department. The time sheets should be approved by all applicable supervisors to help ensure employee salary costs and fringe benefits will be properly allocated to the appropriate funds.
- B. Ensure employees are not allowed to accumulate leave balances in excess of the maximum allowed by city personnel policy. Any exceptions to the policy should be approved by the Board of Aldermen.
- C. Discontinue the practice of providing compensated absence benefits to elected officials.

**AUDITEE'S RESPONSE**

- A. *We concur. New time sheets have already been adopted that meet all the necessary requirements to appropriately allocate salaries and fringe benefits to the appropriate funds at the time of payroll.*
- B. *We concur. A personnel policies and procedures manual is in the process of being reviewed with changes being made that the board feels are appropriate based on cost benefit analysis and the best interest of the citizens and employees of the city of La Plata. It is important to note that no law has been violated.*
- C. *We concur. This practice has already been discontinued.*

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| <b>6.</b> | <b>Park and Recreation Board Records and Procedures</b> |
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The city owns a golf course and a lake which are operated under the authority of the Park and Recreation Board. Our review noted the following concerns:

- A. Board minutes were not retained for meetings prior to January 24, 2000. Minutes of board meetings should be retained to reflect such public decisions as bidding, contracting, and other significant matters.

In addition, board minutes were not signed. The board minutes should be signed by the board secretary as preparer and board president to provide an independent attestation that the minutes are a correct record of the matters discussed and action taken during the board's meetings.

Section 610.020, RSMo Cumulative Supp. 1999, requires minutes of meetings to be retained by public governmental bodies. Besides being required by state law, minutes provide an official record of board actions and decisions.

- B. The method of payment received (cash, check, credit card) is not recorded on receipt slips issued at the golf course and the lake. To ensure all receipts are properly recorded and deposited, the method of payment received should be indicated on all receipt slips, and the composition of receipt slips should be reconciled to the composition of monies remitted to the city.
- C. Golf course receipts are transmitted to the city approximately once a week and receipts are not always kept in a secure location. Prior to transmittal, some receipts are kept in an unlocked box in an unlocked drawer. Weekly transmittal amounts for the month of June 2000 ranged from \$2,767 to \$5,735. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be kept in a secure location and transmitted to the city daily or when accumulated receipts exceed \$100.

**WE RECOMMEND** the Park and Recreation Board:

- A. Ensure minutes are retained for all meetings and signed by the board secretary and board president to attest to their completeness and accuracy.
- B. Require the method of payment be recorded on all receipt slips and the composition of receipts be reconciled to the composition of monies transmitted to the city.
- C. Keep monies in a secure location and transmit receipts to the city daily or when receipts exceed \$100.

**AUDITEE'S RESPONSE**

- A. *We concur. Procedures for assuring that appropriate minutes and documentation have already been established and are currently being practiced. Minutes will be maintained in the vault at City Hall.*

*B&C. We concur. Based on standard accounting principles, procedures will be established based on cost benefit analysis. However, it is important to note that this is an accounting issue, and there is no evidence of misappropriation or missing funds and no law has been violated.*

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| <b>7. City Library</b> |
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City library monies are held in the custody of both the city and the Library Board. The city has custody of the library's property taxes, interest, grant receipts, operating revenues, and subsidies from other city funds. The Library Board only has custody of donations and memorial contributions received. The Board of Aldermen approves disbursements from the Library Fund within the city treasury and approves the library's annual budget. The city also maintains the library's payroll records. The Library Board approves disbursements of monies held in its custody. There is no written agreement between the city and the Library Board to outline the responsibilities of each party.

Section 182.200, RSMo Cumulative Supp. 1999, indicates all monies received by the city for a city library shall be disbursed to the library board treasurer monthly and city library boards shall have exclusive control of the expenditure of library monies.

**WE RECOMMEND** the Board of Aldermen and Library Board ensure all statutory provisions applicable to city library boards are being met. If the city continues to provide services to the Library Board, these services should be documented in written agreements.

**AUDITEE'S RESPONSE**

*We concur. Changes are in the process of being made that the board and City Attorney feel are appropriate based on cost benefit analysis, the best interest of the citizens of La Plata, and state statutes.*

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| <b>8. City Cemetery</b> |
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The city of La Plata owns the land on which the city cemetery is located. The city allows the La Plata Cemetery Association (LCA), a benevolent corporation, to maintain custody of all monies received for the preservation, care, upkeep, and adornment of the city cemetery, including money received from the sale of cemetery lots, and to make all decisions regarding the use of these monies; however, the city has not entered into a written agreement with the cemetery association defining the rights and responsibilities of each entity, and has not established procedures to ensure the LCA is in compliance with statutory requirements regarding the investment and use of cemetery monies.

Section 140.040, La Plata City Code, requires all money received from the sale of cemetery lots to be paid into the city treasury to be expended under the direction of the

Board of Aldermen in maintaining, beautifying and improving the cemetery. Section 79.430, RSMo 1994, indicates cities and their officers have jurisdiction over city cemeteries. Chapter 214, RSMo 1994, includes provisions governing the operation of public cemeteries.

The city does not require the LCA to be audited or to provide financial reports to the board on a regular basis. The last financial report the LCA submitted to the board was for the year ending December 31, 1998. The report indicated the LCA had a checking account balance of \$43,312 at January 1, 1998, received \$28,587, disbursed \$26,935, and had a checking account balance of \$44,964 at December 31, 1998, but it did not list the balances of the LCA's other bank accounts. At June 30, 2000, the LCA was holding over \$400,000, in a money market account, a savings account, and certificates of deposit. In addition, the custodian of these funds is not bonded.

If the city plans to continue allowing the LCA to control cemetery monies, the city should obtain a written agreement documenting the rights and responsibilities of each entity. The agreement should require the LCA to provide complete financial reports to the city on a regular basis and require bonding of the custodian of cemetery funds. The city should establish procedures to ensure the cemetery is operated in compliance with Chapter 214, RSMo 1994. Also, the city should review Section 140.040, La Plata City Code, make any necessary revisions, and ensure the city complies with the city code.

**WE RECOMMEND** the Board of Aldermen obtain a written agreement with the La Plata Cemetery Association to ensure the rights and responsibilities of all parties are specifically outlined. The agreement should require the cemetery association to provide complete financial reports to the board periodically and require bonding of the custodian of cemetery funds. In addition, the board should establish procedures to ensure the cemetery is operated in compliance with state law. The board should also consider updating the codification of city ordinances to help ensure all ordinances are current, reflect the board's intentions, and are complied with.

#### **AUDITEE'S RESPONSE**

*We concur. Changes are in the process of being made that the board and City Attorney feel are appropriate based on cost benefit analysis and state statutes.*

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| <b>9. Fire Protection Services</b> |
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The city owns a fire station which is occupied by both the La Plata Volunteer Fire Department (LVFD) and the La Plata Rural Fire Protection Association (LRFPA). These entities are both not-for-profit corporations. Other than a building rental agreement between the city and the LRFPA, there are no written agreements between the city and these entities which outline the rights and responsibilities of each party, and as a result, the city has little assurance that city monies and assets are only used to provide fire protection services to city residents.

The LVFD serves the city and other areas within a radius of approximately ten miles from the fire station. The operating expenses of the LVFD are paid by the city, and the LVFD also receives money from fundraising activities. During the year ended June 30, 2000, the city paid approximately \$34,000 for personal service and other operating costs of the LVFD. Most of the equipment used by the LVFD is owned by the city.

The LRFPA provides services to areas outside the city limits. Its operations are funded mostly from dues received from its members. The LRFPA owns most of its own equipment, except for a tanker truck which is jointly owned by the city and the LRFPA. The LRFPA reimburses the city for one-half of the operating costs of the tanker, and the LRFPA also makes building rental payments to the city.

The same person serves as the fire chief for both organizations, and most firefighters serve for both organizations. From July 1999 through May 2000 (which is the most recent data provided by the fire chief), these organizations responded to 37 calls within the city limits and 42 calls outside the city limits. There have been no formal studies regarding the percentage of services provided to city and non-city residents, and other than the building rental agreement, the cost allocations between the city and these entities are based on informal verbal agreements.

**WE RECOMMEND** the Board of Aldermen conduct a formal analysis of the fire protection costs incurred by the city, the LVFD, and the LRFPA, and determine the percentage of costs related to residents and property within the city limits. The city should enter into written agreements with the LVFD and LRFPA which clearly document the costs to be paid by each entity and the rights and responsibilities of each party.

#### **AUDITEE'S RESPONSE**

*We feel this is not a major issue and the public benefits greatly by these services. Periodic review of the relationships between the city and the LRFPA and LVFD will be done. Any changes in regard to fire protection services will be made based on cost benefit analysis and the welfare of the citizens of the City of La Plata.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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**REVIEW OF  
GOVERNOR OFFICE BUILDING  
RENOVATION AND LEASE AGREEMENT**

From The Office Of State Auditor  
Claire McCaskill

Report No. 2000-125  
December 14, 2000

There were no significant issues disclosed in the bidding for the renovation contract and the lease agreement for space. Two minor issues regarding expenses and space use were disclosed

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

PERFORMANCE AUDIT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Review of Governor Office Building lease and space use disclosed only minor concerns.**

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The State Auditor's Office initiated a review of the Governor Office Building to determine if the building renovation was properly bid, the lease rate is reasonable, change orders from the original bid were reasonable, and if the building space is effectively used.

The audit did not disclose any significant problems within the scope of the review. There were two issues of concern that warrant attention.

- **Building renovation costs were inflated by Public Service Commission requirements**

The Public Service Commission, a primary tenant of the Governor Office Building, added a bullet resistant commissioner's bench at a cost of \$6,500. We do not believe this was a prudent use of public funds.

- **Some lease space was not efficient for state purposes**

The Division of Facilities Management is leasing a large ballroom for conferences, but it is not set up for practical use. The annual lease cost is \$33,000. The room is over 3,200 square feet and is not configured for sectioning off into smaller conference rooms. There are few bookings, mainly because the room is too big for most conferences. If the Division intends to continue leasing this space, the addition of room dividers would enhance the room's conference capability. The Division is considering negotiations with the developer to return the ballroom and reduce the lease costs.

YELLOW SHEET

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

December 14, 2000

Honorable Roger Wilson, Governor  
Room 216 State Capitol  
Jefferson City, MO 65101

Dear Governor Wilson:

The State Auditor's Office initiated a review of the Governor Office Building. The objectives of this review were to determine if

1. The building renovation was properly bid.
2. The current lease rate is reasonable.
3. Change orders from the original request for proposals were reasonable.
3. The building space is being effectively and efficiently used.
4. State tax credits issued during the donation and renovation phases of the building were properly managed.

Our review was limited to specific matters described above and was based on selected tests and procedures considered appropriate in the circumstances.

We did not find any material problems; however, we do have some concerns. First, the Public Service Commission had a bullet resistant commissioners' bench added to the main hearing room in the building, which increased the cost by over \$6,500. This does not appear to be a prudent use of public funds.

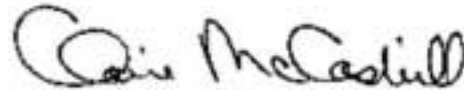
Second, the Division of Facilities Management is leasing the ballroom in the Office Building and using it as a conference room at an annual lease cost to the state of over \$33,000. This 3,268 square foot room is not being used effectively. The ballroom has very few bookings, mainly because it has too much space for most conferences, and it is not configured to be conducive to small conferences. If the Division of Facilities Management plans to continue to lease this space, it appears the addition of room dividers would substantially enhance the room's conference capability. During the course of our review, the Division of Facilities Management began discussion with the developer regarding the possibility of returning the ballroom to the developer with a corresponding reduction of the lease cost paid by the state. The state could then rent the ballroom, as needed.

The scope of the review included examining the project that started when the building was originally donated to the state in 1997. We reviewed the request for proposals, the one-time payment (change order) invoices, and the lease contract. We also toured the newly renovated Governor Office Building and researched the state tax credits involved.

Based on the results of our review of the Governor Office Building we do not plan any additional audit work at this time.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the division's expenditures, contracts, and other pertinent procedures and documents, and interviewed division personnel.

Sincerely,

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

CLAIRE C. McCASKILL  
STATE AUDITOR

STATE OF MISSOURI  
LEASE OF REAL PROPERTY

THIS LEASE, No. 02600971, made and entered into this 19th day of January 1999, by and between Hotel Governor of Jefferson City I, L.P., 232 N. Kingshighway, Apt. 1213, St. Louis, Missouri 63108 (State of Missouri Vendor Number 7280963), hereinafter called the Lessor, and the State of Missouri, by the Office of Administration, Division of Facilities Management, hereinafter called the Lessee, on behalf of the Department of Economic Development, Public Service Commission and Office of the Public Counsel, hereinafter called the Tenant.

WITNESSETH: That the Lessor, in consideration of the covenants of said Lease hereinafter set forth, does by these presents Lease to said Lessee, under the terms and conditions set forth, the premises described as follows:

200 Madison Street, Jefferson City (Cole County), Missouri 65101, hereinafter called "premises" and consisting of 74,589 net rentable square feet.

**1 TERM OF LEASE**

(a) The term of this Lease shall commence on February 15, 2000, and end June 30, 2015. It is understood and agreed between the parties that the Lease is contingent upon the Lessee receiving appropriations therefore from the Missouri General Assembly. Monies are appropriated according to the State of Missouri's fiscal year, which begins July 1, and ends June 30. In the event that sufficient funds are not appropriated by the Missouri General Assembly for any fiscal year during this Lease, Lessee shall immediately notify Lessor of the event of non-appropriation. Lessee shall vacate the premises no later than July 1. The Lease shall be deemed to have expired of its own terms and Lessee shall have no further obligation hereunder.

(b) The Lessor grants to the Lessee the option to extend the Lease for three 2 month periods following the above ending date at the same rental rate as paid during the final renewal period. Lessee must notify Lessor of its intent to exercise the extension no later than 60 days before the expiration date or 30 days before the expiration of any extension period.

**2. RENTS**

The annual rent shall be in the amount of SIX HUNDRED SEVENTY-SEVEN THOUSAND TWO HUNDRED SIXTY-EIGHT DOLLARS AND TWELVE CENTS (\$677,268.12), payable monthly in arrears in the amount of FIFTY-SIX THOUSAND FOUR HUNDRED THIRTY-NINE DOLLARS AND ONE CENTS (\$56,439.01), upon prior invoices submitted by Lessor.

**3. TAXES**

If the base real estate tax rate existing at the time of award increases more than ten percent during the life of the Lease, and the Lessor provides full documentation of such increases, the state will, at its option, either increase the rental rate or provide a lump sum payment for the amount of the tax increase in excess of ten percent.

**4. RENEWAL TERMS**

In the event the Lessee remains in possession of the premises after the expiration date of said Lease or any renewal period without extending the Lease or without executing a new Lease, the Lessee shall be deemed to be occupying the premises as a Lessee from month-to-month, with the parties therefore subject to existing provisions of law and all of the conditions of said Lease insofar as they are applicable to a month-to-month tenancy, except that the Lessor agrees to accept the said rental rate on a monthly basis until the premises are vacated by the Lessee or until the parties enter into a new agreement, whichever is sooner.

**5 CONSTRUCTION AND RENOVATION**

(a) The Lessor shall remodel, construct, and equip the premises in accordance with RFP #02600971 and Bid Proposal, which are made a part hereof by reference, and the premises shall be prepared to the satisfaction of the Lessee. The building and premises must be accessible as defined by the Americans with Disabilities Act Accessibility Guidelines, enacted by the Federal Government on July 26, 1990, which went into effect January 26, 1992.

(b) In the event the Lessor fails to remodel, construct and equip the premises in accordance with Paragraph (4)(a) by the guaranteed occupancy date as stated in Lessor's Bid Proposal, liquidated damages in the amount of twice the per diem rental shall be assessed for each calendar day thereafter that the Lessee is prevented from occupying the premises by reason of such failure, and the rent provided for herein shall be forfeited and shall not be payable until the premises are ready for occupancy.

(c) Extensions of time for the date of occupancy may be granted by Lessee for delays due to abnormal weather which actually impedes work progress. The records of the U.S. Weather Service for the last ten years for the time and place of occurrence of the abnormal weather shall be used to establish what is normal. Time extensions may also be granted for delays due to labor strikes, acts of God, fire, and non-delivery of materials by third persons, provided Lessor provides satisfactory evidence that the materials were ordered in sufficient time to support ordinary construction progress.

(d) The Lessor understands and agrees that all alterations, renovations and improvements, the cost of which exceeds \$25,000.00 made to the premises during the life of the Lease including all renewal and extension periods, shall be made in accordance with requirements as set forth in Chapter 290, RSMo.

**6. SERVICES**

(a) The Lessee agrees to pay for the utilities of heat, air conditioning, water, sewer, light, steam, gas and electricity.

(b) The Lessee agrees to provide and pay for janitorial services, equipment and supplies, including paper products (restroom tissue, paper towels, etc.).

(c) The Lessor agrees to provide 20 vehicle parking spaces located on the premises or within a reasonable distance from the premises.

(d) The Lessor shall furnish all fluorescent and incandescent light bulbs necessary on the premises. Thereafter, the Lessor shall furnish and the Lessor shall install replacements for all fluorescent and incandescent light bulbs necessary on the premises.

(e) The Lessor shall permit the Lessee to install communication systems necessary for the conduct of the Lessee's business and said systems shall remain the property of the Lessee.

(f) The Lessor will provide and pay for general garbage and trash removal from the premises.

(g) The Lessor agrees to direct and pay for removal of snow and ice from the sidewalks and parking area and to provide and pay for general lawn care.

(h) The Lessor agrees to provide and pay for effective and safe pest control (insect and rodent).

**7. USE OF PREMISES**

The Lessee agrees to use the premises for office space, so long as such use shall be deemed feasible by the Lessee, and the Lessee shall have the right to assign its rights under said Lease, in whole or in part, to any other State of Missouri agency, subject to the same conditions of said Lease. Lessee may not assign its rights under said Lease to any non-State of Missouri party

without the written consent of the Lessor. The Lessee, at its option, may sublease all or a portion of the demised space to any State of Missouri, not-for-profit or private entity. When major changes are planned, the Lessee will notify the Lessor of its intentions and request concurrence from the Lessor of the proposed changes. The Lessor will not arbitrarily withhold such concurrence.

**8. ALTERATIONS AND IMPROVEMENTS**

The Lessee shall have the right to make alterations, attach fixtures and erect additions, structures or signs in or upon the premises, which fixtures, additions or structures so placed upon or attached to the premises shall be and remain the property of the Lessee and may be removed and otherwise disposed of by the Lessee. The above changes or alterations shall in no way weaken or cause structural injury to the premises, and the altered part of the premises shall, upon removal by the Lessee, be returned to the condition existing prior to such change, alteration, installation, ordinary wear and tear excepted, if required by the Lessor.

**9. PREMISE MAINTENANCE**

(a) The Lessor shall maintain the premises in good repair and tenantable condition, including buildings, equipment, HVAC filters, fixtures and any other property furnished by the Lessor to the Lessee under said Lease. The Lessor will inspect emergency and exit lighting systems, fire extinguishers and heat and smoke detectors annually. Any malfunctioning equipment must be immediately repaired or replaced. Record of inspections shall be maintained and signed by the inspecting agent with a copy given to the tenant agency. For the purpose of so maintaining the premises and property, the Lessor may, at reasonable time and with the approval of the Lessee's authorized representative, enter and inspect the premises and make any necessary repairs.

(b) In the event the premises fall into disrepair or untenable condition arising from the Lessor's failure to perform maintenance as required by paragraph (8)(a), such that the Lessee or its employees' ability to safely or comfortably conduct business is substantially impaired, the Lessee shall notify the Lessor in writing of the general nature of the disrepair or untenable condition. Lessor shall have 60 consecutive calendar days from the date of this notice to take whatever measures are necessary to correct the disrepair or untenable condition to the Lessee's reasonable satisfaction. If the Lessor fails or neglects to take measures to correct the disrepair or untenable condition within such 60 day period, then the Lessee may, at its option, (1) take measures to correct the disrepair or untenable condition in compliance with applicable Missouri law and procedures governing the same and abate the cost of such corrective measures from the rent otherwise due without prejudice to other judicial remedies the Lessee may seek; (2) exercise its option to terminate said Lease without additional notice, vacate the premises, and recover any rent paid in advance for the period subsequent to the date that Lessee vacates the premises as well as the costs incurred by the Lessee in vacating the premises and in finding a new location; or (3) withhold all rental payments pending correction of the disrepair or untenable condition.

**10. DAMAGE OR LOSS OF PREMISES**

(a) The Lessee agrees to pay for any damage to the premises caused by the acts of Lessee or its employees, ordinary wear and tear excepted.

(b) If the premises are damaged or destroyed by fire or other casualty so as to render the premises untenable, the rent shall be abated or reduced proportionately according to the usable square feet remaining on the premises as determined by the Lessor and Lessee until the premises are restored by the Lessor. The Lessor shall not be obligated to repair or restore the premises in the event of such damage. However, the Lessor shall notify the Director or Assistant Director, Division of Facilities Management, in writing of its intent concerning repair and restoration of the premises within 15 consecutive calendar days after the date of such damage. In the event the Lessor elects not to repair or restore the premises, or in the event the Lessor elects to repair or restore the premises and they are not restored to a condition substantially as good as prior to such damage within 60 consecutive days from the date of such damage, the Lessee may, at its option, terminate the Lease by giving the Lessor ten consecutive calendar days written notice of its intent

to do so, and the Lessor shall return to the Lessee any rent paid in advance for the period subsequent to the effective date of said notice.

**11. DISREPAIR**

If, at any time, during the period of said Lease a public official, agency, architect or professional engineer registered in the State of Missouri determines that the premises do not comply with the model building codes, ordinances and requirements or that the premises are not in an adequate state of repair or are not safe for occupancy, Lessee shall notify Lessor of such fact and the Lessor shall have any such deficiencies corrected within ten consecutive calendar days of the date of such notice, or within an extension period granted at the option of Lessee. If the Lessor fails or neglects to correct such deficiencies within said time period, Lessee may, at its option, terminate said Lease without additional notice, vacate the premises and recover any rent paid in advance for the period subsequent to the date that Lessee vacates the premises as well as the costs incurred by Lessee in vacating the premises and in finding a new location.

**12. INDEMNIFICATION**

The Lessor shall indemnify and hold the Lessee harmless from all liabilities, charges, expenses (including counsel fees) and costs arising on account of or by reason of any injuries, liabilities, claims, suits or losses directly resulting from a dangerous condition existing on the premises at the time of the injury, unless the said dangerous condition shall have been caused or created by or have resulted from the negligence or wrongful act or omission of an employee of the Lessee within the course of said employee's employment.

**13. NOTICES**

(a) Any notice by Lessor concerning said Lease shall be deemed sufficient if sent by certified mail, return receipt requested, to:

Division of Facilities Management  
Facility Leasing Section  
3225 West Truman Boulevard, Suite 100  
Jefferson City, Missouri 65109

(b) In the event of default by Lessor or termination by the Lessee, notice will also be sent to:

Mercantile Bank Community Development Corp. Inc.  
Attention: Kathy Bader  
10 North Hanley  
Clayton, Missouri 63105

Any notice by Lessee concerning said Lease shall be deemed sufficient if sent by the Director or Assistant Director, Division of Facilities Management, by certified mail, return receipt requested, to the mailing address provided and updated by Lessor and subsequently set forth in the Missouri Automated Procurement System.

**14. APPROPRIATIONS**

It is understood between the parties that moneys to fund rental and all other payments due under said Lease are annually appropriated by the Missouri General Assembly for one fiscal year beginning on July 1. It is understood and agreed by the parties that said Lease shall not be binding upon the Lessee unless and until general appropriations have been made by the Missouri General Assembly and, if applicable, funds have been received from the United States Government for payment of rental or for any other payment under said Lease on behalf of the Lessee for any fiscal year during the initial period or any renewal or extension period of said Lease.

**15. BINDING AND ENTIRE AGREEMENT**

The covenants and agreements contained in said Lease shall be binding upon and shall inure to the benefit of the parties of said Lease, their respective successors, administrators, executors and assigns.

IN WITNESS WHEREOF, we have hereunto affixed our signatures.

LESSEE:

Office of Administration

By: Richard A. Hanson

Richard A. Hanson  
Commissioner of Administration

LESSOR:

Hotel Governor of Jefferson City I, L.P.

By: Bruce D. Cohn

Hotel Governor of Jefferson City, L.L.C.

By: Bruce D. Cohn

Bruce David Cohn

Date: 2-24-99

Date: 2/17/99

## ADDENDUM TO LEASE

This ADDENDUM TO LEASE (the "Addendum") is attached to and forms a part of that certain LEASE AGREEMENT (the "Lease") dated \_\_\_\_\_, 199\_, by and between HOTEL GOVERNOR OF JEFFERSON CITY I, L.P., as landlord ("Landlord"), and OFFICE OF ADMINISTRATION, ACTING ON BEHALF OF THE STATE OF MISSOURI, as tenant ("Tenant"), which Lease leases and covers certain "Leased Premises" being Suite \_\_\_\_\_, of the Landlord's land and building known as Governor Hotel, 200 N. Madison, Jefferson City, Missouri (the "Project").

Landlord and Tenant hereby agree and provide that the Lease is amended and supplemented by adding the following additional provisions to the Lease, to-wit:

1. Right of First Refusal to Purchase the Project. Provided that Tenant is not then in default under the Lease (beyond the expiration of any applicable grace, notice and cure periods contained in the Lease), Landlord hereby grants unto Tenant the "Right of First Refusal" to purchase the Project during the Term of the Lease (or any renewal term), upon the following terms and conditions, to-wit:

(a) At such time as Landlord determines that it intends or desires to market and sell the Project to third-parties, the Landlord shall give Tenant written notice of Landlord's intent or desire to market and sell the Project to third-parties (the "Landlord's Marketing Notice"); provided, however, that Landlord agrees and covenants that Landlord's actual marketing and sales efforts with respect to the Project shall not begin and commence until the "Marketing Date" as determined below.

(b) The "Marketing Date" shall be that date which is the earlier of: (1) fifteen (15) months after the Landlord's Marketing Notice to Tenant; or (2) the Governor of the State of Missouri signs into law appropriate appropriation and related laws authorizing and funding the purchase of the Project by the Tenant. The Landlord anticipates that the Marketing Date will not occur prior to February 15, 2005.

(c) In the event that, on or after the Marketing Date, the Landlord receives a bona fide written purchase offer (the "Purchase Offer") from a third-party to purchase the Project at a purchase price (and upon other terms and conditions) which Landlord and all of its partners have determined to accept, then Landlord shall give Tenant written notice of such proposed sale of the Project pursuant to such Purchase Offer (together with a copy of the proposed sale contract for such Purchase Offer, for the proposed sale of the Project to such third-party purchaser). Thereafter, Tenant shall have thirty (30) days from Landlord's notice in which to exercise its Right of First Refusal hereunder to purchase the Project for the same purchase price contained in, and upon the same terms and conditions as, the third-party Purchase Offer, except that, notwithstanding the terms of the third-party Purchase Offer, the Landlord and Tenant agree that: (1) the closing of the sale of the Project to Tenant shall not be earlier than sixty days from the date of Landlord's notice to Tenant; (2) the entire purchase price consideration to be paid by Tenant to Landlord shall be in cash; (3) the purchase of the Project by Tenant shall not be subject to any contingencies, other than matters of title and survey; (4) the sale to Tenant shall be closed in accordance with local title company usage and custom, with normal, customary and appropriate prorations and adjustments of rents, security deposits and other items customarily adjusted or prorated (other than real estate taxes); and (5) at the Closing of the sale of the Project by Landlord to Tenant, the Landlord shall convey the Project to Tenant by Special Warranty Deed, free and clear of all mortgages, deeds of trust, and other financing liens and encumbrances whatsoever, but subject to general taxes for the year of closing, and subject to all easements, restrictions, reservations and rights of way of record, and subject to all other assessments and special taxes which are not then due and payable, and subject to all leases and tenancies then in effect. With respect to general taxes for the year of Closing, the parties agree and acknowledge that: the real estate taxes for the year of Closing shall not be prorated or adjusted between the parties; upon Tenant's acquisition of the Project, the Project shall thereupon be and become exempt from further real estate taxes; and Landlord shall pay when due, and be responsible for payment



when due, of all applicable real estate taxes for the Project for the year of Closing, which obligation of Landlord shall survive the Closing. In order to exercise its Right of First Refusal to purchase the Project pursuant hereto, Tenant shall give Landlord written notice of exercise, within the thirty (30) day period specified above.

(d) In the event that, within the thirty (30) day period specified above, the Tenant (by written notice to Landlord) timely exercises its Right of First Refusal, then thereupon the Landlord and the Tenant shall: (1) enter into and execute a contract or agreement for the sale and purchase of the Project consistent with the terms of this Addendum and the terms of the third-party Purchase Offer (as modified by the terms of this Addendum and the Right of First Refusal hereunder); and (2) proceed to the Closing of the sale and purchase of the Project consistent with the terms of this Right of First Refusal.

(e) If Tenant fails to exercise such Right of First Refusal within said thirty (30) day period, then: (1) Landlord may proceed with the sale of the Project to the third-party purchaser on substantially the same terms and conditions set forth in the proposed third-party Purchase Offer submitted by Landlord to Tenant; and (2) upon the expiration of the thirty (30) day period, Tenant shall provide Landlord with the Tenant's written confirmation that it has not exercised its Right of First Refusal under this Lease. Upon the closing in fact of such sale of the Project to the third-party purchaser pursuant to such third-party Purchase Offer, the Tenant's Right of First Refusal shall terminate and the Tenant shall have no further Right of First Refusal to purchase the Project pursuant to the Lease. If the sale of the Project to the third-party purchaser fails to close pursuant to such third-party Purchase Offer, then the Project shall remain subject to the Tenant's Right of First Refusal under this Lease.

(f) The Tenant's Right of First Refusal to purchase the Project shall terminate on the earliest of: (1) the expiration or termination of the term of the Lease without the renewal thereof, or any other termination of the Lease pursuant to its terms; or (2) Tenant's written notification to Landlord (in recordable form) of Tenant's voluntary relinquishment and termination of the Tenant's Right of First Refusal to purchase the Project; or (3) as provided in Section 1(e) of this Addendum, upon the closing in fact of the sale and purchase of the Project to a third-party purchaser pursuant to the third-party Purchase Offer.

(g) The Tenant's Right of First Refusal to purchase the Project shall not be assignable by Tenant. The Tenant's Right of First Refusal shall terminate in the event of any assignment of the Lease by the Tenant to any third-party. The Tenant's Right of First Refusal shall terminate in the event of any termination of the Lease. In addition, Tenant shall not have the right to exercise its Right of First Refusal to purchase the Project in the event that Tenant is in default under the Lease (beyond the expiration of any applicable grace, notice and cure periods contained in the Lease).

(h) Landlord and its General Partner agree, provide and covenant that any and all rights of the General Partner to purchase the Project from the Landlord pursuant to the limited partnership agreement of the Landlord or pursuant to any other agreement between Landlord and General Partner, are and shall be junior, subordinate and inferior to Tenant's Right of First Refusal hereunder. By separate joinder herein, the General Partner agrees to and confirms the foregoing subordination of the General Partner's purchase rights, to the Right of First Refusal granted to the Tenant pursuant to this Addendum. Landlord agrees and covenants that Tenant's Right of First Refusal to purchase the Project pursuant to the Lease is and shall be senior and superior to any and all rights of the General Partner to purchase the Project from the Landlord.

(i) In consideration for the Landlord's grant to the Tenant of the Right of First Refusal contained in the this Addendum, the Landlord and Tenant agree and provide that any and all option(s) to purchase the Project by and in favor of the Tenant contained in and/or granted pursuant to the Lease, the request(s) for proposals, proposal letter(s) (and supplements thereto and/or in connection therewith) from the Landlord or the General Partner to the Tenant, hereby are waived and relinquished by the Tenant, and hereby are deleted from

said documents in their entirety. The parties agree and acknowledge that, at any time, the Tenant may submit to Landlord offers to purchase the Project, not in connection with the Lease and this Right of First Refusal; and nothing contained herein shall affect Tenant's right at any time to offer to purchase the Project from Landlord, not in connection with the Lease and this Right of First Refusal.

2. Disrepair of Premises. Landlord and Tenant agree that Section 11 of the Lease is amended in pertinent part to provide that: (a) the Tenant's notice to Landlord shall contain a detailed description of the repairs or work required; and (b) the ten (10) day cure period contained in Section 11 shall be deemed extended for the appropriate period reasonably required by Landlord to effect cure given the nature of the repairs or work required, provided that, upon Landlord's receipt of Tenant's notice, the Landlord promptly commences cure and thereafter diligently prosecutes cure with due diligence and continuity to completion, and further provided that such cure period not exceed sixty (60) days total.

3. Memorandum of Lease. The parties agree that neither the Lease nor this Addendum shall be recorded, except upon the mutual written agreement of the parties. However, upon the request of either party, Landlord and Tenant agree to execute and record in the Real Estate Recorder's Office for the County of Cole, State of Missouri, a Memorandum of the Lease, this Addendum and the Right of First Refusal to purchase hereunder.

4. Miscellaneous. All Capitalized terms not herein defined shall have the meanings ascribed to such terms in the Lease. As supplemented and amended herein and hereby, the Lease is confirmed and ratified, and is in full force and effect, as of the date hereof. This instrument shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, heirs and permitted assigns. This instrument shall be governed by and construed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the parties have executed this instrument as of the dates set forth below their signatures.

LANDLORD

HOTEL GOVERNOR OF  
JEFFERSON CITY I, L.P.,  
a Missouri limited partnership

By: Bruce D. CoHN  
Print: BRUCE D. COHN  
Title: Its General Partner

Dated: 2/17, 1999

SUBORDINATION UNDER SECTION 1(h) AGREED  
AND CONFIRMED BY GENERAL PARTNER:

Hotel Governor of Jefferson City, LLC

x Bruce D. CoHN  
Print: BRUCE D. COHN

TENANT

OFFICE OF ADMINISTRATION,  
ACTING ON BEHALF OF THE STATE OF MISSOURI

By: Rubel G. Hanson  
Print: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated 2/24, 1999

between

Hotel Governor of Jefferson City, L.L.C.,

LESSOR,

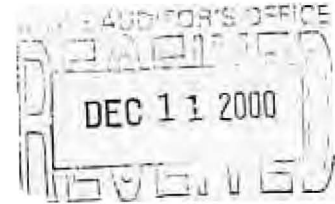
and the

STATE OF MISSOURI,

by the Office of Administration,

Division of Facilities Management,

LESSEE



THERE NOW exists a Lease dated the 19th day of January, 1999, by and between Hotel Governor of Jefferson City, L.L.C., 501 St. Louis Avenue, East St. Louis, Illinois 62201, hereinafter called the Lessor, and the State of Missouri, by the Office of Administration, Division of Facilities Management, hereinafter called the Lessee, on behalf of the Department of Economic Development, Public Service Commission and Office of the Public Counsel, hereinafter called the Tenant.

WHEREAS, said Lease involves the leasing of the property located at 200 Madison Street, Jefferson City (Cole County), State of Missouri; and

NOW THEREFORE, said Lease is amended as follows:

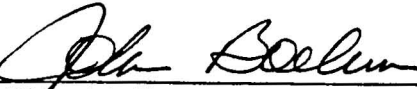
1. Add 7,550 net rentable square feet, for a total of 82,139 net rentable square feet.
2. Change paragraph (1)(a) to read as follows: The term of this Lease shall commence on June 15, 2000, and end June 30, 2015.
3. Change paragraph (2) to read as follows: The annual rent shall be in the amount of **SEVEN HUNDRED FORTY-FIVE THOUSAND EIGHT HUNDRED TWENTY-TWO DOLLARS AND TWELVE CENTS (\$745,822.12)**, payable monthly in arrears in the amount of **SIXTY-TWO THOUSAND ONE HUNDRED FIFTY-ONE DOLLARS AND EIGHTY-FOUR CENTS (\$62,151.84)**, upon prior invoices submitted by Lessor.

ALL other conditions described in the original Lease agreement shall remain in force.

IN WITNESS WHEREOF, we have hereunto affixed our signatures.

LESSEE

State of Missouri



Richard A. Hanson  
Commissioner of Administration

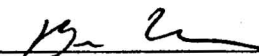
Date:

9/21/99

Rev. 6/05/97 - rcw

LESSOR

Hotel Governor of Jefferson City, L.L.C.



Date:

9/13/99

AMENDMENT #2 TO LEASE #02600791

between

Hotel Governor of Jefferson City, L.L.C.

LESSOR,

and the

STATE OF MISSOURI,

by the Office of Administration,

Division of Facilities Management,

LESSEE

THERE NOW exists a Lease dated the 19th day of January, 1999, by and between Hotel Governor of Jefferson City, L.L.C., 501 St. Louis Avenue, East St. Louis, Illinois 62201, hereinafter called the Lessor, and the State of Missouri, by the Office of Administration, Division of Facilities Management, hereinafter called the Lessee, on behalf of the Department of Economic Development, Public Service Commission and Office of the Public Counsel, hereinafter called the Tenant.

WHEREAS, said Lease involves the leasing of the property located at 200 Madison Street, Jefferson City (Cole County), State of Missouri; and

NOW THEREFORE, said Lease is amended as follows:

Add 2,266 net rentable square feet on the 10<sup>th</sup> floor, for a total of 84,405 net rentable square feet.

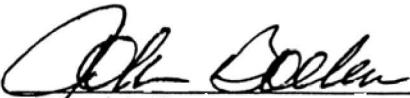
2. Add TWENTY THOUSAND FIVE HUNDRED EIGHTY DOLLARS AND NO CENTS (\$20,580.00) to the annual lease rate for a total of SEVEN HUNDRED SIXTY-SIX THOUSAND FOUR HUNDRED TWO DOLLARS AND TWELVE CENTS (\$766,402.12) payable monthly in arrears at the rate of SIXTY-THREE THOUSAND EIGHT HUNDRED SIXTY-SIX DOLLARS AND EIGHTY-FIVE CENTS (\$63,866.85).

ALL other conditions described in the original Lease agreement shall remain in force.

IN WITNESS WHEREOF, we have hereunto affixed our signatures.

LESSEE

Office of Administration



Richard A. Hanson  
Commissioner

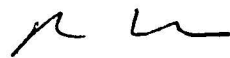
Date:

7/6/00

Rev. 12/01/99 - rs

LESSOR

Hotel Governor of Jefferson City, L.L.C.



Date:

6/28/00

AMENDMENT #4 TO LEASE #02600791

between

Hotel Governor of Jefferson City, L.L.C.,

LESSOR,

and the

STATE OF MISSOURI,

by the Office of Administration,

Division of Facilities Management,

LESSEE

THERE NOW exists a Lease dated the 19th day of January, 1999, by and between Hotel Governor of Jefferson City, L.L.C., 501 St. Louis Avenue, East St. Louis, Missouri 62201, hereinafter called the Lessor, and the State of Missouri, by the Office of Administration, Division of Facilities Management, hereinafter called the Lessee, on behalf of the Department of Economic Development, Public Service Commission, and Office of Public Counsel, hereinafter called the Tenant.

WHEREAS, said Lease involves the leasing of the property located at 200 Madison Street, Jefferson City (Cole County), State of Missouri; and

NOW THEREFORE, said Lease is amended as follows:

Paragraph (1): Add Janitorial Service for the 10<sup>th</sup> floor, to the lease. The total price for the janitorial contract shall remain the same for three years to expire June 20, 2003.

Paragraph (2): Add \$2,515.26 annual for janitorial service on 10<sup>th</sup> floor. Total annual rent payment of \$860,057.38.

ALL other conditions described in the original Lease agreement shall remain in force.

IN WITNESS WHEREOF, we have hereunto affixed our signatures.

LESSEE

Office of Administration



Lin Appling, Director

Division of Facilities Management

Date:

10/13/00

LESSOR

Hotel Governor of Jefferson City, L.L.C.



Date:

10/12/00

AMENDMENT #3 TO LEASE #02600791

between

Hotel Governor of Jefferson City, L.L.C.,

LESSOR,

and the

STATE OF MISSOURI,

by the Office of Administration,

Division of Facilities Management,

LESSEE

THERE NOW exists a Lease dated the 19th day of January, 1999, by and between Hotel Governor of Jefferson City, L.L.C., 501 St. Louis Avenue, East St. Louis, Missouri 62201, hereinafter called the Lessor, and the State of Missouri, by the Office of Administration, Division of Facilities Management, hereinafter called the Lessee, on behalf of the Department of Economic Development, Public Service Commission, and Office of Public Counsel, hereinafter called the Tenant.

WHEREAS, said Lease involves the leasing of the property located at 200 Madison Street, Jefferson City (Cole County), State of Missouri; and

NOW THEREFORE, said Lease is amended as follows:


1. Add Janitorial Service as proposed May 10, 2000, to the lease. All terms and conditions including price for the janitorial contract shall remain the same for three years to expire June 30, 2003.
2. Add NINETY-ONE THOUSAND ONE HUNDRED FORTY DOLLARS AND NO CENTS (\$91,140.00) annually for a total annual lease rate of EIGHT HUNDRED FIFTY-SEVEN THOUSAND FIVE HUNDRED FORTY-TWO DOLLARS AND TWELVE CENTS (\$857,542.12) paid monthly in arrears at the rate of SEVENTY-ONE THOUSAND FOUR HUNDRED SIXTY-ONE DOLLARS AND EIGHTY-FOUR CENTS (\$71,461.84).

ALL other conditions described in the original Lease agreement shall remain in force.

IN WITNESS WHEREOF, we have hereunto affixed our signatures.

LESSEE

Office of Administration

  
\_\_\_\_\_  
Richard A. Hanson  
Commissioner

Date: 8/7/00

Rev. 12/01/99 - rs

LESSOR

Hotel Governor of Jefferson City, L.L.C.

  
\_\_\_\_\_

Date: 8/2/00



LINCOLN COMMUNITY NURSING HOME DISTRICT

YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-124  
December 14, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Lincoln Community Nursing Home District, Lincoln, Missouri.**

-----

The district did not prepare a budget for the year ended June 30, 1998 and the budget prepared for the year ended June 30, 1999 was not adopted by the board. State law requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. In addition, the approved budget for the year ended June 30, 2000, did not include a budget message, a comparative statement of actual revenues and expenditures by budget category for the two preceding years, or a budget summary as required by law.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of district operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by account, and include the beginning available resources and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

For the year ended June 30, 2000, the district approved expenditures in excess of the budgeted amount by \$35,809. The board did not receive periodic reports so that it could compare actual revenues and expenditures to budgeted amounts.

The district did not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase was made on an item-by-item basis. During the past several years, bids were either not solicited, bid documentation was not retained, or the lowest bid was not always accepted. Examples include, bid documentation could not be located for a \$3,341 folding door and the district spent \$9,690 for computers and the lowest bid (which was \$9,290) was not accepted. There was no documentation to indicate the reason why the higher bid was accepted.

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the district's business.

(over)

YELLOW SHEET



The board conducted several closed meetings during the years ended June 30, 1999 and 2000; however, the minutes did not always document the related vote or the reasons for closing the meeting. State law requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.

The board minutes did not always include sufficient detail of matters discussed and actions taken at the board's meetings. For example, in March 1998 the district approved a proposal to upgrade the computers. The minutes do not indicate the bids that were submitted and which bid the district approved. In addition, the minutes of the board meetings did not always contain information required by state law. When the minutes indicated a motion had been passed, the minutes did not generally indicate the number of votes for and against.

The district did not have a formal policy regarding public access to district records. A formal policy regarding access to district records would establish guidelines for the district to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. State law lists requirements for making district records available to the public.

LINCOLN COMMUNITY NURSING HOME DISTRICT

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Directors  
Lincoln Community Nursing Home District  
Lincoln, Missouri 65338

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Lincoln Community Nursing Home District. The nursing home district had engaged Wilson, Toellner & Associates, Certified Public Accountants (CPA), to perform a financial audit of the district for the year ended June 30, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA. Our audit of the district included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

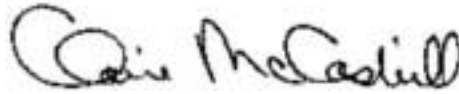
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, policies, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, policies, and various district financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and was not subjected to the auditing procedures applied during our audit of the district.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Lincoln Community Nursing Home District.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 26, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Karen Laves, CPA      |
| Audit Manager:      | John Luetkemeyer, CPA |
| Audit In-Charge:    | Nicole Brackman       |

## HISTORY AND ORGANIZATION

## LINCOLN COMMUNITY NURSING HOME DISTRICT HISTORY AND ORGANIZATION

The Lincoln Community Nursing Home District is located in Benton and Pettis Counties and is a nursing home district established pursuant to Chapter 198, RSMo. The district was organized following voter approval in July 1969. The district operates a 60 bed nursing home in Lincoln, Missouri. At June 30, 2000, the district had 60 employees.

A six-member Board is elected for three-year terms, serves without compensation, and is the policy-making body for the district's operations. Members of the Board at June 30, 2000 and their current terms of office are:

| <u>Name and Position</u>              | <u>Current Term Expires</u>    |
|---------------------------------------|--------------------------------|
| Jerry Rank, President                 | April 2003                     |
| Dr. Donald J. Allcorn, Vice President | April 2001                     |
| Janice Swearngin, Secretary           | April 2002                     |
| Barbara Mehrens, Treasurer            | April 2001                     |
| Rhonda Reedy, Member                  | April 2003                     |
| Gary Neumann, Member                  | April 2002                     |
| <br><u>Other Principal Official</u>   | <br><u>Annual Compensation</u> |
| Erma Leming, Administrator            | \$47,629                       |

The elected officials and the employees are covered by a \$2,000,000 public official liability bond for each wrongful act.

Assessed valuation and tax rate information for the district are as follows:

|                    |             |             |
|--------------------|-------------|-------------|
|                    | <u>1999</u> | <u>1998</u> |
| Assessed Valuation | 31,761,219  | 30,571,569  |
| Tax Rate           | .05         | .05         |

## MANAGEMENT ADVISORY REPORT

## LINCOLN COMMUNITY NURSING HOME DISTRICT SUMMARY OF FINDINGS

1. Expenditures (pages 7-9)

The district does not have a formal bidding policy. A listing of checks is not approved by the board prior to payment and included with the minutes and the receipt of goods or services is not indicated on some invoices. The district made some expenditures which were not a prudent use of public funds and supporting documentation was not retained for a disbursement made in 1998.

2. Budgets and Financial Reporting (pages 9-11)

A budget was not prepared for the year ended June 30, 1998 and the budget prepared for the year ended June 30, 1999 was not adopted by the board. The district overspent the budget for the year ended June 30, 2000. Financial reports were not filed on a timely basis with the State Auditor's office.

3. Meetings, Minutes, and Records (pages 11-13)

The minutes did not always indicate why the board went into a closed session. The board minutes were not signed by the president and were not always signed by the secretary. The minutes did not always include sufficient detail of matters discussed and actions taken at the board's meetings. The tentative agenda is not included with the posting of the notice of the monthly board meeting. The district does not have a formal policy regarding public access to district records.

4. Property Records (pages 13-14)

The district has not prepared and maintained detailed property records.

5. By-Laws (page 14)

The district's by-laws have not been updated to reflect current operations.



LINCOLN COMMUNITY NURSING HOME DISTRICT  
MANAGEMENT ADVISORY REPORT –

|           |                     |
|-----------|---------------------|
| <b>1.</b> | <b>Expenditures</b> |
|-----------|---------------------|

- A. The district does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past several years, bids were either not solicited, bid documentation was not retained, or the lowest bid was not always accepted. Examples include, bid documentation could not be located for a \$3,341 folding door and the district spent \$9,690 for computers and the lowest bid (which was \$9,290) was not accepted. There was no documentation to indicate the reason why the higher bid was accepted.

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the district's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The Office Manager prepares a listing of checks for the board to review. However, the register is for checks that have already been paid and the listing is not initialed to note approval by the board. The president of the board began signing checks in November 1999; however, the president does not review the supporting documentation. Prior to November 1999, only the Administrator or the Office Manager signed checks.

Good business practices require all disbursements to be closely scrutinized by the board and properly authorized. Failure to properly review supporting documentation and document the board's approval of disbursements increases the possibility of inappropriate disbursements occurring.

- C. In December 1999 and 1998, the district purchased \$50 employee gift certificates from a local merchandise store at a total cost of approximately \$3,500 in both 1999 and 1998. Also, in November 1999 the district purchased turkeys for employees at a total cost of \$715. In addition, the district disburses \$50 in an employee drawing at each pay period. In total, the district spent \$1300 during 1999 for these drawings. This additional compensation is not reported on the employee's W-2. In addition, a vendor invoice or other supporting documentation was not retained for the gift certificates purchased in 1998.

The district's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. These purchases do not appear to represent a necessary and prudent use of public funds. In addition, all expenditures should be supported by vendor invoices or paid receipts to ensure the obligation was actually incurred.

- D. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. The office manager indicated that a form is always filled out which notes the date the goods were received, however she does not always retain this document. The documentation of the receipt of goods or services is necessary to ensure the district actually received the items or services being paid.

**WE RECOMMEND** the Board of Directors:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Ensure detailed and complete listings of bills are prepared, the board's approval is reflected on the listing, and the listing is retained. In addition, the board should ensure it performs adequate reviews of all disbursements and the supporting documentation.
- C. Ensure all expenditures from district monies are a necessary and prudent use of public funds. In addition, the board should ensure all employee compensation is properly reported to the IRS, and that adequate supporting documentation is retained for all expenditures.
- D. Ensure the receipt of goods or services is indicated on invoices prior to them being approved for payment and this documentation is retained.

**AUDITEE'S RESPONSE**

- A. *The Lincoln Community Nursing Home Board of Directors approved a formal bidding policy in the July 2000 board meeting. A copy of said policy will be placed in the board minutes notebook in the Administrator's office. Since the July 2000 board meeting, all purchases for \$1,000 and under will be the decision of the Administrator, purchases from \$1,000 to \$3,000 will be determined by the Board of Directors and purchases over \$3,000 will be through a bidding process, either by public notice or telephone bids from vendors that deal with the item being selected. Henceforth, all board minutes will be more specific as to why and/or why not bids are accepted. This information will be maintained with board minutes in the month they were discussed, with supporting documentation if available.*
- B. *The Lincoln Community Nursing Home Board of Directors, since June 2000, receives a copy of the prior month's check register and it votes to approve it. The president, treasurer and*

*administrator will sign after approval. This signed copy will be kept in the board minutes notebook in the Administrator's office. The Administrator or Office Manager and one board member must sign all checks. The board accepted this process in October 1999.*

- C. *The Lincoln Community Nursing Home offers an attendance incentive which is the \$50 drawing for each pay period to one employee. This is positive motivation for everyone to work their shifts as posted, and this is in an effort to have staff at work to give proper resident care. Since September 2000 this has been paid on the following paycheck so that it shows up on their W-2 at the end of the year.*

*The turkeys at Thanksgiving and the \$50 gift certificates at Christmas for each employee each year are also positive motivations. These are given to people that are willing to come in and take care of community family members that families are no longer able to take care of on their own. The Lincoln Community Nursing Home Board of Directors feels this is a much more positive motivation action rather than an unnecessary and imprudent use of public funds.*

*The Lincoln Community Nursing Home now has a more efficient record keeping system than in 1998. When an item is purchased the purchasing department head fills out a facility check request form (including vendor, purchase date, date received, account code and Administrator's approval) and attaches it to the invoice. These are then maintained in the business office with the check stub to the vendor.*

- D. *The Lincoln Community Nursing Home Board of Directors feels that with the policy of keeping the facility check request with the invoice with the vendor check stub will produce a paper trail of items received and approved by the Administrator prior to payment. Then, maintaining that information in the business office will ensure it is kept as a part of the permanent records.*

|   |
|---|
| <b>2. Budgets and Financial Reporting</b> |
|---|

- A. The district did not prepare a budget for the year ended June 30, 1998 and the budget prepared for the year ended June 30, 1999 was not adopted by the board. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. In addition, the approved budget for the year ended June 30, 2000, did not include a budget message, a comparative statement of actual revenues and expenditures by budget category for the two preceding years, or a budget summary as required by law.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of district operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and

expenditure estimations by account, and include the beginning available resources and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

- B. For the year ended June 30, 2000, the district approved expenditures in excess of the budgeted amount by \$35,809. Currently, the board does not receive periodic reports so that it can compare actual revenues and expenditures to budgeted amounts.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The district should require that timely budget to actual comparisons are received and reviewed prior to approving expenditures.

- C. Section 105.145, RSMo 1994, requires the district to file a financial report with the State Auditor's office annually. The district filed the financial statements for each of the last 5 fiscal years in September 1999. The financial report is to be filed within four months after the end of the district's fiscal year (the requirement is six months after the end of the fiscal year if an audit report prepared by a certified public accountant (CPA) is filed).

**WE RECOMMEND** the Board of Directors:

- A. Prepare and adopt annual budgets in accordance with state law.
- B. Periodically compare actual revenues and expenditures with budgeted amounts to help ensure expenditures do not exceed the amounts approved in the budget. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.
- C. Ensure annual financial reports are filed with the State Auditor's office as required and that such reports are filed within four months after the end of the district's fiscal year (or six months after the end of the fiscal year if a CPA audit report is filed).

**AUDITEE'S RESPONSE**

- A. *The Lincoln Community Nursing Home Board of Directors is unaware as to why there were no budgets before 1998, since those Administrators are not present to answer. The Lincoln Community Nursing Home Board of Directors have approved a budget for the years ending June 30, 1999, 2000 and 2001. The budget for 1999 was presented to the board in October*

*1998, but not formally approved, and since that time all budgets have and will continue to be approved before the start of the new budget year. The budget for 2001 does have a message, comparative statement of actual revenues and expenditures by budget category for the two preceding years and a budget summary. The Lincoln Community Nursing Home Board of Directors will ensure that all future budgets carry the necessary components.*

- B. The Lincoln Community Nursing Home Board of Directors now receives a copy of the actual versus budgeted accounting each month for it to review and keep. This is a part of the Treasurer's Report approved each month by the Lincoln Community Nursing Home Board of Directors. The Lincoln Community Nursing Home Board of Directors will monitor and amend the budget according to expenditures through the year, to ensure that expenditures do not exceed the budgeted expenses.*
- C. The Lincoln Community Nursing Home Board of Directors will ensure that each year a copy of the financial report is submitted to the Office of State Auditor on a timely basis. The Board of Directors was unaware, as was the Administrator, that the previous years had not been received until notified on September 23, 1999, by the Office of State Auditor.*

|  |
|--|
| <b>3. Meetings, Minutes, and Records</b> |
|--|

- A. The board conducted several closed meetings during the years ended June 30, 1999 and 2000; however, the minutes did not always document the related vote or the reasons for closing the meeting. Section 610.022, RSMo Cum. Supp. 1999, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.
- B. The board minutes are prepared by the board secretary, but the minutes are not signed by the President and are not always signed by the board secretary. The board minutes should be signed by the President to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- C. The board minutes did not always include sufficient detail of matters discussed and actions taken at the board's meetings. For example, in March 1998 the district approved a proposal to upgrade the computers. The minutes do not indicate the bids that were submitted and which bid the district approved. In addition, the minutes of the board meetings did not always contain information required by statute. When the minutes indicated a motion had been passed, the minutes did not generally indicate the number of votes for and against.

Complete and accurate minutes provide an official record of board actions and decisions. In addition, Section 610.020, RSMo 1994 states that "the minutes shall include the date, time, place, members present, members absent, and a record of votes taken."

- D. The board holds regular meetings on the third Tuesday of each month. Notice of the regular board meetings is posted at the nursing home; however a tentative agenda indicating what is to be discussed at the monthly board meeting is not posted as required. Section 610.020, RSMo Cum. Supp. 1999, requires a tentative agenda to be included in the notice posted for an upcoming meeting.
- E. The district does not have a formal policy regarding public access to district records. A formal policy regarding access to district records would establish guidelines for the district to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo Supp. 1999, lists requirements for making district records available to the public.

**WE RECOMMEND** the Board of Directors:

- A. Hold a vote to go into closed session, state the reasons for going into closed session, publicly disclose the final disposition of applicable matters discussed in closed session, and ensure only allowable, specified subjects are discussed in closed session as required by state law.
- B. Ensure board minutes are signed by the secretary and by the President to attest to their completeness and accuracy.
- C. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
- D. Ensure the notices posted advising the public of upcoming meetings include tentative agendas as required by state law.
- E. Establish formal written policies and procedures regarding public access to district records.

**AUDITEE'S RESPONSE**

- A. *The Lincoln Community Nursing Home Board of Directors agrees that if it goes into closed session it will request the reason, and vote on going into closed session before doing so. This information will be placed in the minutes and maintained as part of the record.*
- B. *The Lincoln Community Nursing Home Board of Directors does agree that the Secretary, President, and Administrator will sign all minutes after approval.*
- C. *The Lincoln Community Nursing Home Board of Directors, since June 2000, has seen to it that the minutes are more detailed and specific information, including attaching any corroborating documentation to the minutes. The Board of Directors, since June 2000, has*

*seen to it that when a vote is taken the number and names of those voting for and against an action will be recorded. This is accomplished in most cases, because our board votes unanimously on an issue.*

- D. The Lincoln Community Nursing Home Administrator, since June 2000 has been placing a copy of the tentative agenda in the usual notice position.*
- E. The Lincoln Community Nursing Home Board of Directors, in July 2000, approved a "request of records" form. This form is to be filled out and returned by anyone requesting records from the Lincoln Community Nursing Home. The request form names the Administrator as the official keeper of records and announces the cost to be incurred for gathering and copying said records, if copies are requested. A copy of said request will be kept in the board minutes notebook in the Administrator's office.*

|                            |
|----------------------------|
| <b>4. Property Records</b> |
|----------------------------|

The district has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the district. In addition, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned.

To develop appropriate records and procedures for general fixed assets, the district needs to undertake a comprehensive review of all property owned by the district. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The district should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the district should take physical counts of its assets and compare them to the detailed records.

**WE RECOMMEND** the Board of Directors establish property records for general fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

**AUDITEE'S RESPONSE**

*The Lincoln Community Nursing Home Administrator has a departmental inventory of all items in each department at this time. Since some items had been in the facility for some time it was hard to determine the cost of those items, so no dollar value was placed on those items. The inventory list will be maintained and updated with all new purchases as well as the cost of said purchase. This inventory list will be updated annually during the annual inventory for the close of the fiscal year.*

*This assets inventory will be maintained in the Administrator's office, in the budget folder for that year.*

**5.**

**By-Laws**

The district's by-laws are outdated. The district has not reviewed its by-laws to ensure current district operations are in agreement.

For example, the by-laws indicate that the meetings are to be held the first Monday of each month. Currently, the board holds the monthly meetings on the third Tuesday of each month. The by-laws also indicate that checks are to be signed by the secretary and the treasurer. The checks are signed by the Administrator or Office Manager and recently the President also started signing checks.

The district should abide by its by-laws or revise them to reflect the current wishes of the board.

**WE RECOMMEND** the Board of Directors update the by-laws to reflect the board's intentions, and ensure current operations comply with the adopted by-laws.

**AUDITEE'S RESPONSE**

*This recommendation was implemented effective September 2000.*

This report is intended for the information of the district's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.





*Missouri State Auditor*

|      |         |      |         |          |
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AUDIT OF  
LEASED SPACE  
MANAGEMENT PRACTICES

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-122  
December 5, 2000

Leasing operations are effectively managed, and  
with a few enhancements could be more effective.

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PERFORMANCE AUDIT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Management of leased space was effective and with some enhancements could be more effective.**

This report addresses the State Auditor's Office assessment of whether Division of Facility Management (DFM) officials have provided effective oversight over the leasing of office space for state agencies and whether agency officials have been encouraged to support the economic development of inner cities through the leasing of office space.

Leasing personnel have successfully used the formal bid, informal bid, or negotiated methods in determining agency lease rates. Our review disclosed that there are some opportunities to improve operations. Currently, leasing personnel are not required to perform market analyses to determine fair market rental rates, nor are they required to document results when negotiating lease renewals or new leases. The lack of market analyses of lease areas under consideration and lack of documented negotiation results raised questions as to whether leasing officials could be assured the lowest possible lease rates were achieved.

Community-based actions challenging leasing decisions have led to delays and changes in leasing decisions. Audit results showed examples where community activists resisted agency placements in the community or agency relocations to another community. In one example, leasing officials attempted to consolidate several agencies at one location, but, community activists succeeded in preventing one agency from relocating out of the community into the new consolidated space in a different community. As a result, two locations are necessary and the state will incur an additional \$268,835 in leasing costs over the next 5 years.

DFM leasing officials have allowed agency officials to fund unique requirements and major renovations to agency leased space through lease payments rather than from agency funds. As a result, lease costs, renovation costs, and the potential for shortfalls in lease funding have increased. For example, one lease will cost the state an estimated additional \$406,000 over the next 10 years because leasing officials allowed unique requirements and major renovations to be paid by the lease. DFM leasing officials now believe unique requirements and major renovations should have been paid out of agency operating funds and are taking action to stop this practice.

(over)

YET LOW SHEET

The state does not have a policy, and leasing officials do not have any guidance addressing locating leased state offices in the inner city as a means of supporting the economic development of those cities. Our review of rationale used by most agency officials for locating leased space in the St. Louis and Kansas City metropolitan areas showed the reasons for locating office space outside these cities were justified. Some agency officials did not have compelling reasons for placing offices outside the city. By locating state agencies in the inner cities, inner cities stand to gain the benefits associated with having additional workers in the city and enhanced employment opportunities that state agencies afford.

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**CLAIRE C. McCASKILL**  
Missouri State Auditor

Honorable Roger Wilson, Governor  
Members of the General Assembly  
Commissioner, Office of Administration  
Director, Division of Facilities Management

The State Auditor's Office performed an audit of the management of leased space by the Office of Administration, Division of Facilities Management (DFM), Facilities Leasing Section (FLS). FLS officials manage leases for most state agencies and are responsible for the acquisition of necessary space through the lease process. Audit objectives included determining whether leasing officials have provided appropriate oversight over the leasing of office space for state agencies, and whether agency officials have been encouraged to support the economic development of inner cities through the leasing of office space.

We determined that management of leasing operations was effective. FLS officials successfully used the formal bid, informal bid, or negotiated methods to determine agency lease rates. However, with some enhancements, management officials could be more effective. Leasing policies and procedures do not require leasing personnel to perform market analyses or document negotiation results, and community activists are influencing leasing decisions. In addition, lease rates are increasing because unique agency requirements are being funded through lease agreements rather than agency operating funds. Moreover, the state has no policy on locating leased state offices in the inner cities as a means of supporting the economic development of those cities.

We concluded that DFM officials could improve their operations by: (1) performing market analyses of lease areas under consideration and documenting negotiation results; (2) preplanning for community activists when sensitive leases are being planned; (3) strengthening its guidance concerning base rental rates and one time payments, and (4) requiring agencies to fund unique requirements and major renovations out of agency operating funds.

In addition, inner cities could gain the benefits associated with having additional workers and enhanced employment opportunities that state agencies afford, by locating state agencies in the inner cities.

Claire McCaskill  
State Auditor

October 6, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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## **RESULTS AND RECOMMENDATIONS**

### **1. DFM Provides Effective Oversight of Leasing Operations and, with Some Enhancements, DFM Could Be More Effective**

Our review of 35 of 451 office leases showed that FLS officials provide effective oversight of leasing operations. Leasing personnel successfully use the formal bid, informal bid, or negotiated methods to determine agency lease rates. However, leasing personnel could improve operations by (i) performing market analyses to determine fair market rental rates; (ii) documenting results when negotiating lease renewals or new leases; and (iii) preplanning for community activists when sensitive leases are being planned. Our review of leasing policies, procedures, and active leases disclosed that

- leasing personnel are not required to conduct a market analysis of areas under consideration by agencies or to document negotiation results; and
- community activists can influence decisions about placing an agency in the community or to move an agency to another community.

The lack of a market analysis of lease areas under consideration and lack of documented negotiation results, raises questions as to whether FLS officials can be assured the lowest possible lease rates are obtained. In addition, community action to influence the placement of agency lease space causes delays in obtaining lease space for agencies and in some cases, causes the state to incur additional lease costs.

### **Background**

The FLS is an integral part of the DFM and is responsible for leased property acquired for use by selected agencies statewide. Leasing officials establish policies and procedures governing the acquisition and management of leased property. The competitive bid process is the state's primary method for the acquisition of leased real property. The competitive bid process involves publicly advertising the terms, conditions, and requirements of a lease and receiving sealed bids which are evaluated. However, FLS policies also allow exceptions to the formal bid process when deemed in the best interest of the state to pursue another process. This occurs usually when the agency needs to expedite obtaining a new lease or when desiring to renew an existing lease. Leasing personnel use two methods of procurement to implement these exceptions—the informal bid process and negotiations.

The informal bid process seeks proposals from vendors without publishing and advertising for bid. They usually use a bidders list to identify vendors. The informal bid process does not require bidders to submit a bid or performance bond, and may not require sealed plans to be submitted.

The negotiation process requires leasing officials to negotiate with prospective landlords to secure the best and most proper terms and conditions.



## Leasing personnel follow policies and procedures

Our review of 35 leases disclosed that leasing personnel followed policies and procedures for procuring leased space for state agencies. Of the 35 leases reviewed, 16 were competitively bid, 3 were informally bid and 16 were negotiated. A description of our results follows.

**Competitive Bids:** Leasing personnel reviewed space requirements, notified potential interested parties, and advertised requirements. They opened and reviewed sealed bids submitted to FLS. A review committee of leasing and agency personnel, evaluated bids with 75 percent of the evaluation based on price and 25 percent based on subjective factors.

Leases were  
bid properly

**Informal Bids:** Leasing personnel selected bidders from whom to solicit bids, reviewed the bids, and selected the winning bidder.

**Negotiated Leases:** Leasing personnel conducted negotiations and received reasonable lease rates.

### Negotiation process lacks market analysis and documented results

Although leasing personnel followed procedures, formal market analyses were not performed to determine the reasonableness of proposed lease rates. FLS procedures did not require a formal market analysis of lease rates. Instead, leasing officials depended on the expertise of area leasing coordinators to know lease rates for the areas under their jurisdiction. The area coordinators based their knowledge on other state lease rates in the area or discussions with local realtors in the area under consideration. A periodic market analysis should be made to ensure that prevailing lease rates are identified and documented to augment the expertise of the area coordinators. This market analysis could be used to evaluate the decisions made by the area coordinators and to expose deviations from prevailing rates. Accordingly, appropriate justifications for deviations could be reviewed and analyzed.

Lease  
documentation  
lacks audit  
trail

We did not find evidence of the negotiations for 13 of the 16 negotiated leases included in our audit. Negotiations were conducted informally, and FLS procedures did not require leasing personnel to document results of the negotiations. Lease coordinators conducted negotiations by telephone, e-mail, or through face-to-face conversations with potential landlords. Leasing coordinators conducted negotiations, and the leasing manager or Assistant Director made final decisions on the reasonableness of lease rates or whether additional negotiations were necessary. For 3 of the 16 leases, we found some evidence of negotiations such as memos in which the landlord or his representative and leasing personnel discussed desired improvements and potential lease costs for the renewed lease.

The lease rates for the 35 leases in our audit were reasonable and comparable to rates in the areas where the leases were located. Therefore, there was not any adverse immediate

effect from the lack of documentation discussed above. However, without appropriate documentation and audit trail, there is no assurance that future leases will meet prevailing rates, or that FLS management will have the appropriate management tools to determine the appropriateness of lease rates.

**Leasing decisions have been impacted by community actions that caused delays and increased lease costs**

According to FLS officials, leasing decisions have been impacted because some community activists resisted the placement of state agency offices in neighborhoods, or other community activists sought to have agencies locate or stay in their communities. This community activism generally would lead to complaints to state legislators who took action to assist the communities in defeating the placement of agencies in their community or helping them keep agencies within their communities.

Community  
activists  
caused delays

In two cases, constituents did not support the proposed inclusion of probation and parole offices in local neighborhoods. Community activists complained to state representatives and state representatives interceded on their behalf. In these cases, leasing officials accommodated the community and legislative representatives by relocating these offices. Although the total cost impact of these moves is not yet known, relocating one of the probation and parole offices with 16,580 square feet is expected to increase the original cost per square foot by \$1.18, or an additional \$205,000 in leasing costs over the next 10.5 years.

In another case, community leaders resisted the state's plan to consolidate agencies in one location by relocating agency offices from two geographic locations into one. Leasing officials awarded a contract through the formal bid process that would have required the office located in one community to relocate to another community. The successful bidder quoted a lease rate of \$7.89 a square foot for the total 29,538 square feet of office space required. Community activists from the losing community succeeded in stopping the move until leasing officials agreed to locate one office within the community's boundaries. As a result, the state had to award leases in two locations instead of one. This increased the total lease cost for space by \$53,767. These lease changes caused one agency to extend a lease because new space was not available at an additional annual cost of \$20,000. Since two leases had to be awarded in two locations, the total square footage required for office space increased by 29 square feet at a cost of \$53,767.

### Comparison of Lease Decisions

| Lease                | Locations               | Total Square Feet | Total Annual Cost |
|----------------------|-------------------------|-------------------|-------------------|
| <b>Original Plan</b> | Farmington              | 29,538            | \$233,000         |
| <b>Revised Plan</b>  | Park Hills & Farmington | 29, 568           | 286,767           |
| <b>Difference</b>    |                         | 29                | 53,767            |

The original bid of \$233,000 represented consolidated space for several agencies. Since the community activists prevailed, the state will now have to lease two buildings in different locations at higher costs. As a result, the state will incur an additional \$53,767 in leasing costs per year, or an additional \$268,835 over the next 5 years.

Community based influence on state agency space location decisions may be reduced by working more closely with affected community activists and state legislators before taking action on sensitive leases.

### Recommendations

We recommend DFM officials strengthen oversight of leasing operations by directing FLS officials to:

- 1.1 perform market analyses of lease locations under consideration and document negotiation results; and
- 1.2 work more closely with communities and legislators in planning where to locate certain agencies in communities prior to initiating the leasing process.

### Office of Administration Comments

*The Director, Division of Facilities Management agreed with the recommendations and provided acceptable implementation plans. Specifically, he agreed to ensure that contract files contain proper documentation of negotiations and a description of the type of market place analysis that was used. The Director also agreed to work with communities and legislators prior to initiating the leasing process for locations with the caveat that care be taken to avoid undo influence on the selection and evaluation process. (See Appendix III, page 16, for detailed comments).*

## **2. Use of Lease Funds to Pay for Unique Requirements and Major Renovations Has Increased Lease Costs**

Leasing officials have allowed agencies to fund unique requirements and major renovations to agency lease space through lease payments. However, leasing officials now believe unique agency requirements and major renovations should have been paid out of agency operating funds and are taking action to stop this practice. This has occurred because leasing

- officials have not been consistent in what they allowed agency officials to include as lease requirements;
- guidance did not specify what requirements should be paid with leasing funds; and
- guidance discouraged one-time payments for agency requirements from agency operating funds.

In addition, leasing officials believe agencies have included unique requirements and major renovations in lease requirements as a means of avoiding having to address those items in agency operating funds budgets.

This has resulted in

- increased lease rates;
- increased statewide average lease costs used by leasing for budget purposes; and
- potential shortfalls in lease funding.

### **Background**

Every year, leasing personnel work with agency officials to determine leased space requirements in order to determine an overall budget for all leased space. Leasing personnel determine an average statewide lease rate for new space requirements and leases coming up for renewal. For renewals, if an agency's lease rate is above the statewide average rate, leasing officials use an assumed inflation rate of about 7 percent, which includes minor renovations of up to \$25,000, for budgeting purposes. This formulates the basis for determining the total budget needed to cover all FLS leases. The state funds lease payments out of funds authorized by House Bill 13 and that act states funds are to be used for real property leases and related services and utilities for various departments of state government.

### **Lease costs have increased as a result of including major renovations and unique requirements in leases**

Leasing officials provided us with case examples where agency unique requirements and major renovations have contributed to increased annual lease costs. One example also demonstrates how leasing officials have been inconsistent by allowing some unique requirements to be paid

with one-time payments from the agency's operating funds while allowing other unique requirements to be included in the lease.

Of the examples, two involve probation and parole offices, one involves a youth services office, and one involves consolidating several agencies at one location.

- The original lease for a probation and parole office located in St Louis included 11,638 square feet at a price of \$11.71 per square foot. The new lease increased the square footage to 20,302 at a price of \$14.36 per square foot. Major renovations were conducted on the existing space as well as construction of the additional space. A leasing official noted that the costs of the lease, without the major renovations, would have increased only a small amount. However, based on their experience with square footage rates in the area, the official believed that at least \$2 of the \$2.65 increase could be attributed to major renovations of the existing space and some unique requirements included in the agency's request. The remaining \$.65 is attributed to inflation. As a result, this will cost the state an estimated additional \$406,000 in leasing costs over the next 10 years. Examples of unique requirements included were:

Unique  
requirements  
included in  
lease

- safety glass windows installed at a cost of \$200 per window;
- convex mirrors installed in hallways and waiting areas;
- keyless locking system installed on staff entrances and an entrance protected from the weather; and
- a urinalysis room equipped with a chemical resistant countertop, lockable storage cabinets above the counter; a floor drain, and a keyless lock on the door.

- The original lease for a probation and parole office located in Kansas City cost \$10.85 per square foot for 5,130 square feet of office space. A leasing official noted that the building had been fire bombed and the landlord had to restore the building to original condition. Probation and parole personnel needed more space, so it was expanded to 12,341 square feet. In addition, the agency personnel requested other major renovations and unique requirements which leasing officials approved. The cost of the lease increased to \$13.81 per square foot for an increase of \$2.96 a square foot. Based on experience with square footage rates in the area, a leasing official estimated that unique requirements and major renovations accounted for approximately \$1.50 of the \$2.96 increase in cost or an additional \$130,000 cost over the next 7 years. The remaining increase can be attributed to increase in square footage and inflation.

Excess costs  
caused by  
state agency

- Another case involved consolidating several agencies at one location. In this example, leasing officials persuaded agencies to make a one-time payment for unique requirements from agency operating funds because leasing officials did not believe agencies should have to absorb additional costs for unique requirements of other agencies. However, leasing officials also allowed some unique requirements to be funded through the lease.

- Examples, along with cost estimates for the items paid from agency operating funds, are shown below.
  - Department of Corrections - Probation and Parole
    - Armory \$15,000
    - Urinalysis Room \$6,900
    - Glass Vision Panels \$3,791
    - Voice data and electrical changes \$983
    - Keyless locks \$1,540
  - Department of Elementary and Secondary Education - Vocational Rehabilitation
    - Pad for satellite dish \$3,791
    - Keyless locks \$1,540
    - Voice data and electrical changes \$4,943
  - Department of Elementary and Secondary Education - Disability Determinations
    - Keyless locks \$3,850
    - Door changes \$850
    - Voice data and electrical changes \$9,329
  - Department of Labor and Industrial Relations - Employment Security
    - Keyless locks \$3,080
    - Voice data and electrical changes \$1,640

Examples of unique requirements that were funded through the lease are shown below.

- Department of Labor and Industrial Relations
  - Sign identifying agency.
  - Power assisted doors
  - Special placement of lobby, restrooms and multipurpose rooms
  - Special requirements for a raised platform for a receptionist
  - Special window in the manager's office
- Department of Elementary and Secondary Education
  - Two entrance doors to interview room.
  - Higher grade door on offices
  - Special requirements to place a satellite dish
- Department of Corrections
  - Special requirements for receptionist area
  - Higher grade insulation in rooms
  - Higher grade doors to work areas

Leasing officials sought competitive bids and awarded a contract for the construction of a new building to house various state agencies. The winning bid came in at \$13.96 a square foot for the office space. When additional agencies needed space, leasing

officials decided to add 10,000 square feet of space. With the additional square footage and the inclusion of unique requirements, the lease rate increased to \$15.02 a square foot. A leasing official, based on experience with the square footage rate in the area, believed that unique requirements, such as those shown above, adversely affected the original lease rate and accounted for approximately 50 percent of the \$1.06 per square foot increase. The remaining increase can be attributed to the increase in square footage. This results in an increase in lease cost to the state of approximately \$281,000 over the 10-year lease.

### **Practice leads to increased budget requests and potential funding shortfalls**

Although leasing officials have not determined the actual impact, they believe their practice of funding unique requirements and major renovations has contributed to the increase in average lease rates used for budgeting purposes and the latest increase to the lease budget. For example, for fiscal years 1999 through 2001, the average statewide rental rates were fairly stable at about \$11.50 to \$12.00 a square foot. However, for fiscal years 2002/2003, the average rental rate increased to \$13.50 a square foot and leasing officials used this rate in formulating the fiscal year 2002/2003 budget request for leasing.

Leasing officials also believe this practice could lead to shortfalls in lease funding. Shortfalls could occur because budget estimates are based on square footage and do not include unique requirements or major renovations. If shortfalls in lease funding occur, FLS officials will have to seek additional lease funding from the state legislature.

### **Guidance has been contradictory and not clear**

FLS guidance states that lease funds should only pay for base rental rates, however, the guidance does not define what is included in base rental rates. In addition, FLS leasing policy is somewhat contradictory in that it also discourages making one-time payments from operating funds in order to pay for unique requirements or major renovations. FLS guidance states, in part, that DFM and the tenant agency will attempt to avoid making one-time payments and if such payments are necessary, they will be funded from the tenant agency's operating funds.

Leasing officials have also contributed to the problem by sending a mixed message to agencies. At times, leasing officials have allowed agencies to include unique requirements and major renovations in lease agreements while at other times they have insisted agency officials pay for these items with agency operating funds. (*See pages 8-9 for case examples.*)

According to leasing officials, House Bill 13 funds are intended to cover only base rental rates. However, they now recognize that legislative and leasing guidance is not clear as to what is covered in base rental rates. In October 2000, FLS officials sought advice from Office of Administration Budget officials on the appropriateness of using lease funds to pay for unique requirements and major renovations. Office of Administration Budget officials proposed that unique requirements be included in the House Bill 13 budget as separate items and that agency officials defend the requests for funding during budget hearings. If approved, the funding would be available to be used for one-time payments for unique requirements. The cost of these

improvements would no longer be included in lease agreements. According to a budget official, the Commissioner for the Office of Administration has approved this proposal and plans to submit it to the governor-elect for his consideration in the December time frame

### **Officials are taking action to limit practice**

Leasing officials' concerns with rising rental rates, the intended use of lease funding, and potential shortfalls in lease funding has caused them to closely review unique requirements and major renovations requested in agency lease requirements. For example, for leases being renewed in calendar year 2000, leasing officials are attempting to prevent agencies from including unique requirements and major renovations in lease requirements. Instead, leasing officials hope to convince agency officials to fund those requirements out of agency operating funds.

#### **Current action by leasing officials is encouraging**

Leasing officials informed us they have several agencies they are currently dealing with that want to include unique requirements or major renovations in lease agreements. For example, one agency has 14 leases that expired on June 30, 2000. Agency officials agreed to renew the leases for another 5 years. Several landlords agreed to renew leases at the current lease rate. However, agency officials now want renovations made to the space that will result in larger than expected increases to lease rates, according to leasing officials. The following are two examples that leasing officials are trying to resolve.

- One landlord has agreed to renew the lease of 9,150 square feet of office space at the existing price of \$9.10 a square foot. With proposed renovations, the landlord wants \$12.50 a square foot—a 37.4 percent increase in the lease rate or a \$31,110 increase in cost per year.
- In another case, the agency wants to relocate most walls and other significant reconstruction done on the space. If done, the cost per square foot will increase from \$7.66 to \$10.16, which is a change of \$2.50—a 32.6 percent increase. With 9,188 square feet of office space, this means an increase of \$22,970 per year.

Leasing officials currently do not plan to allow the proposed renovations to be paid for through the lease. Instead, they plan to renew the leases and advise the agency to seek budgetary approval from the legislature for the renovations. If the agency does not agree, the dispute will likely be escalated to the Commissioner of the Office of Administration for resolution and, according to a leasing official, the Commissioner could overrule leasing officials.

### **Conclusions**

Leasing officials' practice of allowing agencies to fund unique requirements and/or major renovations through leases has contributed to increases in lease rates and the need to increase the overall budget for state leases. If current practices continue, it is likely that budget shortfalls will



occur. In addition, the FLS policy is vague because it does not address the type of agency requirements that can be included in lease agreements, and it is contradictory because it discourages agencies from paying for unique requirements and major renovations with agency operating funds. Agencies have gotten mixed messages from leasing officials on including unique requirements and/or major renovations in lease requirements and are likely to believe it is appropriate.

## **Recommendations**

DFM officials should direct FLS officials to:

- 2.1 clarify and strengthen its policies to ensure that leasing officials have adequate criteria to determine what can be included in lease agreements; and
- 2.2 consistently follow policies and not allow unique requirements and major renovations to be funded through leases.

## **Office of Administration Comments**

*The Director, Division of Facilities Management agreed with the recommendations and provided acceptable implementation plans. The director stated that the special agency requirements should be a separate section within the leasing budget request rather than incorporated into the agency's operating budget. The director plans to use the boilerplate office specifications as the criteria for base rental rates and any deviations by agencies will be incorporated as a separate section of the leasing budget as a one-time decision item. (See Appendix III, page 16, for detailed comments).*

### **3. The State Is Missing an Opportunity to Support the Economic Development of Inner Cities**

The state does not have a policy for locating leased state offices in the inner city as a means of supporting economic development of the inner cities. As a result, FLS does not have any guidance or policies that address this issue. Our review of the rationale for locating leased office space in the St. Louis and Kansas City metropolitan areas showed that the majority of agency officials had sound reasons for locating office space outside these cities. However, we did find that some agency officials did not have compelling reasons for placing offices outside the city. The state does not have a policy because it has not addressed this issue. By not locating state offices in the inner cities, inner cities are deprived of job opportunities, tax revenues, and other benefits.

#### **The state does not have a policy on locating leased space in the inner city**

FLS guidance allows state agency officials to determine where to locate leased space. FLS officials do not question the location of agency offices unless they believe that the agency officials have unduly restricted the area of consideration, which in turn restricts competition. Our review of lease contracts confirmed that state agency officials specified areas in which they wanted to locate offices. None of the agency leasing officials we contacted were aware of any state requirement to locate in the inner cities, nor was it a consideration in their decision making process. Our review disclosed that there was reasonable justification to support decisions for locating offices outside the city in the metropolitan Kansas City and St. Louis areas. For example, of 18 division office locations reviewed, 12 were based on a need to effectively serve clients. Agency officials considered such things as where clients live and the availability of public transportation in locating offices

We found no compelling reasons to support county office location selections for 6 of the 18 divisions. For example, several located outside the cities based on a desire to be close to major highways. However, St. Louis and Kansas City both have good access to major highways.

#### **The federal government has addressed the issue of locating agencies in the inner cities**

The federal government has a policy that encourages the development and redevelopment of cities by locating federal facilities in urban areas. In 1978, the President of the United States issued Executive Order No. 12072, that states in part, “Federal facilities and Federal use of space in urban areas shall serve to strengthen the Nation’s cities and to make them attractive places to live and work. Such Federal space shall conserve existing urban resources and encourage the development and redevelopment of cities”

#### **Conclusion**

We believe inner cities stand to gain the benefits associated with having additional workers in the city and enhanced employment opportunities that state agencies afford by locating state agencies in the inner cities.

## **Recommendation**

We recommend:

- 3.1 the General Assembly consider establishing a policy that requires agencies, when seeking office space, to make an effort to obtain bids in urban areas unless there is a compelling reason for locating elsewhere, or maintain documentation that effort was made to negotiate space in urban areas in those instances where bids were appropriately not sought.

## **Office of Administration Comments**

*The Director, Division of Facilities Management agreed with the recommendations and provided acceptable implementation plans. The director stated that the recommendation will be explored with the new administration and the Joint Committee on Capital Improvements and Leases Oversight.*

## **OBJECTIVE, SCOPE AND METHODOLOGY**

### **Objectives**

Our objectives included determining whether (1) leasing officials have provided appropriate oversight over the leasing of office space for state agencies; and (2) agencies have been encouraged to support the economic development of inner cities through the leasing of office space.

### **Scope and Methodology**

To determine whether leasing officials have provided appropriate oversight, we judgmentally selected 35 of 451 office leases. The 35 leases represented new and renewed leases that were executed under leasing guidance that went into effect in August 1995. The majority of leases selected were located in metropolitan areas, such as St. Louis County, St. Louis City, Jackson County and Clay County. To accomplish our audit we reviewed

- documentation available in lease files and discussed contracts reviewed with knowledgeable officials to determine whether leasing personnel followed prescribed procedures in executing new and renewal lease contracts,
- selected contracts and contacted leasing agency representatives to ascertain the reasonableness of agency rationale used in locating agency-leased space,
- federal guidance used in locating federal agencies within the inner cities, and
- state statutes, and the code of state regulations.

We conducted our review from June through October 6, 2000. The audit was conducted in accordance with generally accepted government auditing standards.

**BACKGROUND**

In 1993, the state centralized leasing operations by creating the DFM under the Office of Administration. FLS officials manage leasing operations for the DFM. FLS officials manage leases for the majority of state agencies by overseeing approximately 600 contracts worth almost \$39 million, as of June 1, 2000. More specifically, FLS leases approximately 3.5 million square feet of office space at an annual cost of approximately \$35 million.

Statewide leasing operations are governed in accordance with Section 34.030 of the RSMo and 1 CSR 35-2 of the Code of State Regulations. Section 34.030 states that the commissioner of administration shall negotiate all leases, except for such departments that derive power to acquire lands from the state constitution.

1 CSR 35-2.040 establishes a uniform procedure for procuring leased real property. All acquisitions of leased property, including both newly executed leases and the extensions of existing leases after all renewal options have expired, shall be procured through publicly advertised competitive proposals, unless the commissioner of administration deems it to be in the best interest of the state to negotiate a particular procurement. For each lease, the commissioner of administration, in conjunction with the tenant/using agency, shall develop a Request for Proposal (RFP) for the property to be acquired. The commissioner of administration may suspend from bidding on state leases any individual or organization who (A) materially fails to comply with the provisions of an award from the state or a lease agreement with the state; (B) submits false or misleading information in response to an RFP; (C) takes actions that are intended to inhibit or prevent the operation of an open, competitive bid or proposal process; or (D) acts in a manner contrary to sound or ethical business practice, or in a manner deemed by the commissioner of administration to be detrimental to state leasing practice. A bidder/lessor may be required to submit a surety document payable to the state of Missouri to insure compliance with the RFP and/or lease. An evaluation of all proposals shall be conducted in accordance with the RFP. The decision to award a lease to a lessor shall be based upon the lowest and best proposal received in accordance with the terms of the RFP.

1 CSR 35-2.050(4) states that the commissioner of administration shall have the authority to make a one-time lump-sum payment to a lessor for renovations to a leased facility under the following conditions: (A) the improvements provide a direct benefit to the operations of the state's programs and are not required for the provision of any of the services covered by the lease, such as maintenance, upkeep or repair of the facility; (B) the amount paid by the commissioner for the construction of the improvements is no more than the reasonable cost to construct the improvements; and (C) the remaining term of the lease, including the lessee's options to renew, exceeds twelve months. A one-time payment may only be made in the last one year renewal period of a lease if necessary to meet unforeseen changes in program requirements.



Roger B. Wilson  
Governor

Richard A. Hanson  
Commissioner

State of Missouri  
**OFFICE OF ADMINISTRATION**  
3225 West Truman Boulevard, Suite 100  
Jefferson City, MO 65109

Linward "Lin" Appling  
Director  
Division of Facilities Management  
(573) 751-1003 Telephone  
(573) 526-4138 Fax  
dfmleasing@mail.oa.state.mo.us

**MEMORANDUM**

**TO:** William D. Miller, CIA  
Director of Audits  
Office of the State Auditor

**FROM:** Lin Appling, Director  
Office of Administration  
Division of Facilities Management

**DATE:** December 4, 2000

**SUBJECT:** Comments to Draft Report, "Audit of Leased Space Management Practices"

We have reviewed the draft report titled "Audit of Leased Space Management Practices," and would like to offer the following comments in regard to the recommendations:

1.1 Perform market analyses of lease locations under consideration and document negotiation results.

**Comment:** DFM concurs with the recommendation. Effective 1/1/01, the contract file for all negotiated actions will contain documentation of the negotiations that took place and a description of the type of market place analysis that was used, i.e., competitive proposals, recent public bids, etc.

1.2 Work more closely with communities and legislators in planning where to locate certain agencies in communities prior to initiating the leasing process.

**Comment:** FLS will increase efforts immediately to identify and work with communities and legislators prior to initiating the leasing process for areas. However, great care must be exercised to avoid undue influence on the selection and evaluation process.

William D. Miller, CIA  
December 4, 2000  
Page 2

2.1 Clarify and strengthen its policies to ensure that leasing officials have adequate criteria to determine what can be included in lease agreements.

2.2 Consistently follow policies and not allow unique requirements and major renovations to be funded through leases.

**Comment:** DFM agrees with the recommendations, except it is believed the funding for special agency requirements should be a separate section within the leasing budget request rather than incorporated into the agency's operating budget. The inclusion of these funds in the leasing budget will enable DFM to better ensure that the items are appropriate, priced reasonably, correctly installed, and paid in a timely manner.

In conjunction with the Division of Budget and Planning, DFM plans to utilize our boilerplate office specifications as the criteria for the base rental rate, and any agency requirements that deviate from the basic specifications will be incorporated in a separate section of the leasing budget request as a one-time decision item. Attached is an outline of the process and the timeframe for implementation.

3.1 The General Assembly consider establishing a policy that requires agencies, when seeking office space, to make an effort to obtain bids in urban areas unless there is a compelling reason for locating elsewhere, or maintain documentation that effort was made to negotiate space in urban areas in those instances where bids were appropriately not sought.

**Comment:** This recommendation will be explored with the new administration and the Joint Committee on Capital Improvements and Leases Oversight.

We look forward to receiving your final report.

LA:rr

Attachment

## **Leasing- HB13 Agency Special Requirements Process**

**Definition:** Any facility item, renovation or enhancement to a leased facility as requested by the tenant agency to support program delivery. Typically these items are in addition to the standard facility specifications and are included in the "Attachment C" of the R.F.P.

### **Process**

#### **1. Identify Needs**

- Agency will determine special requirements as needed for each expiring lease location for the upcoming 2-year biennium cycle.

#### **2. Prepare, submit and present Budget Request**

- Agencies will be responsible for preparing the Form 5 and submitting budget requests for each location requiring a special requirement.
- Agencies will be required to present request(s) to Budget & Planning during the biennium leasing budget meeting.
- Agencies will be responsible for entering the information in BRASS
- All funding for agency special requirements must be requested in a separate section within HB13 and will not be included in the base rent.
- Agencies will be responsible for presenting the budget request for the special requirements to the General Assembly during the HB13 appropriations hearings.

#### **3. Approval of Appropriation**

- All approved funds will be appropriated within HB13.
- Upon approval of funding, the agencies will be responsible for setting priorities for expenditures by location within the total allocated funds.
- DFM will provide project coordination.
- DFM will process one time payment from HB13 to landlord when project is completed.
- DFM will track all payments from the appropriation and one-time payments for agencies may not exceed the total appropriation.

#### **4. One-time payments from Operating Funds**

- If funds are not available in HB13, agencies may use operating funds for special requirements or renovations required for program delivery.

### **FY01 Expiring leases**

- Currently there are several locations where agencies have requested special requirements or renovations to support program issues. Each location will have to be reviewed on a case by case basis to determine if it is cost effective to include the agency special requirements.
- Agency operating funds may be used to provide the special requirements or requested renovations.

### **FY02 and FY03**

- Budget requests for HB13 will be adjusted to include the section for "Agency special requirements."
- Agencies will be required to submit budget requests for special requirements by expiring lease location to DFM and Budget & Planning prior to December 15, 2000.

### **FY04 & FY05**

- See process shown above.





OSAGE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-121  
December 1, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

December 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Osage, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

---

This audit of Osage County was a financial and compliance audit of various county operating funds.

- In years past, the county had not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by Osage County voters. However, the rollback for each of the two years ended December 31, 1999 and 1998 was sufficient as compared to each year's sales tax collections. The rollback also resulted in a reduction in the amount of prior years' excess property tax revenue collections from approximately \$340,000 at December 31, 1997, to approximately \$285,000 at December 31, 1999. Additional reductions will need to be made in future years to further reduce the amount of prior years' excess property tax revenue collections.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

# OSAGE COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of Osage County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Osage County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

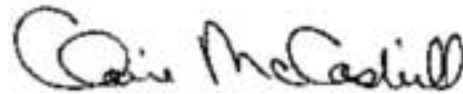
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Osage County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Osage County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Osage County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,



1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 27, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 27, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                           |
|---------------------|---------------------------|
| Director of Audits: | Thomas J. Kremer, CPA     |
| Audit Manager:      | John Luetkemeyer, CPA     |
| In-Charge Auditor:  | Debbie Hill, CPA          |
| Audit Staff:        | Robyn Vogt                |
|                     | Jerry Lamprecht, Jr., CPA |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Osage County, Missouri

We have audited the special-purpose financial statements of various funds of Osage County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

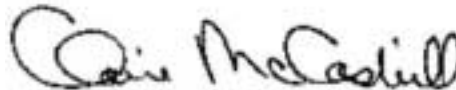
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Osage County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 99-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Osage County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Osage County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 27, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

OSAGE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 140,085         | 844,302   | 853,598       | 130,789              |
| Special Road and Bridge             | 253,420            | 787,934   | 803,854       | 237,500              |
| Assessment                          | 4,057              | 110,463   | 107,840       | 6,680                |
| Law Enforcement Training            | 3,116              | 1,944     | 1,420         | 3,640                |
| Prosecuting Attorney Training       | 580                | 593       | 828           | 345                  |
| Emergency Management                | 22,103             | 48,291    | 31,655        | 38,739               |
| Prosecuting Attorney Bad Check      | 7,984              | 8,950     | 3,913         | 13,021               |
| Law Enforcement Equipment           | 1,540              | 375       | 779           | 1,136                |
| Collector                           | 372                | 1,855     | 1,373         | 854                  |
| Sheriff                             | 3,560              | 5,157     | 4,765         | 3,952                |
| Family Court                        | 0                  | 1,320     | 0             | 1,320                |
| Recorder's User Fee                 | 15,873             | 5,276     | 18,041        | 3,108                |
| Use Tax                             | 71,055             | 2,161     | 0             | 73,216               |
| Domestic Violence                   | 30                 | 305       | 0             | 335                  |
| Prosecuting Attorney Delinquent Tax | 354                | 1,442     | 1,493         | 303                  |
| Circuit Clerk Interest              | 5,779              | 1,701     | 1,073         | 6,407                |
| Associate Circuit Division Interest | 343                | 117       | 17            | 443                  |
| Law Library                         | 997                | 1,445     | 2,138         | 304                  |
| Total                               | \$ 531,248         | 1,823,630 | 1,832,786     | 522,092              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OSAGE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 135,899         | 825,958   | 821,772       | 140,085              |
| Special Road and Bridge             | 174,198            | 863,277   | 784,055       | 253,420              |
| Assessment                          | 5,850              | 102,668   | 104,461       | 4,057                |
| Law Enforcement Training            | 2,104              | 2,656     | 1,644         | 3,116                |
| Prosecuting Attorney Training       | 388                | 970       | 778           | 580                  |
| Emergency Management                | 16,544             | 44,298    | 38,739        | 22,103               |
| Prosecuting Attorney Bad Check      | 5,744              | 9,752     | 7,512         | 7,984                |
| Law Enforcement Equipment           | 1,215              | 325       | 0             | 1,540                |
| Collector                           | 126                | 1,600     | 1,354         | 372                  |
| Sheriff                             | 1,723              | 5,988     | 4,151         | 3,560                |
| Recorder's User Fee                 | 12,182             | 5,396     | 1,705         | 15,873               |
| Use Tax                             | 68,883             | 2,172     | 0             | 71,055               |
| Domestic Violence                   | 1,430              | 400       | 1,800         | 30                   |
| Prosecuting Attorney Delinquent Tax | 16                 | 596       | 258           | 354                  |
| Circuit Clerk Interest              | 6,358              | 1,630     | 2,209         | 5,779                |
| Associate Circuit Division Interest | 256                | 170       | 83            | 343                  |
| Law Library                         | 1,379              | 1,267     | 1,649         | 997                  |
| Total                               | \$ 434,295         | 1,869,124 | 1,772,171     | 531,248              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

OSAGE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |         |  |          |         |  |
| Property taxes                      | \$ 173,500              | 172,945 | (555)                                  | 169,400  | 171,493 | 2,093                                  |
| Sales taxes                         | 360,000                 | 372,119 | 12,119                                 | 350,000  | 336,635 | (13,365)                               |
| Intergovernmental                   | 70,071                  | 60,686  | (9,385)                                | 67,495   | 69,918  | 2,423                                  |
| Charges for services                | 194,100                 | 174,515 | (19,585)                               | 184,000  | 185,215 | 1,215                                  |
| Interest                            | 16,000                  | 13,526  | (2,474)                                | 13,500   | 15,192  | 1,692                                  |
| Other                               | 13,003                  | 15,646  | 2,643                                  | 12,106   | 13,397  | 1,291                                  |
| Transfers in                        | 84,993                  | 34,865  | (50,128)                               | 35,093   | 34,108  | (985)                                  |
| Total Receipts                      | 911,667                 | 844,302 | (67,365)                               | 831,594  | 825,958 | (5,636)                                |
| <b>DISBURSEMENTS</b>                |                         |         |  |          |         |  |
| County Commission                   | 68,906                  | 68,491  | 415                                    | 54,165   | 53,965  | 200                                    |
| County Clerk                        | 59,712                  | 59,338  | 374                                    | 54,725   | 54,482  | 243                                    |
| Elections                           | 28,860                  | 22,267  | 6,593                                  | 52,445   | 52,151  | 294                                    |
| Buildings and grounds               | 108,900                 | 39,150  | 69,750                                 | 55,557   | 41,398  | 14,159                                 |
| Employee fringe benefits            | 52,800                  | 50,092  | 2,708                                  | 48,300   | 47,032  | 1,268                                  |
| County Treasurer                    | 25,126                  | 24,768  | 358                                    | 21,590   | 20,481  | 1,109                                  |
| County Collector                    | 57,089                  | 55,384  | 1,705                                  | 54,999   | 54,229  | 770                                    |
| Ex Officio Recorder of Deeds        | 42,547                  | 39,118  | 3,429                                  | 27,475   | 23,385  | 4,090                                  |
| Associate Circuit Court             | 10,700                  | 7,501   | 3,199                                  | 12,800   | 8,940   | 3,860                                  |
| Court administration                | 100                     | 0       | 100                                    | 150      | 0       | 150                                    |
| Public Administrator                | 7,450                   | 5,933   | 1,517                                  | 6,500    | 2,631   | 3,869                                  |
| Sheriff                             | 262,618                 | 252,422 | 10,196                                 | 233,477  | 233,091 | 386                                    |
| Jail                                | 56,103                  | 35,109  | 20,994                                 | 38,270   | 33,677  | 4,593                                  |
| Prosecuting Attorney                | 85,724                  | 79,810  | 5,914                                  | 84,378   | 84,344  | 34                                     |
| Juvenile Officer                    | 28,236                  | 22,462  | 5,774                                  | 37,744   | 29,600  | 8,144                                  |
| County Coroner                      | 9,160                   | 10,399  | (1,239)                                | 8,975    | 7,025   | 1,950                                  |
| Other General County Government     | 67,821                  | 62,482  | 5,339                                  | 65,460   | 56,692  | 8,768                                  |
| Public Defender                     | 1,335                   | 1,558   | (223)                                  | 1,335    | 1,335   | 0                                      |
| Public health and welfare services  | 12,470                  | 12,470  | 0                                      | 12,470   | 12,470  | 0                                      |
| Transfers out                       | 4,844                   | 4,844   | 0                                      | 4,844    | 4,844   | 0                                      |
| Emergency Fund                      | 29,400                  | 0       | 29,400                                 | 26,170   | 0       | 26,170                                 |
| Total Disbursements                 | 1,019,901               | 853,598 | 166,303                                | 901,829  | 821,772 | 80,057                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (108,234)               | (9,296) | 98,938                                 | (70,235) | 4,186   | 74,421                                 |
| CASH, JANUARY 1                     | 140,085                 | 140,085 | 0                                      | 135,899  | 135,899 | 0                                      |
| CASH, DECEMBER 31                   | \$ 31,851               | 130,789 | 98,938                                 | 65,664   | 140,085 | 74,421                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

OSAGE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |          |  |           |         |  |
|---------------------------------------|-------------------------|----------|--|-----------|---------|--|
|                                       | 1999                    |          |  | 1998      |         |  |
|                                       | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |          |  |           |         |  |
| Property taxes                        | \$ 168,300              | 175,646  | 7,346                                  | 163,400   | 165,467 | 2,067                                  |
| Intergovernmental                     | 607,555                 | 589,472  | (18,083)                               | 673,862   | 682,785 | 8,923                                  |
| Charges for services                  | 1,000                   | 0        | (1,000)                                | 1,800     | 1,125   | (675)                                  |
| Interest                              | 13,000                  | 11,922   | (1,078)                                | 13,000    | 12,819  | (181)                                  |
| Other                                 | 1,100                   | 10,894   | 9,794                                  | 500       | 1,081   | 581                                    |
| Total Receipts                        | 790,955                 | 787,934  | (3,021)                                | 852,562   | 863,277 | 10,715                                 |
| DISBURSEMENTS                         |                         |          |  |           |         |  |
| Salaries                              | 276,647                 | 256,300  | 20,347                                 | 266,006   | 245,538 | 20,468                                 |
| Employee fringe benefits              | 47,500                  | 38,567   | 8,933                                  | 46,700    | 40,723  | 5,977                                  |
| Supplies                              | 134,375                 | 104,113  | 30,262                                 | 120,500   | 114,664 | 5,836                                  |
| Insurance                             | 13,050                  | 13,366   | (316)                                  | 12,050    | 12,756  | (706)                                  |
| Road and bridge materials             | 199,875                 | 159,741  | 40,134                                 | 163,000   | 93,823  | 69,177                                 |
| Rentals                               | 13,000                  | 669      | 12,331                                 | 11,000    | 350     | 10,650                                 |
| Equipment purchases                   | 201,425                 | 131,445  | 69,980                                 | 119,800   | 92,319  | 27,481                                 |
| Construction, repair, and maintenance | 39,455                  | 48,014   | (8,559)                                | 172,787   | 131,714 | 41,073                                 |
| Other                                 | 38,000                  | 36,639   | 1,361                                  | 36,200    | 37,168  | (968)                                  |
| Transfers out                         | 15,000                  | 15,000   | 0                                      | 15,000    | 15,000  | 0                                      |
| Total Disbursements                   | 978,327                 | 803,854  | 174,473                                | 963,043   | 784,055 | 178,988                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (187,372)               | (15,920) | 171,452                                | (110,481) | 79,222  | 189,703                                |
| CASH, JANUARY 1                       | 253,420                 | 253,420  | 0                                      | 174,198   | 174,198 | 0                                      |
| CASH, DECEMBER 31                     | \$ 66,048               | 237,500  | 171,452                                | 63,717    | 253,420 | 189,703                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit D

OSAGE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         | 1998                                   |         |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Intergovernmental                   | \$ 105,335 | 108,193 | 2,858                                  | 102,850 | 99,994  | (2,856)                                |
| Charges for services                | 2,700      | 1,388   | (1,312)                                | 2,500   | 1,584   | (916)                                  |
| Interest                            | 0          | 882     | 882                                    | 850     | 1,090   | 240                                    |
| Other                               | 0          | 0       | 0                                      | 5,700   | 0       | (5,700)                                |
| Total Receipts                      | 108,035    | 110,463 | 2,428                                  | 111,900 | 102,668 | (9,232)                                |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Assessor                            | 108,123    | 107,840 | 283                                    | 111,585 | 104,461 | 7,124                                  |
| Total Disbursements                 | 108,123    | 107,840 | 283                                    | 111,585 | 104,461 | 7,124                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (88)       | 2,623   | 2,711                                  | 315     | (1,793) | (2,108)                                |
| CASH, JANUARY 1                     | 4,057      | 4,057   | 0                                      | 5,850   | 5,850   | 0                                      |
| CASH, DECEMBER 31                   | \$ 3,969   | 6,680   | 2,711                                  | 6,165   | 4,057   | (2,108)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

OSAGE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | \$ 0     | 0             | 0      | 683    | 683           |  |
| Charges for services                | 2,500    | 1,944         | 2,000  | 1,973  | (27)          |  |
| Total Receipts                      | 2,500    | 1,944         | 2,000  | 2,656  | 656           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 2,000    | 1,420         | 1,945  | 1,644  | 301           |  |
| Total Disbursements                 | 2,000    | 1,420         | 1,945  | 1,644  | 301           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 500      | 524           | 55     | 1,012  | 957           |  |
| CASH, JANUARY 1                     | 3,116    | 3,116         | 2,104  | 2,104  | 0             |  |
| CASH, DECEMBER 31                   | \$ 3,616 | 3,640         | 2,159  | 3,116  | 957           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

OSAGE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,035 | 593           | 1,035  | 970    | (65)          |  |
| Total Receipts                      | 1,035    | 593           | 1,035  | 970    | (65)          |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 1,100    | 828           | 1,000  | 778    | 222           |  |
| Total Disbursements                 | 1,100    | 828           | 1,000  | 778    | 222           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (65)     | (235)         | 35     | 192    | 157           |  |
| CASH, JANUARY 1                     | 580      | 580           | 388    | 388    | 0             |  |
| CASH, DECEMBER 31                   | \$ 515   | 345           | 423    | 580    | 157           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

OSAGE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY MANAGEMENT FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Intergovernmental                   | \$ 2,000  | 7,089  | 5,089                                  | 4,000  | 8,146  | 4,146                                  |
| Interest                            | 800       | 1,358  | 558                                    | 600    | 1,261  | 661                                    |
| Other                               | 35,195    | 35,000 | (195)                                  | 30,180 | 30,047 | (133)                                  |
| Transfers in                        | 4,844     | 4,844  | 0                                      | 4,844  | 4,844  | 0                                      |
| Total Receipts                      | 42,839    | 48,291 | 5,452                                  | 39,624 | 44,298 | 4,674                                  |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Salaries                            | 11,896    | 7,813  | 4,083                                  | 11,000 | 10,598 | 402                                    |
| Office expenditures                 | 2,800     | 2,088  | 712                                    | 2,260  | 2,390  | (130)                                  |
| Equipment                           | 4,816     | 1,847  | 2,969                                  | 2,816  | 3,029  | (213)                                  |
| Mileage and training                | 3,300     | 489    | 2,811                                  | 2,350  | 723    | 1,627                                  |
| Other                               | 420       | 325    | 95                                     | 325    | 2,906  | (2,581)                                |
| Transfers out                       | 19,093    | 19,093 | 0                                      | 19,093 | 19,093 | 0                                      |
| Total Disbursements                 | 42,325    | 31,655 | 10,670                                 | 37,844 | 38,739 | (895)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 514       | 16,636 | 16,122                                 | 1,780  | 5,559  | 3,779                                  |
| CASH, JANUARY 1                     | 22,103    | 22,103 | 0                                      | 16,544 | 16,544 | 0                                      |
| CASH, DECEMBER 31                   | \$ 22,617 | 38,739 | 16,122                                 | 18,324 | 22,103 | 3,779                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

OSAGE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Charges for services                | \$ 10,000 | 8,601         | 13,000  | 9,480  | (3,520)       |  |
| Interest                            | 0         | 349           | 0       | 272    | 272           |  |
| Total Receipts                      | 10,000    | 8,950         | 13,000  | 9,752  | (3,248)       |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Prosecuting Attorney                | 16,500    | 3,913         | 18,500  | 7,512  | 10,988        |  |
| Total Disbursements                 | 16,500    | 3,913         | 18,500  | 7,512  | 10,988        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,500)   | 5,037         | (5,500) | 2,240  | 7,740         |  |
| CASH, JANUARY 1                     | 7,984     | 7,984         | 5,744   | 5,744  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,484  | 13,021        | 244     | 7,984  | 7,740         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

OSAGE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT EQUIPMENT FUND

| Year Ended December 31,             |         |               |        |        |               |  |
|-------------------------------------|---------|---------------|--------|--------|---------------|--|
| 1999                                |         |               | 1998   |        |               |  |
|                                     |         | Variance      |        |        | Variance      |  |
|                                     |         | Favorable     |        |        | Favorable     |  |
|                                     |         | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |         |               |        |        |               |  |
| Donations                           | \$ 0    | 375           | 1,215  | 325    | (890)         |  |
| Total Receipts                      | 0       | 375           | 1,215  | 325    | (890)         |  |
| DISBURSEMENTS                       |         |               |        |        |               |  |
| Equipment                           | 1,500   | 779           | 1,000  | 0      | 1,000         |  |
| Total Disbursements                 | 1,500   | 779           | 1,000  | 0      | 1,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,500) | (404)         | 215    | 325    | 110           |  |
| CASH, JANUARY 1                     | 1,540   | 1,540         | 1,215  | 1,215  | 0             |  |
| CASH, DECEMBER 31                   | \$ 40   | 1,136         | 1,430  | 1,540  | 110           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

OSAGE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COLLECTOR FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for Services                | \$ 1,700 | 1,855         | 1,400  | 1,600  | 200           |  |
| Total Receipts                      | 1,700    | 1,855         | 1,400  | 1,600  | 200           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| County Collector                    | 1,500    | 1,373         | 1,380  | 1,354  | 26            |  |
| Total Disbursements                 | 1,500    | 1,373         | 1,380  | 1,354  | 26            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 200      | 482           | 20     | 246    | 226           |  |
| CASH, JANUARY 1                     | 372      | 372           | 126    | 126    | 0             |  |
| CASH, DECEMBER 31                   | \$ 572   | 854           | 146    | 372    | 226           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

OSAGE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 5,000 | 5,157  | 157                                    |
| Total Receipts                      | 5,000    | 5,157  | 157                                    |
| DISBURSEMENTS                       |          |        |  |
| Sheriff                             | 5,000    | 4,765  | 235                                    |
| Total Disbursements                 | 5,000    | 4,765  | 235                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 392    | 392                                    |
| CASH, JANUARY 1                     | 3,560    | 3,560  | 0                                      |
| CASH, DECEMBER 31                   | \$ 3,560 | 3,952  | 392                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit L

OSAGE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FAMILY COURT FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 2,000 | 1,320  | (680)                                  |
| Total Receipts                      | 2,000    | 1,320  | (680)                                  |
| DISBURSEMENTS                       |          |        |  |
| Other                               | 2,000    | 0      | 2,000                                  |
| Total Disbursements                 | 2,000    | 0      | 2,000                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 1,320  | 1,320                                  |
| CASH, JANUARY 1                     | 0        | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 1,320  | 1,320                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

OSAGE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |          |          |               |
|-------------------------------------|----------|----------|---------------|
| 1999                                |          |          |               |
|                                     |          |          | Variance      |
|                                     | Budget   | Actual   | Favorable     |
|                                     |          |          | (Unfavorable) |
| RECEIPTS                            |          |          |               |
| Charges for services                | \$ 5,500 | 5,276    | (224)         |
| Total Receipts                      | 5,500    | 5,276    | (224)         |
| DISBURSEMENTS                       |          |          |               |
| Ex Officio Recorder of Deeds        | 18,900   | 18,041   | 859           |
| Total Disbursements                 | 18,900   | 18,041   | 859           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (13,400) | (12,765) | 635           |
| CASH, JANUARY 1                     | 15,874   | 15,874   | 0             |
| CASH, DECEMBER 31                   | \$ 2,474 | 3,109    | 635           |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

OSAGE COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Osage County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| Use Tax                             | 1999 and 1998                   |
| Domestic Violence                   | 1999 and 1998                   |
| Circuit Clerk Interest              | 1999 and 1998                   |
| Associate Circuit Division Interest | 1999 and 1998                   |
| Law Library                         | 1999 and 1998                   |
| Sheriff                             | 1998                            |
| Recorder's User Fee                 | 1998                            |

Warrants issued were in excess of budgeted amounts for the Emergency Management Fund in 1998. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| Use Tax                             | 1999 and 1998                   |
| Domestic Violence                   | 1999 and 1998                   |
| Prosecuting Attorney Delinquent Tax | 1999 and 1998                   |
| Circuit Clerk Interest              | 1999 and 1998                   |
| Associate Circuit Division Interest | 1999 and 1998                   |
| Law Library                         | 1999 and 1998                   |
| Family Court                        | 1999                            |
| Sheriff                             | 1998                            |
| Recorder's User Fee                 | 1998                            |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Property Taxes

Through December 31, 1999, Osage County collected \$285,076 in excess property taxes. Section 67.505, RSMo 1994, requires the county to reduce property taxes for a percentage of sales taxes collected. Osage County voters enacted a 1/2 cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

A lawsuit was filed June 30, 1998 by county residents against the county and various county officials alleging the county has collected excess property taxes and has failed to comply with various statutes and the Hancock Amendment. The lawsuit seeks refunds and payment of court costs and attorney fees, as well as an injunction to prevent the various defendants from spending any money that is subject to refund to the taxpayers.

Schedule

OSAGE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|              |                  |
|--------------|------------------|
| <b>99-1.</b> | <b>Sales Tax</b> |
|--------------|------------------|

In years past, the county had not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Osage County voters under the provisions of Section 67.505, RSMo 1994.

As indicated by the following calculations, the net excess property tax revenues collected as of December 31, 1999 and 1998 have decreased since our prior audit:

|   |    | Year Ended December 31, |             |
|---|----|-------------------------|-------------|
|   |    | 1999                    | 1998        |
| ACTUAL SALES TAX REVENUE  | \$ | 372,119                 | 336,635     |
| Required percentage of revenue reduction                                  | x  | 50%                     | 50%         |
| Required property tax revenue reduction                                   |    | 186,060                 | 168,318     |
| Assessed Valuation  |    | 122,817,418             | 118,400,897 |
| General Revenue Fund tax levy reduction (per \$100 of assessed valuation) | x  | 0.17                    | 0.17        |
| Actual property tax revenue reduction                                     |    | 208,789                 | 201,282     |
| EXCESS PROPERTY TAX REVENUES COLLECTED                                    |    | (22,729)                | (32,964)    |
| Excess property tax revenue collections from prior years                  |    | 307,805                 | 340,769     |
| NET EXCESS  | \$ | 285,076                 | 307,805     |

The rollback for each of the two years ended December 31, 1999 and 1998 was sufficient as compared to each year's sales tax collections and also resulted in some reduction in the balance of prior years' excess property tax revenue collections. Additional reductions will need to be made in future years to offset the balance of prior years' excess property tax revenue collections. A review of 2000 assessed valuations and estimated sales tax revenues indicated that the countywide tax levies would have to be reduced by 37 cents to eliminate all



excess property tax revenues collected for prior years and comply with the sales tax proposal passed by the voters. However, the 2000 general revenue tax rate ceiling is only 31 cents, and the County Commission set the actual tax rate at 13 cents.

This condition was noted in several previous reports.

**WE AGAIN RECOMMEND** the County Commission continue to ensure appropriate adjustments are made to the levy to reduce the amount of excess property taxes collected in prior years.

**AUDITEE'S RESPONSE**

*We concur and will do the best we can to reduce this amount as soon as possible over the coming years.*

## Follow-Up on Prior Audit Findings

## OSAGE COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Osage County, Missouri, on a certain finding in our prior audit report issued for the two years ended December 31, 1997. The finding is the one that *Government Auditing Standards* requires to be reported for an audit of financial statements.

### Sales Tax

At December 31, 1997, the county had collected \$340,769 in excess property taxes by not adequately reducing property tax levies for sales tax revenues.

### Recommendation

The County Commission ensure appropriate adjustments are made to the levy to significantly reduce the amount of excess property taxes collected in prior years.

### Status

Partially implemented. The County has reduced their excess property tax collections by \$55,693 during the two years ended December 31, 1999. See Finding Number 99-1.

## SECTION ON OTHER MATTERS

OSAGE COUNTY, MISSOURI  
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Osage County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 27, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Osage County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1.     Time Sheets and Leave Records

Full-time Sheriff's Department deputies do not complete or submit time sheets to the County Clerk to account for hours worked. In addition, each county department is responsible for maintaining leave records on their employees; however, such records are not forwarded to the County Clerk so that centralized leave records may be maintained.

2.     General Fixed Asset Records

A physical inventory was not performed during the two years ended December 31, 1999. Some general fixed asset purchases and dispositions were not recorded on the general fixed asset listing.

3.     Contracts

Osage County receives monthly reimbursements from the City of Linn and the Osage Ambulance District for services, however there are no written agreements with these entities regarding these reimbursements.

This Letter on Other Matters is intended for the information of the management of Osage County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



GASCONADE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-120  
November 30, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

November 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Gasconade, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Gasconade County was a financial and compliance audit of various county operating funds.

The audit includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

GASCONADE COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of Gasconade County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Gasconade County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

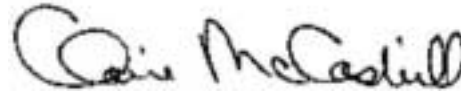
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Gasconade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Gasconade County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Gasconade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 31, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 31, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Thomas J. Kremer, CPA   |
| Audit Manager:      | Douglas J. Porting, CPA |
| In-Charge Auditor:  | Gayle A. Garrison       |
| Audit Staff:        | Susan M. Cessac         |
|                     | Stephen M. Garner, Jr.  |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Gasconade County, Missouri

We have audited the special-purpose financial statements of various funds of Gasconade County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

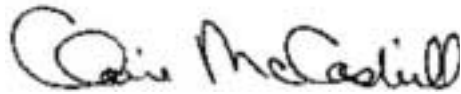
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Gasconade County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Gasconade County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Gasconade County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 31, 2000 (fieldwork completion date)



## Financial Statements

Exhibit A-1

GASCONADE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                 | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                      | \$ 300,994         | 1,387,750 | 1,215,780     | 472,964              |
| Special Road and Bridge              | 263,057            | 1,517,334 | 1,166,357     | 614,034              |
| Assessment                           | 5,017              | 155,168   | 154,143       | 6,042                |
| Union Electric                       | 593                | 41,637    | 41,083        | 1,147                |
| Law Enforcement Training             | 3,504              | 4,398     | 3,133         | 4,769                |
| Prosecuting Attorney Training        | 836                | 664       | 461           | 1,039                |
| Prosecuting Attorney Bad Check       | 8,775              | 5,565     | 7,581         | 6,759                |
| Emergency 911                        | 42,305             | 187,130   | 211,597       | 17,838               |
| Sheriff's Department Law Enforcement | 4,568              | 40,674    | 24,869        | 20,373               |
| Recorder's Record Retention          | 16,420             | 15,937    | 16,201        | 16,156               |
| Family Service and Justice           | 1,020              | 3,027     | 0             | 4,047                |
| Health Center                        | 14,672             | 379,797   | 371,483       | 22,986               |
| County Health Building               | 22,335             | 7,874     | 0             | 30,209               |
| Circuit Clerk Interest               | 11,411             | 1,867     | 0             | 13,278               |
| Associate Circuit Interest           | 5,610              | 517       | 1,500         | 4,627                |
| Law Library                          | 2,815              | 1,668     | 2,585         | 1,898                |
| Community Mental Health Board        | 92,958             | 141,022   | 191,520       | 42,460               |
| Domestic Violence                    | 1,940              | 1,033     | 1,000         | 1,973                |
| Helds Island Road Project - CDBG     | 0                  | 46,401    | 45,395        | 1,006                |
| Total                                | \$ 798,830         | 3,939,463 | 3,454,688     | 1,283,605            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

GASCONADE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                 | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                      | \$ 331,059         | 1,346,923 | 1,376,988     | 300,994              |
| Special Road and Bridge              | 136,499            | 1,309,773 | 1,183,215     | 263,057              |
| Assessment                           | 6,915              | 141,728   | 143,626       | 5,017                |
| Union Electric                       | 277                | 36,312    | 35,996        | 593                  |
| Law Enforcement Training             | 1,316              | 4,553     | 2,365         | 3,504                |
| Prosecuting Attorney Training        | 833                | 739       | 736           | 836                  |
| Prosecuting Attorney Bad Check       | 12,847             | 4,614     | 8,686         | 8,775                |
| Emergency 911                        | 47,513             | 220,149   | 225,357       | 42,305               |
| Sheriff's Department Law Enforcement | 0                  | 4,568     | 0             | 4,568                |
| Recorder's Record Retention          | 24,599             | 10,252    | 18,431        | 16,420               |
| Family Service and Justice           | 0                  | 1,020     | 0             | 1,020                |
| Health Center                        | 16,788             | 348,545   | 350,661       | 14,672               |
| County Health Building               | 18,697             | 6,343     | 2,705         | 22,335               |
| Circuit Clerk Interest               | 9,678              | 1,740     | 7             | 11,411               |
| Associate Circuit Interest           | 5,019              | 591       | 0             | 5,610                |
| Law Library                          | 2,622              | 1,753     | 1,560         | 2,815                |
| Community Mental Health Board        | 95,886             | 133,595   | 136,523       | 92,958               |
| Domestic Violence                    | 2,326              | 614       | 1,000         | 1,940                |
| Total                                | \$ 712,874         | 3,573,812 | 3,487,856     | 798,830              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

GASCONADE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |           |  |           |           |  |
|--|-------------------------|-----------|--|-----------|-----------|--|
|  | 1999                    |           |  | 1998      |           |  |
|  | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                            |                         |           |  |           |           |  |
| Property taxes                             | \$ 181,800              | 192,748   | 10,948                                 | 167,400   | 189,323   | 21,923                                 |
| Sales taxes                                | 746,250                 | 813,540   | 67,290                                 | 753,000   | 735,025   | (17,975)                               |
| Intergovernmental                          | 26,601                  | 24,428    | (2,173)                                | 47,100    | 40,673    | (6,427)                                |
| Charges for services                       | 259,200                 | 245,451   | (13,749)                               | 242,650   | 271,147   | 28,497                                 |
| Interest                                   | 25,000                  | 25,990    | 990                                    | 20,000    | 24,996    | 4,996                                  |
| Other                                      | 42,570                  | 38,337    | (4,233)                                | 50,370    | 56,665    | 6,295                                  |
| Transfers in                               | 55,587                  | 47,256    | (8,331)                                | 37,569    | 29,094    | (8,475)                                |
| Total Receipts                             | 1,337,008               | 1,387,750 | 50,742                                 | 1,318,089 | 1,346,923 | 28,834                                 |
| <b>DISBURSEMENTS</b>                       |                         |           |  |           |           |  |
| County Commission                          | 114,142                 | 111,021   | 3,121                                  | 77,535    | 73,072    | 4,463                                  |
| County Clerk                               | 93,492                  | 91,441    | 2,051                                  | 81,342    | 76,505    | 4,837                                  |
| Elections                                  | 35,999                  | 31,270    | 4,729                                  | 90,697    | 77,623    | 13,074                                 |
| Buildings and grounds                      | 51,636                  | 50,587    | 1,049                                  | 67,028    | 54,713    | 12,315                                 |
| Other                                      | 143,900                 | 125,941   | 17,959                                 | 189,637   | 251,270   | (61,633)                               |
| County Treasurer                           | 36,970                  | 36,576    | 394                                    | 24,503    | 24,056    | 447                                    |
| County Collector                           | 102,258                 | 97,318    | 4,940                                  | 95,187    | 90,455    | 4,732                                  |
| Circuit Clerk/Ex Officio Recorder of Deeds | 38,078                  | 33,826    | 4,252                                  | 37,185    | 33,943    | 3,242                                  |
| Associate Circuit Court/Probate            | 20,302                  | 11,151    | 9,151                                  | 23,145    | 19,361    | 3,784                                  |
| Court administration                       | 1,550                   | 702       | 848                                    | 450       | 365       | 85                                     |
| Public Administrator                       | 27,982                  | 26,876    | 1,106                                  | 25,562    | 31,397    | (5,835)                                |
| Sheriff                                    | 306,588                 | 297,325   | 9,263                                  | 307,054   | 303,273   | 3,781                                  |
| Jail                                       | 110,239                 | 122,393   | (12,154)                               | 107,715   | 100,433   | 7,282                                  |
| Prosecuting Attorney                       | 104,600                 | 89,723    | 14,877                                 | 100,848   | 86,925    | 13,923                                 |
| Juvenile Officer                           | 33,074                  | 27,665    | 5,409                                  | 44,012    | 41,367    | 2,645                                  |
| County Coroner                             | 9,039                   | 6,965     | 2,074                                  | 9,039     | 9,029     | 10                                     |
| Surveyor                                   | 0                       | 0         | 0                                      | 3,385     | 3,201     | 184                                    |
| Court reporter                             | 325                     | 0         | 325                                    | 325       | 0         | 325                                    |
| Emergency Fund                             | 40,110                  | 0         | 40,110                                 | 39,543    | 0         | 39,543                                 |
| Transfers out                              | 65,800                  | 55,000    | 10,800                                 | 119,428   | 100,000   | 19,428                                 |
| Total Disbursements                        | 1,336,084               | 1,215,780 | 120,304                                | 1,443,620 | 1,376,988 | 66,632                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | 924                     | 171,970   | 171,046                                | (125,531) | (30,065)  | 95,466                                 |
| CASH, JANUARY 1                            | 300,983                 | 300,994   | 11                                     | 331,059   | 331,059   | 0                                      |
| CASH, DECEMBER 31                          | \$ 301,907              | 472,964   | 171,057                                | 205,528   | 300,994   | 95,466                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

GASCONADE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 334,000              | 362,042   | 28,042                                 | 316,300   | 325,428   | 9,128                                  |
| Sales taxes                           | 437,000                 | 488,323   | 51,323                                 | 443,625   | 430,337   | (13,288)                               |
| Intergovernmental                     | 530,700                 | 529,298   | (1,402)                                | 789,000   | 525,281   | (263,719)                              |
| Interest                              | 23,000                  | 27,036    | 4,036                                  | 22,000    | 24,313    | 2,313                                  |
| Other                                 | 222,500                 | 110,635   | (111,865)                              | 12,500    | 4,414     | (8,086)                                |
| Total Receipts                        | 1,547,200               | 1,517,334 | (29,866)                               | 1,583,425 | 1,309,773 | (273,652)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 355,000                 | 338,047   | 16,953                                 | 360,701   | 346,380   | 14,321                                 |
| Employee fringe benefits              | 99,712                  | 97,322    | 2,390                                  | 106,008   | 99,802    | 6,206                                  |
| Supplies                              | 8,000                   | 4,665     | 3,335                                  | 10,000    | 5,328     | 4,672                                  |
| Insurance                             | 40,000                  | 29,037    | 10,963                                 | 40,000    | 35,902    | 4,098                                  |
| Road and bridge materials             | 318,000                 | 250,448   | 67,552                                 | 350,500   | 316,459   | 34,041                                 |
| Equipment repairs                     | 214,500                 | 157,797   | 56,703                                 | 234,500   | 161,909   | 72,591                                 |
| Rentals                               | 1,500                   | 500       | 1,000                                  | 2,500     | 500       | 2,000                                  |
| Equipment purchases                   | 175,000                 | 127,584   | 47,416                                 | 80,000    | 78,397    | 1,603                                  |
| Construction, repair, and maintenance | 277,363                 | 100,274   | 177,089                                | 444,000   | 94,392    | 349,608                                |
| Other                                 | 25,500                  | 15,246    | 10,254                                 | 39,250    | 17,077    | 22,173                                 |
| Transfers out                         | 45,437                  | 45,437    | 0                                      | 27,069    | 27,069    | 0                                      |
| Total Disbursements                   | 1,560,012               | 1,166,357 | 393,655                                | 1,694,528 | 1,183,215 | 511,313                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (12,812)                | 350,977   | 363,789                                | (111,103) | 126,558   | 237,661                                |
| CASH, JANUARY 1                       | 263,057                 | 263,057   | 0                                      | 136,499   | 136,499   | 0                                      |
| CASH, DECEMBER 31                     | \$ 250,245              | 614,034   | 363,789                                | 25,396    | 263,057   | 237,661                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

GASCONADE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         |  | 1998    |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Intergovernmental                   | \$ 151,700 | 152,205 | 505                                    | 138,072 | 138,489 | 417                                    |
| Interest                            | 1,000      | 1,140   | 140                                    | 900     | 1,058   | 158                                    |
| Other                               | 2,000      | 1,823   | (177)                                  | 1,600   | 2,181   | 581                                    |
| Transfers in                        | 10,800     | 0       | (10,800)                               | 19,428  | 0       | (19,428)                               |
| Total Receipts                      | 165,500    | 155,168 | (10,332)                               | 160,000 | 141,728 | (18,272)                               |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Assessor                            | 164,623    | 154,143 | 10,480                                 | 154,721 | 143,626 | 11,095                                 |
| Total Disbursements                 | 164,623    | 154,143 | 10,480                                 | 154,721 | 143,626 | 11,095                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 877        | 1,025   | 148                                    | 5,279   | (1,898) | (7,177)                                |
| CASH, JANUARY 1                     | 5,017      | 5,017   | 0                                      | 6,915   | 6,915   | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,894   | 6,042   | 148                                    | 12,194  | 5,017   | (7,177)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
UNION ELECTRIC FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | \$ 6,265 | 6,410         | 6,400  | 6,177  | (223)         |  |
| Contract receipts                   | 34,812   | 34,817        | 29,723 | 29,723 | 0             |  |
| Interest                            | 350      | 410           | 300    | 412    | 112           |  |
| Total Receipts                      | 41,427   | 41,637        | 36,423 | 36,312 | (111)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Emergency Operations Center         | 41,596   | 41,083        | 36,423 | 35,996 | 427           |  |
| Total Disbursements                 | 41,596   | 41,083        | 36,423 | 35,996 | 427           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (169)    | 554           | 0      | 316    | 316           |  |
| CASH, JANUARY 1                     | 593      | 593           | 277    | 277    | 0             |  |
| CASH, DECEMBER 31                   | \$ 424   | 1,147         | 277    | 593    | 316           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit F

GASCONADE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Charges for services                | \$ 2,960 | 2,842  | (118)                                  | 2,070  | 3,231  | 1,161                                  |
| Intergovernmental                   | 1,200    | 1,471  | 271                                    | 300    | 1,275  | 975                                    |
| Interest                            | 40       | 85     | 45                                     | 35     | 47     | 12                                     |
| Total Receipts                      | 4,200    | 4,398  | 198                                    | 2,405  | 4,553  | 2,148                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Sheriff                             | 3,800    | 3,133  | 667                                    | 2,400  | 2,365  | 35                                     |
| Total Disbursements                 | 3,800    | 3,133  | 667                                    | 2,400  | 2,365  | 35                                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 400      | 1,265  | 865                                    | 5      | 2,188  | 2,183                                  |
| CASH, JANUARY 1                     | 3,504    | 3,504  | 0                                      | 1,316  | 1,316  | 0                                      |
| CASH, DECEMBER 31                   | \$ 3,904 | 4,769  | 865                                    | 1,321  | 3,504  | 2,183                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit G

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 725 | 644           | 850    | 715    | (135)         |  |
| Interest                            | 20     | 20            | 15     | 24     | 9             |  |
| Total Receipts                      | 745    | 664           | 865    | 739    | (126)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 1,200  | 461           | 770    | 736    | 34            |  |
| Total Disbursements                 | 1,200  | 461           | 770    | 736    | 34            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (455)  | 203           | 95     | 3      | (92)          |  |
| CASH, JANUARY 1                     | 836    | 836           | 833    | 833    | 0             |  |
| CASH, DECEMBER 31                   | \$ 381 | 1,039         | 928    | 836    | (92)          |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Charges for services                | \$ 4,425 | 5,427         | 4,500   | 4,328   | (172)         |  |
| Interest                            | 250      | 138           | 300     | 286     | (14)          |  |
| Total Receipts                      | 4,675    | 5,565         | 4,800   | 4,614   | (186)         |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Prosecuting Attorney                | 12,500   | 7,581         | 10,500  | 8,686   | 1,814         |  |
| Total Disbursements                 | 12,500   | 7,581         | 10,500  | 8,686   | 1,814         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,825)  | (2,016)       | (5,700) | (4,072) | 1,628         |  |
| CASH, JANUARY 1                     | 8,775    | 8,775         | 12,847  | 12,847  | 0             |  |
| CASH, DECEMBER 31                   | \$ 950   | 6,759         | 7,147   | 8,775   | 1,628         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

GASCONADE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY 911 FUND

|                                     | Year Ended December 31, |          |  |          |         |  |
|-------------------------------------|-------------------------|----------|--|----------|---------|--|
|                                     | 1999                    |          |  | 1998     |         |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |          |         |  |
| 911 phone tax                       | \$ 124,000              | 131,433  | 7,433                                  | 127,000  | 119,328 | (7,672)                                |
| Interest                            | 770                     | 571      | (199)                                  | 750      | 771     | 21                                     |
| Other                               | 50                      | 126      | 76                                     | 200      | 50      | (150)                                  |
| Transfers in                        | 55,000                  | 55,000   | 0                                      | 100,000  | 100,000 | 0                                      |
| Total Receipts                      | 179,820                 | 187,130  | 7,310                                  | 227,950  | 220,149 | (7,801)                                |
| DISBURSEMENTS                       |                         |          |  |          |         |  |
| Salaries                            | 143,673                 | 148,026  | (4,353)                                | 155,839  | 142,425 | 13,414                                 |
| Office expenditures                 | 45,970                  | 45,364   | 606                                    | 89,501   | 68,034  | 21,467                                 |
| Equipment                           | 8,960                   | 6,442    | 2,518                                  | 9,460    | 8,334   | 1,126                                  |
| Other                               | 13,000                  | 11,765   | 1,235                                  | 6,600    | 6,564   | 36                                     |
| Total Disbursements                 | 211,603                 | 211,597  | 6                                      | 261,400  | 225,357 | 36,043                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (31,783)                | (24,467) | 7,316                                  | (33,450) | (5,208) | 28,242                                 |
| CASH, JANUARY 1                     | 42,305                  | 42,305   | 0                                      | 47,513   | 47,513  | 0                                      |
| CASH, DECEMBER 31                   | \$ 10,522               | 17,838   | 7,316                                  | 14,063   | 42,305  | 28,242                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

GASCONADE COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S DEPARTMENT LAW ENFORCEMENT FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Charges for services                | \$ 20,000               | 25,962 | 5,962                                  |
| Intergovernmental                   | 0                       | 14,536 | 14,536                                 |
| Interest                            | 160                     | 176    | 16                                     |
| Total Receipts                      | 20,160                  | 40,674 | 20,514                                 |
| DISBURSEMENTS                       |                         |        |  |
| Supplies                            | 0                       | 2,244  | (2,244)                                |
| Equipment                           | 24,000                  | 22,625 | 1,375                                  |
| Total Disbursements                 | 24,000                  | 24,869 | (869)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,840)                 | 15,805 | 19,645                                 |
| CASH, JANUARY 1                     | 4,568                   | 4,568  | 0                                      |
| CASH, DECEMBER 31                   | \$ 728                  | 20,373 | 19,645                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S RECORD RETENTION FUND

| Year Ended December 31,             |          |               |          |         |               |  |
|-------------------------------------|----------|---------------|----------|---------|---------------|--|
| 1999                                |          |               | 1998     |         |               |  |
|                                     |          | Variance      |          |         | Variance      |  |
|                                     |          | Favorable     |          |         | Favorable     |  |
|                                     |          | (Unfavorable) |          |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget   | Actual  |               |  |
| RECEIPTS                            |          |               |          |         |               |  |
| Intergovernmental                   | \$ 0     | 5,578         | 0        | 0       | 0             |  |
| Charges for services                | 10,200   | 9,758         | 8,900    | 9,774   | 874           |  |
| Interest                            | 200      | 601           | 0        | 478     | 478           |  |
| Total Receipts                      | 10,400   | 15,937        | 8,900    | 10,252  | 1,352         |  |
| DISBURSEMENTS                       |          |               |          |         |               |  |
| Recorder of Deeds                   | 22,600   | 16,201        | 23,000   | 18,431  | 4,569         |  |
| Total Disbursements                 | 22,600   | 16,201        | 23,000   | 18,431  | 4,569         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (12,200) | (264)         | (14,100) | (8,179) | 5,921         |  |
| CASH, JANUARY 1                     | 16,420   | 16,420        | 24,599   | 24,599  | 0             |  |
| CASH, DECEMBER 31                   | \$ 4,220 | 16,156        | 10,499   | 16,420  | 5,921         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

GASCONADE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FAMILY SERVICE AND JUSTICE FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 4,000 | 2,970  | (1,030)                                |
| Interest                            | 0        | 57     | 57                                     |
| Total Receipts                      | 4,000    | 3,027  | (973)                                  |
| DISBURSEMENTS                       |          |        |  |
| Other                               | 4,000    | 0      | 4,000                                  |
| Total Disbursements                 | 4,000    | 0      | 4,000                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 3,027  | 3,027                                  |
| CASH, JANUARY 1                     | 1,020    | 1,020  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,020 | 4,047  | 3,027                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

GASCONADE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 125,000              | 135,263 | 10,263                                 | 113,000 | 125,171 | 12,171                                 |
| Intergovernmental                   | 244,923                 | 227,759 | (17,164)                               | 222,820 | 202,532 | (20,288)                               |
| Charges for services                | 9,500                   | 8,920   | (580)                                  | 12,500  | 9,890   | (2,610)                                |
| Interest                            | 2,500                   | 2,803   | 303                                    | 2,500   | 3,008   | 508                                    |
| Other                               | 2,200                   | 5,052   | 2,852                                  | 4,400   | 5,239   | 839                                    |
| Transfers in                        | 10,000                  | 0       | (10,000)                               | 10,000  | 2,705   | (7,295)                                |
| Total Receipts                      | 394,123                 | 379,797 | (14,326)                               | 365,220 | 348,545 | (16,675)                               |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 276,182                 | 267,956 | 8,226                                  | 245,438 | 240,075 | 5,363                                  |
| Office expenditures                 | 57,330                  | 54,261  | 3,069                                  | 47,950  | 51,167  | (3,217)                                |
| Equipment                           | 12,500                  | 2,959   | 9,541                                  | 7,500   | 10,130  | (2,630)                                |
| Mileage and training                | 21,500                  | 19,530  | 1,970                                  | 23,300  | 19,352  | 3,948                                  |
| Programs                            | 18,000                  | 13,847  | 4,153                                  | 28,000  | 20,717  | 7,283                                  |
| Other                               | 22,200                  | 12,930  | 9,270                                  | 12,900  | 9,220   | 3,680                                  |
| Total Disbursements                 | 407,712                 | 371,483 | 36,229                                 | 365,088 | 350,661 | 14,427                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (13,589)                | 8,314   | 21,903                                 | 132     | (2,116) | (2,248)                                |
| CASH, JANUARY 1                     | 14,672                  | 14,672  | 0                                      | 16,788  | 16,788  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,083                | 22,986  | 21,903                                 | 16,920  | 14,672  | (2,248)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COUNTY HEALTH BUILDING FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Interest                            | \$ 500    | 498           | 400     | 605    | 205           |  |
| Other                               | 5,000     | 7,376         | 5,500   | 5,738  | 238           |  |
| Total Receipts                      | 5,500     | 7,874         | 5,900   | 6,343  | 443           |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Transfer out                        | 10,000    | 0             | 10,000  | 2,705  | 7,295         |  |
| Total Disbursements                 | 10,000    | 0             | 10,000  | 2,705  | 7,295         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,500)   | 7,874         | (4,100) | 3,638  | 7,738         |  |
| CASH, JANUARY 1                     | 22,335    | 22,335        | 18,697  | 18,697 | 0             |  |
| CASH, DECEMBER 31                   | \$ 17,835 | 30,209        | 14,597  | 22,335 | 7,738         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit O

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Interest                            | \$ 1,500 | 1,867         | 650    | 1,740  | 1,090         |  |
| Total Receipts                      | 1,500    | 1,867         | 650    | 1,740  | 1,090         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Circuit Clerk                       | 3,500    | 0             | 150    | 7      | 143           |  |
| Total Disbursements                 | 3,500    | 0             | 150    | 7      | 143           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,000)  | 1,867         | 500    | 1,733  | 1,233         |  |
| CASH, JANUARY 1                     | 10,974   | 11,411        | 3,215  | 9,678  | 6,463         |  |
| CASH, DECEMBER 31                   | \$ 8,974 | 13,278        | 3,715  | 11,411 | 7,696         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT INTEREST FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Interest                            | \$ 500   | 517           | 625     | 591    | (34)          |  |
| Total Receipts                      | 500      | 517           | 625     | 591    | (34)          |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Associate Circuit                   | 1,500    | 1,500         | 5,000   | 0      | 5,000         |  |
| Total Disbursements                 | 1,500    | 1,500         | 5,000   | 0      | 5,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,000)  | (983)         | (4,375) | 591    | 4,966         |  |
| CASH, JANUARY 1                     | 5,618    | 5,610         | 5,019   | 5,019  | 0             |  |
| CASH, DECEMBER 31                   | \$ 4,618 | 4,627         | 644     | 5,610  | 4,966         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

GASCONADE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |    |               |        |  |               |       |
|-------------------------------------|----|---------------|--------|--|---------------|-------|
| 1999                                |    |               | 1998   |  |               |       |
|                                     |    | Variance      |        |  | Variance      |       |
|                                     |    | Favorable     |        |  | Favorable     |       |
|                                     |    | (Unfavorable) |        |  | (Unfavorable) |       |
| Budget                              |    | Actual        | Budget |  | Actual        |       |
| RECEIPTS                            |    |               |        |  |               |       |
| Charges for services                | \$ | 1,750         | 1,668  |  | 1,650         | 1,753 |
| Total Receipts                      |    | 1,750         | 1,668  |  | 1,650         | 1,753 |
| DISBURSEMENTS                       |    |               |        |  |               |       |
| Law Library                         |    | 1,600         | 2,585  |  | 1,200         | 1,560 |
| Total Disbursements                 |    | 1,600         | 2,585  |  | 1,200         | 1,560 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 150           | (917)  |  | 450           | 193   |
| CASH, JANUARY 1                     |    | 2,815         | 2,815  |  | 2,622         | 2,622 |
| CASH, DECEMBER 31                   | \$ | 2,965         | 1,898  |  | 3,072         | 2,815 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

GASCONADE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 COMMUNITY MENTAL HEALTH BOARD FUND

|                                     | Year Ended December 31, |          |  |          |         |  |
|-------------------------------------|-------------------------|----------|--|----------|---------|--|
|                                     | 1999                    |          |  | 1998     |         |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |          |         |  |
| Property taxes                      | \$ 134,402              | 135,240  | 838                                    | 128,297  | 125,148 | (3,149)                                |
| Intergovernmental                   | 1,500                   | 338      | (1,162)                                | 1,500    | 637     | (863)                                  |
| Interest                            | 6,000                   | 5,444    | (556)                                  | 5,700    | 7,810   | 2,110                                  |
| Total Receipts                      | 141,902                 | 141,022  | (880)                                  | 135,497  | 133,595 | (1,902)                                |
| DISBURSEMENTS                       |                         |          |  |          |         |  |
| Office expenditures                 | 590                     | 442      | 148                                    | 590      | 388     | 202                                    |
| Mileage and training                | 100                     | 60       | 40                                     | 100      | 0       | 100                                    |
| Contract payments                   | 176,910                 | 161,579  | 15,331                                 | 176,973  | 136,135 | 40,838                                 |
| Contingency reserve                 | 30,000                  | 29,439   | 561                                    | 10,000   | 0       | 10,000                                 |
| Total Disbursements                 | 207,600                 | 191,520  | 16,080                                 | 187,663  | 136,523 | 51,140                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (65,698)                | (50,498) | 15,200                                 | (52,166) | (2,928) | 49,238                                 |
| CASH, JANUARY 1                     | 92,958                  | 92,958   | 0                                      | 95,886   | 95,886  | 0                                      |
| CASH, DECEMBER 31                   | \$ 27,260               | 42,460   | 15,200                                 | 43,720   | 92,958  | 49,238                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

GASCONADE COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Gasconade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, Health Center Board, or the Community Mental Health Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                               | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Domestic Violence Fund                    | 1999 and 1998                   |
| Helds Island Road Project - CDBG Fund     | 1999                            |
| Sheriff's Department Law Enforcement Fund | 1998                            |
| Family Service and Justice Fund           | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                               | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Law Library Fund                          | 1999 and 1998                   |
| Sheriff's Department Law Enforcement Fund | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 1999, did not include the Helds Island Road Project - CDBG Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$2,931,201 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$2,184,594 was covered by collateral pledged by one bank and held by a correspondent bank but not in the county's name.

Of the county's bank balance at December 31, 1998, \$2,708,344 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$1,264,484 was covered by collateral pledged by one bank and held by a correspondent bank but not in the county's name.

The Community Mental Health Board's deposits at December 31, 1999 and 1998 were entirely covered by federal depositary insurance. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.



Schedule

GASCONADE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Follow-Up on Prior Audit Findings

GASCONADE COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## SECTION ON OTHER MATTERS

## GASCONADE COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Gasconade County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 31, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Gasconade County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Collateral Security and Bank Accounts

The County Treasurer and County Collector do not formally monitor the county's bank balances to ensure the depository banks pledge sufficient collateral securities. Safekeeping receipts for securities pledged to the county and copies of receipts authorizing the release of pledged securities are not always maintained by the County Treasurer.

The County Treasurer does not reconcile the county's disbursement bank accounts on a monthly basis. As a result, unnecessary delays occur in the follow up of old outstanding checks, reallocating monies from voided checks to the appropriate funds, and allocating interest earned on the bank accounts to the appropriate funds.

### 2. County Expenditures

The County Commission does not review invoices or supporting documentation when they sign disbursement checks. Rather, the County Commission signs a summary listing of warrants to be paid and only requests invoices or supporting documentation when there is a question about a specific expenditure.

### 3. Closed Meeting Minutes

While minutes of the regular County Commission meetings indicated the reason for entering closed sessions; minutes were not maintained for closed sessions. In addition, the regular meeting minutes often did not disclose decisions made by the Commission while in closed session, when applicable.

4. Health Center

The duties of transmitting monies to the County Treasurer and reconciling the Health Center receipt slips to the County Treasurer's receipt slips are not adequately segregated. The Office Manager is responsible for receipting monies at the main office, recording transactions, preparing transmittals, transmitting monies to the County Treasurer, and reconciling receipt slips from the County Treasurer to the accounting records. No one independent of these duties performs reconciliations of the various records. In addition, a copy of the receipt slips issued at the time monies are transmitted by the Health Center's satellite offices to the main office are not reconciled to the satellite offices' receipt books.

The Health Center has not recorded fixed assets acquired during the two years ended December 31, 1999 on the property control record and expenditures for fixed asset purchases are not periodically reconciled to the additions to the property control record. Written authorization is not obtained prior to disposition of assets. The Health Center did not conduct annual physical inventories during the two years ended December 31, 1999.

5. Community Mental Health Board

The board did not review contractors' records during the audit period to ensure that the services being billed complied with the contract terms, were properly supported, and were provided to Gasconade County residents. Payments of such billings totaled approximately \$166,000 and \$111,000 during the years ended December 31, 1999 and 1998, respectively.

This Letter on Other Matters is intended for the information of the management of Gasconade County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



MISSOURI 3RD CLASS COUNTIES

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-119  
November 28, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

November 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** This report contains information about the ninety-three (93) Missouri counties which do not have a county auditor (New Madrid County became second class in 1999). Using the most recent audit reports, county budgets, and additional outside information, this report has been compiled to show various comparative financial information.

---

- Counties typically receive and spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. For 1999, the median (the middle amount in a series of amounts) county receipts for the General Revenue Fund were approximately \$1,198,000 while the median disbursements were approximately \$1,166,000. The median receipts for the Special Road and Bridge Fund were approximately \$1,057,000 and approximately \$1,085,000 for the median disbursements. More counties are consistently maintaining General Revenue fund receipts at a greater level than disbursements, while fewer counties are consistently maintaining Special Road and Bridge Fund receipts at a greater level than disbursements.
- Sales tax is the main source of receipts for most counties, especially the General Revenue Fund, while intergovernmental revenues, such as federal and state aid, are the main source of receipts for the Special Road and Bridge Fund.
- The report provides information on other major funds. These funds represent additional sales taxes approved by voters and earmarked for a specific purpose, including capital improvements, law enforcement, and road and bridge work. Forty-eight of the 93 third class counties have established one or more of these funds. The overall level of activity of receipts and disbursements and the cash balances in these types of funds has increased.
- New Madrid County which had an assessed valuation exceeding \$300,000,000 for five years became second class in January 1999. A further review of the assessed valuations indicates that several other counties now have or will soon be changing classification from third, to first or second class based on their assessed valuations.

(over)

YELLOW SHEET

- Maximizing receipts, minimizing disbursements, and improving the overall efficiency of government are crucial to financial conditions of all counties in the future. Counties must review all sources of receipts to ensure maximum return and timely receipt, and effectively control disbursements. Large disbursements should be bid to ensure the best product or service is purchased at the lowest cost. Counties must also strive to improve their overall financial reporting of activity to ensure the total financial condition can be evaluated.
- The annual report also contains other comparative financial information, including data on the Assessment Fund, and assessed valuations and tax levies of the counties.

**Copies of the audit are available upon request.**

MISSOURI 3RD CLASS COUNTIES

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Roger B. Wilson, Governor  
and  
Members of the General Assembly  
and  
County Commissions

The Missouri State Auditor's office, as required by Section 29.230, RSMo 1994, performs audits on all counties throughout the state which have not elected a county auditor. An audit report containing financial statements, footnotes, an opinion as to the fairness of the presentation of the financial information, and information regarding improvements in internal controls, statutory compliance, and management practices is issued for each county audit.

This report is titled "Missouri 3rd Class Counties" because the ninety-three counties for which information is presented are counties of the third class (New Madrid County actually became second class in 1999).

Using the most recent audit reports, county budgets, and additional outside information, this report has been compiled to show financial information for the ninety-three counties, some by comparative percentages. Because this report is based upon a combination of audited and unaudited information, no opinion can be expressed as to the accuracy of the unaudited figures. Actual information shown on county budgets is sometimes inaccurate or incomplete, so some adjustments have been made to information shown on the budgets for better comparability with audited years information (See Note 2). However, it is difficult for counties to completely assess their status in relation to other counties without knowing more about operations of the various counties.

The following charts categorize the ninety-three counties based on receipts and disbursements for the three years ended December 31, 1999.

|      |                       | General Revenue Fund |      |      |               |      |      |
|------|-----------------------|----------------------|------|------|---------------|------|------|
|      |                       | Receipts             |      |      | Disbursements |      |      |
|      |                       | December 31,         |      |      | December 31,  |      |      |
|      |                       | 1999                 | 1998 | 1997 | 1999          | 1998 | 1997 |
| \$ < | 500,000               | 4                    | 4    | 6    | 4             | 6    | 6    |
|      | 500,000 - 999,999     | 30                   | 27   | 33   | 29            | 28   | 35   |
|      | 1,000,000 - 1,499,999 | 20                   | 23   | 21   | 21            | 21   | 19   |
|      | 1,500,000 - 2,000,000 | 13                   | 18   | 12   | 16            | 17   | 14   |
|      | > 2,000,000           | 26                   | 21   | 21   | 23            | 21   | 19   |
|      | Total                 | 93                   | 93   | 93   | 93            | 93   | 93   |

|      |                       | Special Road and Bridge Fund |      |      |               |      |      |
|------|-----------------------|------------------------------|------|------|---------------|------|------|
|      |                       | Receipts                     |      |      | Disbursements |      |      |
|      |                       | December 31,                 |      |      | December 31,  |      |      |
|      |                       | 1999                         | 1998 | 1997 | 1999          | 1998 | 1997 |
| \$ < | 500,000               | 3                            | 2    | 3    | 3             | 5    | 3    |
|      | 500,000 - 999,999     | 35                           | 33   | 42   | 37            | 30   | 42   |
|      | 1,000,000 - 1,499,999 | 32                           | 40   | 29   | 33            | 39   | 31   |
|      | 1,500,000 - 2,000,000 | 15                           | 11   | 11   | 12            | 15   | 10   |
|      | > 2,000,000           | 8                            | 7    | 8    | 8             | 4    | 7    |
|      | Total                 | 93                           | 93   | 93   | 93            | 93   | 93   |

For 1999 the median (the middle amount in a series of amounts) county receipts and disbursements were approximately \$1,198,000 and \$1,166,000 respectively, for the General Revenue Fund, and \$1,057,000 and \$1,085,000, respectively, for the Special Road and Bridge Fund.

A more detailed review of the counties' receipts and disbursements data for the three years presented indicated the following regarding the number of counties where receipts exceeded disbursements.

|                              | Receipts Exceeded Disbursements |        |         |         |
|------------------------------|---------------------------------|--------|---------|---------|
|                              | 0 Years                         | 1 Year | 2 Years | 3 Years |
| General Revenue Fund         | 8                               | 29     | 32      | 24      |
| Special Road and Bridge Fund | 4                               | 29     | 46      | 14      |

A further review of individual county amounts indicates more counties are consistently maintaining General Revenue Fund receipts at a greater level than disbursements, and fewer counties are consistently maintaining Special Road and Bridge Fund receipts at a greater level than disbursements. For the majority of counties whose disbursements have consistently exceeded

receipts for the three years presented, there has been a significant negative impact on the county's financial condition. It appears changes between years are due largely to normal growth resulting in an increase of receipts and disbursements, although the fluctuation for some counties was due to significant, but temporary, changes in receipts and/or disbursements resulting from such events as capital improvement projects.

Actions to increase receipts or to control disbursements are ongoing and important. The average cash balance to disbursement ratios shown on Schedules 2-A and 2-B indicate that both the General Revenue Fund ratio and the Special Road and Bridge ratio have experienced little change. These schedules indicate the 1999 average cash balance to disbursement ratio was .20 and .23 for the General Revenue Fund and Special Road and Bridge Fund, respectively. These average ratios indicate cash available at year-end would fund county operations for approximately two to three months. The following charts categorize the ninety-three counties based on the cash balance to disbursements ratios during the last three years.

|                                |             | General Revenue Fund<br>December 31, |      |      |
|--------------------------------|-------------|--------------------------------------|------|------|
| Cash Balance:<br>Disbursements |             | 1999                                 | 1998 | 1997 |
| >                              | .90:1       | 4                                    | 4    | 3    |
|                                | .76:1-.90:1 | 4                                    | 3    | 5    |
|                                | .61:1-.75:1 | 7                                    | 5    | 7    |
|                                | .46:1-.60:1 | 9                                    | 6    | 5    |
|                                | .31:1-.45:1 | 12                                   | 12   | 8    |
|                                | .16:1-.30:1 | 21                                   | 24   | 27   |
|                                | .0-.15:1    | 32                                   | 36   | 38   |
| <                              | 0           | 4                                    | 3    | 0    |
|                                | Total       | 93                                   | 93   | 93   |

|                                |             | Special Road and Bridge Fund<br>December 31, |      |      |
|--------------------------------|-------------|--|------|------|
| Cash Balance:<br>Disbursements |             | 1999   | 1998 | 1997 |
| >                              | .90:1       | 7  | 11   | 9    |
|                                | .76:1-.90:1 | 8  | 3    | 2    |
|                                | .61:1-.75:1 | 7  | 2    | 4    |
|                                | .46:1-.60:1 | 4  | 6    | 7    |
|                                | .31:1-.45:1 | 11   | 18   | 15   |
|                                | .16:1-.30:1 | 19   | 20   | 23   |
|                                | .0-.15:1    | 37   | 33   | 33   |
| <                              | 0           | 0  | 0    | 0    |
|                                | Total       | 93   | 93   | 93   |

The charts above show that the majority of counties have a cash balance to disbursements ratio of .30 or less. A declining ratio may be indicative of a poor or worsening financial condition, while a growing ratio might represent a county's effort to accumulate and reserve monies for a significant future purpose or an improved financial condition. While the cash balance to disbursements ratio can assist in analyzing financial condition, such factors as types of receipts, cash flow, receivables, debt, and discretionary versus mandated disbursements also have a significant effect on the financial well-being of a county. Additionally, the availability of other major funds as shown on Schedule 6 and discussed in Note 1, or an unusually large spending level in one year can distort the financial condition analysis.

The percentage composition of receipts shows that sales taxes represent the main source of receipts for most counties, especially for the General Revenue Fund (See Schedule 3-A). Only four counties (Bates, Polk, Reynolds, and Ripley) do not have sales tax monies going into their General Revenue Fund. From 1980, when county sales taxes were initiated, sales tax collections have increased from 4 percent to 40 percent of total receipts of the General Revenue Fund. By contrast, property taxes have decreased from 41 percent to 16 percent of total receipts. Sales tax receipts are used by many counties to assist in meeting the day-to-day operating and law enforcement costs incurred. Without sales taxes, capital improvement projects would have to be canceled, deferred, or funded through other county funds and the services currently provided by the counties may have had to be reduced. The percentage composition of receipts shows that intergovernmental revenues represent the main source of receipts for most counties' Special Road and Bridge Fund (See Schedule 3-B). Among other monies included in this category are state distributions of county aid road trust (CART) monies, federal bridge project and disaster monies, and other government distributions. Schedules 3-A, 3-B, and 4 show that the "Other" receipts and disbursements categories are becoming more significant in some counties. When appropriate, counties need to classify receipts and disbursements in more specific and appropriate categories.

Schedule 4 shows the various disbursement functions for the General Revenue Fund over the three years. There was very little fluctuation in the "average" disbursement amounts as a percentage of the total. However, for counties having a law enforcement sales tax, disbursements for the operation of the sheriff's office and jail may be included in the Law Enforcement Sales Tax Fund rather than from the General Revenue Fund. The 1999 average percentages of total disbursements for the sheriff and jail were 17 and 7 percent, respectively. However, these average percentages are 22 and 11 percent when considering those counties with sheriff and jail expenditures from the General Revenue Fund only. In addition, expenditures from the prosecuting attorney, juvenile officer, and coroner may also be paid from the Law Enforcement Sales Tax Fund. Many counties also have Capital Improvement Sales Tax Funds and/or Road and Bridge Sales Tax Funds. The availability and use of these monies may impact the disbursements of the General Revenue Fund and Special Road and Bridge Fund, and how these funds are utilized. The majority of the counties do not have health and welfare disbursements from the General Revenue Fund. Those with significant disbursements in this category do not have a county health center board.

Assessment Fund expenditures are presented on Schedule 5 for the three years ended December 31, 1999. The funding for the Assessment Fund was established by Section 137.750, RSMo 1994. A separate fund is maintained for the receipts received and restricted for this purpose

including required contributions from the county's General Revenue Fund. As indicated on Schedule 5, the disbursements fluctuate greatly between counties depending largely upon the size of the Assessor's office. In addition, periodic equipment purchases can result in temporary, but significant, increases in disbursements. While 1999 disbursements per parcel averaged \$13, the disbursements per parcel for ninety percent of the counties ranged from \$9 to \$19. Disbursements from the Assessment Fund have steadily increased over the last three years.

Schedule 6 presents receipts, disbursements and cash balance information for other major funds established by the various counties. These funds represent additional sales taxes approved by voters and earmarked for a specific purpose, including capital improvements, law enforcement, and road and bridge work. Of the 93 third class counties, 48 have established one or more of these sales tax funds. A comparison of the 1999 and 1998 data indicates that the overall level of activity of receipts and disbursements and the cash balances in these types of funds has increased.

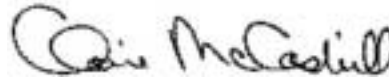
Schedule 7 presents the assessed valuation and tax levies for 1999 and 1998. New Madrid County which has had an assessed valuation exceeding \$300,000,000 for five years became second class in January 1999. A further review of the assessed valuations indicates that within a few years several other counties will also be changing classification from third, to first or second class based on their assessed valuations.

Maximizing receipts, minimizing disbursements, and improving the overall efficiency of government are crucial to the financial condition of all counties in the future. Counties must review all sources of receipts to ensure maximum return and timely receipt, and effectively control disbursements. Large disbursements should be bid to ensure the best product or service is purchased at the lowest cost. Discretionary disbursements should be carefully reviewed and alternatives evaluated. Counties must also strive to improve their overall financial reporting of activity to ensure the total financial condition can be evaluated.

While this report reflects financial information through 1999, various issues will significantly affect county operations during 2000 and subsequent years. Future efforts require county officials to work with the legislature to ensure proposed new legislation will not place undue hardships on the county's financial resources and that changes to promote efficiency are forthcoming.



This is the twenty-first year the State Auditor's office has issued an aggregate report on Missouri 3rd class counties. We have made changes to reflect information of interest to the readers, but are continually looking for new ideas to better communicate the information to those interested. We again solicit suggestions which may be beneficial to those involved in county government and other readers of this report.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 20, 2000 (field work completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Regina M. Pruitt, CPA |
| Audit Staff:        | Sarah C. Glosemeyer   |

## SCHEDULES

## Schedule 1-A

MISSOURI 3RD CLASS COUNTIES  
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES  
GENERAL REVENUE FUND

| County     |    | December 31, |               |              |           |               |              |           |               |              |
|------------|----|--------------|---------------|--------------|-----------|---------------|--------------|-----------|---------------|--------------|
|            |    | 1999         |               |              | 1998      |               |              | 1997      |               |              |
|            |    | Receipts     | Disbursements | Cash Balance | Receipts  | Disbursements | Cash Balance | Receipts  | Disbursements | Cash Balance |
| Adair      | \$ | 1,879,459    | 1,869,110     | 183,034      | 1,797,512 | 1,640,433     | 172,685      | 2,216,684 | 2,217,685     | 15,606       |
| Andrew     |    | 1,122,411    | 972,367       | 1,202,606    | 1,098,365 | 826,503       | 1,052,562    | 1,048,596 | 816,195       | 780,700      |
| Atchison   |    | 866,605      | 923,704       | 355,971      | 939,181   | 942,626       | 413,070      | 874,801   | 801,456       | 416,515      |
| Audrain    |    | 2,168,220    | 1,839,892     | 1,062,604    | 2,126,973 | 1,701,360     | 734,276      | 2,011,409 | 2,000,619     | 308,663      |
| Barry      |    | 2,728,358    | 2,360,244     | 1,785,423    | 2,271,547 | 2,079,233     | 1,417,309    | 2,058,945 | 1,740,739     | #####        |
| Barton     |    | 725,604      | 749,233       | 313,640      | 700,915   | 758,625       | 337,269      | 668,045   | 544,021       | 394,979      |
| Bates      |    | 654,624      | 507,425       | 328,435      | 590,483   | 449,416       | 181,236      | 537,415   | 629,212       | 401,69       |
| Benton     |    | 1,443,624    | 1,430,868     | 234,500      | 1,505,378 | 1,468,035     | 221,744      | 1,329,577 | 1,409,073     | 184,401      |
| Bollinger  |    | 851,500      | 862,651       | 13,496       | 952,758   | 948,595       | 24,647       | 756,061   | 764,377       | 20,484       |
| Butler     |    | 4,717,795    | 4,360,396     | 520,136      | 3,996,961 | 4,091,527     | 162,737      | 3,939,890 | 3,701,571     | 257,303      |
| Caldwell   |    | 922,830      | 907,232       | -94,026      | 702,754   | 845,650       | -109,624     | 681,904   | 714,162       | 33,272       |
| Carroll    |    | 1,217,103    | 1,105,617     | 221,256      | 1,123,789 | 1,173,732     | 109,770      | 1,191,532 | 1,134,288     | 159,713      |
| Carter     |    | 644,018      | 595,131       | 102,684      | 874,184   | 820,382       | 53,797       | 726,173   | 753,723       | -5           |
| Cedar      |    | 1,012,845    | 935,533       | 591,922      | 1,154,047 | 880,036       | 514,610      | 871,644   | 868,218       | 240,599      |
| Chariton   |    | 1,082,223    | 1,337,103     | 131,688      | 1,213,107 | 1,230,155     | 386,568      | 1,007,577 | 1,061,523     | 403,616      |
| Christian  |    | 2,195,011    | 2,002,437     | 1,136,018    | 2,311,085 | 1,911,973     | 943,444      | 2,491,527 | 2,003,534     | 544,332      |
| Clark      |    | 820,145      | 780,661       | 43,148       | 727,877   | 726,653       | 3,664        | 784,839   | 784,393       | 2,440        |
| Clinton    |    | 1,531,970    | 1,517,758     | 80,319       | 1,410,768 | 1,443,431     | 66,107       | 1,333,119 | 1,349,297     | 98,770       |
| Cooper     |    | 1,672,187    | 1,577,519     | 1,267,341    | 1,611,555 | 1,656,152     | 1,172,673    | 1,628,186 | 1,583,992     | #####        |
| Crawford   |    | 1,853,658    | 1,825,174     | 55,506       | 1,774,902 | 1,764,044     | 27,022       | 1,604,387 | 1,609,960     | 16,164       |
| Dade       |    | 426,353      | 472,546       | 404,185      | 409,298   | 421,953       | 450,378      | 435,677   | 478,366       | 463,033      |
| Dallas     |    | 919,391      | 970,073       | 198,008      | 893,955   | 872,864       | 248,690      | 867,980   | 1,219,102     | 227,599      |
| Daviess    |    | 645,261      | 576,359       | 634,864      | 615,821   | 596,816       | 565,962      | 590,257   | 432,498       | 546,957      |
| DeKalb     |    | 961,918      | 997,858       | 88,682       | 1,017,424 | 973,748       | 124,622      | 822,457   | 823,165       | 80,946       |
| Dent       |    | 1,115,603    | 1,075,721     | 585,597      | 1,048,158 | 1,001,634     | 545,715      | 1,045,394 | 970,485       | 499,191      |
| Douglas    |    | 1,054,582    | 1,119,326     | 361,757      | 1,036,973 | 1,029,943     | 426,501      | 908,330   | 897,649       | 419,471      |
| Dunklin    |    | 2,453,540    | 2,056,323     | 1,320,885    | 2,549,869 | 2,352,250     | 923,668      | 1,503,304 | 1,986,185     | 726,049      |
| Gasconade  |    | 1,387,750    | 1,215,588     | 473,156      | 1,346,923 | 1,376,988     | 300,994      | 1,196,579 | 1,356,466     | 331,059      |
| Gentry     |    | 939,922      | 930,057       | 185,899      | 945,759   | 848,930       | 176,034      | 814,456   | 763,424       | 79,205       |
| Grundy     |    | 951,144      | 1,049,885     | 646,876      | 909,823   | 899,485       | 745,617      | 967,584   | 827,881       | 735,279      |
| Harrison   |    | 743,984      | 787,454       | 81,072       | 826,179   | 942,438       | 124,542      | 771,946   | 812,868       | 240,801      |
| Henry      |    | 2,018,346    | 1,927,675     | 434,602      | 1,846,821 | 1,842,179     | 343,931      | 1,753,743 | 1,846,469     | 339,289      |
| Hickory    |    | 1,022,738    | 1,008,191     | 174,586      | 985,572   | 882,029       | 160,039      | 968,772   | 997,474       | 56,496       |
| Holt       |    | 872,387      | 840,273       | 117,525      | 886,189   | 882,429       | 85,411       | 869,793   | 810,914       | 81,651       |
| Howard     |    | 943,669      | 984,059       | 514,014      | 996,281   | 1,041,552     | 554,404      | 1,385,089 | 924,562       | 599,675      |
| Howell     |    | 2,686,274    | 2,666,633     | 278,549      | 2,498,775 | 2,511,365     | 258,908      | 2,229,214 | 2,258,593     | 271,498      |
| Iron       |    | 1,220,961    | 1,161,542     | 363,985      | 1,180,854 | 1,131,243     | 304,566      | 1,100,870 | 1,113,857     | 254,955      |
| Knox       |    | 460,319      | 447,588       | 14,186       | 500,489   | 501,102       | 1,455        | 481,678   | 522,763       | 2,068        |
| Laclede    |    | 3,064,205    | 2,743,813     | 818,055      | 2,787,769 | 2,582,537     | 497,663      | 2,203,579 | 2,331,402     | 292,431      |
| Lawrence   |    | 2,631,195    | 2,619,592     | 549,757      | 2,478,119 | 2,371,988     | 538,154      | 2,457,002 | 2,205,726     | 432,023      |
| Lewis      |    | 994,351      | 1,088,895     | 124,178      | 1,081,316 | 1,024,139     | 218,722      | 1,083,825 | 948,933       | 161,545      |
| Lincoln    |    | 3,418,852    | 3,176,472     | 546,341      | 3,622,260 | 3,340,197     | 303,961      | 3,010,989 | 3,213,947     | 21,898       |
| Linn       |    | 1,060,044    | 1,011,165     | 365,777      | 1,144,673 | 1,043,477     | 316,898      | 892,495   | 869,916       | 215,702      |
| Livingston |    | 1,493,188    | 1,556,461     | 132,912      | 1,399,296 | 1,543,827     | 196,185      | 1,403,904 | 1,342,141     | 340,716      |
| Macon      |    | 1,387,983    | 1,321,993     | 125,263      | 1,280,965 | 1,375,011     | 59,273       | 1,233,011 | 1,238,191     | 153,319      |
| Madison    |    | 1,100,694    | 1,092,336     | 24,851       | 1,118,475 | 1,121,796     | 16,493       | 993,378   | 1,000,821     | 19,814       |
| Maries     |    | 875,251      | 846,972       | 96,618       | 864,070   | 856,415       | 68,339       | 792,438   | 796,941       | 60,684       |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 1-A

MISSOURI 3RD CLASS COUNTIES  
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES  
GENERAL REVENUE FUND

| December 31,   |           |               |              |             |               |              |             |               |              |  |  |
|----------------|-----------|---------------|--------------|-------------|---------------|--------------|-------------|---------------|--------------|--|--|
| County         | 1999      |               |              | 1998        |               |              | 1997        |               |              |  |  |
|                | Receipts  | Disbursements | Cash Balance | Receipts    | Disbursements | Cash Balance | Receipts    | Disbursements | Cash Balance |  |  |
| Marion \$      | 3,310,573 | * 2,995,914   | * 611,457    | * 3,035,275 | * 2,995,516   | * 296,798    | * 2,916,008 | * 2,894,961   | * 257,039    |  |  |
| McDonald       | 1,386,889 | * 1,436,304   | * 37,720     | * 1,582,013 | * 1,838,256   | * 87,135     | * 1,344,694 | * 1,229,907   | * 343,378    |  |  |
| Mercer         | 550,929   | * 539,683     | * 136,376    | * 570,614   | * 557,357     | * 125,130    | * 537,194   | * 516,691     | * 111,873    |  |  |
| Miller         | 2,136,519 | * 1,763,123   | * 687,477    | * 1,938,015 | * 1,672,430   | * 314,081    | * 1,776,018 | * 1,732,680   | * 48,496     |  |  |
| Mississippi    | 1,582,140 | * 1,523,484   | * 502,926    | * 1,646,427 | * 1,525,247   | * 444,270    | * 1,378,998 | * 1,312,844   | * 323,090    |  |  |
| Moniteau       | 980,257   | * 991,069     | * 34,185     | * 891,820   | * 952,358     | * 44,997     | * 841,029   | * 880,953     | * 105,535    |  |  |
| Monroe         | 1,186,302 | * 1,199,904   | * 60,043     | * 1,101,267 | * 1,151,627   | * 73,645     | * 1,055,951 | * 1,021,311   | * 124,005    |  |  |
| Montgomery     | 1,704,121 | * 1,753,014   | * 27,811     | * 1,737,378 | * 1,667,585   | * 76,704     | * 1,207,104 | * 1,347,891   | * 6,911      |  |  |
| Morgan         | 1,584,632 | * 1,397,940   | * 849,927    | * 1,552,878 | * 1,463,657   | * 663,235    | * 1,438,937 | * 1,464,333   | * 574,014    |  |  |
| New Madrid     | 2,747,734 | * 2,460,216   | * 2,118,095  | * 2,518,283 | * 2,515,604   | * 1,830,577  | * 2,402,348 | * 2,194,370   | * 1,827,898  |  |  |
| Newton         | 5,585,485 | * 5,180,390   | * 2,817,191  | * 5,278,307 | * 4,938,117   | * 2,412,096  | * 5,194,120 | * 5,773,271   | * 2,071,906  |  |  |
| Nodaway        | 2,219,433 | * 2,190,968   | * 1,569,459  | * 2,130,055 | * 2,161,376   | * 1,540,994  | * 2,144,924 | * 1,872,172   | * 1,572,315  |  |  |
| Oregon         | 995,356   | * 1,028,574   | * 615,760    | * 1,035,615 | * 1,031,066   | * 648,978    | * 920,006   | * 898,573     | * 644,429    |  |  |
| Osage          | 844,302   | * 854,036     | * 129,949    | * 825,958   | * 822,174     | * 139,683    | * 810,851   | * 808,342     | * 135,899    |  |  |
| Ozark          | 994,615   | * 973,076     | * 21,652     | * 1,026,620 | * 1,028,080   | * 113        | * 862,843   | * 956,163     | * 1,573      |  |  |
| Pemiscot       | 1,962,188 | * 2,028,630   | * 131,637    | * 1,807,681 | * 1,880,516   | * 198,079    | * 1,573,280 | * 1,908,195   | * 270,914    |  |  |
| Perry          | 1,940,897 | * 1,794,856   | * 493,102    | * 1,885,954 | * 2,007,622   | * 347,061    | * 1,778,977 | * 1,737,200   | * 468,729    |  |  |
| Phelps         | 3,696,142 | * 3,631,475   | * 328,151    | * 3,891,428 | * 3,634,462   | * 263,484    | * 3,556,859 | * 3,563,304   | * 6,518      |  |  |
| Pike           | 2,350,423 | * 2,444,912   | * 108,376    | * 2,317,279 | * 2,543,387   | * 202,865    | * 2,441,181 | * 2,487,152   | * 428,973    |  |  |
| Polk           | 911,767   | * 706,544     | * 824,230    | * 845,606   | * 653,666     | * 619,007    | * 760,690   | * 578,537     | * 427,067    |  |  |
| Pulaski        | 2,212,057 | * 2,262,560   | * 423,242    | * 2,312,578 | * 2,339,375   | * 473,745    | * 1,669,865 | * 2,534,479   | * 500,542    |  |  |
| Putnam         | 523,886   | * 522,827     | * 84,188     | * 382,018   | * 411,792     | * 83,129     | * 393,736   | * 377,210     | * 112,903    |  |  |
| Ralls          | 1,197,660 | * 1,122,779   | * 79,110     | * 1,092,702 | * 1,191,415   | * 4,229      | * 1,159,388 | * 1,171,615   | * 102,942    |  |  |
| Randolph       | 2,690,320 | * 2,667,577   | * -65,601    | * 2,610,092 | * 2,687,996   | * -88,344    | * 2,491,400 | * 2,530,063   | * -10,440    |  |  |
| Ray            | 2,104,134 | * 2,072,586   | * 61,015     | * 1,875,216 | * 1,981,376   | * 29,467     | * 1,819,418 | * 1,937,755   | * 135,627    |  |  |
| Reynolds       | 637,049   | * 665,525     | * 72,397     | * 565,307   | * 616,401     | * 100,873    | * 633,186   | * 578,213     | * 151,967    |  |  |
| Ripley         | 455,443   | * 484,512     | * 330,665    | * 531,531   | * 435,064     | * 359,734    | * 442,551   | * 417,413     | * 263,267    |  |  |
| St. Clair      | 2,667,576 | * 2,957,677   | * 55,029     | * 1,689,879 | * 1,747,599   | * 345,130    | * 1,474,768 | * 1,445,016   | * 402,850    |  |  |
| Ste. Genevieve | 3,143,254 | * 3,095,441   | * 832,232    | * 3,073,261 | * 3,056,766   | * 784,419    | * 2,939,321 | * 2,727,393   | * 767,924    |  |  |
| Schuyler       | 553,559   | * 574,626     | * 260,586    | * 378,274   | * 361,425     | * 281,653    | * 444,350   | * 382,408     | * 264,804    |  |  |
| Scotland       | 650,076   | * 626,778     | * 250,092    | * 642,133   | * 609,494     | * 226,794    | * 591,979   | * 559,588     | * 194,155    |  |  |
| Scott          | 3,054,197 | * 2,853,396   | * 636,882    | * 3,012,842 | * 3,147,070   | * 436,081    | * 2,703,978 | * 2,657,148   | * 570,309    |  |  |
| Shannon        | 749,746   | * 771,007     | * 43,067     | * 666,145   | * 724,761     | * 64,328     | * 648,474   | * 562,072     | * 122,944    |  |  |
| Shelby         | 835,857   | * 748,896     | * 190,851    | * 720,826   | * 759,969     | * 103,890    | * 740,447   | * 769,718     | * 143,033    |  |  |
| Stoddard       | 2,307,611 | * 2,266,561   | * 1,247,452  | * 2,211,399 | * 2,713,108   | * 1,206,402  | * 2,181,915 | * 2,069,703   | * 1,708,111  |  |  |
| Stone          | 1,882,037 | * 1,782,013   | * 644,799    | * 1,782,117 | * 2,041,337   | * 544,775    | * 2,057,098 | * 1,508,602   | * 803,995    |  |  |
| Sullivan       | 947,934   | * 960,385     | * 209,060    | * 816,152   | * 857,522     | * 221,511    | * 763,137   | * 676,959     | * 262,881    |  |  |
| Taney          | 8,062,277 | * 4,949,353   | * 6,255,888  | * 6,010,104 | * 5,256,922   | * 3,142,964  | * 5,931,873 | * 5,475,514   | * 2,389,782  |  |  |
| Texas          | 1,198,379 | * 1,166,276   | * 558,957    | * 1,159,988 | * 1,270,167   | * 526,854    | * 1,072,926 | * 1,101,109   | * 637,033    |  |  |
| Vernon         | 1,679,693 | * 1,640,724   | * 412,769    | * 1,659,202 | * 1,685,459   | * 373,800    | * 1,590,310 | * 1,513,196   | * 400,057    |  |  |
| Warren         | 2,136,778 | * 1,708,300   | * 863,419    | * 1,913,674 | * 1,855,029   | * 434,941    | * 1,804,810 | * 1,757,972   | * 376,296    |  |  |
| Washington     | 1,544,543 | * 1,551,477   | * 35,365     | * 1,587,921 | * 1,572,323   | * 42,299     | * 1,550,954 | * 1,558,126   | * 26,701     |  |  |
| Wayne          | 1,082,646 | * 1,116,759   | * -32,537    | * 1,031,148 | * 1,127,937   | * 1,576      | * 933,574   | * 961,632     | * 98,365     |  |  |
| Webster        | 1,778,000 | * 1,660,629   | * 330,323    | * 1,478,758 | * 1,467,969   | * 212,952    | * 1,443,802 | * 1,441,415   | * 202,163    |  |  |
| Worth          | 299,877   | * 278,286     | * -21,747    | * 278,056   | * 322,993     | * -43,338    | * 437,144   | * 442,135     | * 1,599      |  |  |
| Wright         | 1,192,881 | * 1,140,627   | * 416,088    | * 1,019,813 | * 978,325     | * 363,834    | * 998,619   | * 972,701     | * 322,346    |  |  |
| Aver. \$       | 1,626,003 | 1,534,910     | 489,000      | 1,540,601   | 1,515,985     | 397,907      | 1,445,238   | 1,427,815     | 373,291      |  |  |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 1-B

MISSOURI 3RD CLASS COUNTIES  
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES  
SPECIAL ROAD AND BRIDGE FUND

|            |              |               | December 31, |             |               |              |             |               |              |          |               |
|------------|--------------|---------------|--------------|-------------|---------------|--------------|-------------|---------------|--------------|----------|---------------|
|            |              |               | 1999         |             |               | 1998         |             |               | 1997         |          |               |
| County     | Receipts     | Disbursements | Cash Balance | Receipts    | Disbursements | Cash Balance | Receipts    | Disbursements | Cash Balance | Receipts | Disbursements |
| Adair      | \$ 1,248,256 | * 1,065,518   | * 239,647    | * 1,416,255 | * 1,581,283   | * 56,909     | * 1,592,436 | * 1,605,957   | * 221,937    |          |               |
| Andrew     | 1,864,943    | * 1,669,670   | * 571,969    | * 1,850,430 | * 1,943,125   | * 376,696    | * 1,676,710 | * 1,459,652   | * 469,391    |          |               |
| Atchison   | 643,551      | * 931,798     | * 2,414      | * 1,121,423 | * 917,340     | * 290,661    | * 701,368   | * 697,179     | * 86,578     |          |               |
| Audrain    | 1,704,982    | * 1,879,921   | * 193,769    | * 1,336,039 | * 1,441,768   | * 368,708    | * 1,199,194 | * 1,208,289   | * 474,437    |          |               |
| Barry      | 239,064      | * 343,261     | * 294,643    | * 430,419   | * 349,073     | * 398,840    | * 462,666   | * 456,970     | * 317,494    |          |               |
| Barton     | 864,091      | * 930,368     | * 403,659    | * 674,420   | * 499,933     | * 469,936    | * 677,374   | * 528,145     | * 295,449    |          |               |
| Bates      | 1,267,036    | * 1,084,996   | * 485,752    | * 1,059,222 | * 924,747     | * 303,712    | * 1,309,781 | * 1,434,404   | * 169,237    |          |               |
| Benton     | 1,151,489    | * 1,321,559   | * 1,102,437  | * 1,195,066 | * 1,146,392   | * 1,272,507  | * 1,267,160 | * 1,016,675   | * 1,223,833  |          |               |
| Bollinger  | 858,703      | * 853,031     | * 6,616      | * 808,615   | * 877,375     | * 944        | * 761,754   | * 755,112     | * 69,704     |          |               |
| Butler     | 2,711,110    | * 2,670,723   | * 554,143    | * 1,830,795 | * 1,683,222   | * 513,756    | * 1,917,077 | * 1,640,800   | * 366,183    |          |               |
| Caldwell   | 933,320      | * 1,041,139   | * 148,286    | * 1,281,838 | * 1,204,562   | * 256,105    | * 709,640   | * 762,493     | * 178,829    |          |               |
| Carroll    | 1,463,845    | * 1,300,616   | * 794,256    | * 1,475,011 | * 1,092,439   | * 631,027    | * 1,863,310 | * 1,985,728   | * 248,455    |          |               |
| Carter     | 432,145      | * 390,792     | * 129,840    | * 544,494   | * 525,474     | * 88,487     | * 476,270   | * 601,915     | * 69,466     |          |               |
| Cedar      | 1,181,504    | * 1,190,066   | * 203,391    | * 585,661   | * 456,204     | * 211,953    | * 609,773   | * 568,202     | * 82,496     |          |               |
| Chariton   | 820,443      | * 751,223     | * 770,337    | * 1,284,264 | * 1,310,297   | * 701,117    | * 924,055   | * 897,484     | * 727,150    |          |               |
| Christian  | 2,467,220    | * 2,811,988   | * 637,215    | * 2,957,871 | * 2,612,774   | * 981,983    | * 2,392,898 | * 2,580,285   | * 636,886    |          |               |
| Clark      | 1,500,098    | * 1,397,682   | * 102,891    | * 990,895   | * 1,005,749   | * 475        | * 1,832,446 | * 1,817,700   | * 15,329     |          |               |
| Clinton    | 1,252,631    | * 1,463,655   | * 111,436    | * 1,244,325 | * 1,398,372   | * 322,460    | * 1,148,375 | * 1,069,807   | * 476,507    |          |               |
| Cooper     | 1,032,292    | * 768,478     | * 510,360    | * 1,050,583 | * 1,118,063   | * 246,546    | * 954,370   | * 832,643     | * 314,026    |          |               |
| Crawford   | 1,900,438    | * 1,608,184   | * 1,251,305  | * 1,600,680 | * 1,482,668   | * 959,051    | * 1,482,394 | * 1,200,503   | * 841,039    |          |               |
| Dade       | 563,633      | * 646,207     | * 197,808    | * 943,143   | * 909,826     | * 280,382    | * 821,714   | * 802,670     | * 247,065    |          |               |
| Dallas     | 901,122      | * 939,640     | * 217,443    | * 872,378   | * 1,162,391   | * 255,961    | * 833,825   | * 744,271     | * 545,974    |          |               |
| Daviess    | 921,544      | * 835,841     | * 923,767    | * 2,234,875 | * 1,968,888   | * 838,064    | * 1,301,111 | * 1,259,434   | * 572,077    |          |               |
| DeKalb     | 911,505      | * 968,831     | * 748,293    | * 781,581   | * 662,111     | * 805,619    | * 594,627   | * 382,143     | * 686,149    |          |               |
| Dent       | 912,804      | * 965,306     | * 109,194    | * 1,008,930 | * 1,120,132   | * 161,696    | * 1,000,497 | * 988,332     | * 272,898    |          |               |
| Douglas    | 885,341      | * 931,834     | * 64,427     | * 826,594   | * 832,027     | * 110,920    | * 767,646   | * 745,462     | * 116,353    |          |               |
| Dunklin    | 1,039,866    | * 852,483     | * 1,035,165  | * 801,849   | * 825,864     | * 847,782    | * 811,819   | * 744,330     | * 871,797    |          |               |
| Gasconade  | 1,517,334    | * 1,166,356   | * 614,035    | * 1,309,773 | * 1,183,215   | * 263,057    | * 1,272,538 | * 1,392,154   | * 136,499    |          |               |
| Gentry     | 1,253,737    | * 1,290,115   | * 92,769     | * 1,033,895 | * 1,093,407   | * 129,147    | * 728,798   | * 705,797     | * 188,659    |          |               |
| Grundy     | 792,070      | * 943,310     | * 105,371    | * 655,088   | * 596,281     | * 256,611    | * 733,902   | * 778,872     | * 197,804    |          |               |
| Harrison   | 1,523,453    | * 1,688,095   | * 1,792,385  | * 1,678,633 | * 1,170,358   | * 1,957,027  | * 1,277,652 | * 1,339,831   | * 1,448,752  |          |               |
| Henry      | 1,316,704    | * 1,244,069   | * 1,082,582  | * 1,084,115 | * 950,290     | * 1,009,947  | * 914,109   | * 740,155     | * 876,122    |          |               |
| Hickory    | 613,638      | * 564,501     | * 113,314    | * 575,715   | * 586,096     | * 64,177     | * 614,048   | * 675,166     | * 74,558     |          |               |
| Holt       | 1,192,640    | * 1,213,535   | * 90,702     | * 1,004,624 | * 1,117,624   | * 111,597    | * 1,344,506 | * 1,010,869   | * 224,597    |          |               |
| Howard     | 956,161      | * 936,675     | * 378,711    | * 1,015,378 | * 1,056,438   | * 359,225    | * 866,616   | * 936,239     | * 400,285    |          |               |
| Howell     | 1,416,452    | * 1,454,325   | * 176,227    | * 1,375,469 | * 1,333,937   | * 214,100    | * 1,300,361 | * 1,275,967   | * 172,568    |          |               |
| Iron       | 973,153      | * 967,540     | * 401,038    | * 896,254   | * 886,415     | * 395,425    | * 892,407   | * 830,127     | * 385,587    |          |               |
| Knox       | 1,066,409    | * 1,018,104   | * 194,693    | * 1,231,997 | * 1,350,765   | * 146,388    | * 1,362,081 | * 1,426,182   | * 265,156    |          |               |
| Laclede    | 1,056,922    | * 1,140,077   | * 19,616     | * 905,048   | * 1,002,710   | * 102,771    | * 1,159,484 | * 1,109,497   | * 200,433    |          |               |
| Lawrence   | 2,072,233    | * 2,148,132   | * 178,002    | * 1,969,844 | * 1,997,897   | * 253,901    | * 1,857,002 | * 1,878,598   | * 281,954    |          |               |
| Lewis      | 765,953      | * 802,979     | * 8,398      | * 753,014   | * 808,416     | * 45,424     | * 707,666   | * 687,327     | * 100,826    |          |               |
| Lincoln    | 3,567,075    | * 3,278,721   | * 534,480    | * 3,290,322 | * 3,141,405   | * 246,126    | * 3,113,069 | * 2,755,104   | * 97,209     |          |               |
| Linn       | 1,610,957    | * 1,402,223   | * 429,820    | * 1,336,459 | * 1,525,972   | * 221,086    | * 1,328,748 | * 1,312,182   | * 410,599    |          |               |
| Livingston | 1,046,790    | * 1,056,474   | * 98,149     | * 779,882   | * 836,361     | * 107,833    | * 663,948   | * 775,535     | * 164,312    |          |               |
| Macon      | 1,413,925    | * 1,493,977   | * 371,003    | * 1,292,342 | * 1,279,248   | * 451,055    | * 1,270,900 | * 1,235,495   | * 437,961    |          |               |
| Madison    | 632,499      | * 682,878     | * 239        | * 771,469   | * 730,821     | * 50,618     | * 551,902   | * 550,292     | * 9,970      |          |               |
| Maries     | 436,890      | * 421,667     | * 82,480     | * 1,831,118 | * 1,779,631   | * 67,257     | * 581,790   | * 630,850     | * 15,770     |          |               |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 1-B

MISSOURI 3RD CLASS COUNTIES  
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES  
SPECIAL ROAD AND BRIDGE FUND

| County         | December 31, |               |              |           |               |              |           |               |              |
|----------------|--------------|---------------|--------------|-----------|---------------|--------------|-----------|---------------|--------------|
|                | 1999         |               |              | 1998      |               |              | 1997      |               |              |
|                | Receipts     | Disbursements | Cash Balance | Receipts  | Disbursements | Cash Balance | Receipts  | Disbursements | Cash Balance |
| Marion \$      | 1,240,326    | * 1,146,710   | * 124,861    | 1,085,683 | 1,054,665     | 31,245       | 989,442   | 1,012,356     | 227          |
| McDonald       | 1,301,698    | * 1,278,722   | * 397,109    | 1,190,127 | * 1,186,974   | * 374,133    | 1,146,683 | 1,325,488     | 370,980      |
| Mercer         | 541,026      | * 984,278     | * 56,925     | 821,029   | 935,389       | 500,177      | 891,598   | 773,642       | 614,537      |
| Miller         | 1,276,351    | * 1,165,630   | * 329,999    | 1,656,649 | * 1,513,807   | * 219,278    | 1,057,467 | 1,005,097     | 76,436       |
| Mississippi    | 1,055,888    | * 1,203,391   | * 170,107    | 839,863   | * 775,748     | * 317,610    | 965,468   | 862,868       | 253,495      |
| Moniteau       | 875,208      | * 956,583     | * 74,959     | 872,228   | 861,156       | 156,334      | 848,819   | 747,500       | 145,262      |
| Monroe         | 1,211,172    | * 1,074,833   | * 179,825    | 915,437   | * 1,025,035   | * 43,486     | 980,219   | 1,006,500     | 153,084      |
| Montgomery     | 1,315,642    | * 1,269,885   | * 194,691    | 1,071,499 | * 1,052,985   | * 148,934    | 1,353,955 | 1,402,236     | 130,420      |
| Morgan         | 1,701,912    | * 1,246,581   | * 1,010,432  | 1,436,729 | 1,654,526     | 555,101      | 1,576,682 | 1,288,290     | 772,898      |
| New Madrid     | 2,084,933    | * 1,986,311   | * 1,448,251  | 1,916,646 | * 1,761,479   | * 1,349,629  | 2,148,141 | 2,307,617     | 1,194,462    |
| Newton         | 1,705,522    | * 2,451,365   | * 21,964     | 2,004,358 | 1,780,505     | 767,807      | 2,492,950 | 2,028,850     | 543,954      |
| Nodaway        | 2,433,891    | * 2,337,134   | * 1,611,341  | 2,139,763 | 1,660,216     | 1,514,584    | 2,361,070 | 1,753,262     | 1,035,037    |
| Oregon         | 636,638      | * 563,418     | * 393,430    | 607,822   | * 477,955     | * 320,210    | 601,494   | 550,507       | 190,343      |
| Osage          | 787,934      | * 803,773     | * 237,580    | 863,277   | * 784,055     | * 253,419    | 759,129   | 793,261       | 174,198      |
| Ozark          | 882,638      | * 884,413     | * 49,479     | 862,263   | * 813,330     | * 51,254     | 780,719   | 866,772       | 2,321        |
| Pemiscot       | 1,032,736    | * 1,114,730   | * 437,674    | 1,030,768 | 923,132       | 519,668      | 1,024,279 | 879,983       | 412,032      |
| Perry          | 1,286,621    | * 1,165,943   | * 552,915    | 1,101,034 | 1,055,284     | 432,237      | 1,086,548 | 1,166,338     | 386,487      |
| Phelps         | 2,321,506    | * 2,413,162   | * 4,718      | 2,479,550 | 2,384,088     | 96,374       | 2,325,242 | 2,328,325     | 912          |
| Pike           | 1,975,256    | * 1,948,726   | * 144,372    | 1,930,449 | * 1,822,162   | * 117,842    | 1,026,418 | 1,041,684     | 9,554        |
| Polk           | 1,682,297    | * 1,689,415   | * 619        | 1,931,674 | * 1,977,983   | * 7,737      | 1,915,159 | 1,881,331     | 54,046       |
| Pulaski        | 1,017,398    | * 986,513     | * 117,985    | 1,215,442 | 1,236,865     | 87,100       | 2,229,199 | 2,147,272     | 108,523      |
| Putnam         | 732,048      | * 744,534     | * 176,719    | 808,421   | 788,764       | 189,205      | 698,708   | 775,938       | 169,548      |
| Ralls          | 1,032,925    | * 1,160,050   | * 221,082    | 1,099,316 | 1,231,711     | 348,207      | 1,168,031 | 1,527,809     | 480,602      |
| Randolph       | 1,673,195    | * 1,638,934   | * 1,208,083  | 1,498,658 | 1,492,712     | 1,173,822    | 1,673,901 | 1,739,523     | 1,167,876    |
| Ray            | 1,600,114    | * 1,553,084   | * 58,137     | 1,200,291 | 1,517,159     | 11,107       | 1,246,548 | 1,077,828     | 327,975      |
| Reynolds       | 984,023      | * 1,067,692   | * 122,877    | 942,544   | * 890,890     | * 206,546    | 910,502   | 962,308       | 154,892      |
| Ripley         | 636,061      | * 576,831     | * 152,492    | 456,143   | 483,969       | 93,262       | 409,727   | 353,890       | 121,088      |
| St. Clair      | 887,983      | * 914,587     | * 235,657    | 823,598   | 757,853       | 262,261      | 875,719   | 818,329       | 196,516      |
| Ste. Genevieve | 1,022,248    | * 938,293     | * 1,343,172  | 1,084,155 | 1,074,716     | 1,259,217    | 972,385   | 784,942       | 1,249,778    |
| Schuyler       | 735,975      | * 625,692     | * 284,414    | 765,724   | 664,160       | 174,131      | 800,280   | 809,882       | 72,567       |
| Scotland       | 931,594      | * 806,629     | * 380,218    | 951,208   | 1,037,705     | 255,253      | 925,464   | 865,633       | 341,750      |
| Scott          | 943,338      | * 870,254     | * 200,781    | 931,086   | * 940,814     | * 127,697    | 877,290   | 884,387       | 137,425      |
| Shannon        | 745,250      | * 739,523     | * 1,192,780  | 1,110,154 | * 587,448     | * 1,187,053  | 827,708   | 654,579       | 664,347      |
| Shelby         | 868,440      | * 749,743     | * 197,407    | 1,029,187 | * 1,053,393   | * 78,710     | 846,280   | 864,371       | 102,916      |
| Stoddard       | 1,671,586    | * 1,582,609   | * 1,264,474  | 1,374,741 | 1,358,779     | 1,175,497    | 1,401,644 | 1,266,668     | 1,159,535    |
| Stone          | 4,040,525    | * 4,459,431   | * 404,088    | 4,050,451 | 3,811,226     | 822,994      | 3,720,238 | 3,602,913     | 583,769      |
| Sullivan       | 624,284      | * 645,526     | * 415,471    | 1,093,076 | 1,173,930     | 436,713      | 1,399,645 | 1,247,933     | 517,567      |
| Taney          | 1,274,172    | * 1,580,127   | * 2,067,874  | 1,580,457 | * 1,384,044   | * 2,373,829  | 1,746,953 | 1,331,173     | 2,177,416    |
| Texas          | 924,295      | * 991,358     | * 84,796     | 915,552   | 917,478       | 151,859      | 924,211   | 897,038       | 153,786      |
| Vernon         | 1,428,196    | * 1,207,826   | * 571,664    | 1,170,197 | * 1,480,123   | * 351,294    | 1,345,759 | 1,428,878     | 661,220      |
| Warren         | 1,489,067    | * 1,131,149   | * 979,049    | 1,466,977 | 1,027,243     | 621,131      | 1,201,808 | 1,184,599     | 181,397      |
| Washington     | 1,561,216    | * 1,535,947   | * 168,413    | 1,481,717 | * 1,457,258   | * 143,144    | 1,783,590 | 1,704,698     | 118,685      |
| Wayne          | 1,496,443    | * 1,421,804   | * 99,422     | 1,133,020 | * 1,177,529   | * 24,783     | 1,200,623 | 1,183,590     | 69,292       |
| Webster        | 1,229,095    | * 1,254,903   | * 97,879     | 1,224,880 | 1,178,531     | 123,687      | 1,076,601 | 1,044,127     | 77,338       |
| Worth          | 856,805      | * 861,554     | * 93,765     | 623,422   | * 601,792     | * 98,514     | 617,473   | 555,736       | 76,884       |
| Wright         | 895,862      | * 890,164     | * 121,263    | 928,891   | * 928,305     | * 115,565    | 733,626   | 769,370       | 114,978      |
| Aven \$        | 1,242,466    | 1,238,154     | 411,567      | 1,233,487 | 1,196,067     | 407,255      | 1,189,002 | 1,143,421     | 369,836      |

\* Unaudited (see Note 2).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 2-A

MISSOURI 3RD CLASS COUNTIES  
 RATIO OF CASH BALANCE TO DISBURSEMENTS  
 GENERAL REVENUE FUND

| County     | Year Ended December 31, |         |      |
|------------|-------------------------|---------|------|
|            | 1999                    | 1998    | 1997 |
| Adair      | 0.1 *                   | 0.11 *  | 0.01 |
| Andrew     | 1.24 *                  | 1.27 *  | 0.96 |
| Atchison   | 0.39 *                  | 0.44 *  | 0.52 |
| Audrain    | 0.58 *                  | 0.43 *  | 0.15 |
| Barry      | 0.76 *                  | 0.68    | 0.7  |
| Barton     | 0.42 *                  | 0.44 *  | 0.73 |
| Bates      | 0.65 *                  | 0.4 *   | 0.06 |
| Benton     | 0.16 *                  | 0.15 *  | 0.13 |
| Bollinger  | 0.02 *                  | 0.03 *  | 0.03 |
| Butler     | 0.12 *                  | 0.04    | 0.07 |
| Caldwell   | -0.1 *                  | -0.13 * | 0.05 |
| Carroll    | 0.2 *                   | 0.09    | 0.14 |
| Carter     | 0.17 *                  | 0.07 *  | -0   |
| Cedar      | 0.63 *                  | 0.58 *  | 0.28 |
| Chariton   | 0.1 *                   | 0.31 *  | 0.38 |
| Christian  | 0.57 *                  | 0.49 *  | 0.27 |
| Clark      | 0.06 *                  | 0.01    | 0    |
| Clinton    | 0.05 *                  | 0.05 *  | 0.07 |
| Cooper     | 0.8 *                   | 0.71    | 0.77 |
| Crawford   | 0.03 *                  | 0.02    | 0.01 |
| Dade       | 0.86 *                  | 1.07    | 0.97 |
| Dallas     | 0.2 *                   | 0.28    | 0.19 |
| Daviess    | 1.1 *                   | 0.95    | 1.26 |
| DeKalb     | 0.09 *                  | 0.13 *  | 0.1  |
| Dent       | 0.54 *                  | 0.54 *  | 0.51 |
| Douglas    | 0.32 *                  | 0.41 *  | 0.47 |
| Dunklin    | 0.64 *                  | 0.39    | 0.37 |
| Gasconade  | 0.39 *                  | 0.22 *  | 0.24 |
| Gentry     | 0.2 *                   | 0.21 *  | 0.1  |
| Grundy     | 0.62 *                  | 0.83    | 0.89 |
| Harrison   | 0.1 *                   | 0.13    | 0.3  |
| Henry      | 0.23 *                  | 0.19    | 0.18 |
| Hickory    | 0.17 *                  | 0.18 *  | 0.06 |
| Holt       | 0.14 *                  | 0.1     | 0.1  |
| Howard     | 0.52 *                  | 0.53    | 0.65 |
| Howell     | 0.1 *                   | 0.1     | 0.12 |
| Iron       | 0.31 *                  | 0.27 *  | 0.23 |
| Knox       | 0.03 *                  | 0 *     | 0    |
| Laclede    | 0.3 *                   | 0.19    | 0.13 |
| Lawrence   | 0.21 *                  | 0.23    | 0.2  |
| Lewis      | 0.11 *                  | 0.21    | 0.17 |
| Lincoln    | 0.17 *                  | 0.09 *  | 0.01 |
| Linn       | 0.36 *                  | 0.3 *   | 0.25 |
| Livingston | 0.09 *                  | 0.13 *  | 0.25 |
| Macon      | 0.09 *                  | 0.04 *  | 0.12 |
| Madison    | 0.02 *                  | 0.01    | 0.02 |
| Maries     | 0.11 *                  | 0.08    | 0.08 |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 2-A

MISSOURI 3RD CLASS COUNTIES  
 RATIO OF CASH BALANCE TO DISBURSEMENTS  
 GENERAL REVENUE FUND

| County         | Year Ended December 31, |   |         |      |
|----------------|-------------------------|---|---------|------|
|                | 1999                    |   | 1998    | 1997 |
| Marion         | 0.2                     | * | 0.1     | 0.09 |
| McDonald       | 0.03                    | * | 0.05 *  | 0.28 |
| Mercer         | 0.25                    | * | 0.22    | 0.22 |
| Miller         | 0.39                    | * | 0.19 *  | 0.03 |
| Mississippi    | 0.33                    | * | 0.29 *  | 0.25 |
| Moniteau       | 0.03                    | * | 0.05    | 0.12 |
| Monroe         | 0.05                    | * | 0.06 *  | 0.12 |
| Montgomery     | 0.02                    | * | 0.05 *  | 0.01 |
| Morgan         | 0.61                    | * | 0.45    | 0.39 |
| New Madrid     | 0.86                    | * | 0.73 *  | 0.83 |
| Newton         | 0.54                    | * | 0.49    | 0.36 |
| Nodaway        | 0.72                    | * | 0.71    | 0.84 |
| Oregon         | 0.6                     | * | 0.63 *  | 0.72 |
| Osage          | 0.15                    | * | 0.17 *  | 0.17 |
| Ozark          | 0.02                    | * | 0 *     | 0    |
| Pemiscot       | 0.06                    | * | 0.11    | 0.14 |
| Perry          | 0.27                    | * | 0.17    | 0.27 |
| Phelps         | 0.09                    | * | 0.07    | 0    |
| Pike           | 0.04                    | * | 0.08 *  | 0.17 |
| Polk           | 1.17                    | * | 0.95 *  | 0.74 |
| Pulaski        | 0.19                    | * | 0.2     | 0.2  |
| Putnam         | 0.16                    | * | 0.2     | 0.3  |
| Ralls          | 0.07                    | * | 0       | 0.09 |
| Randolph       | -0.02                   | * | -0.03   | -0   |
| Ray            | 0.03                    | * | 0.01    | 0.07 |
| Reynolds       | 0.11                    | * | 0.16 *  | 0.26 |
| Ripley         | 0.68                    | * | 0.83    | 0.63 |
| St. Clair      | 0.02                    | * | 0.2     | 0.28 |
| Ste. Genevieve | 0.27                    | * | 0.26    | 0.28 |
| Schuyler       | 0.45                    | * | 0.78    | 0.69 |
| Scotland       | 0.4                     | * | 0.37    | 0.35 |
| Scott          | 0.22                    | * | 0.14 *  | 0.21 |
| Shannon        | 0.06                    | * | 0.09 *  | 0.22 |
| Shelby         | 0.25                    | * | 0.14 *  | 0.19 |
| Stoddard       | 0.55                    | * | 0.44    | 0.83 |
| Stone          | 0.36                    | * | 0.27    | 0.53 |
| Sullivan       | 0.22                    | * | 0.26    | 0.39 |
| Taney          | 1.26                    | * | 0.6 *   | 0.44 |
| Texas          | 0.48                    | * | 0.41    | 0.58 |
| Vernon         | 0.25                    | * | 0.22 *  | 0.26 |
| Warren         | 0.51                    | * | 0.23    | 0.21 |
| Washington     | 0.02                    | * | 0.03 *  | 0.02 |
| Wayne          | -0.03                   | * | 0 *     | 0.1  |
| Webster        | 0.2                     | * | 0.15    | 0.14 |
| Worth          | -0.08                   | * | -0.13 * | 0    |
| Wright         | 0.36                    | * | 0.37 *  | 0.33 |
| Average        | 0.31                    |   | 0.28    | 0.29 |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.



## Schedule 2-B

MISSOURI 3RD CLASS COUNTIES  
 RATIO OF CASH BALANCE TO DISBURSEMENTS  
 SPECIAL ROAD AND BRIDGE FUND

| County     | Year Ended December 31, |   |      |   |      |  |
|------------|-------------------------|---|------|---|------|--|
|            | 1999                    |   | 1998 |   | 1997 |  |
| Adair      | 0.22                    | * | 0.04 | * | 0.14 |  |
| Andrew     | 0.34                    | * | 0.19 | * | 0.32 |  |
| Atchison   | 0                       | * | 0.32 | * | 0.12 |  |
| Audrain    | 0.1                     | * | 0.26 | * | 0.39 |  |
| Barry      | 0.86                    | * | 1.14 |   | 0.69 |  |
| Barton     | 0.43                    | * | 0.94 | * | 0.56 |  |
| Bates      | 0.45                    | * | 0.33 | * | 0.12 |  |
| Benton     | 0.83                    | * | 1.11 | * | 1.2  |  |
| Bollinger  | 0.01                    | * | 0    | * | 0.09 |  |
| Butler     | 0.21                    | * | 0.31 |   | 0.22 |  |
| Caldwell   | 0.14                    | * | 0.21 | * | 0.23 |  |
| Carroll    | 0.61                    | * | 0.58 |   | 0.13 |  |
| Carter     | 0.33                    | * | 0.17 | * | 0.12 |  |
| Cedar      | 0.17                    | * | 0.46 | * | 0.15 |  |
| Chariton   | 1.03                    | * | 0.54 | * | 0.81 |  |
| Christian  | 0.23                    | * | 0.38 | * | 0.25 |  |
| Clark      | 0.07                    | * | 0    |   | 0.01 |  |
| Clinton    | 0.08                    | * | 0.23 | * | 0.45 |  |
| Cooper     | 0.66                    | * | 0.22 |   | 0.38 |  |
| Crawford   | 0.78                    | * | 0.65 |   | 0.7  |  |
| Dade       | 0.31                    | * | 0.31 |   | 0.31 |  |
| Dallas     | 0.23                    | * | 0.22 |   | 0.73 |  |
| Daviess    | 1.11                    | * | 0.43 |   | 0.45 |  |
| DeKalb     | 0.77                    | * | 1.22 | * | 1.8  |  |
| Dent       | 0.11                    | * | 0.14 | * | 0.28 |  |
| Douglas    | 0.07                    | * | 0.13 | * | 0.16 |  |
| Dunklin    | 1.21                    | * | 1.03 |   | 1.17 |  |
| Gasconade  | 0.53                    | * | 0.22 | * | 0.1  |  |
| Gentry     | 0.07                    | * | 0.12 | * | 0.27 |  |
| Grundy     | 0.11                    | * | 0.43 |   | 0.25 |  |
| Harrison   | 1.06                    | * | 1.67 |   | 1.08 |  |
| Henry      | 0.87                    | * | 1.06 |   | 1.18 |  |
| Hickory    | 0.2                     | * | 0.11 | * | 0.11 |  |
| Holt       | 0.07                    | * | 0.1  |   | 0.22 |  |
| Howard     | 0.4                     | * | 0.34 |   | 0.43 |  |
| Howell     | 0.12                    | * | 0.16 |   | 0.14 |  |
| Iron       | 0.41                    | * | 0.45 | * | 0.46 |  |
| Knox       | 0.19                    | * | 0.11 | * | 0.19 |  |
| Laclede    | 0.02                    | * | 0.1  |   | 0.18 |  |
| Lawrence   | 0.08                    | * | 0.13 |   | 0.15 |  |
| Lewis      | 0.01                    | * | 0.06 |   | 0.15 |  |
| Lincoln    | 0.16                    | * | 0.08 | * | 0.04 |  |
| Linn       | 0.31                    | * | 0.14 | * | 0.31 |  |
| Livingston | 0.09                    | * | 0.13 | * | 0.21 |  |
| Macon      | 0.25                    | * | 0.35 | * | 0.35 |  |
| Madison    | 0                       | * | 0.07 |   | 0.02 |  |
| Maries     | 0.2                     | * | 0.04 |   | 0.02 |  |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 2-B

MISSOURI 3RD CLASS COUNTIES  
 RATIO OF CASH BALANCE TO DISBURSEMENTS  
 SPECIAL ROAD AND BRIDGE FUND

|                | Year Ended December 31, |   |      |   |      |
|----------------|-------------------------|---|------|---|------|
| County         | 1999                    |   | 1998 |   | 1997 |
| Marion         | 0.11                    | * | 0.03 |   | 0    |
| McDonald       | 0.31                    | * | 0.32 | * | 0.28 |
| Mercer         | 0.06                    | * | 0.53 |   | 0.79 |
| Miller         | 0.28                    | * | 0.14 | * | 0.08 |
| Mississippi    | 0.14                    | * | 0.41 | * | 0.29 |
| Moniteau       | 0.08                    | * | 0.18 |   | 0.19 |
| Monroe         | 0.17                    | * | 0.04 | * | 0.15 |
| Montgomery     | 0.15                    | * | 0.14 | * | 0.09 |
| Morgan         | 0.81                    | * | 0.34 |   | 0.6  |
| New Madrid     | 0.73                    | * | 0.77 | * | 0.52 |
| Newton         | 0.01                    | * | 0.43 |   | 0.27 |
| Nodaway        | 0.69                    | * | 0.91 |   | 0.59 |
| Oregon         | 0.7                     | * | 0.67 | * | 0.35 |
| Osage          | 0.3                     | * | 0.32 | * | 0.22 |
| Ozark          | 0.06                    | * | 0.06 | * | 0    |
| Pemiscot       | 0.39                    | * | 0.56 |   | 0.47 |
| Perry          | 0.47                    | * | 0.41 |   | 0.33 |
| Phelps         | 0                       | * | 0.04 |   | 0    |
| Pike           | 0.07                    | * | 0.06 | * | 0.01 |
| Polk           | 0                       | * | 0    | * | 0.03 |
| Pulaski        | 0.12                    | * | 0.07 |   | 0.05 |
| Putnam         | 0.24                    | * | 0.24 |   | 0.22 |
| Ralls          | 0.19                    | * | 0.28 |   | 0.31 |
| Randolph       | 0.74                    | * | 0.79 |   | 0.67 |
| Ray            | 0.04                    | * | 0.01 |   | 0.3  |
| Reynolds       | 0.12                    | * | 0.23 | * | 0.16 |
| Ripley         | 0.26                    | * | 0.19 |   | 0.34 |
| St. Clair      | 0.26                    | * | 0.35 |   | 0.24 |
| Ste. Genevieve | 1.43                    | * | 1.17 |   | 1.59 |
| Schuyler       | 0.45                    | * | 0.26 |   | 0.09 |
| Scotland       | 0.47                    | * | 0.25 |   | 0.39 |
| Scott          | 0.23                    | * | 0.14 | * | 0.16 |
| Shannon        | 1.61                    | * | 2.02 | * | 1.01 |
| Shelby         | 0.26                    | * | 0.07 | * | 0.12 |
| Stoddard       | 0.8                     | * | 0.87 |   | 0.92 |
| Stone          | 0.09                    | * | 0.22 |   | 0.16 |
| Sullivan       | 0.64                    | * | 0.37 |   | 0.41 |
| Taney          | 1.31                    | * | 1.72 | * | 1.64 |
| Texas          | 0.09                    | * | 0.17 |   | 0.17 |
| Vernon         | 0.47                    | * | 0.24 | * | 0.46 |
| Warren         | 0.87                    | * | 0.6  |   | 0.15 |
| Washington     | 0.11                    | * | 0.1  | * | 0.07 |
| Wayne          | 0.07                    | * | 0.02 | * | 0.06 |
| Webster        | 0.08                    | * | 0.1  |   | 0.07 |
| Worth          | 0.11                    | * | 0.16 | * | 0.14 |
| Wright         | 0.14                    | * | 0.12 | * | 0.15 |
| Average        | 0.36                    |   | 0.37 |   | 0.36 |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 3-A

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE  
 GENERAL REVENUE FUND

| County     | Property Taxes             |      |      | Sales Tax                  |      |      | Intergovernmental          |      |      | Charges for Services       |      |      | Interest                   |      |      | Other                      |      |      |
|------------|----------------------------|------|------|----------------------------|------|------|----------------------------|------|------|----------------------------|------|------|----------------------------|------|------|----------------------------|------|------|
|            | Year Ended<br>December 31, |      |      | Year Ended<br>December 31, |      |      | Year Ended<br>December 31, |      |      | Year Ended<br>December 31, |      |      | Year Ended<br>December 31, |      |      | Year Ended<br>December 31, |      |      |
|            | 1999                       | 1998 | 1997 | 1999                       | 1998 | 1997 | 1999                       | 1998 | 1997 | 1999                       | 1998 | 1997 | 1999                       | 1998 | 1997 | 1999                       | 1998 | 1997 |
| Adair      | 0 *                        | 0 *  | 1    | 62 *                       | 61 * | 52   | 8 *                        | 10 * | 14   | 19 *                       | 16 * | 14   | 1 *                        | 1 *  | 0    | 10 *                       | 12 * | 19   |
| Andrew     | 24 *                       | 21 * | 23   | 34 *                       | 34 * | 32   | 1 *                        | 1 *  | 9    | 24 *                       | 26 * | 22   | 6 *                        | 7 *  | 6    | 11 *                       | 11 * | 8    |
| Atchison   | 40 *                       | 37 * | 35   | 24 *                       | 23 * | 26   | 10 *                       | 10 * | 12   | 19 *                       | 21 * | 20   | 3 *                        | 3 *  | 3    | 4 *                        | 6 *  | 4    |
| Audrain    | 17 *                       | 17 * | 13   | 44 *                       | 44 * | 48   | 15 *                       | 15 * | 16   | 20 *                       | 20 * | 20   | 1 *                        | 1 *  | -0   | 3 *                        | 3 *  | 3    |
| Barry      | 0 *                        | 1    | 1    | 50 *                       | 55   | 58   | 15 *                       | 17   | 15   | 17 *                       | 20   | 20   | 2 *                        | 3    | 3    | 16 *                       | 4    | 3    |
| Barton     | 8 *                        | 8 *  | 8    | 55 *                       | 54 * | 57   | 7 *                        | 7 *  | 7    | 20 *                       | 20 * | 23   | 3 *                        | 3 *  | 2    | 7 *                        | 8 *  | 3    |
| Bates      | 57 *                       | 55 * | 57   | 0 *                        | 0 *  | 0    | 3 *                        | 3 *  | 4    | 30 *                       | 33 * | 32   | 2 *                        | 2 *  | 1    | 8 *                        | 7 *  | 6    |
| Benton     | 13 *                       | 13 * | 12   | 39 *                       | 36 * | 39   | 16 *                       | 15 * | 17   | 23 *                       | 20 * | 22   | 1 *                        | 2 *  | 2    | 8 *                        | 14 * | 8    |
| Bollinger  | 17 *                       | 14 * | 15   | 57 *                       | 48 * | 59   | 5 *                        | 8 *  | 7    | 14 *                       | 11 * | 14   | 0 *                        | 0 *  | 0    | 7 *                        | 19 * | 5    |
| Butler     | 7 *                        | 8    | 8    | 31 *                       | 35   | 36   | 17 *                       | 19   | 17   | 12 *                       | 14   | 13   | 0 *                        | 1    | 0    | 33 *                       | 23   | 26   |
| Caldwell   | 17 *                       | 26 * | 19   | 24 *                       | 25 * | 25   | 11 *                       | 7 *  | 7    | 18 *                       | 25 * | 24   | 0 *                        | 0 *  | 1    | 30 *                       | 17 * | 24   |
| Carroll    | 25 *                       | 24   | 21   | 23 *                       | 22   | 21   | 12 *                       | 11   | 11   | 34 *                       | 37   | 41   | 1 *                        | 1    | 1    | 5 *                        | 5    | 5    |
| Carter     | 2 *                        | 1 *  | 12   | 49 *                       | 35 * | 40   | 19 *                       | 25 * | 4    | 18 *                       | 13 * | 13   | 1 *                        | 0 *  | 0    | 11 *                       | 26 * | 31   |
| Cedar      | 10 *                       | 9 *  | 9    | 38 *                       | 32 * | 41   | 13 *                       | 41 * | 30   | 20 *                       | 15 * | 17   | 2 *                        | 3 *  | 1    | 17 *                       | 0 *  | 2    |
| Chariton   | 24 *                       | 22 * | 25   | 20 *                       | 22 * | 24   | 32 *                       | 35 * | 28   | 14 *                       | 11 * | 11   | 1 *                        | 2 *  | 3    | 9 *                        | 8 *  | 9    |
| Christian  | 0 *                        | 11 * | 25   | 41 *                       | 0 *  | 0    | 11 *                       | 10 * | 6    | 41 *                       | 37 * | 32   | 3 *                        | 3 *  | 2    | 4 *                        | 39 * | 35   |
| Clark      | 30 *                       | 30   | 32   | 22 *                       | 24   | 22   | 15 *                       | 14   | 15   | 18 *                       | 20   | 18   | 1 *                        | 1    | 2    | 14 *                       | 11   | 11   |
| Clinton    | 19 *                       | 24 * | 24   | 29 *                       | 30 * | 26   | 23 *                       | 18 * | 19   | 22 *                       | 23 * | 26   | 1 *                        | 1 *  | 2    | 6 *                        | 4 *  | 3    |
| Cooper     | 17 *                       | 10   | 7    | 32 *                       | 32   | 32   | 22 *                       | 30   | 28   | 11 *                       | 11   | 13   | 4 *                        | 5    | 5    | 14 *                       | 12   | 15   |
| Crawford   | 8 *                        | 6    | 4    | 40 *                       | 39   | 41   | 22 *                       | 23   | 25   | 20 *                       | 21   | 20   | 0 *                        | 0    | 0    | 10 *                       | 11   | 10   |
| Dade       | 14 *                       | 13   | 11   | 42 *                       | 47   | 47   | 18 *                       | 9    | 11   | 18 *                       | 17   | 17   | 6 *                        | 7    | 4    | 2 *                        | 7    | 10   |
| Dallas     | 2 *                        | 2    | 2    | 50 *                       | 51   | 51   | 19 *                       | 10   | 13   | 25 *                       | 33   | 26   | 2 *                        | 2    | 3    | 2 *                        | 2    | 5    |
| Daviess    | 30 *                       | 31   | 37   | 33 *                       | 31   | 32   | 6 *                        | 5    | 6    | 18 *                       | 16   | 18   | 4 *                        | 4    | 4    | 9 *                        | 13   | 3    |
| DeKalb     | 4 *                        | 3 *  | 1    | 51 *                       | 45 * | 54   | 9 *                        | 11 * | 8    | 18 *                       | 16 * | 20   | 1 *                        | 1 *  | 1    | 17 *                       | 24 * | 16   |
| Dent       | 5 *                        | 5 *  | 10   | 51 *                       | 49 * | 55   | 9 *                        | 10 * | 7    | 24 *                       | 23 * | 19   | 3 *                        | 3 *  | 3    | 8 *                        | 10 * | 6    |
| Douglas    | 8 *                        | 7 *  | 7    | 59 *                       | 56 * | 62   | 17 *                       | 16 * | 11   | 14 *                       | 18 * | 13   | 1 *                        | 1 *  | 2    | 1 *                        | 2 *  | 5    |
| Dunklin    | 10 *                       | 20   | 35   | 50 *                       | 42   | 0    | 10 *                       | 11   | 17   | 16 *                       | 14   | 25   | 3 *                        | 1    | 4    | 11 *                       | 12   | 19   |
| Gasconade  | 14 *                       | 14 * | 12   | 59 *                       | 55 * | 61   | 2 *                        | 3 *  | 4    | 17 *                       | 20 * | 18   | 2 *                        | 2 *  | 2    | 6 *                        | 6 *  | 3    |
| Gentry     | 29 *                       | 27 * | 30   | 40 *                       | 48 * | 44   | 7 *                        | 6 *  | 7    | 15 *                       | 11 * | 13   | 1 *                        | 1 *  | 1    | 8 *                        | 7 *  | 5    |
| Grundy     | 9 *                        | 8    | 7    | 42 *                       | 40   | 40   | 18 *                       | 20   | 17   | 13 *                       | 15   | 13   | 3 *                        | 4    | 3    | 15 *                       | 13   | 20   |
| Harrison   | 34 *                       | 30   | 30   | 26 *                       | 23   | 24   | 5 *                        | 7    | 7    | 28 *                       | 29   | 29   | 1 *                        | 2    | 2    | 6 *                        | 9    | 8    |
| Henry      | 4 *                        | 1    | 0    | 47 *                       | 47   | 49   | 20 *                       | 22   | 18   | 21 *                       | 22   | 24   | 1 *                        | 1    | 1    | 7 *                        | 7    | 8    |
| Hickory    | 11 *                       | 12 * | 11   | 62 *                       | 40 * | 39   | 8 *                        | 9 *  | 8    | 13 *                       | 13 * | 12   | 1 *                        | 1 *  | 1    | 5 *                        | 25 * | 29   |
| Holt       | 24 *                       | 22   | 22   | 31 *                       | 30   | 33   | 17 *                       | 20   | 21   | 21 *                       | 21   | 19   | 1 *                        | 2    | 2    | 6 *                        | 5    | 3    |
| Howard     | 21 *                       | 19   | 12   | 25 *                       | 23   | 16   | 22 *                       | 24   | 22   | 13 *                       | 17   | 11   | 3 *                        | 3    | 2    | 16 *                       | 14   | 37   |
| Howell     | 1 *                        | 1    | 1    | 54 *                       | 54   | 59   | 25 *                       | 24   | 20   | 15 *                       | 16   | 18   | 1 *                        | 1    | 1    | 4 *                        | 4    | 1    |
| Iron       | 36 *                       | 32 * | 31   | 25 *                       | 26 * | 28   | 8 *                        | 10 * | 19   | 16 *                       | 17 * | 17   | 2 *                        | 2 *  | 2    | 13 *                       | 13 * | 3    |
| Knox       | 23 *                       | 27 * | 25   | 45 *                       | 41 * | 47   | 0 *                        | 0 *  | 0    | 18 *                       | 18 * | 18   | 1 *                        | 1 *  | 1    | 13 *                       | 13 * | 9    |
| Laclede    | 7 *                        | 8    | 4    | 50 *                       | 52   | 62   | 6 *                        | 8    | 7    | 25 *                       | 25   | 18   | 1 *                        | 2    | 2    | 11 *                       | 5    | 7    |
| Lawrence   | 10 *                       | 10   | 9    | 38 *                       | 39   | 38   | 27 *                       | 27   | 29   | 17 *                       | 19   | 18   | 2 *                        | 2    | 2    | 6 *                        | 3    | 4    |
| Lewis      | 15 *                       | 18   | 16   | 49 *                       | 43   | 45   | 4 *                        | 5    | 9    | 14 *                       | 17   | 15   | 1 *                        | 1    | 1    | 17 *                       | 16   | 14   |
| Lincoln    | 13 *                       | 9 *  | 9    | 42 *                       | 36 * | 41   | 13 *                       | 19 * | 14   | 19 *                       | 16 * | 17   | 1 *                        | 1 *  | 1    | 12 *                       | 19 * | 18   |
| Linn       | 9 *                        | 6 *  | 9    | 50 *                       | 43 * | 53   | 18 *                       | 23 * | 13   | 16 *                       | 14 * | 17   | 2 *                        | 2 *  | 2    | 5 *                        | 12 * | 6    |
| Livingston | 0 *                        | 0 *  | 0    | 50 *                       | 52 * | 55   | 29 *                       | 26 * | 23   | 13 *                       | 15 * | 14   | 1 *                        | 1 *  | 2    | 7 *                        | 6 *  | 6    |
| Macon      | 18 *                       | 18 * | 19   | 36 *                       | 38 * | 39   | 16 *                       | 18 * | 15   | 18 *                       | 19 * | 20   | 1 *                        | 1 *  | 1    | 11 *                       | 6 *  | 6    |
| Madison    | 13 *                       | 6    | 11   | 33 *                       | 29   | 34   | 11 *                       | 16   | 16   | 23 *                       | 33   | 25   | 0 *                        | 0    | 0    | 20 *                       | 16   | 14   |
| Maries     | 27 *                       | 26   | 27   | 38 *                       | 41   | 43   | 9 *                        | 4    | 4    | 16 *                       | 15   | 16   | 1 *                        | 1    | 1    | 9 *                        | 13   | 9    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

::  
Schedule 3-A

MISSOURI 3RD CLASS COUNTIES  
PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE  
GENERAL REVENUE FUND

| County         | Property Taxes |      |      | Sales Tax    |      |      | Intergovernmental |      |      | Charges for Services |      |      | Interest     |      |      | Other        |      |      |
|----------------|----------------|------|------|--------------|------|------|-------------------|------|------|----------------------|------|------|--------------|------|------|--------------|------|------|
|                | Year Ended     |      |      | Year Ended   |      |      | Year Ended        |      |      | Year Ended           |      |      | Year Ended   |      |      | Year Ended   |      |      |
|                | December 31,   |      |      | December 31, |      |      | December 31,      |      |      | December 31,         |      |      | December 31, |      |      | December 31, |      |      |
|                | 1999           | 1998 | 1997 | 1999         | 1998 | 1997 | 1999              | 1998 | 1997 | 1999                 | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 |
| Marion         | 2 *            | 2    | 0    | 43 *         | 46   | 46   | 26 *              | 24   | 25   | 18 *                 | 20   | 19   | 1 *          | 0    | 0    | 10 *         | 8    | 10   |
| McDonald       | 23 *           | 20 * | 23   | 40 *         | 32 * | 40   | 16 *              | 13 * | 14   | 18 *                 | 16 * | 18   | 1 *          | 1 *  | 2    | 2 *          | 18 * | 3    |
| Mercer         | 31 *           | 29   | 26   | 39 *         | 41   | 40   | 11 *              | 14   | 13   | 9 *                  | 8    | 8    | 1 *          | 1    | 1    | 9 *          | 7    | 12   |
| Miller         | 7 *            | 5 *  | 4    | 45 *         | 48 * | 51   | 19 *              | 21 * | 19   | 22 *                 | 22 * | 23   | 1 *          | 1 *  | 0    | 6 *          | 3 *  | 3    |
| Mississippi    | 13 *           | 13 * | 15   | 52 *         | 46 * | 45   | 6 *               | 13 * | 16   | 11 *                 | 12 * | 13   | 2 *          | 2 *  | 1    | 16 *         | 14 * | 10   |
| Moniteau       | 21 *           | 22   | 20   | 38 *         | 38   | 41   | 20 *              | 16   | 16   | 17 *                 | 18   | 18   | 1 *          | 1    | 1    | 3 *          | 5    | 4    |
| Monroe         | 17 *           | 15 * | 14   | 41 *         | 41 * | 46   | 15 *              | 18 * | 17   | 16 *                 | 20 * | 19   | 1 *          | 1 *  | 1    | 10 *         | 5 *  | 3    |
| Montgomery     | 17 *           | 13 * | 17   | 33 *         | 32 * | 44   | 34 *              | 28 * | 12   | 13 *                 | 12 * | 17   | 1 *          | 1 *  | 1    | 2 *          | 14 * | 9    |
| Morgan         | 17 *           | 16   | 15   | 49 *         | 45   | 48   | 0 *               | 1    | 2    | 20 *                 | 22   | 24   | 3 *          | 2    | 3    | 11 *         | 14   | 8    |
| New Madrid     | 23 *           | 22 * | 21   | 33 *         | 37 * | 41   | 23 *              | 20 * | 19   | 14 *                 | 15 * | 12   | 4 *          | 4 *  | 4    | 3 *          | 2 *  | 3    |
| Newton         | 0 *            | 0    | 0    | 72 *         | 69   | 70   | 9 *               | 9    | 10   | 13 *                 | 14   | 13   | 2 *          | 3    | 3    | 4 *          | 5    | 4    |
| Nodaway        | 0 *            | 1    | 1    | 71 *         | 70   | 69   | 5 *               | 7    | 5    | 11 *                 | 9    | 11   | 3 *          | 4    | 5    | 10 *         | 9    | 9    |
| Oregon         | 4 *            | 3 *  | 3    | 63 *         | 61 * | 64   | 16 *              | 18 * | 14   | 11 *                 | 10 * | 10   | 2 *          | 3 *  | 3    | 4 *          | 5 *  | 6    |
| Osage          | 20 *           | 21 * | 21   | 44 *         | 41 * | 43   | 9 *               | 9 *  | 7    | 21 *                 | 22 * | 21   | 2 *          | 2 *  | 2    | 4 *          | 5 *  | 6    |
| Ozark          | 11 *           | 10 * | 11   | 47 *         | 41 * | 51   | 12 *              | 9 *  | 15   | 14 *                 | 12 * | 15   | 0 *          | 0 *  | 0    | 16 *         | 28 * | 8    |
| Pemiscot       | 14 *           | 14   | 14   | 29 *         | 31   | 36   | 15 *              | 16   | 18   | 30 *                 | 33   | 23   | 1 *          | 1    | 3    | 11 *         | 5    | 6    |
| Perry          | 21 *           | 15   | 14   | 46 *         | 42   | 46   | 10 *              | 19   | 20   | 14 *                 | 13   | 12   | 1 *          | 2    | 2    | 8 *          | 9    | 6    |
| Phelps         | 11 *           | 10   | 9    | 34 *         | 25   | 25   | 28 *              | 30   | 20   | 12 *                 | 11   | 12   | 4 *          | 0    | 0    | 11 *         | 24   | 34   |
| Pike           | 18 *           | 18 * | 17   | 22 *         | 23 * | 22   | 37 *              | 41 * | 46   | 8 *                  | 8 *  | 8    | 1 *          | 1 *  | 1    | 14 *         | 9 *  | 6    |
| Polk           | 53 *           | 52 * | 49   | 0 *          | 0 *  | 0    | 3 *               | 3 *  | 4    | 28 *                 | 31 * | 28   | 7 *          | 6 *  | 5    | 9 *          | 8 *  | 14   |
| Pulaski        | 1 *            | 1    | 2    | 46 *         | 38   | 55   | 22 *              | 10   | 6    | 19 *                 | 19   | 22   | 1 *          | 2    | 4    | 11 *         | 30   | 11   |
| Putnam         | 37 *           | 47   | 46   | 45 *         | 29   | 32   | 3 *               | 4    | 3    | 9 *                  | 15   | 15   | 2 *          | 2    | 1    | 4 *          | 3    | 3    |
| Ralls          | 20 *           | 18   | 15   | 49 *         | 48   | 47   | 5 *               | 8    | 7    | 16 *                 | 16   | 15   | 0 *          | 0    | 0    | 10 *         | 10   | 16   |
| Randolph       | 15 *           | 15   | 15   | 39 *         | 37   | 38   | 18 *              | 23   | 22   | 21 *                 | 20   | 19   | 1 *          | 1    | 1    | 6 *          | 4    | 5    |
| Ray            | 0 *            | 0    | 0    | 58 *         | 61   | 60   | 0 *               | 8    | 10   | 24 *                 | 20   | 21   | 0 *          | 1    | 1    | 18 *         | 10   | 8    |
| Reynolds       | 47 *           | 51 * | 39   | 0 *          | 0 *  | 0    | 26 *              | 21 * | 34   | 17 *                 | 21 * | 18   | 2 *          | 2 *  | 2    | 8 *          | 5 *  | 7    |
| Ripley         | 40 *           | 37   | 39   | 0 *          | 0    | 0    | 20 *              | 17   | 22   | 25 *                 | 20   | 24   | 5 *          | 4    | 4    | 10 *         | 22   | 11   |
| St. Clair      | 10 *           | 15   | 16   | 8 *          | 12   | 14   | 2 *               | 4    | 3    | 71 *                 | 65   | 61   | 1 *          | 2    | 2    | 8 *          | 2    | 4    |
| Ste. Genevieve | 12 *           | 12   | 10   | 20 *         | 20   | 19   | 52 *              | 47   | 54   | 10 *                 | 10   | 10   | 1 *          | 2    | 2    | 5 *          | 9    | 5    |
| Schuyler       | 17 *           | 23   | 19   | 19 *         | 27   | 25   | 38 *              | 19   | 19   | 16 *                 | 20   | 26   | 4 *          | 3    | 2    | 6 *          | 8    | 9    |
| Scotland       | 31 *           | 32   | 33   | 34 *         | 32   | 36   | 14 *              | 19   | 13   | 13 *                 | 12   | 12   | 3 *          | 3    | 3    | 5 *          | 2    | 3    |
| Scott          | 8 *            | 9 *  | 9    | 53 *         | 53 * | 55   | 10 *              | 13 * | 10   | 23 *                 | 20 * | 22   | 1 *          | 1 *  | 2    | 5 *          | 4 *  | 2    |
| Shannon        | 15 *           | 20 * | 25   | 24 *         | 28 * | 26   | 15 *              | 21 * | 15   | 20 *                 | 17 * | 17   | 1 *          | 1 *  | 1    | 25 *         | 13 * | 16   |
| Shelby         | 30 *           | 33 * | 23   | 41 *         | 44 * | 43   | 11 *              | 9 *  | 8    | 8 *                  | 6 *  | 16   | 1 *          | 2 *  | 2    | 9 *          | 6 *  | 8    |
| Stoddard       | 14 *           | 15   | 13   | 44 *         | 43   | 42   | 22 *              | 22   | 23   | 14 *                 | 14   | 14   | 4 *          | 4    | 6    | 2 *          | 2    | 2    |
| Stone          | 19 *           | 19   | 16   | 33 *         | 26   | 22   | 5 *               | 15   | 29   | 30 *                 | 32   | 27   | 1 *          | 3    | 2    | 12 *         | 5    | 4    |
| Sullivan       | 18 *           | 22   | 20   | 42 *         | 45   | 52   | 13 *              | 1    | 2    | 19 *                 | 19   | 17   | 2 *          | 3    | 2    | 6 *          | 10   | 7    |
| Taney          | 0 *            | 0 *  | 0    | 60 *         | 71 * | 67   | 3 *               | 5 *  | 5    | 13 *                 | 14 * | 12   | 3 *          | 4 *  | 4    | 21 *         | 6 *  | 12   |
| Texas          | 4 *            | 4    | 4    | 57 *         | 54   | 55   | 12 *              | 13   | 13   | 18 *                 | 19   | 18   | 2 *          | 3    | 4    | 7 *          | 7    | 6    |
| Vernon         | 14 *           | 11 * | 13   | 44 *         | 42 * | 44   | 11 *              | 15 * | 17   | 15 *                 | 16 * | 19   | 1 *          | 1 *  | 1    | 15 *         | 15 * | 6    |
| Warren         | 12 *           | 12   | 11   | 45 *         | 46   | 46   | 7 *               | 8    | 9    | 28 *                 | 29   | 29   | 2 *          | 1    | 2    | 6 *          | 4    | 3    |
| Washington     | 15 *           | 21 * | 19   | 33 *         | 31 * | 33   | 20 *              | 19 * | 10   | 16 *                 | 16 * | 16   | 0 *          | 0 *  | 0    | 16 *         | 13 * | 22   |
| Wayne          | 10 *           | 14 * | 20   | 34 *         | 33 * | 36   | 30 *              | 28 * | 19   | 11 *                 | 12 * | 14   | 0 *          | 1 *  | 1    | 15 *         | 12 * | 10   |
| Webster        | 8 *            | 6    | 6    | 48 *         | 52   | 54   | 5 *               | 9    | 10   | 29 *                 | 29   | 28   | 1 *          | 1    | 1    | 9 *          | 3    | 1    |
| Worth          | 56 *           | 46 * | 33   | 17 *         | 17 * | 13   | 6 *               | 5 *  | 4    | 18 *                 | 16 * | 9    | 0 *          | 0 *  | 0    | 3 *          | 16 * | 41   |
| Wright         | 0 *            | 0 *  | 0    | 54 *         | 57 * | 59   | 25 *              | 19 * | 16   | 15 *                 | 16 * | 16   | 2 *          | 3 *  | 2    | 4 *          | 5 *  | 7    |
| Average        | 16             | 16   | 16   | 40           | 38   | 39   | 14                | 15   | 14   | 19                   | 19   | 19   | 2            | 2    | 2    | 9            | 10   | 10   |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 3-B

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE  
 SPECIAL ROAD AND BRIDGE FUND

| County     | Property Taxes |      |      | Sales Tax    |      |      | Intergovernmental |      |      | Interest     |      |      | Other        |      |      |
|------------|----------------|------|------|--------------|------|------|-------------------|------|------|--------------|------|------|--------------|------|------|
|            | Year Ended     |      |      | Year Ended   |      |      | Year Ended        |      |      | Year Ended   |      |      | Year Ended   |      |      |
|            | December 31,   |      |      | December 31, |      |      | December 31,      |      |      | December 31, |      |      | December 31, |      |      |
|            | 1999           | 1998 | 1997 | 1999         | 1998 | 1997 | 1999              | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 |
| Adair      | 39 *           | 30 * | 22   | 0 *          | 0 *  | 0    | 57 *              | 57 * | 54   | 1 *          | 1 *  | 2    | 3 *          | 12 * | 22   |
| Andrew     | 39 *           | 32 * | 36   | 15 *         | 15 * | 15   | 40 *              | 49 * | 46   | 2 *          | 2 *  | 2    | 4 *          | 2 *  | 1    |
| Atchison   | 62 *           | 36 * | 54   | 0 *          | 0 *  | 0    | 0 *               | 1 *  | 0    | 2 *          | 0 *  | 2    | 36 *         | 63 * | 44   |
| Audrain    | 48 *           | 31 * | 27   | 0 *          | 0 *  | 0    | 47 *              | 62 * | 67   | 1 *          | 2 *  | 2    | 4 *          | 5 *  | 4    |
| Barry      | 35 *           | 18   | 14   | 0 *          | 0    | 0    | 54 *              | 76   | 81   | 9 *          | 6    | 5    | 2 *          | 0    | 0    |
| Barton     | 0 *            | 0 *  | 0    | 0 *          | 0 *  | 0    | 75 *              | 95 * | 92   | 3 *          | 2 *  | 1    | 22 *         | 3 *  | 7    |
| Bates      | 3 *            | 0 *  | 0    | 0 *          | 0 *  | 0    | 92 *              | 87 * | 97   | 1 *          | 1 *  | 0    | 4 *          | 12 * | 3    |
| Benton     | 24 *           | 22 * | 19   | 11 *         | 9 *  | 0    | 55 *              | 57 * | 70   | 9 *          | 9 *  | 8    | 1 *          | 3 *  | 3    |
| Bollinger  | 22 *           | 22 * | 21   | 0 *          | 0 *  | 0    | 65 *              | 66 * | 78   | 1 *          | 0 *  | 0    | 12 *         | 12 * | 1    |
| Butler     | 4 *            | 6    | 5    | 23 *         | 32   | 32   | 72 *              | 62   | 62   | 0 *          | 0    | 0    | 1 *          | 0    | 1    |
| Caldwell   | 3 *            | 2 *  | 4    | 0 *          | 0 *  | 0    | 91 *              | 95 * | 91   | 1 *          | 1 *  | 2    | 5 *          | 2 *  | 3    |
| Carroll    | 0 *            | 4    | 3    | 0 *          | 0    | 0    | 98 *              | 94   | 95   | 2 *          | 2    | 1    | 0 *          | 0    | 1    |
| Carter     | 15 *           | 11 * | 13   | 0 *          | 0 *  | 0    | 78 *              | 61 * | 70   | 1 *          | 1 *  | 1    | 6 *          | 27 * | 16   |
| Cedar      | 8 *            | 15 * | 13   | 0 *          | 0 *  | 0    | 73 *              | 68 * | 75   | 0 *          | 2 *  | 1    | 19 *         | 15 * | 11   |
| Chariton   | 0 *            | 0 *  | 0    | 0 *          | 0 *  | 0    | 95 *              | 97 * | 20   | 5 *          | 3 *  | 4    | 0 *          | 0 *  | 76   |
| Christian  | 0 *            | 0 *  | 0    | 64 *         | 0 *  | 0    | 33 *              | 10 * | 7    | 2 *          | 1 *  | 2    | 1 *          | 89 * | 91   |
| Clark      | 27 *           | 39   | 20   | 0 *          | 0    | 0    | 71 *              | 59   | 75   | 0 *          | 1    | 0    | 2 *          | 1    | 5    |
| Clinton    | 49 *           | 48 * | 46   | 8 *          | 0 *  | 0    | 33 *              | 42 * | 50   | 3 *          | 3 *  | 3    | 7 *          | 7 *  | 1    |
| Cooper     | 39 *           | 39   | 34   | 0 *          | 0    | 0    | 52 *              | 52   | 55   | 2 *          | 2    | 2    | 7 *          | 7    | 9    |
| Crawford   | 19 *           | 20   | 18   | 31 *         | 34   | 34   | 45 *              | 42   | 45   | 4 *          | 4    | 3    | 1 *          | 0    | 0    |
| Dade       | 2 *            | 4    | 3    | 0 *          | 0    | 0    | 95 *              | 94   | 95   | 1 *          | 1    | 1    | 2 *          | 1    | 1    |
| Dallas     | 27 *           | 26   | 25   | 0 *          | 0    | 0    | 68 *              | 69   | 70   | 2 *          | 4    | 4    | 3 *          | 1    | 1    |
| Daviess    | 0 *            | 0    | 0    | 0 *          | 0    | 0    | 91 *              | 98   | 95   | 4 *          | 1    | 2    | 5 *          | 1    | 3    |
| DeKalb     | 0 *            | 0 *  | 0    | 10 *         | 11 * | 0    | 81 *              | 80 * | 88   | 4 *          | 5 *  | 5    | 5 *          | 4 *  | 7    |
| Dent       | 28 *           | 25 * | 24   | 17 *         | 0 *  | 0    | 49 *              | 59 * | 58   | 1 *          | 2 *  | 2    | 5 *          | 14 * | 16   |
| Douglas    | 20 *           | 17 * | 19   | 0 *          | 0 *  | 0    | 75 *              | 79 * | 79   | 1 *          | 1 *  | 1    | 4 *          | 3 *  | 1    |
| Dunklin    | 0 *            | 0    | 0    | 12 *         | 0    | 0    | 69 *              | 97   | 95   | 10 *         | 3    | 4    | 9 *          | 0    | 1    |
| Gasconade  | 24 *           | 25 * | 24   | 32 *         | 33 * | 33   | 34 *              | 38 * | 39   | 2 *          | 2 *  | 2    | 8 *          | 2 *  | 2    |
| Gentry     | 1 *            | 2 *  | 2    | 0 *          | 0 *  | 0    | 40 *              | 94 * | 92   | 1 *          | 1 *  | 2    | 58 *         | 3 *  | 4    |
| Grundy     | 5 *            | 6    | 5    | 0 *          | 0    | 0    | 88 *              | 91   | 93   | 1 *          | 2    | 1    | 6 *          | 1    | 1    |
| Harrison   | 0 *            | 0    | 0    | 26 *         | 22   | 29   | 66 *              | 70   | 63   | 5 *          | 5    | 6    | 3 *          | 3    | 2    |
| Henry      | 5 *            | 7    | 7    | 0 *          | 0    | 0    | 84 *              | 86   | 81   | 3 *          | 4    | 3    | 8 *          | 3    | 9    |
| Hickory    | 28 *           | 28 * | 24   | 0 *          | 0 *  | 0    | 71 *              | 70 * | 74   | 1 *          | 1 *  | 1    | 0 *          | 1 *  | 1    |
| Holt       | 23 *           | 25   | 18   | 27 *         | 27   | 22   | 48 *              | 46   | 58   | 1 *          | 2    | 1    | 1 *          | 0    | 1    |
| Howard     | 17 *           | 14   | 16   | 21 *         | 19   | 22   | 36 *              | 59   | 43   | 1 *          | 2    | 3    | 25 *         | 6    | 16   |
| Howell     | 2 *            | 1    | 2    | 19 *         | 19   | 20   | 78 *              | 78   | 77   | 1 *          | 1    | 1    | 0 *          | 1    | 0    |
| Iron       | 40 *           | 42 * | 39   | 0 *          | 0 *  | 0    | 52 *              | 52 * | 59   | 3 *          | 3 *  | 2    | 5 *          | 3 *  | 0    |
| Knox       | 28 *           | 23 * | 20   | 10 *         | 8 *  | 8    | 54 *              | 63 * | 67   | 0 *          | 1 *  | 2    | 8 *          | 5 *  | 3    |
| Laclede    | 0 *            | 0    | 0    | 0 *          | 0    | 0    | 78 *              | 90   | 65   | 0 *          | 1    | 1    | 22 *         | 9    | 34   |
| Lawrence   | 2 *            | 2    | 2    | 49 *         | 49   | 50   | 47 *              | 47   | 47   | 0 *          | 1    | 1    | 2 *          | 1    | 0    |
| Lewis      | 27 *           | 30   | 28   | 0 *          | 0    | 0    | 63 *              | 61   | 64   | 0 *          | 1    | 1    | 10 *         | 8    | 7    |
| Lincoln    | 23 *           | 22 * | 21   | 41 *         | 39 * | 39   | 26 *              | 27 * | 27   | 1 *          | 1 *  | 0    | 9 *          | 11 * | 13   |
| Linn       | 3 *            | 3 *  | 3    | 33 *         | 37 * | 36   | 54 *              | 51 * | 58   | 2 *          | 2 *  | 3    | 8 *          | 7 *  | 0    |
| Livingston | 6 *            | 7 *  | 10   | 0 *          | 0 *  | 0    | 93 *              | 92 * | 87   | 1 *          | 1 *  | 2    | 0 *          | 0 *  | 1    |
| Macon      | 29 *           | 32 * | 32   | 0 *          | 0 *  | 0    | 67 *              | 61 * | 63   | 2 *          | 3 *  | 2    | 2 *          | 4 *  | 3    |
| Madison    | 32 *           | 23   | 38   | 0 *          | 0    | 0    | 60 *              | 65   | 57   | 0 *          | 0    | 0    | 8 *          | 12   | 5    |
| Maries     | 19 *           | 7    | 17   | 9 *          | 3    | 11   | 54 *              | 24   | 68   | 0 *          | 0    | 1    | 18 *         | 66   | 3    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 3-B

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE  
 SPECIAL ROAD AND BRIDGE FUND

| County         | Property Taxes |      |      | Sales Tax    |      |      | Intergovernmental |      |      | Interest     |      |      | Other        |      |      |
|----------------|----------------|------|------|--------------|------|------|-------------------|------|------|--------------|------|------|--------------|------|------|
|                | Year Ended     |      |      | Year Ended   |      |      | Year Ended        |      |      | Year Ended   |      |      | Year Ended   |      |      |
|                | December 31,   |      |      | December 31, |      |      | December 31,      |      |      | December 31, |      |      | December 31, |      |      |
|                | 1999           | 1998 | 1997 | 1999         | 1998 | 1997 | 1999              | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 |
| Marion         | 57 *           | 52   | 47   | 0 *          | 0    | 0    | 40 *              | 45   | 50   | 1 *          | 1    | 1    | 2 *          | 2    | 2    |
| McDonald       | 1 *            | 0 *  | 0    | 40 *         | 39 * | 41   | 53 *              | 58 * | 55   | 1 *          | 1 *  | 2    | 5 *          | 2 *  | 2    |
| Mercer         | 5 *            | 11   | 10   | 0 *          | 0    | 0    | 88 *              | 83   | 87   | 5 *          | 4    | 2    | 2 *          | 2    | 1    |
| Miller         | 18 *           | 13 * | 19   | 0 *          | 0 *  | 0    | 78 *              | 84 * | 80   | 3 *          | 1 *  | 1    | 1 *          | 2 *  | 0    |
| Mississippi    | 30 *           | 40 * | 32   | 0 *          | 0 *  | 15   | 69 *              | 57 * | 51   | 1 *          | 2 *  | 1    | 0 *          | 1 *  | 1    |
| Moniteau       | 34 *           | 32   | 31   | 0 *          | 0    | 0    | 64 *              | 67   | 65   | 1 *          | 1    | 1    | 1 *          | 0    | 3    |
| Monroe         | 14 *           | 18 * | 14   | 6 *          | 8 *  | 0    | 72 *              | 67 * | 66   | 1 *          | 1 *  | 1    | 7 *          | 6 *  | 19   |
| Montgomery     | 45 *           | 51 * | 38   | 0 *          | 0 *  | 0    | 53 *              | 47 * | 56   | 1 *          | 1 *  | 1    | 1 *          | 1 *  | 5    |
| Morgan         | 16 *           | 18   | 14   | 10 *         | 0    | 0    | 71 *              | 78   | 71   | 2 *          | 4    | 3    | 1 *          | 0    | 12   |
| New Madrid     | 40 *           | 41 * | 35   | 0 *          | 0 *  | 0    | 56 *              | 54 * | 61   | 4 *          | 4 *  | 4    | 0 *          | 1 *  | 0    |
| Newton         | 19 *           | 14   | 10   | 0 *          | 0    | 0    | 70 *              | 65   | 46   | 1 *          | 2    | 1    | 10 *         | 19   | 43   |
| Nodaway        | 4 *            | 4    | 4    | 0 *          | 0    | 0    | 72 *              | 69   | 64   | 4 *          | 3    | 2    | 20 *         | 24   | 30   |
| Oregon         | 14 *           | 14 * | 13   | 0 *          | 0 *  | 0    | 81 *              | 82 * | 82   | 2 *          | 1 *  | 1    | 3 *          | 3 *  | 4    |
| Osage          | 22 *           | 19 * | 21   | 12 *         | 9 *  | 0    | 63 *              | 71 * | 71   | 2 *          | 1 *  | 2    | 1 *          | 0 *  | 6    |
| Ozark          | 17 *           | 18 * | 17   | 0 *          | 0 *  | 0    | 80 *              | 79 * | 82   | 0 *          | 0 *  | 1    | 3 *          | 3 *  | 0    |
| Pemiscot       | 39 *           | 37   | 36   | 15 *         | 0    | 0    | 40 *              | 60   | 61   | 1 *          | 3    | 2    | 5 *          | 0    | 1    |
| Perry          | 47 *           | 43   | 40   | 0 *          | 0    | 0    | 48 *              | 53   | 53   | 2 *          | 3    | 3    | 3 *          | 1    | 4    |
| Phelps         | 11 *           | 10   | 9    | 29 *         | 28   | 37   | 37 *              | 34   | 38   | 0 *          | 0    | 0    | 23 *         | 28   | 16   |
| Pike           | 16 *           | 16 * | 30   | 31 *         | 32 * | 4    | 51 *              | 43 * | 65   | 1 *          | 1 *  | 0    | 1 *          | 8 *  | 1    |
| Polk           | 14 *           | 11 * | 10   | 0 *          | 0 *  | 0    | 42 *              | 49 * | 55   | 0 *          | 0 *  | 1    | 44 *         | 40 * | 34   |
| Pulaski        | 29 *           | 21   | 12   | 0 *          | 0    | 0    | 61 *              | 47   | 25   | 1 *          | 1    | 0    | 9 *          | 31   | 63   |
| Putnam         | 4 *            | 3    | 4    | 0 *          | 0    | 0    | 93 *              | 93   | 94   | 2 *          | 2    | 1    | 1 *          | 2    | 1    |
| Ralls          | 31 *           | 26   | 22   | 11 *         | 10   | 9    | 52 *              | 58   | 63   | 2 *          | 2    | 3    | 4 *          | 4    | 3    |
| Randolph       | 31 *           | 26   | 25   | 0 *          | 0    | 0    | 60 *              | 67   | 64   | 4 *          | 5    | 4    | 5 *          | 2    | 7    |
| Ray            | 25 *           | 33   | 30   | 0 *          | 0    | 0    | 74 *              | 61   | 63   | 1 *          | 2    | 2    | 0 *          | 4    | 5    |
| Reynolds       | 19 *           | 19 * | 19   | 0 *          | 0 *  | 0    | 62 *              | 65 * | 79   | 0 *          | 2 *  | 1    | 19 *         | 14 * | 1    |
| Ripley         | 0 *            | 0    | 0    | 0 *          | 0    | 0    | 97 *              | 93   | 95   | 1 *          | 2    | 2    | 2 *          | 5    | 3    |
| St. Clair      | 26 *           | 26   | 22   | 0 *          | 0    | 0    | 68 *              | 71   | 73   | 2 *          | 2    | 1    | 4 *          | 1    | 4    |
| Ste. Genevieve | 29 *           | 27   | 27   | 0 *          | 0    | 0    | 65 *              | 59   | 63   | 6 *          | 8    | 7    | 0 *          | 6    | 3    |
| Schuyler       | 28 *           | 25   | 23   | 0 *          | 0    | 0    | 68 *              | 72   | 75   | 2 *          | 1    | 1    | 2 *          | 2    | 1    |
| Scotland       | 29 *           | 28   | 28   | 16 *         | 14   | 15   | 48 *              | 48   | 47   | 3 *          | 3    | 3    | 4 *          | 7    | 7    |
| Scott          | 40 *           | 38 * | 38   | 0 *          | 0 *  | 0    | 59 *              | 60 * | 60   | 1 *          | 1 *  | 2    | 0 *          | 1 *  | 0    |
| Shannon        | 13 *           | 11 * | 14   | 0 *          | 0 *  | 0    | 84 *              | 57 * | 84   | 1 *          | 2 *  | 2    | 2 *          | 30 * | 0    |
| Shelby         | 20 *           | 17 * | 20   | 7 *          | 6 *  | 12   | 70 *              | 75 * | 65   | 1 *          | 1 *  | 1    | 2 *          | 1 *  | 2    |
| Stoddard       | 0 *            | 0    | 0    | 0 *          | 0    | 0    | 97 *              | 96   | 95   | 3 *          | 4    | 5    | 0 *          | 0    | 0    |
| Stone          | 0 *            | 0    | 0    | 64 *         | 58   | 61   | 27 *              | 38   | 38   | 1 *          | 1    | 1    | 8 *          | 3    | 0    |
| Sullivan       | 0 *            | 0    | 0    | 0 *          | 0    | 0    | 94 *              | 96   | 99   | 5 *          | 3    | 1    | 1 *          | 1    | 0    |
| Taney          | 0 *            | 0 *  | 0    | 0 *          | 22 * | 29   | 90 *              | 69 * | 65   | 9 *          | 7 *  | 5    | 1 *          | 2 *  | 1    |
| Texas          | 0 *            | 0    | 0    | 0 *          | 0    | 0    | 99 *              | 99   | 97   | 1 *          | 1    | 1    | 0 *          | 0    | 2    |
| Vernon         | 6 *            | 7 *  | 5    | 0 *          | 0 *  | 0    | 91 *              | 88 * | 90   | 1 *          | 2 *  | 3    | 2 *          | 3 *  | 2    |
| Warren         | 35 *           | 32   | 36   | 0 *          | 0    | 0    | 61 *              | 65   | 61   | 3 *          | 2    | 1    | 1 *          | 1    | 2    |
| Washington     | 22 *           | 21 * | 19   | 33 *         | 33 * | 28   | 38 *              | 39 * | 50   | 1 *          | 1 *  | 1    | 6 *          | 6 *  | 2    |
| Wayne          | 6 *            | 8 *  | 10   | 26 *         | 33 * | 28   | 62 *              | 52 * | 61   | 0 *          | 0 *  | 0    | 6 *          | 7 *  | 1    |
| Webster        | 27 *           | 25   | 25   | 0 *          | 0    | 0    | 71 *              | 69   | 73   | 1 *          | 1    | 1    | 1 *          | 5    | 1    |
| Worth          | 21 *           | 23 * | 26   | 0 *          | 0 *  | 0    | 48 *              | 64 * | 49   | 0 *          | 1 *  | 0    | 31 *         | 12 * | 25   |
| Wright         | 3 *            | 2 *  | 3    | 0 *          | 0 *  | 0    | 95 *              | 96 * | 82   | 1 *          | 1 *  | 1    | 1 *          | 1 *  | 14   |
| Average        | 19             | 17   | 17   | 8            | 7    | 7    | 65                | 66   | 66   | 2            | 2    | 2    | 7            | 8    | 8    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County     | County Commission |      |      | County Clerk |      |      | Elections    |      |      | Buildings and Grounds |      |      | Fringe Benefits |      |      |
|------------|-------------------|------|------|--------------|------|------|--------------|------|------|-----------------------|------|------|-----------------|------|------|
|            | Year Ended        |      |      | Year Ended   |      |      | Year Ended   |      |      | Year Ended            |      |      | Year Ended      |      |      |
|            | December 31,      |      |      | December 31, |      |      | December 31, |      |      | December 31,          |      |      | December 31,    |      |      |
|            | 1999              | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999                  | 1998 | 1997 | 1999            | 1998 | 1997 |
| Adair      | 5 *               | 5 *  | 3    | 5 *          | 6 *  | 3    | 1 *          | 3 *  | 0    | 4 *                   | 4 *  | 4    | 12 *            | 11 * | 12   |
| Andrew     | 9 *               | 7 *  | 7    | 10 *         | 11 * | 12   | 2 *          | 4 *  | 1    | 4 *                   | 4 *  | 4    | 12 *            | 11 * | 12   |
| Atchison   | 8 *               | 6 *  | 6    | 8 *          | 7 *  | 7    | 1 *          | 1 *  | 0    | 5 *                   | 7 *  | 6    | 14 *            | 13 * | 15   |
| Audrain    | 4 *               | 4 *  | 3    | 6 *          | 5 *  | 4    | 0 *          | 3 *  | 1    | 5 *                   | 6 *  | 6    | 7 *             | 7 *  | 10   |
| Barry      | 3 *               | 4 *  | 3    | 2 *          | 2 *  | 3    | 2 *          | 4 *  | 2    | 4 *                   | 6 *  | 5    | 9 *             | 9 *  | 10   |
| Barton     | 10 *              | 8 *  | 10   | 9 *          | 8 *  | 10   | 5 *          | 7 *  | 6    | 16 *                  | 27 * | 9    | 4 *             | 4 *  | 5    |
| Bates      | 17 *              | 13 * | 9    | 12 *         | 12 * | 9    | 2 *          | 5 *  | 2    | 12 *                  | 14 * | 39   | 10 *            | 10 * | 7    |
| Benton     | 6 *               | 4 *  | 4    | 4 *          | 4 *  | 4    | 1 *          | 3 *  | 1    | 2 *                   | 2 *  | 3    | 6 *             | 5 *  | 6    |
| Bollinger  | 7 *               | 4 *  | 5    | 6 *          | 4 *  | 5    | 1 *          | 5 *  | 1    | 6 *                   | 7 *  | 8    | 5 *             | 4 *  | 6    |
| Butler     | 2 *               | 2 *  | 2    | 3 *          | 3 *  | 3    | 1 *          | 2 *  | 1    | 7 *                   | 7 *  | 7    | 10 *            | 11 * | 10   |
| Caldwell   | 7 *               | 8 *  | 9    | 7 *          | 8 *  | 8    | 2 *          | 0 *  | 2    | 7 *                   | 9 *  | 9    | 16 *            | 10 * | 8    |
| Carroll    | 7 *               | 6 *  | 8    | 7 *          | 7 *  | 8    | 4 *          | 6 *  | 5    | 5 *                   | 10 * | 6    | 12 *            | 11 * | 11   |
| Carter     | 9 *               | 5 *  | 5    | 4 *          | 3 *  | 4    | 0 *          | 2 *  | 0    | 2 *                   | 2 *  | 4    | 4 *             | 4 *  | 4    |
| Cedar      | 5 *               | 5 *  | 4    | 6 *          | 6 *  | 6    | 2 *          | 6 *  | 2    | 6 *                   | 9 *  | 8    | 7 *             | 6 *  | 4    |
| Chariton   | 5 *               | 3 *  | 4    | 6 *          | 5 *  | 5    | 1 *          | 2 *  | 1    | 6 *                   | 9 *  | 9    | 10 *            | 11 * | 10   |
| Christian  | 5 *               | 4 *  | 4    | 5 *          | 6 *  | 4    | 4 *          | 6 *  | 3    | 3 *                   | 3 *  | 10   | 11 *            | 12 * | 10   |
| Clark      | 6 *               | 6 *  | 5    | 7 *          | 7 *  | 4    | 0 *          | 2 *  | 0    | 4 *                   | 4 *  | 5    | 0 *             | 1 *  | 1    |
| Clinton    | 6 *               | 4 *  | 5    | 4 *          | 4 *  | 4    | 3 *          | 4 *  | 2    | 8 *                   | 12 * | 14   | 9 *             | 10 * | 10   |
| Cooper     | 5 *               | 4 *  | 5    | 5 *          | 4 *  | 4    | 2 *          | 3 *  | 2    | 7 *                   | 6 *  | 13   | 8 *             | 7 *  | 7    |
| Crawford   | 4 *               | 3 *  | 3    | 4 *          | 4 *  | 5    | 0 *          | 3 *  | 0    | 4 *                   | 4 *  | 5    | 8 *             | 8 *  | 7    |
| Dade       | 12 *              | 10 * | 9    | 9 *          | 10 * | 10   | 2 *          | 6 *  | 2    | 15 *                  | 8 *  | 12   | 6 *             | 6 *  | 8    |
| Dallas     | 8 *               | 6 *  | 4    | 7 *          | 6 *  | 4    | 2 *          | 4 *  | 1    | 4 *                   | 11 * | 39   | 9 *             | 8 *  | 4    |
| Daviess    | 10 *              | 9 *  | 12   | 11 *         | 9 *  | 12   | 3 *          | 5 *  | 4    | 9 *                   | 11 * | 9    | 4 *             | 3 *  | 4    |
| DeKalb     | 7 *               | 4 *  | 5    | 7 *          | 6 *  | 8    | 0 *          | 2 *  | 0    | 11 *                  | 5 *  | 6    | 9 *             | 9 *  | 10   |
| Dent       | 7 *               | 7 *  | 6    | 7 *          | 6 *  | 7    | 1 *          | 4 *  | 1    | 7 *                   | 7 *  | 8    | 7 *             | 4 *  | 9    |
| Douglas    | 6 *               | 4 *  | 4    | 5 *          | 6 *  | 6    | 0 *          | 4 *  | 0    | 6 *                   | 5 *  | 6    | 11 *            | 9 *  | 9    |
| Dunklin    | 11 *              | 9 *  | 9    | 6 *          | 5 *  | 7    | 2 *          | 3 *  | 2    | 6 *                   | 6 *  | 6    | 11 *            | 8 *  | 10   |
| Gasconade  | 9 *               | 5 *  | 5    | 8 *          | 6 *  | 7    | 3 *          | 6 *  | 2    | 4 *                   | 4 *  | 4    | 0 *             | 0 *  | 0    |
| Gentry     | 5 *               | 4 *  | 5    | 8 *          | 7 *  | 7    | 1 *          | 2 *  | 0    | 4 *                   | 3 *  | 5    | 7 *             | 7 *  | 7    |
| Grundy     | 6 *               | 5 *  | 5    | 7 *          | 8 *  | 7    | 2 *          | 4 *  | 3    | 15 *                  | 5 *  | 5    | 6 *             | 7 *  | 8    |
| Harrison   | 9 *               | 7 *  | 7    | 8 *          | 7 *  | 7    | 4 *          | 4 *  | 3    | 8 *                   | 10 * | 8    | 4 *             | 4 *  | 4    |
| Henry      | 4 *               | 3 *  | 3    | 4 *          | 4 *  | 4    | 3 *          | 5 *  | 3    | 4 *                   | 5 *  | 7    | 7 *             | 5 *  | 4    |
| Hickory    | 7 *               | 5 *  | 5    | 5 *          | 5 *  | 5    | 2 *          | 4 *  | 1    | 4 *                   | 5 *  | 13   | 6 *             | 5 *  | 5    |
| Holt       | 7 *               | 5 *  | 0    | 8 *          | 7 *  | 8    | 0 *          | 2 *  | 2    | 3 *                   | 7 *  | 5    | 14 *            | 14 * | 15   |
| Howard     | 7 *               | 5 *  | 6    | 6 *          | 5 *  | 5    | 2 *          | 2 *  | 1    | 5 *                   | 4 *  | 5    | 6 *             | 5 *  | 4    |
| Howell     | 3 *               | 3 *  | 3    | 3 *          | 3 *  | 3    | 2 *          | 3 *  | 2    | 2 *                   | 2 *  | 3    | 11 *            | 11 * | 12   |
| Iron       | 6 *               | 4 *  | 4    | 7 *          | 6 *  | 5    | 0 *          | 3 *  | 1    | 4 *                   | 6 *  | 6    | 11 *            | 9 *  | 8    |
| Knox       | 9 *               | 7 *  | 7    | 10 *         | 8 *  | 8    | 0 *          | 2 *  | 0    | 11 *                  | 10 * | 11   | 7 *             | 7 *  | 6    |
| Laclede    | 4 *               | 3 *  | 4    | 4 *          | 3 *  | 4    | 1 *          | 2 *  | 1    | 18 *                  | 15 * | 7    | 8 *             | 3 *  | 3    |
| Lawrence   | 6 *               | 8 *  | 6    | 3 *          | 3 *  | 3    | 2 *          | 4 *  | 2    | 8 *                   | 4 *  | 4    | 8 *             | 8 *  | 8    |
| Lewis      | 7 *               | 5 *  | 5    | 5 *          | 5 *  | 5    | 2 *          | 2 *  | 1    | 3 *                   | 3 *  | 4    | 6 *             | 11 * | 12   |
| Lincoln    | 5 *               | 4 *  | 3    | 3 *          | 3 *  | 3    | 1 *          | 2 *  | 1    | 4 *                   | 3 *  | 9    | 8 *             | 9 *  | 9    |
| Linn       | 6 *               | 6 *  | 6    | 7 *          | 7 *  | 8    | 2 *          | 5 *  | 2    | 6 *                   | 5 *  | 4    | 7 *             | 6 *  | 5    |
| Livingston | 6 *               | 4 *  | 5    | 5 *          | 4 *  | 4    | 2 *          | 4 *  | 2    | 5 *                   | 6 *  | 6    | 14 *            | 13 * | 13   |
| Macon      | 6 *               | 5 *  | 5    | 5 *          | 4 *  | 5    | 1 *          | 3 *  | 1    | 6 *                   | 6 *  | 7    | 13 *            | 13 * | 13   |
| Madison    | 6 *               | 4 *  | 5    | 6 *          | 5 *  | 5    | 2 *          | 5 *  | 3    | 6 *                   | 6 *  | 4    | 11 *            | 9 *  | 9    |
| Maries     | 6 *               | 6 *  | 5    | 6 *          | 6 *  | 6    | 1 *          | 4 *  | 2    | 5 *                   | 4 *  | 5    | 9 *             | 9 *  | 10   |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County      | County Commission |      |      | County Clerk |      |      | Elections    |      |      | Buildings and Grounds |      |      | Fringe Benefits |      |      |
|-------------|-------------------|------|------|--------------|------|------|--------------|------|------|-----------------------|------|------|-----------------|------|------|
|             | Year Ended        |      |      | Year Ended   |      |      | Year Ended   |      |      | Year Ended            |      |      | Year Ended      |      |      |
|             | December 31,      |      |      | December 31, |      |      | December 31, |      |      | December 31,          |      |      | December 31,    |      |      |
|             | 1999              | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999                  | 1998 | 1997 | 1999            | 1998 | 1997 |
| Marion      | 3 *               | 3 *  | 3    | 5 *          | 4 *  | 4    | 2 *          | 3    | 2    | 4 *                   | 4 *  | 4    | 0 *             | 0    | 0    |
| McDonald    | 4 *               | 3 *  | 4    | 5 *          | 4 *  | 5    | 2 *          | 2 *  | 2    | 5 *                   | 6 *  | 6    | 9 *             | 6 *  | 9    |
| Mercer      | 11 *              | 7    | 7    | 9 *          | 8    | 8    | 1 *          | 2    | 1    | 9 *                   | 9    | 8    | 6 *             | 6    | 6    |
| Miller      | 6 *               | 4 *  | 4    | 5 *          | 5 *  | 4    | 4 *          | 6 *  | 2    | 7 *                   | 4 *  | 5    | 12 *            | 12 * | 8    |
| Mississippi | 6 *               | 4 *  | 6    | 4 *          | 4 *  | 5    | 0 *          | 3 *  | 1    | 7 *                   | 7 *  | 6    | 5 *             | 10 * | 10   |
| Moniteau    | 6 *               | 5    | 6    | 7 *          | 7    | 7    | 2 *          | 3    | 1    | 4 *                   | 9    | 5    | 8 *             | 8    | 8    |
| Monroe      | 5 *               | 4 *  | 5    | 6 *          | 6 *  | 6    | 1 *          | 3 *  | 1    | 6 *                   | 5 *  | 7    | 12 *            | 13 * | 11   |
| Montgomery  | 4 *               | 4 *  | 5    | 5 *          | 4 *  | 6    | 0 *          | 1 *  | 0    | 4 *                   | 5 *  | 6    | 0 *             | 0 *  | 0    |
| Morgan      | 7 *               | 7    | 5    | 6 *          | 6    | 5    | 0 *          | 2    | 1    | 2 *                   | 2    | 2    | 4 *             | 3    | 5    |
| New Madrid  | 4 *               | 3 *  | 3    | 5 *          | 4 *  | 5    | 1 *          | 3 *  | 1    | 5 *                   | 10 * | 7    | 14 *            | 13 * | 13   |
| Newton      | 2 *               | 2    | 1    | 2 *          | 2    | 2    | 0 *          | 1    | 0    | 8 *                   | 7    | 6    | 11 *            | 10   | 9    |
| Nodaway     | 4 *               | 3    | 4    | 4 *          | 4    | 5    | 1 *          | 2    | 1    | 6 *                   | 16   | 12   | 7 *             | 4    | 4    |
| Oregon      | 7 *               | 5 *  | 6    | 8 *          | 6 *  | 7    | 1 *          | 3 *  | 1    | 3 *                   | 3 *  | 4    | 11 *            | 10 * | 12   |
| Osage       | 8 *               | 7 *  | 7    | 7 *          | 7 *  | 7    | 3 *          | 6 *  | 3    | 5 *                   | 5 *  | 8    | 6 *             | 6 *  | 5    |
| Ozark       | 6 *               | 5 *  | 6    | 5 *          | 4 *  | 5    | 2 *          | 3 *  | 2    | 4 *                   | 5 *  | 6    | 12 *            | 10 * | 9    |
| Pemiscot    | 4 *               | 3    | 3    | 3 *          | 3    | 3    | 3 *          | 5    | 3    | 6 *                   | 10   | 15   | 12 *            | 12   | 10   |
| Perry       | 4 *               | 3    | 3    | 4 *          | 3    | 4    | 0 *          | 2    | 0    | 7 *                   | 8    | 8    | 11 *            | 10   | 10   |
| Phelps      | 3 *               | 3    | 3    | 4 *          | 3    | 3    | 1 *          | 3    | 1    | 7 *                   | 7    | 6    | 9 *             | 10   | 10   |
| Pike        | 3 *               | 3 *  | 3    | 3 *          | 2 *  | 2    | 2 *          | 3 *  | 2    | 2 *                   | 2 *  | 2    | 9 *             | 10 * | 10   |
| Polk        | 14 *              | 11 * | 11   | 10 *         | 9 *  | 10   | 4 *          | 14 * | 7    | 9 *                   | 14 * | 11   | 4 *             | 3 *  | 5    |
| Pulaski     | 4 *               | 4    | 3    | 3 *          | 3    | 3    | 1 *          | 2    | 1    | 5 *                   | 5    | 4    | 8 *             | 4    | 3    |
| Putnam      | 13 *              | 12   | 13   | 10 *         | 12   | 14   | 1 *          | 4    | 1    | 7 *                   | 9    | 11   | 6 *             | 9    | 2    |
| Ralls       | 7 *               | 5    | 4    | 6 *          | 5    | 5    | 1 *          | 4    | 2    | 5 *                   | 4    | 5    | 13 *            | 13   | 13   |
| Randolph    | 4 *               | 3    | 3    | 3 *          | 3    | 3    | 0 *          | 1    | 1    | 2 *                   | 2    | 3    | 12 *            | 11   | 11   |
| Ray         | 6 *               | 5    | 5    | 5 *          | 6    | 5    | 1 *          | 2    | 1    | 7 *                   | 8    | 12   | 0 *             | 0    | 0    |
| Reynolds    | 9 *               | 7 *  | 7    | 7 *          | 7 *  | 8    | 2 *          | 4 *  | 2    | 5 *                   | 5 *  | 4    | 6 *             | 5 *  | 6    |
| Ripley      | 14 *              | 8    | 8    | 11 *         | 9    | 11   | 0 *          | 0    | 0    | 8 *                   | 10   | 12   | 5 *             | 4    | 4    |
| St. Clair   | 3 *               | 3    | 4    | 3 *          | 4    | 5    | 1 *          | 2    | 1    | 42 *                  | 18   | 11   | 0 *             | 0    | 0    |
| Ste. Genevi | 3 *               | 3    | 3    | 3 *          | 3    | 4    | 0 *          | 1    | 0    | 2 *                   | 2    | 2    | 0 *             | 0    | 0    |
| Schuyler    | 8 *               | 10   | 10   | 7 *          | 11   | 10   | 0 *          | 2    | 0    | 33 *                  | 8    | 10   | 4 *             | 7    | 7    |
| Scotland    | 7 *               | 6    | 6    | 7 *          | 7    | 7    | 0 *          | 2    | 0    | 11 *                  | 11   | 11   | 5 *             | 5    | 6    |
| Scott       | 3 *               | 2 *  | 3    | 2 *          | 2 *  | 2    | 1 *          | 2 *  | 1    | 7 *                   | 9 *  | 5    | 15 *            | 13 * | 14   |
| Shannon     | 8 *               | 5 *  | 6    | 6 *          | 5 *  | 7    | 0 *          | 3 *  | 1    | 5 *                   | 8 *  | 7    | 12 *            | 10 * | 12   |
| Shelby      | 8 *               | 5 *  | 5    | 7 *          | 6 *  | 6    | 0 *          | 2 *  | 1    | 6 *                   | 4 *  | 7    | 11 *            | 11 * | 10   |
| Stoddard    | 4 *               | 2    | 3    | 4 *          | 3    | 4    | 4 *          | 4    | 4    | 4 *                   | 3    | 4    | 11 *            | 12   | 14   |
| Stone       | 6 *               | 4    | 5    | 5 *          | 4    | 5    | 6 *          | 6    | 6    | 5 *                   | 4    | 5    | 6 *             | 5    | 5    |
| Sullivan    | 8 *               | 6    | 7    | 8 *          | 6    | 7    | 2 *          | 4    | 3    | 14 *                  | 24   | 10   | 4 *             | 4    | 5    |
| Taney       | 4 *               | 2 *  | 2    | 3 *          | 3 *  | 3    | 2 *          | 2 *  | 2    | 5 *                   | 5 *  | 12   | 18 *            | 15 * | 14   |
| Texas       | 7 *               | 5    | 5    | 8 *          | 7    | 7    | 1 *          | 3    | 1    | 4 *                   | 6    | 5    | 12 *            | 10   | 11   |
| Vernon      | 5 *               | 4 *  | 4    | 8 *          | 7 *  | 8    | 1 *          | 3 *  | 1    | 7 *                   | 7 *  | 7    | 6 *             | 5 *  | 6    |
| Warren      | 5 *               | 4    | 4    | 6 *          | 6    | 6    | 1 *          | 2    | 0    | 13 *                  | 8    | 2    | 4 *             | 0    | 0    |
| Washington  | 7 *               | 5 *  | 5    | 7 *          | 7 *  | 6    | 2 *          | 4 *  | 3    | 5 *                   | 7 *  | 7    | 0 *             | 0 *  | 0    |
| Wayne       | 6 *               | 4 *  | 5    | 7 *          | 6 *  | 7    | 0 *          | 5 *  | 1    | 5 *                   | 7 *  | 8    | 18 *            | 18 * | 10   |
| Webster     | 5 *               | 4    | 4    | 5 *          | 4    | 4    | 2 *          | 3    | 1    | 3 *                   | 4    | 6    | 7 *             | 6    | 5    |
| Worth       | 9 *               | 8 *  | 3    | 13 *         | 11 * | 9    | 2 *          | 3 *  | 0    | 8 *                   | 8 *  | 6    | 5 *             | 5 *  | 4    |
| Wright      | 5 *               | 6 *  | 6    | 5 *          | 6 *  | 6    | 0 *          | 3 *  | 1    | 5 *                   | 5 *  | 6    | 9 *             | 9 *  | 10   |
| Average     | 6                 | 5    | 5    | 6            | 6    | 6    | 1            | 3    | 2    | 7                     | 7    | 8    | 8               | 8    | 8    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County     | Treasurer    |      |      | Collector    |      |      | Recorder     |      |      | Circuit Clerk |      |      | Associate Circuit |      |      |
|------------|--------------|------|------|--------------|------|------|--------------|------|------|---------------|------|------|-------------------|------|------|
|            | Year Ended   |      |      | Year Ended   |      |      | Year Ended   |      |      | Year Ended    |      |      | Year Ended        |      |      |
|            | December 31, |      |      | December 31, |      |      | December 31, |      |      | December 31,  |      |      | December 31,      |      |      |
|            | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999          | 1998 | 1997 | 1999              | 1998 | 1997 |
| Adair      | 3 *          | 3 *  | 2    | 5 *          | 6 *  | 4    | 5 *          | 6 *  | 4    | 2 *           | 2 *  | 1    | 1 *               | 1 *  | 1    |
| Andrew     | 3 *          | 3 *  | 3    | 8 *          | 9 *  | 8    | 0 *          | 0 *  | 0    | 2 *           | 4 *  | 4    | 1 *               | 1 *  | 2    |
| Atchison   | 3 *          | 2 *  | 2    | 6 *          | 5 *  | 6    | 1 *          | 1 *  | 2    | 1 *           | 0 *  | 0    | 1 *               | 1 *  | 1    |
| Audrain    | 2 *          | 2 *  | 1    | 4 *          | 4 *  | 3    | 4 *          | 4 *  | 3    | 1 *           | 1 *  | 1    | 1 *               | 1 *  | 1    |
| Barry      | 1 *          | 1    | 1    | 4 *          | 4    | 5    | 1 *          | 2    | 2    | 1 *           | 1    | 1    | 1 *               | 1    | 1    |
| Barton     | 6 *          | 5 *  | 8    | 0 *          | 0 *  | 0    | 4 *          | 3 *  | 4    | 2 *           | 2 *  | 2    | 0 *               | 0 *  | 0    |
| Bates      | 11 *         | 12 * | 10   | 0 *          | 0 *  | 0    | 11 *         | 11 * | 7    | 2 *           | 2 *  | 1    | 1 *               | 1 *  | 1    |
| Benton     | 2 *          | 1 *  | 1    | 7 *          | 6 *  | 6    | 2 *          | 1 *  | 0    | 2 *           | 1 *  | 3    | 0 *               | 1 *  | 1    |
| Bollinger  | 3 *          | 2 *  | 2    | 7 *          | 5 *  | 6    | 2 *          | 2 *  | 2    | 1 *           | 1 *  | 1    | 1 *               | 1 *  | 1    |
| Butler     | 1 *          | 1    | 1    | 3 *          | 3    | 3    | 3 *          | 3    | 3    | 0 *           | 0    | 0    | 1 *               | 1    | 1    |
| Caldwell   | 4 *          | 5 *  | 5    | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    | 4 *           | 4 *  | 5    | 1 *               | 1 *  | 2    |
| Carroll    | 5 *          | 5    | 5    | 0 *          | 0    | 0    | 3 *          | 2    | 3    | 0 *           | 0    | 0    | 1 *               | 1    | 1    |
| Carter     | 2 *          | 2 *  | 2    | 6 *          | 4 *  | 4    | 1 *          | 1 *  | 1    | 2 *           | 1 *  | 1    | 2 *               | 1 *  | 1    |
| Cedar      | 2 *          | 2 *  | 2    | 6 *          | 5 *  | 5    | 3 *          | 3 *  | 3    | 3 *           | 1 *  | 0    | 0 *               | 0 *  | 1    |
| Chariton   | 5 *          | 4 *  | 5    | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    | 5 *           | 5 *  | 3    | 1 *               | 0 *  | 0    |
| Christian  | 3 *          | 2 *  | 2    | 6 *          | 6 *  | 6    | 0 *          | 0 *  | 0    | 6 *           | 6 *  | 5    | 3 *               | 3 *  | 2    |
| Clark      | 3 *          | 3    | 2    | 8 *          | 8    | 7    | 0 *          | 0    | 0    | 3 *           | 4    | 5    | 1 *               | 1    | 1    |
| Clinton    | 3 *          | 2 *  | 2    | 5 *          | 4 *  | 5    | 2 *          | 2 *  | 1    | 1 *           | 1 *  | 1    | 1 *               | 1 *  | 1    |
| Cooper     | 2 *          | 2    | 2    | 5 *          | 4    | 5    | 2 *          | 0    | 0    | 1 *           | 3    | 2    | 1 *               | 1    | 1    |
| Crawford   | 2 *          | 1    | 1    | 4 *          | 4    | 5    | 2 *          | 2    | 2    | 1 *           | 1    | 1    | 1 *               | 0    | 1    |
| Dade       | 10 *         | 11   | 10   | 0 *          | 0    | 0    | 2 *          | 0    | 0    | 0 *           | 5    | 7    | 5 *               | 4    | 4    |
| Dallas     | 3 *          | 3    | 2    | 8 *          | 8    | 5    | 0 *          | 0    | 0    | 4 *           | 5    | 3    | 6 *               | 6    | 1    |
| Daviess    | 6 *          | 6    | 8    | 0 *          | 0    | 0    | 0 *          | 0    | 0    | 3 *           | 3    | 4    | 3 *               | 1    | 1    |
| DeKalb     | 3 *          | 3 *  | 6    | 1 *          | 2 *  | 0    | 0 *          | 0 *  | 0    | 4 *           | 5 *  | 5    | 2 *               | 2 *  | 2    |
| Dent       | 4 *          | 3 *  | 3    | 5 *          | 7 *  | 7    | 2 *          | 2 *  | 2    | 1 *           | 1 *  | 2    | 1 *               | 1 *  | 1    |
| Douglas    | 3 *          | 3 *  | 3    | 6 *          | 6 *  | 6    | 0 *          | 0 *  | 0    | 2 *           | 2 *  | 2    | 1 *               | 1 *  | 1    |
| Dunklin    | 4 *          | 3    | 4    | 0 *          | 0    | 0    | 4 *          | 3    | 4    | 1 *           | 1    | 1    | 2 *               | 2    | 1    |
| Gasconade  | 3 *          | 2 *  | 2    | 8 *          | 7 *  | 7    | 0 *          | 0 *  | 0    | 3 *           | 2 *  | 3    | 1 *               | 1 *  | 1    |
| Gentry     | 4 *          | 5 *  | 6    | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    | 1 *           | 1 *  | 1    | 1 *               | 1 *  | 1    |
| Grundy     | 4 *          | 5    | 5    | 0 *          | 0    | 0    | 0 *          | 0    | 0    | 3 *           | 3    | 3    | 1 *               | 0    | 1    |
| Harrison   | 7 *          | 5    | 6    | 0 *          | 0    | 0    | 3 *          | 1    | 2    | 0 *           | 0    | 0    | 1 *               | 1    | 1    |
| Henry      | 4 *          | 4    | 4    | 0 *          | 0    | 0    | 5 *          | 3    | 4    | 1 *           | 1    | 1    | 1 *               | 1    | 1    |
| Hickory    | 3 *          | 2 *  | 2    | 6 *          | 6 *  | 5    | 2 *          | 3 *  | 2    | 0 *           | 0 *  | 0    | 0 *               | 0 *  | 0    |
| Holt       | 3 *          | 2    | 2    | 6 *          | 5    | 6    | 0 *          | 0    | 0    | 0 *           | 0    | 0    | 1 *               | 1    | 1    |
| Howard     | 3 *          | 2    | 2    | 6 *          | 5    | 6    | 1 *          | 1    | 1    | 0 *           | 1    | 1    | 2 *               | 1    | 2    |
| Howell     | 2 *          | 1    | 2    | 4 *          | 4    | 5    | 3 *          | 2    | 2    | 1 *           | 1    | 1    | 1 *               | 1    | 1    |
| Iron       | 3 *          | 2 *  | 2    | 6 *          | 5 *  | 5    | 0 *          | 0 *  | 0    | 2 *           | 2 *  | 2    | 2 *               | 1 *  | 2    |
| Knox       | 4 *          | 3 *  | 3    | 10 *         | 9 *  | 8    | 3 *          | 2 *  | 3    | 0 *           | 0 *  | 0    | 0 *               | 0 *  | 0    |
| Laclede    | 2 *          | 1    | 1    | 3 *          | 3    | 3    | 2 *          | 2    | 2    | 1 *           | 2    | 1    | 0 *               | 0    | 0    |
| Lawrence   | 1 *          | 1    | 1    | 3 *          | 3    | 3    | 3 *          | 3    | 3    | 0 *           | 1    | 1    | 1 *               | 1    | 1    |
| Lewis      | 3 *          | 2    | 2    | 5 *          | 5    | 6    | 3 *          | 4    | 3    | 1 *           | 1    | 1    | 1 *               | 1    | 1    |
| Lincoln    | 2 *          | 1 *  | 1    | 5 *          | 5 *  | 4    | 3 *          | 3 *  | 3    | 1 *           | 1 *  | 1    | 1 *               | 1 *  | 1    |
| Linn       | 6 *          | 5 *  | 6    | 0 *          | 0 *  | 0    | 3 *          | 4 *  | 5    | 1 *           | 2 *  | 2    | 1 *               | 1 *  | 2    |
| Livingston | 3 *          | 3 *  | 4    | 0 *          | 0 *  | 0    | 2 *          | 2 *  | 3    | 1 *           | 1 *  | 1    | 1 *               | 1 *  | 1    |
| Macon      | 2 *          | 2 *  | 2    | 5 *          | 4 *  | 5    | 2 *          | 2 *  | 2    | 1 *           | 1 *  | 1    | 1 *               | 1 *  | 1    |
| Madison    | 2 *          | 2    | 2    | 5 *          | 5    | 5    | 0 *          | 0    | 0    | 2 *           | 2    | 2    | 1 *               | 1    | 1    |
| Maries     | 3 *          | 2    | 2    | 10 *         | 6    | 6    | 0 *          | 0    | 0    | 2 *           | 2    | 2    | 1 *               | 1    | 1    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County      | Treasurer    |      |      | Collector    |      |      | Recorder     |      |      | Circuit Clerk |      |      | Associate Circuit |      |      |
|-------------|--------------|------|------|--------------|------|------|--------------|------|------|---------------|------|------|-------------------|------|------|
|             | Year Ended   |      |      | Year Ended   |      |      | Year Ended   |      |      | Year Ended    |      |      | Year Ended        |      |      |
|             | December 31, |      |      | December 31, |      |      | December 31, |      |      | December 31,  |      |      | December 31,      |      |      |
|             | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999          | 1998 | 1997 | 1999              | 1998 | 1997 |
| Marion      | 1            | *    | 1    | 1            | 6    | *    | 5            | 5    | 3    | *             | 2    | 2    | 1                 | *    | 0    |
| McDonald    | 2            | *    | 1    | *            | 2    | 5    | *            | 4    | *    | 5             | 2    | *    | 2                 | *    | 2    |
| Mercer      | 5            | *    | 5    | 5            | 0    | *    | 0            | 0    | 0    | *             | 0    | 0    | 1                 | *    | 1    |
| Miller      | 2            | *    | 2    | *            | 2    | 5    | *            | 5    | *    | 4             | 2    | *    | 2                 | *    | 2    |
| Mississippi | 2            | *    | 1    | *            | 2    | 4    | *            | 5    | *    | 5             | 1    | *    | 1                 | *    | 1    |
| Moniteau    | 3            | *    | 2    | 2            | 6    | *    | 6            | 6    | 2    | *             | 3    | 3    | 0                 | *    | 0    |
| Monroe      | 2            | *    | 2    | *            | 2    | 5    | *            | 5    | *    | 5             | 0    | *    | 0                 | *    | 0    |
| Montgomery  | 2            | *    | 1    | *            | 2    | 3    | *            | 3    | *    | 4             | 0    | *    | 0                 | *    | 0    |
| Morgan      | 2            | *    | 2    | 1            | 7    | *    | 6            | 5    | 4    | *             | 3    | 3    | 1                 | *    | 0    |
| New Madrid  | 1            | *    | 1    | *            | 1    | 4    | *            | 3    | *    | 4             | 4    | *    | 3                 | *    | 4    |
| Newton      | 1            | *    | 0    | 0            | 3    | *    | 3            | 2    | 2    | *             | 2    | 2    | 0                 | *    | 0    |
| Nodaway     | 3            | *    | 3    | 4            | 0    | *    | 0            | 0    | 3    | *             | 3    | 3    | 1                 | *    | 1    |
| Oregon      | 3            | *    | 2    | *            | 2    | 7    | *            | 5    | *    | 6             | 2    | *    | 3                 | *    | 3    |
| Osage       | 3            | *    | 2    | *            | 3    | 6    | *            | 7    | *    | 7             | 5    | *    | 3                 | *    | 3    |
| Ozark       | 2            | *    | 2    | *            | 2    | 5    | *            | 4    | *    | 5             | 2    | *    | 2                 | *    | 2    |
| Pemiscot    | 2            | *    | 1    | 1            | 4    | *    | 4            | 4    | 4    | *             | 3    | 3    | 1                 | *    | 1    |
| Perry       | 2            | *    | 1    | 1            | 3    | *    | 3            | 3    | 0    | *             | 0    | 0    | 3                 | *    | 3    |
| Phelps      | 1            | *    | 1    | 1            | 3    | *    | 3            | 3    | 0    | *             | 0    | 0    | 4                 | *    | 4    |
| Pike        | 2            | *    | 1    | *            | 1    | 4    | *            | 3    | *    | 3             | 1    | *    | 1                 | *    | 1    |
| Polk        | 7            | *    | 5    | *            | 7    | 12   | *            | 12   | *    | 14            | 12   | *    | 9                 | *    | 6    |
| Pulaski     | 1            | *    | 1    | 1            | 3    | *    | 3            | 3    | 2    | *             | 1    | 1    | 1                 | *    | 1    |
| Putnam      | 5            | *    | 7    | 8            | 0    | *    | 0            | 0    | 0    | *             | 0    | 0    | 4                 | *    | 5    |
| Ralls       | 3            | *    | 2    | 2            | 6    | *    | 5            | 5    | 0    | *             | 0    | 0    | 4                 | *    | 3    |
| Randolph    | 1            | *    | 1    | 1            | 4    | *    | 3            | 3    | 3    | *             | 2    | 2    | 1                 | *    | 1    |
| Ray         | 2            | *    | 2    | 1            | 6    | *    | 6            | 6    | 5    | *             | 4    | 5    | 1                 | *    | 1    |
| Reynolds    | 3            | *    | 3    | *            | 3    | 8    | *            | 9    | *    | 9             | 0    | *    | 0                 | *    | 0    |
| Ripley      | 5            | *    | 3    | 4            | 12   | *    | 12           | 12   | 4    | *             | 6    | 4    | 0                 | *    | 0    |
| St. Clair   | 1            | *    | 1    | 2            | 2    | *    | 4            | 4    | 1    | *             | 1    | 1    | 1                 | *    | 1    |
| Ste. Genevi | 2            | *    | 1    | 1            | 3    | *    | 3            | 3    | 3    | *             | 3    | 3    | 0                 | *    | 0    |
| Schuyler    | 3            | *    | 4    | 4            | 6    | *    | 10           | 9    | 0    | *             | 0    | 0    | 1                 | *    | 1    |
| Scotland    | 3            | *    | 2    | 2            | 8    | *    | 7            | 7    | 2    | *             | 1    | 2    | 0                 | *    | 0    |
| Scott       | 2            | *    | 1    | *            | 2    | 4    | *            | 4    | *    | 4             | 3    | *    | 2                 | *    | 3    |
| Shannon     | 3            | *    | 2    | *            | 3    | 7    | *            | 6    | *    | 7             | 2    | *    | 2                 | *    | 2    |
| Shelby      | 3            | *    | 2    | *            | 2    | 6    | *            | 5    | *    | 5             | 3    | *    | 3                 | *    | 3    |
| Stoddard    | 5            | *    | 4    | 5            | 0    | *    | 0            | 0    | 5    | *             | 3    | 4    | 1                 | *    | 1    |
| Stone       | 3            | *    | 2    | 3            | 7    | *    | 5            | 7    | 5    | *             | 4    | 5    | 0                 | *    | 0    |
| Sullivan    | 5            | *    | 5    | 6            | 1    | *    | 0            | 1    | 0    | *             | 2    | 2    | 3                 | *    | 2    |
| Taney       | 1            | *    | 1    | *            | 1    | 4    | *            | 3    | *    | 3             | 3    | *    | 3                 | *    | 2    |
| Texas       | 5            | *    | 4    | 5            | 1    | *    | 1            | 1    | 3    | *             | 3    | 3    | 0                 | *    | 0    |
| Vernon      | 4            | *    | 4    | *            | 4    | 0    | *            | 0    | *    | 0             | 4    | *    | 3                 | *    | 3    |
| Warren      | 2            | *    | 1    | 1            | 7    | *    | 7            | 7    | 3    | *             | 3    | 3    | 1                 | *    | 1    |
| Washington  | 3            | *    | 3    | *            | 2    | 8    | *            | 7    | *    | 7             | 5    | *    | 5                 | *    | 4    |
| Wayne       | 2            | *    | 2    | *            | 2    | 5    | *            | 5    | *    | 5             | 2    | *    | 1                 | *    | 2    |
| Webster     | 2            | *    | 2    | 2            | 5    | *    | 5            | 5    | 2    | *             | 2    | 2    | 1                 | *    | 1    |
| Worth       | 5            | *    | 4    | *            | 3    | 8    | *            | 7    | *    | 5             | 0    | *    | 0                 | *    | 0    |
| Wright      | 5            | *    | 6    | *            | 6    | 0    | *            | 0    | *    | 0             | 2    | *    | 2                 | *    | 2    |
| Average     | 3            |      | 3    |              | 3    | 4    |              | 4    |      | 4             | 2    |      | 2                 |      | 2    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County     | Court Administration |      |      | Public Administrator |      |      | Other        |      |      | Sheriff      |      |      | Jail         |      |      |
|------------|----------------------|------|------|----------------------|------|------|--------------|------|------|--------------|------|------|--------------|------|------|
|            | Year Ended           |      |      | Year Ended           |      |      | Year Ended   |      |      | Year Ended   |      |      | Year Ended   |      |      |
|            | December 31,         |      |      | December 31,         |      |      | December 31, |      |      | December 31, |      |      | December 31, |      |      |
|            | 1999                 | 1998 | 1997 | 1999                 | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 |
| Adair      | 0 *                  | 0 *  | 0    | 2 *                  | 3 *  | 2    | 21 *         | 17 * | 14   | 7 *          | 6 *  | 12   | 0 *          | 0 *  | 13   |
| Andrew     | 1 *                  | 1 *  | 1    | 2 *                  | 2 *  | 2    | 24 *         | 26 * | 26   | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Atchison   | 0 *                  | 0 *  | 0    | 2 *                  | 1 *  | 1    | 6 *          | 8 *  | 8    | 17 *         | 22 * | 16   | 10 *         | 10 * | 11   |
| Audrain    | 1 *                  | 0 *  | 1    | 1 *                  | 2 *  | 1    | 13 *         | 14 * | 12   | 0 *          | 0 *  | 13   | 0 *          | 0 *  | 16   |
| Barry      | 0 *                  | 0 *  | 0    | 0 *                  | 0 *  | 0    | 21 *         | 7 *  | 10   | 20 *         | 22 * | 29   | 11 *         | 13 * | 13   |
| Barton     | 1 *                  | 1 *  | 1    | 4 *                  | 5 *  | 7    | 18 *         | 13 * | 16   | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Bates      | 1 *                  | 2 *  | 2    | 6 *                  | 4 *  | 3    | 15 *         | 12 * | 9    | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Benton     | 1 *                  | 1 *  | 3    | 1 *                  | 1 *  | 1    | 7 *          | 13 * | 9    | 40 *         | 40 * | 39   | 6 *          | 4 *  | 7    |
| Bollinger  | 1 *                  | 0 *  | 0    | 1 *                  | 1 *  | 1    | 7 *          | 19 * | 7    | 19 *         | 27 * | 30   | 14 *         | 4 *  | 5    |
| Butler     | 0 *                  | 0 *  | 0    | 0 *                  | 0 *  | 0    | 23 *         | 11 * | 13   | 22 *         | 23 * | 25   | 11 *         | 12 * | 12   |
| Caldwell   | 0 *                  | 0 *  | 0    | 1 *                  | 1 *  | 2    | 14 *         | 13 * | 9    | 22 *         | 24 * | 22   | 0 *          | 0 *  | 0    |
| Carroll    | 4 *                  | 0 *  | 0    | 2 *                  | 2 *  | 2    | 2 *          | 3 *  | 3    | 24 *         | 23 * | 23   | 14 *         | 12 * | 10   |
| Carter     | 0 *                  | 0 *  | 0    | 3 *                  | 2 *  | 2    | 21 *         | 19 * | 22   | 21 *         | 19 * | 22   | 7 *          | 5 *  | 7    |
| Cedar      | 1 *                  | 1 *  | 1    | 1 *                  | 1 *  | 1    | 12 *         | 14 * | 9    | 22 *         | 26 * | 30   | 3 *          | 3 *  | 3    |
| Chariton   | 1 *                  | 0 *  | 0    | 1 *                  | 1 *  | 1    | 6 *          | 5 *  | 5    | 27 *         | 27 * | 27   | 6 *          | 7 *  | 6    |
| Christian  | 3 *                  | 2 *  | 2    | 2 *                  | 2 *  | 1    | 10 *         | 9 *  | 13   | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Clark      | 1 *                  | 1 *  | 1    | 1 *                  | 1 *  | 1    | 19 *         | 13 * | 15   | 36 *         | 28 * | 29   | 0 *          | 9 *  | 13   |
| Clinton    | 0 *                  | 0 *  | 0    | 0 *                  | 0 *  | 0    | 14 *         | 12 * | 11   | 27 *         | 25 * | 24   | 8 *          | 10 * | 9    |
| Cooper     | 1 *                  | 2 *  | 2    | 2 *                  | 1 *  | 1    | 14 *         | 14 * | 12   | 22 *         | 26 * | 19   | 2 *          | 1 *  | 4    |
| Crawford   | 1 *                  | 0 *  | 0    | 1 *                  | 2 *  | 1    | 10 *         | 13 * | 15   | 21 *         | 21 * | 27   | 15 *         | 11 * | 4    |
| Dade       | 0 *                  | 0 *  | 0    | 1 *                  | 1 *  | 1    | 15 *         | 15 * | 13   | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Dallas     | 2 *                  | 1 *  | 1    | 2 *                  | 5 *  | 1    | 10 *         | 8 *  | 8    | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Daviess    | 1 *                  | 1 *  | 2    | 1 *                  | 1 *  | 1    | 12 *         | 15 * | 19   | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| DeKalb     | 0 *                  | 0 *  | 0    | 0 *                  | 0 *  | 1    | 16 *         | 21 * | 17   | 28 *         | 28 * | 29   | 0 *          | 0 *  | 0    |
| Dent       | 1 *                  | 1 *  | 1    | 2 *                  | 2 *  | 2    | 9 *          | 9 *  | 5    | 21 *         | 20 * | 21   | 11 *         | 11 * | 10   |
| Douglas    | 1 *                  | 3 *  | 2    | 2 *                  | 3 *  | 2    | 8 *          | 10 * | 12   | 23 *         | 21 * | 20   | 7 *          | 5 *  | 6    |
| Dunklin    | 0 *                  | 0 *  | 0    | 1 *                  | 0 *  | 0    | 4 *          | 14 * | 8    | 19 *         | 16 * | 18   | 14 *         | 11 * | 11   |
| Gasconade  | 0 *                  | 0 *  | 0    | 2 *                  | 2 *  | 1    | 15 *         | 26 * | 25   | 24 *         | 22 * | 26   | 10 *         | 7 *  | 6    |
| Gentry     | 2 *                  | 1 *  | 1    | 2 *                  | 2 *  | 2    | 35 *         | 35 * | 35   | 14 *         | 15 * | 14   | 7 *          | 6 *  | 5    |
| Grundy     | 1 *                  | 4 *  | 1    | 2 *                  | 2 *  | 3    | 5 *          | 7 *  | 6    | 16 *         | 20 * | 20   | 10 *         | 9 *  | 10   |
| Harrison   | 1 *                  | 1 *  | 1    | 3 *                  | 3 *  | 3    | 17 *         | 14 * | 15   | 18 *         | 23 * | 21   | 4 *          | 4 *  | 2    |
| Henry      | 2 *                  | 2 *  | 2    | 0 *                  | 0 *  | 0    | 7 *          | 8 *  | 9    | 15 *         | 15 * | 17   | 9 *          | 8 *  | 9    |
| Hickory    | 1 *                  | 1 *  | 1    | 2 *                  | 1 *  | 1    | 11 *         | 10 * | 9    | 37 *         | 36 * | 32   | 5 *          | 5 *  | 4    |
| Holt       | 0 *                  | 0 *  | 0    | 1 *                  | 1 *  | 1    | 19 *         | 12 * | 12   | 16 *         | 15 * | 17   | 9 *          | 9 *  | 8    |
| Howard     | 1 *                  | 4 *  | 4    | 2 *                  | 1 *  | 1    | 26 *         | 20 * | 16   | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Howell     | 0 *                  | 0 *  | 1    | 1 *                  | 1 *  | 1    | 27 *         | 29 * | 22   | 18 *         | 17 * | 20   | 5 *          | 5 *  | 5    |
| Iron       | 1 *                  | 1 *  | 1    | 1 *                  | 2 *  | 0    | 9 *          | 18 * | 15   | 33 *         | 26 * | 35   | 5 *          | 4 *  | 5    |
| Knox       | 0 *                  | 0 *  | 0    | 5 *                  | 3 *  | 3    | 7 *          | 7 *  | 9    | 0 *          | 15 * | 14   | 0 *          | 8 *  | 7    |
| Laclede    | 1 *                  | 0 *  | 0    | 1 *                  | 2 *  | 2    | 9 *          | 11 * | 10   | 12 *         | 15 * | 17   | 16 *         | 15 * | 11   |
| Lawrence   | 1 *                  | 1 *  | 2    | 1 *                  | 1 *  | 1    | 7 *          | 5 *  | 8    | 22 *         | 22 * | 23   | 9 *          | 9 *  | 9    |
| Lewis      | 0 *                  | 2 *  | 2    | 2 *                  | 2 *  | 2    | 23 *         | 24 * | 22   | 0 *          | 15 * | 13   | 0 *          | 0 *  | 0    |
| Lincoln    | 2 *                  | 1 *  | 2    | 1 *                  | 1 *  | 1    | 9 *          | 8 *  | 7    | 0 *          | 0 *  | 0    | 0 *          | 0 *  | 0    |
| Linn       | 2 *                  | 2 *  | 1    | 2 *                  | 2 *  | 1    | 8 *          | 12 * | 10   | 23 *         | 21 * | 21   | 11 *         | 7 *  | 11   |
| Livingston | 0 *                  | 0 *  | 0    | 2 *                  | 1 *  | 1    | 4 *          | 8 *  | 7    | 19 *         | 18 * | 18   | 25 *         | 24 * | 25   |
| Macon      | 1 *                  | 0 *  | 1    | 2 *                  | 2 *  | 3    | 7 *          | 10 * | 8    | 24 *         | 15 * | 15   | 5 *          | 12 * | 10   |
| Madison    | 0 *                  | 0 *  | 0    | 1 *                  | 1 *  | 1    | 20 *         | 10 * | 13   | 19 *         | 25 * | 23   | 8 *          | 9 *  | 8    |
| Maries     | 1 *                  | 0 *  | 0    | 1 *                  | 1 *  | 1    | 14 *         | 14 * | 13   | 19 *         | 20 * | 21   | 12 *         | 13 * | 12   |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County      | Court Administration |      |      | Public Administrator |      |      | Other        |      |      | Sheriff      |      |      | Jail         |      |      |    |    |    |    |    |    |    |   |    |
|-------------|----------------------|------|------|----------------------|------|------|--------------|------|------|--------------|------|------|--------------|------|------|----|----|----|----|----|----|----|---|----|
|             | Year Ended           |      |      | Year Ended           |      |      | Year Ended   |      |      | Year Ended   |      |      | Year Ended   |      |      |    |    |    |    |    |    |    |   |    |
|             | December 31,         |      |      | December 31,         |      |      | December 31, |      |      | December 31, |      |      | December 31, |      |      |    |    |    |    |    |    |    |   |    |
|             | 1999                 | 1998 | 1997 | 1999                 | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 | 1999         | 1998 | 1997 |    |    |    |    |    |    |    |   |    |
| Marion      | 0                    | *    | 1    | 1                    | 3    | *    | 2            | 1    | 24   | *            | 25   | 27   | 11           | *    | 13   | 13 | 35 | *  | 35 | 36 |    |    |   |    |
| McDonald    | 1                    | *    | 1    | *                    | 1    | 0    | *            | 0    | 0    | 29           | *    | 44   | *            | 28   | 20   | *  | 15 | *  | 20 | 15 | *  | 11 | * | 13 |
| Mercer      | 0                    | *    | 0    | 0                    | 2    | *    | 2            | 2    | 24   | *            | 23   | 24   | 30           | *    | 34   | 33 | 1  | *  | 2  | 3  |    |    |   |    |
| Miller      | 1                    | *    | 1    | *                    | 0    | 1    | *            | 1    | 1    | 33           | *    | 34   | *            | 27   | 21   | *  | 21 | *  | 20 | 0  | *  | 2  | * | 20 |
| Mississippi | 1                    | *    | 0    | *                    | 1    | 1    | *            | 1    | 1    | 67           | *    | 37   | *            | 35   | 0    | *  | 15 | *  | 15 | 0  | *  | 11 | * | 10 |
| Moniteau    | 1                    | *    | 2    | 2                    | 4    | *    | 2            | 2    | 25   | *            | 23   | 23   | 17           | *    | 17   | 21 | 14 | *  | 12 | 12 |    |    |   |    |
| Monroe      | 0                    | *    | 0    | 0                    | 0    | 2    | *            | 1    | 1    | 27           | *    | 25   | *            | 27   | 26   | *  | 26 | *  | 29 | 6  | *  | 7  | * | 2  |
| Montgomery  | 1                    | *    | 1    | *                    | 0    | 0    | *            | 0    | 1    | 37           | *    | 38   | *            | 38   | 17   | *  | 19 | *  | 24 | 25 | *  | 21 | * | 12 |
| Morgan      | 1                    | *    | 0    | 0                    | 3    | *    | 2            | 1    | 62   | *            | 66   | 42   | 0            | *    | 0    | 25 | 0  | *  | 0  | 4  |    |    |   |    |
| New Madrid  | 1                    | *    | 1    | *                    | 2    | 1    | *            | 1    | 1    | 27           | *    | 22   | *            | 19   | 17   | *  | 22 | *  | 22 | 13 | *  | 12 | * | 16 |
| Newton      | 1                    | *    | 1    | 1                    | 0    | *    | 0            | 0    | 35   | *            | 37   | 47   | 23           | *    | 22   | 20 | 11 | *  | 11 | 9  |    |    |   |    |
| Nodaway     | 0                    | *    | 0    | 0                    | 2    | *    | 2            | 3    | 45   | *            | 37   | 37   | 14           | *    | 14   | 16 | 10 | *  | 10 | 10 |    |    |   |    |
| Oregon      | 0                    | *    | 0    | *                    | 0    | 2    | *            | 2    | 2    | 26           | *    | 34   | *            | 30   | 22   | *  | 21 | *  | 23 | 6  | *  | 4  | * | 2  |
| Osage       | 0                    | *    | 0    | 0                    | 1    | *    | 0            | 1    | 21   | *            | 24   | 23   | 30           | *    | 28   | 28 | 4  | *  | 4  | 4  |    |    |   |    |
| Ozark       | 0                    | *    | 0    | *                    | 0    | 1    | *            | 2    | 1    | 25           | *    | 29   | *            | 28   | 25   | *  | 21 | *  | 23 | 10 | *  | 12 | * | 10 |
| Pemiscot    | 0                    | *    | 0    | 0                    | 1    | *    | 1            | 1    | 27   | *            | 23   | 24   | 22           | *    | 24   | 20 | 10 | *  | 9  | 11 |    |    |   |    |
| Perry       | 2                    | *    | 1    | 2                    | 1    | *    | 1            | 1    | 38   | *            | 41   | 38   | 16           | *    | 15   | 17 | 9  | *  | 9  | 10 |    |    |   |    |
| Phelps      | 0                    | *    | 4    | 2                    | 1    | *    | 1            | 1    | 39   | *            | 37   | 44   | 26           | *    | 24   | 23 | 0  | *  | 0  | 0  |    |    |   |    |
| Pike        | 1                    | *    | 1    | *                    | 1    | 0    | *            | 0    | 0    | 73           | *    | 74   | 75           | 0    | *    | 0  | 0  | *  | 0  | 0  | *  | 0  | * | 0  |
| Polk        | 0                    | *    | 1    | *                    | 1    | 4    | *            | 4    | 6    | 21           | *    | 16   | *            | 18   | 0    | *  | 0  | 0  | 0  | 0  | *  | 0  | * | 0  |
| Pulaski     | 5                    | *    | 2    | 2                    | 2    | *    | 2            | 1    | 39   | *            | 50   | 57   | 25           | *    | 21   | 20 | 1  | *  | 1  | 0  |    |    |   |    |
| Putnam      | 0                    | *    | 0    | 0                    | 2    | *    | 3            | 3    | 50   | *            | 37   | 41   | 0            | *    | 0    | 0  | 0  | *  | 0  | 0  |    |    |   |    |
| Ralls       | 1                    | *    | 1    | 1                    | 1    | *    | 1            | 1    | 24   | *            | 24   | 23   | 28           | *    | 32   | 35 | 0  | *  | 0  | 0  |    |    |   |    |
| Randolph    | 0                    | *    | 0    | 0                    | 2    | *    | 2            | 1    | 30   | *            | 29   | 36   | 19           | *    | 18   | 19 | 18 | *  | 23 | 15 |    |    |   |    |
| Ray         | 0                    | *    | 1    | 1                    | 1    | *    | 2            | 2    | 23   | *            | 22   | 25   | 17           | *    | 17   | 15 | 24 | *  | 22 | 19 |    |    |   |    |
| Reynolds    | 1                    | *    | 1    | *                    | 0    | 1    | *            | 1    | 1    | 24           | *    | 24   | 25           | 28   | *    | 29 | 30 | 2  | *  | 1  | 1  |    |   |    |
| Ripley      | 2                    | *    | 2    | 2                    | 3    | *    | 3            | 3    | 35   | *            | 40   | 38   | 0            | *    | 0    | 0  | 0  | *  | 0  | 0  |    |    |   |    |
| St. Clair   | 0                    | *    | 1    | 1                    | 1    | *    | 1            | 2    | 7    | *            | 12   | 13   | 8            | *    | 13   | 14 | 30 | *  | 39 | 41 |    |    |   |    |
| Ste. Genevi | 1                    | *    | 0    | 0                    | 1    | *    | 1            | 0    | 20   | *            | 21   | 20   | 20           | *    | 18   | 17 | 42 | *  | 44 | 47 |    |    |   |    |
| Schuyler    | 1                    | *    | 1    | 3                    | 1    | *    | 2            | 2    | 36   | *            | 43   | 43   | 0            | *    | 0    | 0  | 0  | *  | 0  | 0  |    |    |   |    |
| Scotland    | 0                    | *    | 1    | 1                    | 1    | *    | 1            | 1    | 23   | *            | 22   | 24   | 32           | *    | 34   | 32 | 0  | *  | 0  | 0  |    |    |   |    |
| Scott       | 0                    | *    | 1    | *                    | 1    | 1    | *            | 1    | 1    | 26           | *    | 29   | 27           | 18   | *    | 16 | 18 | 17 | *  | 16 | 17 |    |   |    |
| Shannon     | 0                    | *    | 0    | *                    | 1    | 2    | *            | 2    | 2    | 24           | *    | 24   | 26           | 25   | *    | 26 | 21 | 4  | *  | 5  | 3  |    |   |    |
| Shelby      | 0                    | *    | 0    | *                    | 0    | 1    | *            | 1    | 2    | 20           | *    | 27   | 24           | 22   | *    | 22 | 22 | 12 | *  | 11 | 12 |    |   |    |
| Stoddard    | 0                    | *    | 0    | 0                    | 1    | *    | 1            | 1    | 32   | *            | 43   | 31   | 27           | *    | 23   | 27 | 0  | *  | 0  | 0  |    |    |   |    |
| Stone       | 4                    | *    | 8    | 4                    | 3    | *    | 3            | 2    | 50   | *            | 55   | 53   | 0            | *    | 0    | 0  | 0  | *  | 0  | 0  |    |    |   |    |
| Sullivan    | 1                    | *    | 2    | 1                    | 2    | *    | 2            | 3    | 19   | *            | 14   | 19   | 28           | *    | 21   | 29 | 5  | *  | 8  | 5  |    |    |   |    |
| Taney       | 0                    | *    | 0    | *                    | 0    | 1    | *            | 1    | 1    | 29           | *    | 37   | 33           | 24   | *    | 21 | 20 | 5  | *  | 6  | 6  |    |   |    |
| Texas       | 3                    | *    | 3    | 3                    | 1    | *    | 1            | 1    | 24   | *            | 30   | 25   | 16           | *    | 13   | 20 | 14 | *  | 13 | 12 |    |    |   |    |
| Vernon      | 2                    | *    | 1    | 1                    | 3    | *    | 2            | 3    | 26   | *            | 32   | 28   | 20           | *    | 19   | 22 | 11 | *  | 11 | 11 |    |    |   |    |
| Warren      | 0                    | *    | 0    | 0                    | 1    | *    | 1            | 1    | 56   | *            | 66   | 73   | 0            | *    | 0    | 0  | 0  | *  | 0  | 0  |    |    |   |    |
| Washington  | 1                    | *    | 0    | *                    | 1    | 2    | *            | 2    | 2    | 58           | *    | 58   | 61           | 0    | *    | 0  | 0  | 0  | *  | 0  | 0  | *  | 0 | 0  |
| Wayne       | 0                    | *    | 0    | *                    | 1    | 2    | *            | 1    | 1    | 27           | *    | 26   | 29           | 24   | *    | 23 | 27 | 0  | *  | 0  | 0  |    |   |    |
| Webster     | 0                    | *    | 0    | 0                    | 3    | *    | 2            | 1    | 30   | *            | 36   | 36   | 34           | *    | 30   | 32 | 0  | *  | 0  | 0  |    |    |   |    |
| Worth       | 0                    | *    | 0    | 0                    | 0    | 2    | *            | 2    | 1    | 31           | *    | 36   | 57           | 9    | *    | 10 | 9  | 6  | *  | 4  | 1  |    |   |    |
| Wright      | 1                    | *    | 1    | *                    | 1    | 1    | *            | 1    | 2    | 42           | *    | 33   | 32           | 19   | *    | 22 | 22 | 4  | *  | 4  | 4  |    |   |    |
| Average     | 1                    | 1    | 1    | 1                    | 2    | 2    | 1            | 1    | 23   | 24           | 23   | 17   | 17           | 18   | 7    | 7  | 7  |    |    |    |    |    |   |    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County     | Prosecuting Attorney |      |      | Juvenile Officer |      |      | Coroner      |      |      | Health and Welfare |      |      | Operating Transfers |      |      |
|------------|----------------------|------|------|------------------|------|------|--------------|------|------|--------------------|------|------|---------------------|------|------|
|            | Year Ended           |      |      | Year Ended       |      |      | Year Ended   |      |      | Year Ended         |      |      | Year Ended          |      |      |
|            | December 31,         |      |      | December 31,     |      |      | December 31, |      |      | December 31,       |      |      | December 31,        |      |      |
|            | 1999                 | 1998 | 1997 | 1999             | 1998 | 1997 | 1999         | 1998 | 1997 | 1999               | 1998 | 1997 | 1999                | 1998 | 1997 |
| Adair      | 9 *                  | 9 *  | 7    | 15 *             | 12 * | 18   | 1 *          | 1 *  | 0    | 0 *                | 0 *  | 0    | 2 *                 | 5 *  | 0    |
| Andrew     | 8 *                  | 8 *  | 7    | 3 *              | 3 *  | 4    | 1 *          | 1 *  | 1    | 1 *                | 1 *  | 0    | 9 *                 | 4 *  | 6    |
| Atchison   | 14 *                 | 13 * | 15   | 2 *              | 2 *  | 3    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 0    |
| Audrain    | 12 *                 | 11 * | 9    | 13 *             | 17 * | 12   | 1 *          | 1 *  | 0    | 0 *                | 0 *  | 3    | 25 *                | 18 * | 0    |
| Barry      | 7 *                  | 6    | 7    | 6 *              | 6    | 7    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 6 *                 | 11   | 0    |
| Barton     | 12 *                 | 8 *  | 10   | 4 *              | 5 *  | 5    | 0 *          | 0 *  | 0    | 1 *                | 1 *  | 1    | 4 *                 | 3 *  | 6    |
| Bates      | 0 *                  | 0 *  | 0    | 0 *              | 0 *  | 0    | 0 *          | 0 *  | 0    | 0 *                | 1 *  | 0    | 0 *                 | 1 *  | 1    |
| Benton     | 8 *                  | 6 *  | 6    | 3 *              | 4 *  | 4    | 1 *          | 1 *  | 0    | 0 *                | 0 *  | 0    | 1 *                 | 2 *  | 2    |
| Bollinger  | 8 *                  | 6 *  | 7    | 7 *              | 7 *  | 9    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 3 *                 | 0 *  | 3    |
| Butler     | 5 *                  | 8    | 9    | 6 *              | 9    | 8    | 1 *          | 1    | 1    | 1 *                | 1    | 1    | 0 *                 | 2    | 0    |
| Caldwell   | 8 *                  | 8 *  | 9    | 1 *              | 2 *  | 2    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 5 *                 | 6 *  | 7    |
| Carroll    | 7 *                  | 6    | 6    | 2 *              | 4    | 4    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 1    | 4    |
| Carter     | 7 *                  | 6 *  | 7    | 5 *              | 4 *  | 3    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 3 *                 | 19 * | 10   |
| Cedar      | 6 *                  | 6 *  | 5    | 3 *              | 4 *  | 4    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 10   | 11 *                | 1 *  | 1    |
| Chariton   | 4 *                  | 3 *  | 4    | 2 *              | 4 *  | 4    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 13 *                | 13 * | 15   |
| Christian  | 12 *                 | 12 * | 9    | 6 *              | 7 *  | 6    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 20 *                | 19 * | 22   |
| Clark      | 6 *                  | 6    | 6    | 3 *              | 5    | 4    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 1 *                 | 0    | 0    |
| Clinton    | 6 *                  | 5 *  | 6    | 2 *              | 2 *  | 2    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 1 *  | 2    |
| Cooper     | 7 *                  | 5    | 5    | 3 *              | 3    | 3    | 1 *          | 1    | 1    | 10 *               | 10   | 9    | 0 *                 | 3    | 3    |
| Crawford   | 6 *                  | 5    | 5    | 3 *              | 4    | 4    | 1 *          | 1    | 1    | 12 *               | 13   | 13   | 0 *                 | 0    | 0    |
| Dade       | 0 *                  | 0    | 0    | 0 *              | 0    | 0    | 0 *          | 0    | 0    | 0 *                | 0    | 0    | 23 *                | 24   | 24   |
| Dallas     | 11 *                 | 8    | 6    | 15 *             | 15   | 9    | 2 *          | 1    | 1    | 0 *                | 0    | 0    | 7 *                 | 5    | 11   |
| Daviess    | 12 *                 | 10   | 13   | 2 *              | 3    | 3    | 1 *          | 1    | 2    | 0 *                | 0    | 0    | 22 *                | 22   | 6    |
| DeKalb     | 6 *                  | 6 *  | 7    | 2 *              | 2 *  | 2    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 3 *                 | 4 *  | 1    |
| Dent       | 9 *                  | 9 *  | 8    | 4 *              | 5 *  | 5    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 1    |
| Douglas    | 10 *                 | 10 * | 10   | 3 *              | 4 *  | 5    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 5 *                 | 3 *  | 5    |
| Dunklin    | 8 *                  | 7    | 7    | 6 *              | 7    | 7    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 4    | 4    |
| Gasconade  | 7 *                  | 6 *  | 6    | 2 *              | 3 *  | 3    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 1    |
| Gentry     | 6 *                  | 5 *  | 6    | 1 *              | 2 *  | 2    | 1 *          | 1 *  | 1    | 1 *                | 1 *  | 1    | 0 *                 | 2 *  | 1    |
| Grundy     | 7 *                  | 6    | 6    | 8 *              | 12   | 12   | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 6 *                 | 2    | 4    |
| Harrison   | 7 *                  | 7    | 10   | 4 *              | 5    | 5    | 2 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 3    | 4    |
| Henry      | 7 *                  | 6    | 6    | 20 *             | 22   | 17   | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 6 *                 | 7    | 8    |
| Hickory    | 6 *                  | 5 *  | 5    | 1 *              | 2 *  | 3    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 1 *                 | 4 *  | 6    |
| Holt       | 7 *                  | 5    | 6    | 4 *              | 5    | 6    | 1 *          | 1    | 1    | 0 *                | 8    | 9    | 1 *                 | 1    | 1    |
| Howard     | 8 *                  | 6    | 8    | 8 *              | 9    | 12   | 1 *          | 1    | 1    | 16 *               | 15   | 11   | 0 *                 | 13   | 14   |
| Howell     | 5 *                  | 5    | 5    | 6 *              | 7    | 7    | 1 *          | 1    | 1    | 2 *                | 1    | 1    | 3 *                 | 3    | 3    |
| Iron       | 7 *                  | 6 *  | 5    | 2 *              | 4 *  | 3    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 0    |
| Knox       | 10 *                 | 8 *  | 8    | 8 *              | 8 *  | 10   | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 15 *                | 2 *  | 2    |
| Laclede    | 7 *                  | 6    | 7    | 4 *              | 6    | 5    | 0 *          | 0    | 1    | 0 *                | 0    | 0    | 7 *                 | 11   | 21   |
| Lawrence   | 8 *                  | 7    | 7    | 3 *              | 5    | 4    | 1 *          | 1    | 1    | 13 *               | 13   | 13   | 0 *                 | 0    | 0    |
| Lewis      | 6 *                  | 5    | 5    | 8 *              | 10   | 11   | 1 *          | 1    | 1    | 0 *                | 0    | 1    | 24 *                | 2    | 3    |
| Lincoln    | 8 *                  | 6 *  | 5    | 5 *              | 5 *  | 5    | 1 *          | 1 *  | 1    | 23 *               | 25 * | 25   | 18 *                | 21 * | 19   |
| Linn       | 7 *                  | 6 *  | 6    | 6 *              | 8 *  | 9    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 1 *                 | 0 *  | 0    |
| Livingston | 5 *                  | 4 *  | 4    | 4 *              | 4 *  | 4    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 1 *                 | 2 *  | 1    |
| Macon      | 7 *                  | 7 *  | 8    | 9 *              | 10 * | 10   | 1 *          | 1 *  | 1    | 1 *                | 1 *  | 1    | 1 *                 | 1 *  | 1    |
| Madison    | 6 *                  | 4    | 5    | 4 *              | 6    | 7    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 5    | 6    |
| Maries     | 6 *                  | 5    | 5    | 2 *              | 3    | 4    | 1 *          | 1    | 1    | 1 *                | 1    | 1    | 0 *                 | 2    | 3    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

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## Schedule 4

MISSOURI 3RD CLASS COUNTIES  
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION  
 GENERAL REVENUE FUND

| County         | Prosecuting Attorney |      |      | Juvenile Officer |      |      | Coroner      |      |      | Health and Welfare |      |      | Operating Transfers |      |      |
|----------------|----------------------|------|------|------------------|------|------|--------------|------|------|--------------------|------|------|---------------------|------|------|
|                | Year Ended           |      |      | Year Ended       |      |      | Year Ended   |      |      | Year Ended         |      |      | Year Ended          |      |      |
|                | December 31,         |      |      | December 31,     |      |      | December 31, |      |      | December 31,       |      |      | December 31,        |      |      |
|                | 1999                 | 1998 | 1997 | 1999             | 1998 | 1997 | 1999         | 1998 | 1997 | 1999               | 1998 | 1997 | 1999                | 1998 | 1997 |
| Marion         | 8 *                  | 7    | 6    | 4 *              | 7    | 6    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 1    | 3    |
| McDonald       | 12 *                 | 8 *  | 10   | 2 *              | 2 *  | 3    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 3 *                 | 3 *  | 5    |
| Mercer         | 9 *                  | 8    | 8    | 2 *              | 3    | 3    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 0    | 0    |
| Miller         | 8 *                  | 6 *  | 6    | 5 *              | 8 *  | 5    | 1 *          | 1 *  | 1    | 15 *               | 14 * | 11   | 0 *                 | 0 *  | 1    |
| Mississippi    | 7 *                  | 6 *  | 5    | 4 *              | 5 *  | 6    | 1 *          | 1 *  | 1    | 1 *                | 2 *  | 1    | 29 *                | 4 *  | 11   |
| Moniteau       | 12 *                 | 8    | 8    | 4 *              | 7    | 7    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 1    | 1    |
| Monroe         | 6 *                  | 5 *  | 6    | 3 *              | 5 *  | 5    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 7    |
| Montgomery     | 6 *                  | 5 *  | 7    | 4 *              | 6 *  | 6    | 1 *          | 0 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 2    |
| Morgan         | 8 *                  | 8    | 7    | 4 *              | 5    | 5    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 12 *                | 27   | 10   |
| New Madrid     | 7 *                  | 6 *  | 6    | 1 *              | 4 *  | 3    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 2 *                 | 2 *  | 1    |
| Newton         | 8 *                  | 6    | 5    | 3 *              | 3    | 2    | 1 *          | 0    | 0    | 0 *                | 0    | 0    | 3 *                 | 7    | 17   |
| Nodaway        | 6 *                  | 5    | 6    | 5 *              | 6    | 5    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 26 *                | 16   | 18   |
| Oregon         | 7 *                  | 7 *  | 7    | 5 *              | 5 *  | 5    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 3 *                 | 3 *  | 3    |
| Osage          | 9 *                  | 10 * | 9    | 3 *              | 4 *  | 5    | 1 *          | 1 *  | 1    | 1 *                | 2 *  | 2    | 0 *                 | 1 *  | 1    |
| Ozark          | 6 *                  | 5 *  | 6    | 2 *              | 3 *  | 3    | 2 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 3 *                 | 3 *  | 3    |
| Pemiscot       | 10 *                 | 7    | 7    | 3 *              | 4    | 4    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 3 *                 | 0    | 0    |
| Perry          | 5 *                  | 4    | 4    | 5 *              | 6    | 6    | 1 *          | 1    | 0    | 0 *                | 0    | 0    | 5 *                 | 9    | 0    |
| Phelps         | 8 *                  | 6    | 6    | 11 *             | 13   | 13   | 0 *          | 0    | 0    | 2 *                | 2    | 1    | 9 *                 | 13   | 19   |
| Pike           | 6 *                  | 5 *  | 4    | 3 *              | 3 *  | 2    | 0 *          | 0 *  | 0    | 43 *               | 42 * | 46   | 8 *                 | 12 * | 9    |
| Polk           | 0 *                  | 0 *  | 0    | 0 *              | 0 *  | 3    | 0 *          | 0 *  | 0    | 0 *                | 0 *  | 0    | 8 *                 | 6 *  | 4    |
| Pulaski        | 8 *                  | 7    | 5    | 5 *              | 7    | 5    | 1 *          | 1    | 0    | 0 *                | 0    | 0    | 6 *                 | 18   | 33   |
| Putnam         | 12 *                 | 13   | 13   | 3 *              | 6    | 6    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 0 *                 | 4    | 8    |
| Ralls          | 7 *                  | 5    | 5    | 3 *              | 4    | 4    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 4 *                 | 4    | 3    |
| Randolph       | 9 *                  | 8    | 7    | 12 *             | 13   | 14   | 1 *          | 0    | 0    | 0 *                | 0    | 0    | 0 *                 | 0    | 5    |
| Ray            | 9 *                  | 8    | 9    | 3 *              | 4    | 4    | 1 *          | 1    | 1    | 0 *                | 1    | 1    | 0 *                 | 0    | 0    |
| Reynolds       | 9 *                  | 8 *  | 9    | 3 *              | 4 *  | 4    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 1    |
| Ripley         | 0 *                  | 3    | 4    | 0 *              | 0    | 0    | 0 *          | 0    | 0    | 0 *                | 0    | 0    | 19 *                | 22   | 24   |
| St. Clair      | 3 *                  | 4    | 5    | 1 *              | 3    | 4    | 0 *          | 0    | 1    | 0 *                | 0    | 0    | 1 *                 | 1    | 1    |
| Ste. Genevieve | 3 *                  | 3    | 3    | 3 *              | 3    | 3    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 1 *                 | 0    | 0    |
| Schuyler       | 0 *                  | 0    | 0    | 0 *              | 0    | 0    | 0 *          | 0    | 0    | 1 *                | 1    | 1    | 17 *                | 30   | 31   |
| Scotland       | 8 *                  | 8    | 8    | 9 *              | 8    | 7    | 0 *          | 1    | 0    | 0 *                | 0    | 0    | 1 *                 | 0    | 0    |
| Scott          | 6 *                  | 5 *  | 8    | 7 *              | 8 *  | 9    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 0 *  | 0    |
| Shannon        | 7 *                  | 6 *  | 8    | 5 *              | 6 *  | 7    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 4 *                 | 2 *  | 0    |
| Shelby         | 8 *                  | 6 *  | 7    | 5 *              | 6 *  | 6    | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 2 *                 | 4 *  | 2    |
| Stoddard       | 6 *                  | 4    | 6    | 16 *             | 11   | 13   | 1 *          | 0    | 1    | 0 *                | 0    | 0    | 0 *                 | 22   | 0    |
| Stone          | 0 *                  | 0    | 0    | 0 *              | 0    | 0    | 0 *          | 0    | 0    | 0 *                | 0    | 0    | 32 *                | 23   | 26   |
| Sullivan       | 6 *                  | 5    | 6    | 2 *              | 4    | 4    | 1 *          | 1    | 1    | 1 *                | 0    | 0    | 4 *                 | 0    | 1    |
| Taney          | 8 *                  | 8 *  | 8    | 2 *              | 2 *  | 2    | 0 *          | 0 *  | 0    | 0 *                | 0 *  | 0    | 0 *                 | 2 *  | 2    |
| Texas          | 7 *                  | 6    | 6    | 6 *              | 6    | 5    | 1 *          | 1    | 1    | 0 *                | 0    | 0    | 4 *                 | 3    | 3    |
| Vernon         | 7 *                  | 6 *  | 7    | 11 *             | 15 * | 14   | 1 *          | 1 *  | 1    | 0 *                | 0 *  | 0    | 0 *                 | 3 *  | 0    |
| Warren         | 10 *                 | 10   | 11   | 6 *              | 9    | 8    | 1 *          | 1    | 1    | 7 *                | 6    | 7    | 9 *                 | 21   | 29   |
| Washington     | 13 *                 | 11 * | 11   | 7 *              | 8 *  | 8    | 2 *          | 1 *  | 2    | 0 *                | 0 *  | 0    | 10 *                | 12 * | 11   |
| Wayne          | 6 *                  | 5 *  | 8    | 3 *              | 4 *  | 4    | 1 *          | 0 *  | 1    | 0 *                | 0 *  | 0    | 3 *                 | 3 *  | 5    |
| Webster        | 6 *                  | 6    | 6    | 2 *              | 3    | 5    | 0 *          | 1    | 1    | 0 *                | 0    | 0    | 6 *                 | 4    | 3    |
| Worth          | 13 *                 | 12 * | 8    | 0 *              | 2 *  | 1    | 1 *          | 1 *  | 1    | 1 *                | 2 *  | 0    | 5 *                 | 8 *  | 4    |
| Wright         | 8 *                  | 7 *  | 9    | 14 *             | 11 * | 10   | 1 *          | 1 *  | 1    | 2 *                | 2 *  | 0    | 7 *                 | 4 *  | 5    |
| Average        | 7                    | 6    | 7    | 5                | 6    | 6    | 1            | 1    | 1    | 2                  | 2    | 2    | 5                   | 6    | 6    |

\* Unaudited (see Note 2 ).

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 5

MISSOURI 3RD CLASS COUNTIES  
ASSESSMENT FUND  
DISBURSEMENTS AND PARCEL COUNTS

| County     | PARCEL COUNT | Year Ended December 31, |           |         |
|------------|--------------|-------------------------|-----------|---------|
|            |              | 1999                    | 1998      | 1997    |
| Adair      | 13,742 *     | \$ 179,079 *            | 197,627 * | 149,583 |
| Andrew     | 9,751 *      | 204,256 *               | 169,930 * | 177,610 |
| Atchison   | 6,050 *      | 96,121 *                | 100,218 * | 100,753 |
| Audrain    | 14,699 *     | 192,620 *               | 216,750 * | 171,487 |
| Barry      | 23,989 *     | 283,722 *               | 264,687   | 231,912 |
| Barton     | 7,802 *      | 129,452 *               | 129,529 * | 125,556 |
| Bates      | 12,179 *     | 129,465 *               | 143,194 * | 154,575 |
| Benton     | 30,117 *     | 186,544 *               | 181,399 * | 200,024 |
| Bollinger  | 9,738 *      | 85,541 *                | 90,456 *  | 85,632  |
| Butler     | 25,528 *     | 274,743 *               | 249,032   | 221,373 |
| Caldwell   | 7,935 *      | 111,016 *               | 165,809 * | 173,701 |
| Carroll    | 9,316 *      | 137,214 *               | 134,583   | 122,998 |
| Carter     | 6,414 *      | 68,967 *                | 72,045 *  | 69,626  |
| Cedar      | 10,233 *     | 85,608 *                | 89,073 *  | 83,889  |
| Chariton   | 11,611 *     | 140,860 *               | 120,028 * | 110,336 |
| Christian  | 25,058 *     | 398,830 *               | 347,561 * | 349,646 |
| Clark      | 6,989 *      | 64,077 *                | 65,762    | 64,663  |
| Clinton    | 11,516 *     | 178,113 *               | 169,273 * | 159,210 |
| Cooper     | 10,536 *     | 140,431 *               | 135,341   | 160,175 |
| Crawford   | 16,470 *     | 168,818 *               | 123,931   | 115,144 |
| Dade       | 6,468 *      | 93,376 *                | 84,820    | 75,474  |
| Dallas     | 11,380 *     | 146,831 *               | 147,223   | 161,822 |
| Daviess    | 10,039 *     | 122,105 *               | 123,073   | 103,050 |
| DeKalb     | 6,456 *      | 156,037 *               | 132,318 * | 150,069 |
| Dent       | 10,762 *     | 118,799 *               | 117,741 * | 116,877 |
| Douglas    | 9,973 *      | 107,528 *               | 104,110 * | 128,151 |
| Dunklin    | 20,506 *     | 221,289 *               | 163,179   | 191,443 |
| Gasconade  | 13,920 *     | 154,142 *               | 154,721 * | 136,324 |
| Gentry     | 7,043 *      | 77,554 *                | 89,164 *  | 75,929  |
| Grundy     | 9,290 *      | 129,996 *               | 118,151   | 120,054 |
| Harrison   | 9,449 *      | 114,160 *               | 115,793   | 91,855  |
| Henry      | 14,735 *     | 201,473 *               | 200,836   | 212,827 |
| Hickory    | 10,711 *     | 101,019 *               | 78,173 *  | 137,304 |
| Holt       | 6,692 *      | 88,179 *                | 85,767    | 75,532  |
| Howard     | 7,599 *      | 108,350 *               | 108,667   | 98,971  |
| Howell     | 19,819 *     | 269,880 *               | 269,007   | 266,553 |
| Iron       | 11,185 *     | 138,327 *               | 125,200 * | 135,260 |
| Knox       | 5,365 *      | 73,127 *                | 67,915 *  | 82,061  |
| Laclede    | 18,727 *     | 211,544 *               | 219,113   | 245,751 |
| Lawrence   | 17,790 *     | 170,817 *               | 173,873   | 162,544 |
| Lewis      | 8,167 *      | 111,865 *               | 118,229   | 96,531  |
| Lincoln    | 21,527 *     | 294,211 *               | 297,200 * | 263,302 |
| Linn       | 10,398 *     | 142,789 *               | 135,701 * | 103,691 |
| Livingston | 10,003 *     | 144,604 *               | 175,070 * | 137,322 |
| Macon      | 12,882 *     | 159,542 *               | 159,408 * | 144,379 |
| Madison    | 9,592 *      | 110,365 *               | 98,695    | 109,686 |
| Maries     | 6,905 *      | 89,821 *                | 89,928    | 86,021  |

\* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 5

MISSOURI 3RD CLASS COUNTIES  
ASSESSMENT FUND  
DISBURSEMENTS AND PARCEL COUNTS

| County         | PARCEL COUNT | Year Ended December 31, |           |         |
|----------------|--------------|-------------------------|-----------|---------|
|                |              | 1999                    | 1998      | 1997    |
| Marion         | 14,712 *     | \$ 250,634 *            | 240,550   | 268,250 |
| McDonald       | 12,517 *     | 161,642 *               | 168,397 * | 180,393 |
| Mercer         | 5,216 *      | 71,801 *                | 73,644    | 66,944  |
| Miller         | 18,699 *     | 174,582 *               | 163,614 * | 163,232 |
| Mississippi    | 8,763 *      | 129,443 *               | 121,860 * | 124,269 |
| Moniteau       | 8,818 *      | 111,881 *               | 110,684   | 107,514 |
| Monroe         | 8,307 *      | 98,343 *                | 105,517 * | 97,495  |
| Montgomery     | 10,721 *     | 136,866 *               | 117,147 * | 124,239 |
| Morgan         | 25,677 *     | 292,689 *               | 279,038   | 266,471 |
| New Madrid     | 14,004 *     | 273,990 *               | 257,233 * | 252,901 |
| Newton         | 26,144 *     | 354,416 *               | 375,894   | 348,614 |
| Nodaway        | 13,332 *     | 261,453 *               | 257,013   | 219,514 |
| Oregon         | 8,346 *      | 104,647 *               | 98,305 *  | 96,906  |
| Osage          | 10,237 *     | 107,840 *               | 104,461 * | 102,008 |
| Ozark          | 11,736 *     | 124,987 *               | 116,031 * | 106,062 |
| Pemiscot       | 13,152 *     | 160,400 *               | 142,796   | 135,295 |
| Perry          | 13,161 *     | 162,758 *               | 148,610   | 146,921 |
| Phelps         | 20,511 *     | 367,329 *               | 286,017   | 268,714 |
| Pike           | 12,049 *     | 208,447 *               | 191,088 * | 177,832 |
| Polk           | 14,773 *     | 148,814 *               | 147,769 * | 134,841 |
| Pulaski        | 14,710 *     | 157,148 *               | 169,899   | 132,728 |
| Putnam         | 6,707 *      | 65,226 *                | 81,913    | 76,840  |
| Ralls          | 7,904 *      | 152,123 *               | 159,432   | 152,229 |
| Randolph       | 13,232 *     | 288,018 *               | 232,424   | 226,688 |
| Ray            | 14,639 *     | 207,938 *               | 201,082   | 173,164 |
| Reynolds       | 9,671 *      | 118,062 *               | 86,192 *  | 92,534  |
| Ripley         | 9,654 *      | 89,753 *                | 155,078   | 85,309  |
| St. Clair      | 11,577 *     | 109,026 *               | 101,113   | 103,301 |
| Ste. Genevieve | 17,791 *     | 200,857 *               | 183,018   | 160,372 |
| Schuyler       | 3,992 *      | 39,952 *                | 44,915    | 39,781  |
| Scotland       | 5,082 *      | 69,266 *                | 58,817    | 60,788  |
| Scott          | 20,213 *     | 280,246 *               | 269,366 * | 245,080 |
| Shannon        | 7,917 *      | 75,248 *                | 78,728 *  | 62,978  |
| Shelby         | 6,310 *      | 100,414 *               | 98,902 *  | 87,676  |
| Stoddard       | 18,037 *     | 221,755 *               | 222,283   | 197,505 |
| Stone          | 28,406 *     | 390,063 *               | 376,257   | 353,767 |
| Sullivan       | 6,979 *      | 105,466 *               | 100,396   | 87,787  |
| Taney          | 36,478 *     | 571,573 *               | 476,563 * | 495,320 |
| Texas          | 16,258 *     | 218,717 *               | 158,999   | 155,448 |
| Vernon         | 13,448 *     | 164,609 *               | 221,195 * | 165,571 |
| Warren         | 20,213 *     | 263,178 *               | 245,938   | 269,573 |
| Washington     | 24,896 *     | 215,806 *               | 195,275 * | 173,523 |
| Wayne          | 13,850 *     | 123,816 *               | 132,622 * | 126,034 |
| Webster        | 15,182 *     | 234,526 *               | 221,144   | 216,188 |
| Worth          | 3,004 *      | 40,201 *                | 43,113 *  | 44,168  |
| Wright         | 11,165 *     | 127,418 *               | 123,260 * | 148,009 |
| Average        | 12,960       | 166,092                 | 159,816   | 153,306 |

\* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.



## Schedule 6

MISSOURI 3RD CLASS COUNTIES  
OTHER MAJOR COUNTY FUNDS  
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCE  
TWO YEARS ENDED DECEMBER 31, 1999

| December 31, |           |                |               |              |           |                |               |              |
|--------------|-----------|----------------|---------------|--------------|-----------|----------------|---------------|--------------|
| County       | Fund Type | 1999           |               |              | Fund Type | 1998           |               |              |
|              |           | Receipts       | Disbursements | Cash Balance |           | Receipts       | Disbursements | Cash Balance |
| Adair        | b         | \$ 1,267,075 * | 720,775 *     | 591,920 *    | b         | \$ 1,206,557 * | 1,212,651 *   | 45,620 *     |
| Andrew       | a,b       | 551,829 *      | 495,664 *     | 474,411 *    | a,b       | 523,497 *      | 391,616 *     | 418,246 *    |
| Atchison     | a,c       | 320,299 *      | 331,440 *     | 294,458 *    | a,c       | 356,886 *      | 347,692 *     | 305,599 *    |
| Audrain      | b,c       | 1,986,747 *    | 2,304,384 *   | -30,798 *    | b,c       | 1,941,486 *    | 2,128,315 *   | 286,839 *    |
| Barry        |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Barton       | b         | 530,267 *      | 469,617 *     | 241,303 *    | b         | 475,638 *      | 532,385 *     | 180,653 *    |
| Bates        | b         | 645,574 *      | 660,178 *     | 33,248 *     | b         | 622,308 *      | 672,531 *     | 47,852 *     |
| Benton       | a         | 621,690 *      | 770,709 *     | 573,845 *    | a         | 595,946 *      | 448,942 *     | 722,864 *    |
| Bollinger    |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Butler       | b,c       | 2,355,804 *    | 2,504,403 *   | 1,312,663 *  | b,c       | 2,400,492      | 2,258,735     | 1,461,262    |
| Caldwell     | b,c       | 404,975 *      | 288,735 *     | 233,501 *    | b,c       | 347,418 *      | 344,649 *     | 117,261 *    |
| Carroll      |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Carter       |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Cedar        |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Chariton     | b         | 408,110 *      | 156,166 *     | 849,898 *    | b         | 393,097 *      | 140,231 *     | 597,954 *    |
| Christian    | b,c       | 1,543,104 *    | 1,479,409 *   | 75,200 *     | b,c       | 1,399,852 *    | 1,395,252 *   | 11,505 *     |
| Clark        | a,c       | 368,860 *      | 305,659 *     | 152,748 *    | a,c       | 343,010        | 330,796       | 89,547       |
| Clinton      | a         | 447,415 *      | 399,161 *     | 139,541 *    | a         | 791,007 *      | 717,142 *     | 91,287 *     |
| Cooper       | c         | 550,889 *      | 588,856 *     | 161,340 *    | c         | 551,908        | 748,807       | 199,307      |
| Crawford     | a         | 113,219 *      | 42,483 *      | 168,381 *    | a         | 100,593        | 65,649        | 97,645       |
| Dade         | b         | 392,658 *      | 419,243 *     | 1,733 *      | b         | 396,169        | 380,953       | 28,318       |
| Dallas       | a,b       | 1,157,318 *    | 1,222,468 *   | 88,174 *     | a,b       | 1,157,531      | 1,199,048     | 153,324      |
| Daviess      | b         | 302,938 *      | 254,411 *     | 66,840 *     | b         | 288,127        | 299,887       | 18,313       |
| Dekalb       | a         | 542,089 *      | 627,799 *     | 288,954 *    | a         | 571,548 *      | 518,240 *     | 374,664 *    |
| Dent         |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Douglas      |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Dunklin      |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Gasconade    |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Gentry       |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Grundy       |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Harrison     |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Henry        |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Hickory      |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Holt         |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Howard       | b         | 408,639 *      | 394,513 *     | 15,643 *     | b         | 341,470        | 341,317       | 1,517        |
| Howell       |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Iron         |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Knox         | b         | 143,547 *      | 143,327 *     | 220 *        |           | 0 *            | 0 *           | 0 *          |
| Laclede      | b         | 1,918,125 *    | 1,734,382 *   | 763,692 *    | b         | 1,690,472      | 1,547,421     | 579,949      |
| Lawrence     |           | 0 *            | 0 *           | 0 *          |           | 0              | 0             | 0            |
| Lewis        | a,b       | 1,138,793 *    | 1,127,997 *   | 61,034 *     | a,b       | 392,792        | 370,686       | 50,238       |
| Lincoln      | a,b       | 3,008,265 *    | 3,022,725 *   | 502,100 *    | a,b       | 3,338,175 *    | 2,971,335 *   | 516,560 *    |
| Linn         |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Livingston   |           | 0 *            | 0 *           | 0 *          |           | 0 *            | 0 *           | 0 *          |
| Macon        | c         | 872,557 *      | 828,432 *     | 142,879 *    | c         | 693,073 *      | 810,961 *     | 98,754 *     |
| Madison      | a         | 482,504 *      | 479,648 *     | 19,516 *     | a         | 462,596        | 446,303       | 16,660       |
| Maries       | a         | \$ 212,319 *   | 212,506 *     | 667 *        | a         | 591,473        | 657,385       | 854          |

Legend a - Capital Improvement Sales Tax Fund

b - Law Enforcement Sales Tax Fund

c - Road and Bridge Sales Tax Fund (general or capital improvement sales tax designated by the county for road and bridge projects)

\* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 6

MISSOURI 3RD CLASS COUNTIES  
OTHER MAJOR COUNTY FUNDS  
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCE  
TWO YEARS ENDED DECEMBER 31, 1999

| December 31,   |           |                |               |              |           |              |               |              |  |
|----------------|-----------|----------------|---------------|--------------|-----------|--------------|---------------|--------------|--|
| County         | Fund Type | 1999           |               |              | Fund Type | 1998         |               |              |  |
|                |           | Receipts       | Disbursements | Cash Balance |           | Receipts     | Disbursements | Cash Balance |  |
| Marion         | a,c       | \$ 2,256,951 * | 2,098,810 *   | 1,523,803 *  | a,c       | \$ 2,228,795 | 2,174,459     | 1,365,662    |  |
| McDonald       | b         | 0 *            | 0 *           | 145,979 *    | b         | 0 *          | 0 *           | 145,979 *    |  |
| Mercer         |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Miller         | a         | 1,355,208 *    | 1,248,642 *   | 710,142 *    | a         | 1,120,424 *  | 1,151,758 *   | 603,576 *    |  |
| Mississippi    | a,b       | 1,619,097 *    | 2,134,007 *   | 102,774 *    | a,b       | 745,985 *    | 329,232 *     | 617,684 *    |  |
| Moniteau       |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Monroe         |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Montgomery     | a         | 466,201 *      | 381,942 *     | 354,243 *    | a         | 488,542 *    | 333,412 *     | 269,984 *    |  |
| Morgan         | b         | 1,072,374 *    | 1,016,856 *   | 183,769 *    | b         | 875,756      | 729,505       | 128,251      |  |
| New Madrid     |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Newton         |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Nodaway        |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Oregon         |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Osage          |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Ozark          | a         | 238,333 *      | 214,950 *     | 133,637 *    | a         | 216,192 *    | 270,594 *     | 110,254 *    |  |
| Pemiscot       | a,b       | 906,066 *      | 513,242 *     | 829,524 *    | a,b       | 712,002      | 275,302       | 436,700      |  |
| Perry          |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Phelps         | b         | 163,769 *      | 124,536 *     | 39,233 *     |           | 0            | 0             | 0            |  |
| Pike           | b         | 898,689 *      | 964,281 *     | -9,427 *     | b         | 1,064,347 *  | 1,007,579 *   | 56,165 *     |  |
| Polk           | b,c       | 2,224,631 *    | 1,939,756 *   | 1,684,674 *  | b,c       | 2,053,105 *  | 1,419,471 *   | 1,399,799 *  |  |
| Pulaski        | a,c       | 120,012 *      | 78,056 *      | 2,221,693 *  | a,c       | 1,057,191    | 928,568       | 2,179,737    |  |
| Putnam         | b         | 214,281 *      | 211,584 *     | 27,188 *     | b         | 224,741      | 207,923       | 24,491       |  |
| Ralls          |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Randolph       |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Ray            | c         | 659,275 *      | 589,221 *     | 372,495 *    | c         | 597,281      | 423,627       | 302,441      |  |
| Reynolds       |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Ripley         | b         | 475,419 *      | 474,131 *     | 2,738 *      | b         | 463,556      | 475,918       | 1,450        |  |
| St. Clair      |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Ste. Genevieve | a         | 80,192 *       | 13,948 *      | 1,569,264 *  | a         | 296,390      | 144,614       | 1,503,020    |  |
| Schuyler       | b,c       | 325,546 *      | 322,056 *     | 131,049 *    | b,c       | 321,303      | 308,973       | 127,559      |  |
| Scotland       |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Scott          |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Shannon        |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Shelby         |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Stoddard       |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Stone          | b         | 2,085,752 *    | 2,175,443 *   | 10,217 *     | b         | 1,983,793    | 1,852,076     | 99,908       |  |
| Sullivan       |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Taney          | a,c       | 12,458,929 *   | 10,689,487 *  | 10,826,034 * | a,c       | 11,902,469 * | 9,936,954 *   | 9,056,592 *  |  |
| Texas          |           | 0 *            | 0 *           | 0 *          |           | 0            | 0             | 0            |  |
| Vernon         |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Warren         | a,b       | 3,086,371 *    | 2,717,152 *   | 1,089,452 *  | a,b       | 3,109,856    | 3,049,232     | 720,233      |  |
| Washington     | a,b       | 1,564,590 *    | 1,234,809 *   | 1,024,956 *  | a,b       | 1,485,448 *  | 1,146,612 *   | 695,175 *    |  |
| Wayne          |           | 0 *            | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |
| Webster        | a         | 960,716 *      | 909,939 *     | 165,592 *    | a         | 859,304      | 803,759       | 114,815      |  |
| Worth          | a,b       | 70,402 *       | 69,259 *      | 105,977 *    | a,b       | 65,218 *     | 59,994 *      | 104,834 *    |  |
| Wright         |           | \$ 0 *         | 0 *           | 0 *          |           | 0 *          | 0 *           | 0 *          |  |

Legend a - Capital Improvement Sales Tax Fund

b - Law Enforcement Sales Tax Fund

c - Road and Bridge Sales Tax Fund (general or capital improvement sales tax designated by the county for road and bridge projects)

\* Unaudited (See Note 2)

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 7

MISSOURI 3RD CLASS COUNTIES  
 ASSESSED VALUATION AND TAX LEVIES  
 TWO YEARS ENDED DECEMBER 31, 1999

|            |    | Tax Levies (in cents per \$100 in assessed valuation) |             |                 |      |                         |      |               |      |          |      |                |      |                 |      |               |      |       |      |
|------------|----|---|-------------|-----------------|------|-------------------------|------|---------------|------|----------|------|----------------|------|-----------------|------|---------------|------|-------|------|
| County     |    | Assessed Valuation                                    |             | General Revenue |      | Special Road and Bridge |      | Health Center |      | Hospital |      | Senate Bill 40 |      | Senior Services |      | Johnson Grass |      | Other |      |
|            |    | 1999  | 1998        | 1999            | 1998 | 1999                    | 1998 | 1999          | 1998 | 1999     | 1998 | 1999           | 1998 | 1999            | 1998 | 1999          | 1998 | 1999  | 1998 |
|            |    |   |             |                 |      |                         |      |               |      |          |      |                |      |                 |      |               |      |       |      |
| Adair      | \$ | 186,478,608   | 180,703,140 | 0               | 0    | 26                      | 25   | 20            | 20   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Andrew     |    | 127,936,653   | 120,287,889 | 19              | 19   | 52                      | 51   | 10            | 10   | 0        | 0    | 9              | 9    | 0               | 0    | 3             | 3    | 0     | 0    |
| Atchison   |    | 74,055,620  | 72,139,797  | 49              | 48   | 49                      | 48   | 5             | 5    | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Audrain    |    | 238,553,714   | 230,084,213 | 15              | 15   | 27                      | 27   | 0             | 0    | 17       | 17   | 20             | 20   | 0               | 0    | 0             | 0    | 0     | 0    |
| Barry      |    | 276,383,925   | 248,898,209 | 0               | 0    | 0                       | 0    | 7             | 7    | 0        | 0    | 7              | 7    | 0               | 0    | 0             | 0    | 0     | 0    |
| Barton     |    | 120,448,330   | 109,748,815 | 5               | 5    | 0                       | 0    | 8             | 8    | 9        | 9    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Bates      |    | 143,685,247   | 137,677,363 | 26              | 26   | 0                       | 0    | 8             | 8    | 0        | 0    | 7              | 7    | 0               | 0    | 0             | 0    | 0     | 0    |
| Benton     |    | 144,343,772   | 137,586,079 | 12              | 14   | 21                      | 21   | 40            | 40   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Bollinger  |    | 78,751,438  | 75,332,162  | 19              | 19   | 25                      | 25   | 24            | 24   | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Butler     |    | 311,396,075   | 310,077,631 | 11              | 11   | 4                       | 4    | 10            | 10   | 0        | 0    | 10             | 5    | 5               | 5    | 0             | 0    | 0     | 0    |
| Caldwell   |    | 70,752,176  | 68,071,348  | 25              | 25   | 0                       | 0    | 14            | 15   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Carroll    |    | 120,855,864   | 106,393,380 | 26              | 27   | 0                       | 0    | 10            | 10   | 0        | 0    | 10             | 10   | 0               | 0    | 2             | 0    | 0     | 0    |
| Carter     |    | 31,796,203  | 28,173,992  | 4               | 5    | 23                      | 23   | 25            | 25   | 0        | 0    | 8              | 8    | 3               | 3    | 0             | 0    | 0     | 0    |
| Cedar      |    | 97,657,708  | 92,056,738  | 14              | 10   | 24                      | 24   | 0             | 0    | 15       | 15   | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Chariton   |    | 98,374,581  | 94,768,227  | 30              | 28   | 0                       | 0    | 10            | 10   | 0        | 0    | 5              | 5    | 0               | 0    | 0             | 0    | 0     | 0    |
| Christian  |    | 396,803,101   | 353,939,761 | 0               | 0    | 0                       | 0    | 5             | 5    | 0        | 0    | 9              | 9    | 0               | 0    | 0             | 0    | 0     | 0    |
| Clark      |    | 68,189,688  | 65,224,785  | 36              | 36   | 70                      | 70   | 10            | 10   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Clinton    |    | 162,646,319   | 148,520,299 | 19              | 19   | 63                      | 64   | 9             | 9    | 0        | 0    | 9              | 9    | 0               | 0    | 0             | 0    | 0     | 0    |
| Cooper     |    | 135,926,007   | 125,847,779 | 21              | 21   | 31                      | 31   | 0             | 0    | 15       | 15   | 20             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Crawford   |    | 159,447,643   | 147,317,024 | 8               | 8    | 22                      | 22   | 0             | 0    | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Dade       |    | 66,676,203  | 63,626,302  | 13              | 9    | 0                       | 0    | 10            | 10   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Dallas     |    | 101,864,607   | 88,400,454  | 1               | 1    | 26                      | 26   | 10            | 10   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Daviess    |    | 67,743,549  | 63,293,629  | 29              | 30   | 0                       | 0    | 10            | 10   | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| DeKalb     |    | 82,543,205  | 71,138,046  | 5               | 5    | 0                       | 0    | 0             | 0    | 0        | 0    | 9              | 9    | 0               | 0    | 0             | 0    | 0     | 0    |
| Dent       |    | 101,993,939   | 98,116,671  | 35              | 35   | 25                      | 26   | 10            | 10   | 0        | 0    | 15             | 15   | 5               | 5    | 0             | 0    | 0     | 0    |
| Douglas    |    | 81,166,670  | 75,125,577  | 9               | 9    | 21                      | 21   | 20            | 20   | 0        | 0    | 8              | 8    | 0               | 0    | 0             | 0    | 0     | 0    |
| Dunklin    |    | 244,109,279   | 218,876,337 | 10              | 10   | 0                       | 0    | 11            | 10   | 0        | 0    | 9              | 8    | 0               | 0    | 0             | 0    | 0     | 0    |
| Gasconade  |    | 143,708,945   | 134,717,650 | 14              | 14   | 27                      | 27   | 10            | 10   | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 10    | 10   |
| Gentry     |    | 56,385,114  | 55,305,785  | 50              | 49   | 0                       | 0    | 0             | 0    | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Grundy     |    | 78,189,892  | 77,298,732  | 12              | 11   | 0                       | 0    | 15            | 15   | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Harrison   |    | 75,539,696  | 70,760,886  | 35              | 35   | 0                       | 0    | 14            | 14   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Henry      |    | 212,406,785   | 200,429,479 | 2               | 4    | 0                       | 0    | 10            | 10   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Hickory    |    | 65,831,885  | 62,486,569  | 17              | 18   | 26                      | 26   | 8             | 8    | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Holt       |    | 70,499,336  | 62,394,620  | 33              | 32   | 43                      | 45   | 0             | 0    | 0        | 0    | 0              | 0    | 0               | 0    | 5             | 5    | 0     | 0    |
| Howard     |    | 77,623,749  | 74,106,840  | 26              | 25   | 27                      | 27   | 0             | 0    | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Howell     |    | 247,683,532   | 230,913,454 | 0               | 0    | 0                       | 0    | 0             | 0    | 0        | 0    | 5              | 5    | 0               | 0    | 0             | 0    | 0     | 0    |
| Iron       |    | 148,434,067   | 151,165,186 | 26              | 28   | 0                       | 0    | 10            | 10   | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Knox       |    | 49,592,213  | 48,151,390  | 29              | 27   | 62                      | 62   | 10            | 10   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Laclede    |    | 273,255,332   | 255,521,779 | 8               | 6    | 0                       | 0    | 10            | 10   | 0        | 0    | 12             | 12   | 0               | 0    | 0             | 0    | 0     | 0    |
| Lawrence   |    | 273,579,297   | 256,098,223 | 9               | 9    | 48                      | 48   | 0             | 0    | 0        | 0    | 7              | 7    | 5               | 5    | 0             | 0    | 0     | 0    |
| Lewis      |    | 78,259,452  | 75,443,435  | 25              | 25   | 48                      | 48   | 10            | 10   | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |
| Lincoln    |    | 347,389,207   | 304,483,881 | 13              | 14   | 26                      | 26   | 0             | 0    | 17       | 17   | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Linn       |    | 101,790,754   | 96,749,755  | 9               | 8    | 0                       | 0    | 19            | 23   | 0        | 0    | 20             | 19   | 0               | 0    | 0             | 0    | 0     | 0    |
| Livingston |    | 121,886,220   | 116,422,113 | 0               | 0    | 0                       | 0    | 24            | 24   | 0        | 0    | 10             | 10   | 0               | 0    | 0             | 0    | 0     | 0    |
| Macon      |    | 123,694,595   | 114,163,068 | 22              | 22   | 67                      | 67   | 15            | 15   | 20       | 20   | 10             | 10   | 0               | 0    | 0             | 0    | 3     | 3    |
| Madison    |    | 71,059,001  | 69,521,108  | 18              | 18   | 28                      | 27   | 10            | 10   | 19       | 18   | 19             | 18   | 0               | 0    | 0             | 0    | 0     | 0    |
| Maries     | \$ | 72,659,802  | 69,947,720  | 34              | 32   | 49                      | 48   | 0             | 0    | 0        | 0    | 0              | 0    | 0               | 0    | 0             | 0    | 0     | 0    |

The accompanying Notes to the Schedules are an integral part of this statement.

## Schedule 7

MISSOURI 3RD CLASS COUNTIES  
 ASSESSED VALUATION AND TAX LEVIES  
 TWO YEARS ENDED DECEMBER 31, 1999

|                |                    | Tax Levies (in cents per \$100 in assessed valuation) |      |              |      |      |      |        |      |          |      |         |      |          |      |         |      |       |  |
|----------------|--------------------|---|------|--------------|------|------|------|--------|------|----------|------|---------|------|----------|------|---------|------|-------|--|
|                |                    | General   |      | Special Road |      |      |      | Health |      | Hospital |      | Senate  |      | Senior   |      | Johnson |      |       |  |
|                |                    | Revenue   |      | and Bridge   |      |      |      | Center |      |          |      | Bill 40 |      | Services |      | Grass   |      | Other |  |
| County         | Assessed Valuation |   | 1999 | 1998         | 1999 | 1998 | 1999 | 1998   | 1999 | 1998     | 1999 | 1998    | 1999 | 1998     | 1999 | 1998    | 1999 | 1998  |  |
| Marion \$      | 239,659,488        | 222,347,712   | 2    | 2            | 30   | 30   | 15   | 15     | 0    | 0        | 14   | 14      | 0    | 0        | 0    | 0       | 0    | 0     |  |
| McDonald       | 145,078,635        | 137,944,763   | 26   | 22           | 0    | 0    | 0    | 0      | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Mercer         | 46,534,285         | 48,372,597  | 31   | 29           | 0    | 0    | 10   | 10     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Miller         | 250,278,438        | 242,872,165   | 6    | 6            | 22   | 22   | 0    | 0      | 0    | 0        | 8    | 8       | 5    | 5        | 0    | 0       | 0    | 0     |  |
| Mississippi    | 108,782,928        | 105,969,043   | 26   | 20           | 32   | 32   | 6    | 3      | 0    | 0        | 10   | 10      | 0    | 0        | 5    | 5       | 0    | 0     |  |
| Moniteau       | 122,178,895        | 110,769,312   | 20   | 17           | 25   | 25   | 15   | 15     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Monroe         | 90,203,239         | 84,756,225  | 27   | 22           | 27   | 27   | 10   | 10     | 0    | 0        | 9    | 9       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Montgomery     | 128,640,895        | 122,816,333   | 23   | 23           | 58   | 56   | 15   | 15     | 0    | 0        | 10   | 10      | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Morgan         | 247,933,720        | 239,061,140   | 11   | 10           | 19   | 19   | 9    | 9      | 0    | 0        | 5    | 5       | 5    | 0        | 0    | 0       | 0    | 0     |  |
| New Madrid     | 353,018,930        | 343,242,002   | 20   | 18           | 24   | 24   | 9    | 9      | 0    | 0        | 2    | 2       | 0    | 0        | 1    | 1       | 0    | 0     |  |
| Newton         | 464,518,829        | 440,432,507   | 0    | 0            | 20   | 20   | 5    | 5      | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 8    | 8     |  |
| Nodaway        | 202,430,478        | 183,046,529   | 0    | 0            | 0    | 0    | 5    | 5      | 0    | 0        | 5    | 5       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Oregon         | 59,780,058         | 57,021,070  | 6    | 6            | 25   | 25   | 10   | 10     | 0    | 0        | 10   | 10      | 5    | 5        | 0    | 0       | 0    | 0     |  |
| Osage          | 122,831,954        | 118,414,959   | 14   | 14           | 20   | 20   | 0    | 0      | 0    | 0        | 10   | 10      | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Ozark          | 64,234,555         | 60,283,799  | 15   | 16           | 25   | 25   | 10   | 10     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Pemiscot       | 149,824,458        | 140,211,855   | 19   | 18           | 28   | 28   | 10   | 10     | 36   | 36       | 10   | 10      | 0    | 0        | 5    | 5       | 0    | 0     |  |
| Perry          | 214,012,349        | 190,897,104   | 18   | 19           | 29   | 30   | 18   | 18     | 9    | 9        | 9    | 9       | 0    | 0        | 0    | 0       | 9    | 9     |  |
| Phelps         | 273,279,736        | 259,463,527   | 17   | 15           | 7    | 9    | 0    | 0      | 0    | 0        | 9    | 9       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Pike           | 184,311,625        | 170,604,053   | 25   | 25           | 29   | 29   | 0    | 0      | 22   | 22       | 18   | 18      | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Polk           | 163,056,751        | 146,071,678   | 32   | 32           | 0    | 0    | 9    | 9      | 0    | 0        | 2    | 2       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Pulaski        | 175,659,128        | 162,083,954   | 0    | 0            | 22   | 16   | 8    | 7      | 0    | 0        | 8    | 7       | 5    | 5        | 0    | 0       | 0    | 0     |  |
| Putnam         | 45,863,873         | 47,250,808  | 50   | 48           | 0    | 0    | 16   | 16     | 50   | 37       | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Ralls          | 116,485,215        | 110,098,836   | 23   | 19           | 27   | 27   | 10   | 10     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Randolph       | 278,957,942        | 286,457,490   | 17   | 17           | 36   | 34   | 15   | 15     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Ray            | 193,467,045        | 183,078,888   | 0    | 0            | 0    | 0    | 10   | 10     | 18   | 16       | 18   | 16      | 0    | 0        | 0    | 0       | 10   | 10    |  |
| Reynolds       | 102,516,034        | 99,862,551  | 27   | 27           | 19   | 19   | 10   | 10     | 15   | 11       | 10   | 10      | 3    | 3        | 0    | 0       | 0    | 0     |  |
| Ripley         | 61,836,973         | 62,376,310  | 31   | 30           | 0    | 0    | 15   | 15     | 30   | 30       | 10   | 10      | 5    | 5        | 0    | 0       | 0    | 0     |  |
| St. Clair      | 70,368,166         | 67,413,706  | 33   | 33           | 28   | 28   | 21   | 21     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Ste. Genevieve | 231,746,767        | 208,846,149   | 18   | 18           | 26   | 26   | 10   | 10     | 16   | 16       | 7    | 7       | 5    | 5        | 0    | 0       | 10   | 10    |  |
| Schuyler       | 32,410,804         | 31,366,528  | 29   | 29           | 74   | 73   | 15   | 15     | 0    | 0        | 0    | 0       | 5    | 5        | 0    | 0       | 0    | 0     |  |
| Scotland       | 42,911,423         | 41,665,077  | 49   | 49           | 65   | 65   | 15   | 15     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Scott          | 321,997,176        | 302,215,753   | 9    | 7            | 29   | 28   | 10   | 10     | 0    | 0        | 4    | 4       | 0    | 0        | 1    | 1       | 0    | 0     |  |
| Shannon        | 51,486,408         | 47,527,168  | 14   | 11           | 24   | 24   | 10   | 10     | 0    | 0        | 10   | 10      | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Shelby         | 67,395,700         | 66,435,729  | 30   | 30           | 35   | 35   | 15   | 15     | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Stoddard       | 273,214,356        | 259,812,420   | 12   | 12           | 0    | 0    | 10   | 10     | 0    | 0        | 8    | 8       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Stone          | 285,856,765        | 270,361,101   | 13   | 13           | 0    | 0    | 8    | 8      | 0    | 0        | 0    | 0       | 5    | 5        | 0    | 0       | 0    | 0     |  |
| Sullivan       | 59,906,293         | 60,529,534  | 26   | 28           | 0    | 0    | 10   | 10     | 43   | 43       | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Taney          | 604,093,417        | 574,520,740   | 0    | 0            | 0    | 0    | 9    | 9      | 0    | 0        | 9    | 9       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Texas          | 126,019,602        | 120,410,242   | 0    | 0            | 0    | 0    | 10   | 10     | 0    | 0        | 10   | 10      | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Vernon         | 197,130,580        | 178,200,148   | 15   | 12           | 0    | 0    | 8    | 8      | 0    | 0        | 0    | 0       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Warren         | 277,090,091        | 257,412,533   | 8    | 8            | 18   | 18   | 0    | 0      | 0    | 0        | 12   | 12      | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Washington     | 151,026,072        | 142,952,535   | 19   | 15           | 26   | 25   | 15   | 15     | 19   | 18       | 17   | 17      | 5    | 5        | 0    | 0       | 0    | 0     |  |
| Wayne          | 87,262,192         | 81,267,765  | 17   | 13           | 11   | 11   | 10   | 10     | 0    | 0        | 8    | 8       | 0    | 0        | 0    | 0       | 0    | 3     |  |
| Webster        | 196,233,061        | 185,972,246   | 4    | 8            | 19   | 19   | 14   | 14     | 0    | 0        | 8    | 8       | 0    | 0        | 0    | 0       | 0    | 0     |  |
| Worth          | 20,733,861         | 20,609,212  | 76   | 72           | 83   | 83   | 0    | 0      | 0    | 0        | 0    | 0       | 5    | 5        | 0    | 0       | 0    | 0     |  |
| Wrigh \$       | 110,361,073        | 105,066,537   | 0    | 0            | 0    | 0    | 8    | 8      | 0    | 0        | 8    | 8       | 0    | 0        | 0    | 0       | 0    | 0     |  |

The accompanying Notes to the Schedules are an integral part of this statement.

## NOTES TO SCHEDULES

MISSOURI 3RD CLASS COUNTIES  
NOTES TO THE SCHEDULES

1. Significant Information

Information included in these schedules was compiled from the Missouri State Auditor's most recent audit report of each county; from county budgets for those years currently unaudited; and from other state agency generated reports.

In analyzing these schedules, some disparity will exist due to the use of audited and unaudited information on the same schedules (See Note 2). Counties prepare the budget reports on a cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred. Additionally, the structure and organization of the counties causes some differences. Twenty-three of the ninety-three counties have a township form of government. These counties are as follows:

|          |            |
|----------|------------|
| Barton   | Henry      |
| Bates    | Linn       |
| Caldwell | Livingston |
| Carroll  | Mercer     |
| Chariton | Nodaway    |
| Dade     | Putnam     |
| Daviess  | Stoddard   |
| DeKalb   | Sullivan   |
| Dunklin  | Texas      |
| Gentry   | Vernon     |
| Grundy   | Wright     |
| Harrison |            |

Other differences which may result in comparison problems include:

- A. Special road districts existing in some counties and not in others;
- B. State or federal grants may be received by some counties and not by others;
- C. Counties may have enacted a sales tax at different times;
- D. Counties may have enacted a capital improvement sales tax or a law enforcement sales tax or have had the capital improvement sales tax expire at different times. Some counties establish new funds to account for these monies while other counties placed the monies into the General Revenue or Special Road and Bridge Funds. Therefore, these monies may be shown as an Other Major Fund on Schedule 6.

- E. Some counties may not have a separate tax levy or board for Health Center operations and therefore they account for it as a part of the General Revenue Fund;
- F. Some counties have a branch or additional offices for various officials and some offices are combined under one official;
- G. Some monies available for general purposes may be kept in separate funds; and
- H. Some counties may set up a separate fund for special elections and others account for them through the General Revenue Fund.

These differences, along with classification differences and transfers between funds, may alter the final percentages.

Schedules 1-A, 2-A, 3-A, and 4 present financial data of the counties' General Revenue Fund while Schedules 1-B, 2-B, and 3-B present financial data of the counties' Special Road and Bridge Fund.

Schedule 5 presents disbursements of the Assessment Fund and the number of parcels in each county. The differences in the amounts spent for the operation of the Assessor's office were related to the size of mapping and other contracts, the purchasing of computer equipment, the number of additional personnel hired, and the varying assessment make up of each county. The parcel counts, which represent the number of real estate parcels in each county, were obtained from the state tax commission's most recent data through 1999.

Schedule 6 presents receipts, disbursements and cash balances for additional significant funds of the counties for the years ended December 31, 1999 and 1998. The funds presented are not intended to represent all county funds. Rather, these funds consist of additional sales taxes approved by voters which are not placed in the county's General Revenue or Special Road and Bridge Fund (See Note 3). Approximately 26 capital improvement sales tax funds, 32 law enforcement sales tax funds, and 14 road and bridge sales tax funds were noted. Some counties have more than one of these additional funds, in which case, the amounts have been added together for presentation purposes. The amounts presented were taken from the county budgets unless an audit report had been issued for the year ended December 31, 1998, in which case, audited amounts were presented. Receipts for the sales tax funds totaled approximately \$56,000,000, comprised of approximately \$19,400,000, \$24,600,000, and \$12,000,000 in the capital improvement sales tax funds, law enforcement sales tax funds, and road and bridge sales tax funds, respectively.

Schedule 7, which shows the assessed valuation and tax levies (in cents per \$100 assessed valuation) for 1999 and 1998, was obtained from the Missouri State Tax Commission, the county budgets, and the State Auditor's 1999 Tax Certification Report. All counties have a general revenue tax levy unless it has been reduced voluntarily or as required for sales tax collections. Some counties have special road districts which receive some part of the special road and bridge tax monies, and all non-township counties have a special road and bridge tax

levy unless it is entirely composed of special road districts or if the county voluntarily reduces the rate or is required to for sales tax collections. In 1999, 74 counties had health center levies, 17 had hospital levies, 61 had Senate Bill 40 levies, 15 had senior services levies, and 7 had Johnson Grass levies. Surtax rates, also levied by the counties, have remained the same over the years and have not been presented in this report. The following counties have tax levies which are not common to all counties and have been placed in the other column of Schedule 7:

| <u>County</u>  | <u>Tax</u>         | <u>Tax Levy</u> |             |
|----------------|--------------------|-----------------|-------------|
|                |                    | <u>1999</u>     | <u>1998</u> |
| Gasconade      | Mental Health      | 10              | 10          |
| Macon          | Parks & Recreation | 3               | 3           |
| Newton         | Mental Health      | 7               | 7           |
| Newton         | County Fair        | 1               | 1           |
| Perry          | Mental Health      | 9               | 9           |
| Ray            | Mental Health      | 10              | 10          |
| Ste. Genevieve | Mental Health      | 10              | 10          |
| Wayne          | Debt Service       | 0               | 3           |

## 2. County Budgets

The 2000 county budgets contain historical financial information for 1999 and were used in compiling this report for all counties in 1999. Also, budget reports were used to obtain 1998 information for some counties. To provide comparability for the General Revenue Fund and the Special Road and Bridge Fund, more than one fund may have had to be combined for presentation in some counties.

Because audited figures and unaudited figures are presented in this report, the amounts and percentages shown on the schedules may vary somewhat. The following could be major causes for such variances:

- A. Differences in classifying receipts and disbursements exist between budget documents prepared by county officials and audit reports issued by the State Auditor's office. Differences in budget classifications may also exist from one budget year to the next.
- B. Other differences may include the handling of investment activity, tax anticipation notes, common road districts, loans, sales tax, and CART receipts and transfers. When audited, these items are properly adjusted and reported.

The explanations above could cause deviations in receipts and disbursements. Also, the receipts and disbursements and cash balances may not agree to those presented on the various budgets because of adjustments made to correct errors and reconciliation problems noted. In addition, during the compilation of the budget information, emergency fund disbursements



from the General Funds were added to the "Other" disbursement category for purposes of Schedule 4. For Schedule 3 transfers into the General Revenue and Special Road and Bridge Funds were included in the "Other" receipts category.

In analyzing these schedules, it is important to remember that audited and unaudited information has been used. When actual audit reports for those years shown as unaudited are completed, some differences may result.

### 3. Sales Tax

Section 67.505, RSMo 1994, allows any county governing body, upon approval of a majority vote of its qualified voters, to impose a county sales tax, in conjunction with a property tax reduction for each year in which the sales tax is imposed, for the benefit of the county. More than eighty 3rd class counties have enacted a sales tax pursuant to Section 67.505. RSMo 1994.

In addition, any county may impose an additional sales tax pursuant to Sections 67.547 and 67.582, RSMo 1994, after obtaining a majority approval of the qualified voters. These additional sales taxes do not require a reduction of property tax revenues.

Some counties enacting an alternative sales tax for capital improvements or an additional sales tax for law enforcement purposes pursuant to Sections 67.700 and 67.582, RSMo 1994, respectively, put the proceeds into a regular county fund. Other counties established a separate fund to account for the receipts and disbursements.

The average percentage of sales tax receipts to total receipts as presented on Schedule 3-A and 3-B is the average of all counties. The percentage would change if the average was computed taking into account only those counties which have implemented any of the above sales taxes. The following chart shows these percentages:

| Fund                         | Sales Tax as Percentage<br>Of Total Receipts |      |      |
|------------------------------|--|------|------|
|                              | 1999   | 1998 | 1997 |
| General Revenue Fund         | 41   | 40   | 42   |
| Special Road and Bridge Fund | 22   | 24   | 26   |

\* \* \* \* \*



BOLLINGER COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-118  
November 15, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

November 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Bollinger, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Bollinger County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county is in poor financial condition. The county's General Revenue Fund has been experiencing a declining cash balance. For 2000, the county budgeted receipts of \$944,793 and disbursements of \$1,015,507, resulting in an estimated ending negative cash balance of approximately \$66,000. In 1999, the county had a cash balance of only \$4,612 in their General Revenue Fund, however the county passed a year 2000 budget that allowed increases in disbursements to exceed anticipated increases in receipts.
- The county does not have written agreements with various political subdivisions and individuals. As noted in our four prior audits, the Sheriff provides dispatching services to an area municipality and an ambulance district. In addition, the county jail is used to board prisoners for other entities. No written agreements exist with these entities regarding the amounts to be paid or the services to be provided. Furthermore, though approved in the budgetary process, there are no written agreements between the county and the Public Administrator or the county and the Prosecuting Attorney for rent and utilities, as well as with the Prosecuting Attorney for the percentage of three secretaries' salaries to be paid by the county.
- The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. In our last five prior reports we noted a similar condition that the time sheets and/or records tracking accumulated leave balances are not maintained for full-time employees of the Ex-Officio Recorder of Deeds, the County Collector,

(over)

YELLOW SHEET

and the Prosecuting Attorney. Although these records are maintained for employees of the Assessor, Sheriff, and the Road and Bridge department, they are not approved by applicable supervisors. Thus, the County Commission does not have documentation of work performed to support payroll expenditures and does not maintain centralized records of leave balances and leave used and earned.

- Also, noted similarly in our prior audit, the county's listing of general fixed assets is not complete. State law requires that the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more.
- There were at least three instances where monies received by the Sheriff's office totaling \$736 were not deposited or were found to be missing. The Sheriff's office investigated these instances, but could not determine what happened to these monies. While most of the monies were recovered, cash custody and record keeping functions need to be segregated. Some property taken in criminal cases has not been inventoried and many of the items in the evidence room have been held for a long period of time. As noted in our prior report, the Sheriff has \$2,260 in two old bank accounts that has not been properly disbursed.
- The Circuit Clerk and Ex-Officio Recorder of Deeds does not prepare monthly listings of open items (liabilities) for the fee account. Copy monies are deposited in the Circuit Clerk's interest account and used for various office expenditures rather than being remitted to the county treasury.

**Copies of the audit are available upon request.**

BOLLINGER COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of Bollinger County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Bollinger County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

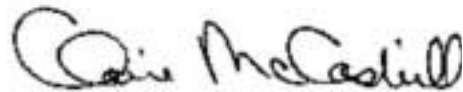
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Bollinger County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Bollinger County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Bollinger County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 12, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Bollinger County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 12, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Jeannette Eaves, CPA  |
| In-Charge Auditor:  | Robert L. McArthur II |
| Audit Staff:        | Rosemarie Edwards     |
|                     | Michael J. Monia      |
|                     | Carl E. Zilch, Jr.    |
|                     | Nuku Y. Aggor         |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Bollinger County, Missouri

We have audited the special-purpose financial statements of various funds of Bollinger County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

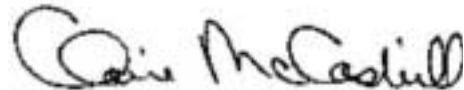
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Bollinger County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Bollinger County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Bollinger County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

July 12, 2000 (fieldwork completion date)

## Financial Statements

## Exhibit A-1

BOLLINGER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                      | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                           | \$ 15,764          | 851,499   | 862,651       | 4,612                |
| Special Road and Bridge                   | 96,025             | 763,703   | 778,032       | 81,696               |
| Assessment                                | 13,905             | 107,211   | 85,541        | 35,575               |
| Law Enforcement Training                  | 924                | 1,822     | 1,184         | 1,562                |
| Prosecuting Attorney Training             | 637                | 363       | 586           | 414                  |
| Health Center                             | 176,135            | 399,982   | 369,771       | 206,346              |
| Special Law Enforcement                   | 5,328              | 122       | 4,981         | 469                  |
| Prosecuting Attorney Delinquent Sales Tax | 11                 | 1         | 0             | 12                   |
| Recorder's User Fee                       | 3,207              | 5,959     | 4,937         | 4,229                |
| Prosecuting Attorney Bad Check            | 1,161              | 3,193     | 4,000         | 354                  |
| Children's Trust                          | 4,113              | 840       | 4,771         | 182                  |
| Sheriff's Civil                           | 2,490              | 14,481    | 15,989        | 982                  |
| Senate Bill 40 Board                      | 49,532             | 78,913    | 40,502        | 87,943               |
| Sheriff's Building                        | 518                | 73        | 479           | 112                  |
| Sheriff's Donation                        | 823                | 10,220    | 10,065        | 978                  |
| Associate Division Interest               | 1,979              | 411       | 241           | 2,149                |
| Probate Division Interest                 | 1,192              | 90        | 0             | 1,282                |
| Law Library                               | 2,127              | 5,920     | 4,432         | 3,615                |
| Sheriff's Interest                        | 161                | 101       | 0             | 262                  |
| Circuit Division Interest                 | 85                 | 5,096     | 3,243         | 1,938                |
| Recorder's Grant                          | 5,275              | 45        | 5,078         | 242                  |
| Total                                     | \$ 381,392         | 2,250,045 | 2,196,483     | 434,954              |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit A-2

BOLLINGER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                      | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                           | \$ 20,484          | 889,017   | 893,737       | 15,764               |
| Special Road and Bridge                   | 69,704             | 713,615   | 687,294       | 96,025               |
| Assessment                                | 34,612             | 69,749    | 90,456        | 13,905               |
| Law Enforcement Training                  | 399                | 1,535     | 1,010         | 924                  |
| Prosecuting Attorney Training             | 573                | 300       | 236           | 637                  |
| Health Center                             | 126,693            | 405,620   | 356,178       | 176,135              |
| Special Law Enforcement                   | 5,459              | 9,965     | 10,096        | 5,328                |
| Prosecuting Attorney Delinquent Sales Tax | 10                 | 1         | 0             | 11                   |
| Recorder's User Fee                       | 2,844              | 5,723     | 5,360         | 3,207                |
| Prosecuting Attorney Bad Check            | 2,538              | 3,482     | 4,859         | 1,161                |
| Children's Trust                          | 3,396              | 717       | 0             | 4,113                |
| Sheriff's Civil                           | 3,680              | 10,451    | 11,641        | 2,490                |
| Senate Bill 40 Board                      | 62,992             | 80,198    | 93,658        | 49,532               |
| Sheriff's Building                        | 1,160              | 600       | 1,242         | 518                  |
| Sheriff's Donation                        | 0                  | 1,175     | 352           | 823                  |
| Law Enforcement Block Grant               | 0                  | 6,039     | 6,039         | 0                    |
| Associate Division Interest               | 1,511              | 488       | 20            | 1,979                |
| Probate Division Interest                 | 405                | 787       | 0             | 1,192                |
| Law Library                               | 501                | 5,661     | 4,035         | 2,127                |
| Sheriff's Interest                        | 56                 | 105       | 0             | 161                  |
| Circuit Division Interest                 | 245                | 6,826     | 6,986         | 85                   |
| Recorder's Grant                          | 5,386              | 189       | 300           | 5,275                |
| Total                                     | \$ 342,648         | 2,212,243 | 2,173,499     | 381,392              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

BOLLINGER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |          |  |           |         |  |
|-------------------------------------|-------------------------|----------|--|-----------|---------|--|
|                                     | 1999                    |          |  | 1998      |         |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |           |         |  |
| Property taxes                      | \$ 155,000              | 145,721  | (9,279)                                | 126,500   | 134,448 | 7,948                                  |
| Sales taxes                         | 470,000                 | 485,604  | 15,604                                 | 460,000   | 455,343 | (4,657)                                |
| Intergovernmental                   | 65,140                  | 42,573   | (22,567)                               | 59,400    | 59,675  | 275                                    |
| Charges for services                | 117,200                 | 114,446  | (2,754)                                | 121,100   | 102,844 | (18,256)                               |
| Interest                            | 4,000                   | 2,762    | (1,238)                                | 3,000     | 5,835   | 2,835                                  |
| Loan proceeds                       | 0                       | 0        | 0                                      | 0         | 60,000  | 60,000                                 |
| Other                               | 41,960                  | 34,393   | (7,567)                                | 40,440    | 44,056  | 3,616                                  |
| Transfers in                        | 27,000                  | 26,000   | (1,000)                                | 19,900    | 26,816  | 6,916                                  |
| Total Receipts                      | 880,300                 | 851,499  | (28,801)                               | 830,340   | 889,017 | 58,677                                 |
| DISBURSEMENTS                       |                         |          |  |           |         |  |
| County Commission                   | 59,314                  | 57,994   | 1,320                                  | 36,910    | 36,023  | 887                                    |
| County Clerk                        | 45,480                  | 47,456   | (1,976)                                | 41,935    | 42,026  | (91)                                   |
| Elections                           | 12,010                  | 12,397   | (387)                                  | 50,380    | 43,138  | 7,242                                  |
| Buildings and grounds               | 81,770                  | 56,000   | 25,770                                 | 74,650    | 66,815  | 7,835                                  |
| Employee fringe benefits            | 41,500                  | 45,986   | (4,486)                                | 45,300    | 40,025  | 5,275                                  |
| County Treasurer                    | 23,356                  | 23,284   | 72                                     | 17,393    | 16,203  | 1,190                                  |
| County Collector                    | 61,850                  | 56,795   | 5,055                                  | 49,748    | 47,470  | 2,278                                  |
| Ex Officio Recorder of Deeds        | 16,787                  | 17,459   | (672)                                  | 14,816    | 14,569  | 247                                    |
| Circuit Clerk                       | 12,080                  | 11,773   | 307                                    | 14,438    | 13,537  | 901                                    |
| Associate Circuit Court             | 5,344                   | 5,361    | (17)                                   | 5,261     | 4,943   | 318                                    |
| Court administration                | 8,200                   | 5,929    | 2,271                                  | 1,550     | 4,570   | (3,020)                                |
| Public Administrator                | 9,950                   | 9,732    | 218                                    | 10,125    | 10,764  | (639)                                  |
| Sheriff                             | 152,059                 | 164,791  | (12,732)                               | 242,994   | 253,887 | (10,893)                               |
| Jail                                | 134,500                 | 116,952  | 17,548                                 | 32,900    | 34,210  | (1,310)                                |
| Prosecuting Attorney                | 69,100                  | 67,404   | 1,696                                  | 59,112    | 58,240  | 872                                    |
| Juvenile Officer                    | 68,672                  | 56,404   | 12,268                                 | 75,000    | 66,781  | 8,219                                  |
| County Coroner                      | 18,515                  | 11,087   | 7,428                                  | 15,090    | 10,521  | 4,569                                  |
| Loan payments                       | 0                       | 0        | 0                                      | 0         | 60,000  | (60,000)                               |
| Other                               | 103,390                 | 69,737   | 33,653                                 | 98,223    | 70,015  | 28,208                                 |
| Transfers out                       | 26,110                  | 26,110   | 0                                      | 27,810    | 0       | 27,810                                 |
| Emergency Fund                      | 30,000                  | 0        | 30,000                                 | 25,000    | 0       | 25,000                                 |
| Total Disbursements                 | 979,987                 | 862,651  | 117,336                                | 938,635   | 893,737 | 44,898                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (99,687)                | (11,152) | 88,535                                 | (108,295) | (4,720) | 103,575                                |
| CASH, JANUARY 1                     | 15,764                  | 15,764   | 0                                      | 11,744    | 20,484  | 8,740                                  |
| CASH, DECEMBER 31                   | \$ (83,923)             | 4,612    | 88,535                                 | (96,551)  | 15,764  | 112,315                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

BOLLINGER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

| Year Ended December 31,               |              |          |  |           |         |  |
|---------------------------------------|--------------|----------|--|-----------|---------|--|
| 1999                                  |              |          | 1998                                   |           |         |  |
|                                       | Budget       | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |              |          |  |           |         |  |
| Property taxes                        | \$ 195,000   | 191,163  | (3,837)                                | 176,000   | 181,337 | 5,337                                  |
| Intergovernmental                     | 543,400      | 535,590  | (7,810)                                | 520,660   | 524,481 | 3,821                                  |
| Interest                              | 5,000        | 4,393    | (607)                                  | 3,000     | 4,308   | 1,308                                  |
| Other                                 | 11,500       | 32,557   | 21,057                                 | 5,130     | 3,489   | (1,641)                                |
| Total Receipts                        | 754,900      | 763,703  | 8,803                                  | 704,790   | 713,615 | 8,825                                  |
| DISBURSEMENTS                         |              |          |  |           |         |  |
| Salaries                              | 258,440      | 248,862  | 9,578                                  | 240,230   | 231,236 | 8,994                                  |
| Employee fringe benefits              | 44,802       | 42,119   | 2,683                                  | 52,200    | 42,077  | 10,123                                 |
| Supplies                              | 71,000       | 55,953   | 15,047                                 | 83,000    | 63,067  | 19,933                                 |
| Insurance                             | 11,000       | 13,969   | (2,969)                                | 13,000    | 10,508  | 2,492                                  |
| Road and bridge materials             | 100,000      | 66,068   | 33,932                                 | 85,000    | 44,816  | 40,184                                 |
| Equipment repairs                     | 60,000       | 48,077   | 11,923                                 | 60,000    | 44,538  | 15,462                                 |
| Rentals                               | 0            | 0        | 0                                      | 500       | 0       | 500                                    |
| Equipment purchases                   | 105,000      | 128,430  | (23,430)                               | 62,000    | 4,500   | 57,500                                 |
| Construction, repair, and maintenance | 5,000        | 0        | 5,000                                  | 5,000     | 17,434  | (12,434)                               |
| Grader payment                        | 149,246      | 145,242  | 4,004                                  | 166,925   | 209,881 | (42,956)                               |
| Other                                 | 57,155       | 7,312    | 49,843                                 | 54,317    | 6,137   | 48,180                                 |
| Transfers out                         | 22,000       | 22,000   | 0                                      | 13,100    | 13,100  | 0                                      |
| Total Disbursements                   | 883,643      | 778,032  | 105,611                                | 835,272   | 687,294 | 147,978                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (128,743)    | (14,329) | 114,414                                | (130,482) | 26,321  | 156,803                                |
| CASH, JANUARY 1                       | 1,025        | 96,025   | 95,000                                 | 69,704    | 69,704  | 0                                      |
| CASH, DECEMBER 31                     | \$ (127,718) | 81,696   | 209,414                                | (60,778)  | 96,025  | 156,803                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

BOLLINGER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |           |               |         |          |               |  |
|-------------------------------------|-----------|---------------|---------|----------|---------------|--|
| 1999                                |           |               | 1998    |          |               |  |
|                                     |           | Variance      |         |          | Variance      |  |
|                                     |           | Favorable     |         |          | Favorable     |  |
|                                     |           | (Unfavorable) |         |          | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual   |               |  |
| RECEIPTS                            |           |               |         |          |               |  |
| Intergovernmental                   | \$ 80,800 | 78,937        | 84,840  | 67,138   | (17,702)      |  |
| Charges for services                | 500       | 1,192         | 500     | 1,153    | 653           |  |
| Interest                            | 500       | 942           | 450     | 1,428    | 978           |  |
| Other                               | 0         | 30            | 0       | 30       | 30            |  |
| Transfers in                        | 26,110    | 26,110        | 27,810  | 0        | (27,810)      |  |
| Total Receipts                      | 107,910   | 107,211       | 113,600 | 69,749   | (43,851)      |  |
| DISBURSEMENTS                       |           |               |         |          |               |  |
| Assessor                            | 106,220   | 85,541        | 109,620 | 90,456   | 19,164        |  |
| Total Disbursements                 | 106,220   | 85,541        | 109,620 | 90,456   | 19,164        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,690     | 21,670        | 3,980   | (20,707) | (24,687)      |  |
| CASH, JANUARY 1                     | 13,905    | 13,905        | 34,612  | 34,612   | 0             |  |
| CASH, DECEMBER 31                   | \$ 15,595 | 35,575        | 38,592  | 13,905   | (24,687)      |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

BOLLINGER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Intergovernmental                   | \$ 750 | 540           | 0      | 721    | 721           |  |
| Charges for services                | 700    | 1,136         | 800    | 771    | (29)          |  |
| Interest                            | 50     | 146           | 20     | 43     | 23            |  |
| Total Receipts                      | 1,500  | 1,822         | 820    | 1,535  | 715           |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Sheriff                             | 2,000  | 1,184         | 1,200  | 1,010  | 190           |  |
| Total Disbursements                 | 2,000  | 1,184         | 1,200  | 1,010  | 190           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (500)  | 638           | (380)  | 525    | 905           |  |
| CASH, JANUARY 1                     | 924    | 924           | 399    | 399    | 0             |  |
| CASH, DECEMBER 31                   | \$ 424 | 1,562         | 19     | 924    | 905           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

BOLLINGER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 250 | 268           | 300    | 243    | (57)          |  |
| Interest                            | 60     | 95            | 30     | 57     | 27            |  |
| Total Receipts                      | 310    | 363           | 330    | 300    | (30)          |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 600    | 586           | 900    | 236    | 664           |  |
| Total Disbursements                 | 600    | 586           | 900    | 236    | 664           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (290)  | (223)         | (570)  | 64     | 634           |  |
| CASH, JANUARY 1                     | 637    | 637           | 573    | 573    | 0             |  |
| CASH, DECEMBER 31                   | \$ 347 | 414           | 3      | 637    | 634           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

BOLLINGER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 178,000              | 183,712 | 5,712                                  | 176,000 | 174,530 | (1,470)                                |
| Intergovernmental                   | 194,450                 | 197,313 | 2,863                                  | 176,875 | 214,888 | 38,013                                 |
| Interest                            | 9,800                   | 9,634   | (166)                                  | 6,400   | 8,554   | 2,154                                  |
| Other                               | 9,000                   | 9,323   | 323                                    | 8,400   | 7,648   | (752)                                  |
| Total Receipts                      | 391,250                 | 399,982 | 8,732                                  | 367,675 | 405,620 | 37,945                                 |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 251,076                 | 220,421 | 30,655                                 | 218,106 | 220,677 | (2,571)                                |
| Office expenditures                 | 56,200                  | 54,588  | 1,612                                  | 58,200  | 50,928  | 7,272                                  |
| Equipment                           | 5,150                   | 4,556   | 594                                    | 5,300   | 1,918   | 3,382                                  |
| Mileage and training                | 12,250                  | 9,469   | 2,781                                  | 7,100   | 9,832   | (2,732)                                |
| Contract services                   | 9,450                   | 23,831  | (14,381)                               | 32,700  | 30,726  | 1,974                                  |
| Building mortgage                   | 57,097                  | 56,906  | 191                                    | 42,097  | 42,097  | 0                                      |
| Other                               | 0                       | 0       | 0                                      | 4,150   | 0       | 4,150                                  |
| Total Disbursements                 | 391,223                 | 369,771 | 21,452                                 | 367,653 | 356,178 | 11,475                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 27                      | 30,211  | 30,184                                 | 22      | 49,442  | 49,420                                 |
| CASH, JANUARY 1                     | 176,035                 | 176,135 | 100                                    | 126,618 | 126,693 | 75                                     |
| CASH, DECEMBER 31                   | \$ 176,062              | 206,346 | 30,284                                 | 126,640 | 176,135 | 49,495                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

BOLLINGER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL LAW ENFORCEMENT FUND

|                                     | Year Ended December 31, |         |  |         |        |  |
|-------------------------------------|-------------------------|---------|--|---------|--------|--|
|                                     | 1999                    |         |  | 1998    |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |        |  |
| Charges for services                | \$ 3,000                | 0       | (3,000)                                | 16,000  | 9,723  | (6,277)                                |
| Interest                            | 50                      | 122     | 72                                     | 70      | 242    | 172                                    |
| Total Receipts                      | 3,050                   | 122     | (2,928)                                | 16,070  | 9,965  | (6,105)                                |
| DISBURSEMENTS                       |                         |         |  |         |        |  |
| Office expenditures                 | 0                       | 0       | 0                                      | 2,600   | 435    | 2,165                                  |
| Equipment                           | 0                       | 0       | 0                                      | 3,000   | 3,498  | (498)                                  |
| Mileage and training                | 0                       | 0       | 0                                      | 1,000   | 350    | 650                                    |
| SEMO crime lab                      | 0                       | 0       | 0                                      | 1,500   | 1,500  | 0                                      |
| Computer services                   | 3,960                   | 3,664   | 296                                    | 3,960   | 2,880  | 1,080                                  |
| Other                               | 1,368                   | 1,317   | 51                                     | 7,000   | 1,433  | 5,567                                  |
| Total Disbursements                 | 5,328                   | 4,981   | 347                                    | 19,060  | 10,096 | 8,964                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,278)                 | (4,859) | (2,581)                                | (2,990) | (131)  | 2,859                                  |
| CASH, JANUARY 1                     | 5,328                   | 5,328   | 0                                      | 5,459   | 5,459  | 0                                      |
| CASH, DECEMBER 31                   | \$ 3,050                | 469     | (2,581)                                | 2,469   | 5,328  | 2,859                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit I

BOLLINGER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT SALES TAX FUND

|                                     |    | Year Ended December 31, |        |                       |        |        |                       |
|-------------------------------------|----|-------------------------|--------|-----------------------|--------|--------|-----------------------|
|                                     |    | 1999                    |        |                       | 1998   |        |                       |
|                                     |    |                         |        | Variance<br>Favorable |        |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual | (Unfavorable)         | Budget | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |        |                       |        |        |                       |
| Interest                            | \$ | 1                       | 1      | 0                     | 1      | 1      | 0                     |
| Total Receipts                      |    | 1                       | 1      | 0                     | 1      | 1      | 0                     |
| DISBURSEMENTS                       |    |                         |        |                       |        |        |                       |
| Prosecuting Attorney                |    | 0                       | 0      | 0                     | 11     | 0      | 11                    |
| Total Disbursements                 |    | 0                       | 0      | 0                     | 11     | 0      | 11                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |                         |        |                       |        |        |                       |
|                                     |    | 1                       | 1      | 0                     | (10)   | 1      | 11                    |
| CASH, JANUARY 1                     |    | 11                      | 11     | 0                     | 10     | 10     | 0                     |
| CASH, DECEMBER 31                   | \$ | 12                      | 12     | 0                     | 0      | 11     | 11                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

BOLLINGER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 5,900 | 5,504         | 6,000  | 5,478  | (522)         |  |
| Interest                            | 250      | 455           | 115    | 245    | 130           |  |
| Total Receipts                      | 6,150    | 5,959         | 6,115  | 5,723  | (392)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Recorder of Deeds                   | 9,000    | 4,937         | 3,800  | 5,360  | (1,560)       |  |
| Transfer out                        | 0        | 0             | 1,650  | 0      | 1,650         |  |
| Total Disbursements                 | 9,000    | 4,937         | 5,450  | 5,360  | 90            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,850)  | 1,022         | 665    | 363    | (302)         |  |
| CASH, JANUARY 1                     | 3,207    | 3,207         | 2,844  | 2,844  | 0             |  |
| CASH, DECEMBER 31                   | \$ 357   | 4,229         | 3,509  | 3,207  | (302)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

BOLLINGER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Charges for services                | \$ 4,200 | 2,981         | 4,000   | 3,126   | (874)         |  |
| Interest                            | 400      | 212           | 300     | 356     | 56            |  |
| Total Receipts                      | 4,600    | 3,193         | 4,300   | 3,482   | (818)         |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Transfer out                        | 5,000    | 4,000         | 6,800   | 4,859   | 1,941         |  |
| Total Disbursements                 | 5,000    | 4,000         | 6,800   | 4,859   | 1,941         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (400)    | (807)         | (2,500) | (1,377) | 1,123         |  |
| CASH, JANUARY 1                     | 1,161    | 1,161         | 2,538   | 2,538   | 0             |  |
| CASH, DECEMBER 31                   | \$ 761   | 354           | 38      | 1,161   | 1,123         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

BOLLINGER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILDREN'S TRUST FUND

|                                     |    | Year Ended December 31, |         |                            |         |        |                            |
|-------------------------------------|----|-------------------------|---------|----------------------------|---------|--------|----------------------------|
|                                     |    | 1999                    |         |                            | 1998    |        |                            |
|                                     |    |                         |         | Variance                   |         |        | Variance                   |
|                                     |    | Budget                  | Actual  | Favorable<br>(Unfavorable) | Budget  | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |                            |         |        |                            |
| Charges for services                | \$ | 400                     | 350     | (50)                       | 400     | 370    | (30)                       |
| Interest                            |    | 30                      | 490     | 460                        | 200     | 347    | 147                        |
| Total Receipts                      |    | 430                     | 840     | 410                        | 600     | 717    | 117                        |
| DISBURSEMENTS                       |    |                         |         |                            |         |        |                            |
| Domestic violence shelters          |    | 4,512                   | 4,771   | (259)                      | 3,996   | 0      | 3,996                      |
| Total Disbursements                 |    | 4,512                   | 4,771   | (259)                      | 3,996   | 0      | 3,996                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (4,082)                 | (3,931) | 151                        | (3,396) | 717    | 4,113                      |
| CASH, JANUARY 1                     |    | 4,113                   | 4,113   | 0                          | 3,396   | 3,396  | 0                          |
| CASH, DECEMBER 31                   |    | \$ 31                   | 182     | 151                        | 0       | 4,113  | 4,113                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

BOLLINGER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S CIVIL FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Charges for services                | \$ 14,000               | 13,993  | (7)                                    | 7,300   | 10,047  | 2,747                                  |
| Interest                            | 300                     | 488     | 188                                    | 60      | 404     | 344                                    |
| Total Receipts                      | 14,300                  | 14,481  | 181                                    | 7,360   | 10,451  | 3,091                                  |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Office expenditures                 | 2,500                   | 4,769   | (2,269)                                | 11,040  | 2,749   | 8,291                                  |
| Equipment                           | 2,500                   | 0       | 2,500                                  | 0       | 8,268   | (8,268)                                |
| Vehicle                             | 7,500                   | 8,574   | (1,074)                                | 0       | 0       | 0                                      |
| SEMO crime lab and drug task force  | 2,500                   | 2,500   | 0                                      | 0       | 0       | 0                                      |
| Other                               | 1,000                   | 146     | 854                                    | 0       | 624     | (624)                                  |
| Total Disbursements                 | 16,000                  | 15,989  | 11                                     | 11,040  | 11,641  | (601)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,700)                 | (1,508) | 192                                    | (3,680) | (1,190) | 2,490                                  |
| CASH, JANUARY 1                     | 2,490                   | 2,490   | 0                                      | 3,680   | 3,680   | 0                                      |
| CASH, DECEMBER 31                   | \$ 790                  | 982     | 192                                    | 0       | 2,490   | 2,490                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

BOLLINGER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENATE BILL 40 BOARD FUND

| Year Ended December 31,             |           |        |  |          |          |  |
|-------------------------------------|-----------|--------|--|----------|----------|--|
| 1999                                |           |        | 1998                                   |          |          |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |          |          |  |
| Property taxes                      | \$ 75,000 | 76,269 | 1,269                                  | 65,000   | 74,735   | 9,735                                  |
| Intergovernmental                   | 500       | 26     | (474)                                  | 60       | 628      | 568                                    |
| Interest                            | 2,500     | 1,718  | (782)                                  | 2,000    | 3,185    | 1,185                                  |
| Other                               | 1,800     | 900    | (900)                                  | 1,800    | 1,650    | (150)                                  |
| Total Receipts                      | 79,800    | 78,913 | (887)                                  | 68,860   | 80,198   | 11,338                                 |
| DISBURSEMENTS                       |           |        |  |          |          |  |
| Mental Health Trust Fund            | 56,000    | 36,596 | 19,404                                 | 72,000   | 93,658   | (21,658)                               |
| Building maintenance                | 10,000    | 3,906  | 6,094                                  | 7,000    | 0        | 7,000                                  |
| Other                               | 66,287    | 0      | 66,287                                 | 52,852   | 0        | 52,852                                 |
| Total Disbursements                 | 132,287   | 40,502 | 91,785                                 | 131,852  | 93,658   | 38,194                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (52,487)  | 38,411 | 90,898                                 | (62,992) | (13,460) | 49,532                                 |
| CASH, JANUARY 1                     | 52,987    | 49,532 | (3,455)                                | 62,992   | 62,992   | 0                                      |
| CASH, DECEMBER 31                   | \$ 500    | 87,943 | 87,443                                 | 0        | 49,532   | 49,532                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

BOLLINGER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S BUILDING FUND

| Year Ended December 31,             |        |        |               |
|-------------------------------------|--------|--------|---------------|
| 1999                                |        |        |               |
|                                     |        |        | Variance      |
|                                     | Budget | Actual | Favorable     |
|                                     |        |        | (Unfavorable) |
| RECEIPTS                            |        |        |               |
| Interest                            | \$ 200 | 73     | (127)         |
| Donations                           | 10,000 | 0      | (10,000)      |
| Total Receipts                      | 10,200 | 73     | (10,127)      |
| DISBURSEMENTS                       |        |        |               |
| Equipment                           | 0      | 479    | (479)         |
| Remodeling                          | 10,000 | 0      | 10,000        |
| Total Disbursements                 | 10,000 | 479    | 9,521         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 200    | (406)  | (606)         |
| CASH, JANUARY 1                     | 518    | 518    | 0             |
| CASH, DECEMBER 31                   | \$ 718 | 112    | (606)         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

BOLLINGER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S DONATION FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Interest                            | \$ 25  | 244    | 219                                    |
| Donations                           | 10,977 | 9,976  | (1,001)                                |
| Total Receipts                      | 11,002 | 10,220 | (782)                                  |
| DISBURSEMENTS                       |        |        |  |
| Office expenditures                 | 1,000  | 88     | 912                                    |
| Equipment                           | 9,977  | 9,977  | 0                                      |
| Total Disbursements                 | 10,977 | 10,065 | 912                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 25     | 155    | 130                                    |
| CASH, JANUARY 1                     | 823    | 823    | 0                                      |
| CASH, DECEMBER 31                   | \$ 848 | 978    | 130                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit Q

BOLLINGER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE DIVISION INTEREST FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Interest                            | \$ 450 | 411    | (39)                                   |
| Total Receipts                      | 450    | 411    | (39)                                   |
| DISBURSEMENTS                       |        |        |  |
| Associate Division                  | 1,279  | 241    | 1,038                                  |
| Total Disbursements                 | 1,279  | 241    | 1,038                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (829)  | 170    | 999                                    |
| CASH, JANUARY 1                     | 1,279  | 1,979  | 700                                    |
| CASH, DECEMBER 31                   | \$ 450 | 2,149  | 1,699                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

BOLLINGER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROBATE DIVISION INTEREST FUND

| Year Ended December 31,             |         |        |  |
|-------------------------------------|---------|--------|--|
| 1999                                |         |        |  |
|                                     | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |         |        |  |
| Interest                            | \$ 85   | 90     | 5                                      |
| Total Receipts                      | 85      | 90     | 5                                      |
| DISBURSEMENTS                       |         |        |  |
| Probate Division                    | 1,892   | 0      | 1,892                                  |
| Total Disbursements                 | 1,892   | 0      | 1,892                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,807) | 90     | 1,897                                  |
| CASH, JANUARY 1                     | 1,892   | 1,192  | (700)                                  |
| CASH, DECEMBER 31                   | \$ 85   | 1,282  | 1,197                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

BOLLINGER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 5,620 | 5,823  | 203                                    |
| Interest                            | 35       | 97     | 62                                     |
| Total Receipts                      | 5,655    | 5,920  | 265                                    |
| DISBURSEMENTS                       |          |        |  |
| Publications                        | 5,000    | 4,432  | 568                                    |
| Total Disbursements                 | 5,000    | 4,432  | 568                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 655      | 1,488  | 833                                    |
| CASH, JANUARY 1                     | 2,122    | 2,127  | 5                                      |
| CASH, DECEMBER 31                   | \$ 2,777 | 3,615  | 838                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

BOLLINGER COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Bollinger County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                      | <u>Years Ended December 31,</u> |
|----------------------------------|---------------------------------|
| Sheriff's Interest Fund          | 1999 and 1998                   |
| Circuit Division Interest Fund   | 1999 and 1998                   |
| Recorder's Grant Fund            | 1999 and 1998                   |
| Sheriff's Building Fund          | 1998                            |
| Sheriff's Donation Fund          | 1998                            |
| Law Enforcement Block Grant Fund | 1998                            |
| Associate Division Interest Fund | 1998                            |
| Probate Division Interest Fund   | 1998                            |
| Law Library Fund                 | 1998                            |

Warrants issued were in excess of budgeted amounts for the Children's Trust Fund in 1999 and the Sheriff's Civil Fund in 1998. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the General Revenue and Special Road and Bridge Funds for the years ended December 31, 1999 and 1998. However, the budgets of those funds also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                      | <u>Years Ended December 31,</u> |
|----------------------------------|---------------------------------|
| Health Center Fund               | 1999 and 1998                   |
| Senate Bill 40 Board Fund        | 1999 and 1998                   |
| Sheriff's Interest Fund          | 1999 and 1998                   |
| Recorder's Grant Fund            | 1999 and 1998                   |
| Circuit Division Interest Fund   | 1999                            |
| Law Enforcement Block Grant Fund | 1998                            |

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$227,046 was covered by federal depositary insurance and \$1,749,865 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Of the county's bank balance at December 31, 1998, \$225,604 was covered by federal depositary insurance and \$1,580,863 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

The Health Center and Senate Bill 40 Boards' deposits at December 31, 1999 and 1998 were entirely covered by federal depositary insurance.

Schedule



BOLLINGER COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

BOLLINGER COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

BOLLINGER COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Bollinger County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 12, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Bollinger County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|                               |
|-------------------------------|
| <b>1. Financial Condition</b> |
|-------------------------------|

Bollinger County's General Revenue Fund has been experiencing a declining cash balance. The following shows receipts, disbursements, and ending cash balances for the two years ended December 31, 1999:

|                                    |    |                     |
|------------------------------------|----|---------------------|
| Cash Balance, January 1, 1998      | \$ | 20,484              |
| Receipts (less loan proceeds)      |    | 829,017             |
| Disbursements (less loan payments) |    | <u>833,737</u>      |
| Cash Balance, December 31, 1998    |    | 15,764              |
| Receipts                           |    | 851,499             |
| Disbursements                      |    | <u>862,651</u>      |
| Cash Balance, December 31, 1999    | \$ | <u><u>4,612</u></u> |

Included in the 1999 disbursements is approximately \$26,000 transferred from the General Revenue Fund to the Assessment Fund, however based on the Assessment Fund's cash balance and financial resources, it is questionable why this transfer was made.

For 2000, the county budgeted receipts of \$944,793 and disbursements of \$1,015,507, resulting in an estimated ending cash balance of (\$66,102). Although the General Revenue Fund had a cash balance of only \$4,612 at December 31, 1999, the county passed a budget that allowed increases in disbursements to exceed anticipated increases in receipts. Given the county's poor financial condition, it appears the county should attempt to increase the cash balance of the General Revenue Fund.

Additionally, our prior audit report noted that \$30,800 was due from the General Revenue Fund to other county funds and political subdivisions as the result of excess commissions withheld. The County Commission indicated the General Revenue Fund did not have sufficient funds to repay these monies. Only because of non-compliance with state laws, does the county have any cash balance at December 31, 1999 and no corrective actions were apparently taken for 2000.

**WE RECOMMEND** the County Commission consider the various alternatives of increasing receipts and/or reducing disbursements.

**AUDITEE'S RESPONSE**

*We will try to reduce expenditures in the future and will consider various alternatives to increase our revenue base such as a special law enforcement tax.*

The county does not have written agreements with various political subdivisions and individuals as follows:

- A. As noted in our four prior reports, the Sheriff provides dispatching services to an area municipality and an ambulance district. In addition, the county jail is used to board prisoners for other entities. The county receives approximately \$15,000 per year for dispatching services and approximately \$30,000 per year for the board of prisoners. No written agreements exist with these entities regarding the amounts to be paid or the services to be provided.
- B. The Prosecuting Attorney does not have an office in the courthouse; he performs his county duties from an office building used in the operation of his private law practice. In addition, the Public Administrator works from his house. As a result, the county pays \$1,500 per year to the Prosecuting Attorney and \$900 per year to the Public Administrator for rent and utilities. The county also pays approximately \$27,000 per year towards the salaries of the three secretaries working in the Prosecuting Attorney's office.

The agreed upon payments are requested and approved through the county's annual budget process. However, there are no written agreements specifying how the rent and utilities amounts are determined and/or the percentage of secretaries salaries to be paid by the county. In addition, adequate supporting documentation such as employee time sheets is not maintained by the Prosecuting Attorney for filing with the County Clerk (see MAR No. 3.)

- C. Various transactions were entered into for which contracts could not be located. These included two graders purchased with a lease purchase arrangement at a cost of \$120,000, a copier with a maintenance agreement, and a short-term bank loan for \$20,000. The county's inability to ensure the safekeeping of such documents for review and comparison to subsequent payments represents a lack of internal controls. Given the county's financial condition, it is imperative that all financial transactions be fully reviewed and monitored.

Section 432.070, RSMo 1994, requires the county to have all contracts in writing. Written agreements should be prepared and should clearly specify the arrangements between applicable parties. In addition, all agreements should be approved by the County Commission.

**WE RECOMMEND** the County Commission ensure written agreements are entered into with all applicable political subdivisions and individuals documenting each parties contractual obligations.



### **AUDITEE'S RESPONSE**

*We have prepared contracts for the Prosecuting Attorney and the Public Administrator. We will attempt to enter into contracts for dispatching services and board of prisoners. In addition, we will ensure contracts are entered into as needed and documentation maintained.*

|   |
|---|
| <b>3. Personnel and Payroll Policies and Procedures</b> |
|---|

- A. Time sheets and/or records tracking accumulated leave balances are not maintained for full-time employees of the Ex-Officio Recorder of Deeds, the County Collector, and the Prosecuting Attorney. Although these records are maintained for employees of the Assessor, Sheriff, and the Road and Bridge department, they are not approved by applicable supervisors. In addition, the Assessor's office does not turn these records into the County Clerk. As a result, the County Commission does not have documentation of work performed to support payroll expenditures and does not maintain centralized records of leave balances and leave used and earned.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the applicable supervisor, and filed with the County Clerk. In addition, without centralized leave records, the County Commission cannot ensure that employees' vacation and sick leave balances are accurate and that all employees are treated equitably. Centralized leave records will also aid in determining unused vacation leave upon termination of employment.

A similar condition was noted in our five prior reports.

- B. Although the County Commission has a written policy regarding sick leave and annual leave, the county's personnel manual does not address compensatory time or overtime. The Sheriff's office pays overtime for work in excess of 171 hours during a one month period. This procedure may not be in accordance with the FLSA. A written personnel policy regarding compensatory time or overtime for all employees is necessary to ensure compliance with the FLSA and to provide assurance that all employees are treated equitably.

**WE RECOMMEND** the County Commission:

- A. Require all county employees to complete time sheets which reflect actual time worked and leave balances earned and used. The time sheets should be prepared by employees, approved by the applicable supervisor, and filed with the County Clerk. In addition, the County Commission should require the County Clerk to maintain centralized leave records for all employees.

- B. Establish a written policy regarding compensatory time and overtime to ensure compliance with the FLSA.

**AUDITEE'S RESPONSE**

- A. *We will require adequate documentation to support all payroll disbursements and will maintain records of accumulated leave. This will become effective with the start of the next pay period.*
- B. *We will implement a written policy immediately.*

|                                |
|--------------------------------|
| <b>4. General Fixed Assets</b> |
|--------------------------------|

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. Currently, the County Clerk maintains a computerized inventory listing of fixed assets held by county officials. However, during our review of equipment purchases, we noted three of thirteen items were not recorded on the county's general fixed asset listing. These items were purchased for approximately \$17,000. Additions to the inventory listing are not reconciled to equipment expenditures or the County Clerk's annual physical inventory to ensure all fixed assets are properly recorded.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property.

Effective August 28, 1999, Section 49.093, RSMo Cumulative Supp. 1999, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

Similar conditions were noted in the prior report.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

**AUDITEE'S RESPONSE**

*We plan to establish a written policy within the next year.*

**5.****Sheriff's Accounting Controls and Procedures**

- A. During our review, it was brought to our attention that there were at least three instances where monies received by the Sheriff's office totaling \$736 were not deposited or were found to be missing. In one instance, a bond form indicated a \$100 bill was received, but the bookkeeper could not locate the cash. The dispatcher indicated the cash was placed in the lockbox along with the bond form. In another instance, an envelope containing a monthly report from the Circuit Clerk's office and a Circuit Division check for \$589 turned up missing. The bookkeeper thought she locked the envelope in a file cabinet, but could not find the envelope after searching the file cabinet. The check was replaced by the Circuit Clerk's office. In a third instance, an individual was arrested with \$47 on his person. The inmate's personal property was placed in a bag in the booking room of the Sheriff's office. When the inmate was released, the cash was missing. The Sheriff's office investigated these instances, but could not determine what happened to these monies.

The Sheriff's office should review these situations and establish procedures to prevent similar situations from occurring in the future. Cash custody and record-keeping functions should be segregated where possible. If duties cannot be segregated, at a minimum, receipts should be reconciled to deposits by someone independent of the cash custody and record-keeping functions.

- B. During the two years ended December 31, 1999, controls over the evidence room used for storing property taken in criminal cases were not adequate. A complete log of seized property was not maintained and occasionally property would turn up missing.

Beginning April 2000, a different officer was assigned to oversee the evidence room. While we noted an improvement in controls over the evidence room, some property items have still not been inventoried. In addition, many of the items in the evidence room have been held for a long period of time.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. In addition, Section 542.301(5), RSMo Cumulative Supp. 1999, states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure.

- C. The Sheriff has \$2,260 in two old bank accounts that has not been properly disbursed. Of this amount, \$2,144 was received from a Sheriff's sale in January 1994. The remaining \$116 pertains to old outstanding checks. The Sheriff should review the January 1994 Sheriff's sale records to determine how the monies should be disbursed. In addition, any old unclaimed outstanding checks should be disposed of in accordance with state law.

A similar condition was noted in the prior report.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate duties or ensure independent, documented reviews of the records are performed. In addition, the Sheriff should ensure all missing monies are recovered and distributed to the appropriate parties.
- B. Ensure all evidence is inventoried in the seized property log and dispose of unclaimed items in a timely manner in accordance with state law.
- C. Disburse the amounts remaining from the 1994 Sheriff's sale and attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *Controls in this office have been improved since the occurrence of these three instances. In addition, I am currently reviewing the bookkeeper's records approximately every two weeks. The bond was disbursed from interest proceeds.*
- B. *All evidence is currently inventoried. In addition, with the help of the Prosecuting Attorney, we are in the process of identifying items we can dispose of, reducing the property maintained in the evidence room. We hope to have disposed of these items by the end of the year.*
- C. *We have disbursed some of these monies to the appropriate parties and are trying to determine the proper distribution of the remaining monies. Any remaining unclaimed amounts will be disbursed in accordance with state law.*

|  |
|--|
| <b>6. Circuit Clerk and Ex-Officio Recorder of Deeds' Accounting Controls and Procedures</b> |
|--|

During our review of the Circuit Clerk and Ex-Officio Recorder of Deeds' accounting procedures the following concerns were noted:

- A. Monthly listings of open items (liabilities) are not prepared on a timely basis for the Circuit Clerk's fee account. During the audit period, a listing of open items was last prepared for the month of February 1999 by the Office of State Courts Administrator. Consequently, open items have not been periodically reconciled with bank and book balances. At our request, the Circuit Clerk prepared a summary listing of open items by type of case as of June 30, 2000; however, the reconciled cash balance exceeded the total identified open items by \$4,477.

To ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities, monthly listings of open items should be prepared by the court and reconciled to the reconciled cash balance. Any discrepancies found should be investigated and resolved.

The February 1999 open items listing included numerous old cases, some dating to the 1980's or before, and approximately sixty cases (representing approximately \$13,600) that were at least five years old. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

- B. Our review of the Circuit Clerk's interest account found that copy monies are being deposited into the account and used for various office expenditures. From January 1, 1998 to June 1, 2000, copy monies totaling \$3,644 were deposited in the Circuit Clerk's interest account, and only \$1,437 was turned over to the County Treasurer. A similar situation was noted in the prior audit resulting in an additional \$1,334 of copy monies which remain in the account. In addition, approximately \$915 of unidentified monies, \$537 in interest earned on the Recorder's bank account, and \$218 in old outstanding child support checks were deposited in the Circuit Clerk's interest account. As a result, \$5,211 of monies in the Circuit Clerk's interest account needs to be disbursed to the appropriate parties.

Copy monies and interest earned on the Ex-Officio Recorder's account represent accountable fees. Section 50.370, RSMo 1994, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. In addition, to ensure proper accountability over official receipts and reduce the potential for loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received, monies should be deposited intact, and should be remitted to the County Treasurer along with other accountable fees on a monthly basis. Any unidentified monies or old outstanding checks held by the court should be investigated and disposed of in accordance with state law.

Similar conditions were noted in our prior report.

**WE AGAIN RECOMMEND** the Circuit Clerk and Ex-Officio Recorder of Deeds:

- A. Prepare a complete listing of open items on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated and resolved. In addition, along with the Circuit Judge, review the older cases and determine the appropriate disposition of inactive cases.
- B. Ensure the Circuit Clerk's interest account includes only interest earned on the Circuit Clerk's bank accounts. Copy monies should be receipted, deposited to the fee account, and remitted to the County Treasurer at least monthly, along with any interest earned on the Ex-Officio Recorder's bank account. In addition, any unidentified monies or old outstanding checks held by the court should be investigated and disposed of in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *In the past, monies received from criminal cases were held until final payment was made. We have recently changed our procedure to pro-rate the disbursement of criminal monies. In addition, we are currently reviewing older cases and pro-rating these monies out to reduce our open items balance and attempt to identify the open items difference. Finally, we are also in the process of preparing an open items listing that will be agreed to our cash balance on a monthly basis.*
- B. *Currently, my office only retains interest from the Circuit Clerk's bank account. All other monies, including copy monies, are turned over to the County Treasurer on a monthly basis. Interest is no longer earned on the Ex-Officio Recorder's bank account. In addition, all prior expenditures have been accounted for and the County Commission agrees that the fees paid out were allowable expenditures. In the future, such expenditures will be paid by the County Treasurer instead of the Circuit Clerk.*

This report is intended for the information of the management of Bollinger County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

BOLLINGER COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Bollinger County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgets and Financial Statements

- A. The county did not prepare formal budgets for various county funds.
- B. The approved budgets for some county funds did not adequately reflect all available resources.
- C. The county's annual published financial statements did not present information for several county funds.

Recommendation:

The County Commission:

- A. Prepare and/or obtain budgets for all county funds as required by state law.
- B. Include all available resources on the budget document.
- C. Include all county funds in the published financial statements as required by state law, and ensure receipts, disbursements, and beginning and ending balances are presented for each county fund.

Status:

- A&C. Partially implemented. Most of the funds noted in the prior report were budgeted and published in the county's financial statements beginning in 1999; however, a few funds including the Health Center and Senate Bill 40 Board are still not meeting the requirements. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented. The budgeted beginning cash balances of the General Revenue and Special Road and Bridge funds adequately reflected all available resources beginning with their 1999 and 2000 budgets, respectively.



2. Personnel and Payroll Policies and Procedures

- A. Time sheets were not prepared by some employees.
- B. Centralized records of leave balances and leave used and earned were not maintained by the County Clerk.

Recommendation:

The County Commission:

- A. Require all county employees to complete time sheets which reflect actual time worked. The time sheets should be prepared by employees, approved by the applicable supervisor, and filed with the County Clerk.
- B. Maintain centralized leave records for all county employees.

Status:

- A. Partially implemented. Time sheets are now maintained for several employees; however, some employees still do not prepare time sheets and some time sheets are not filed with the County Clerk. See MAR No. 3.
- B. Not implemented. See MAR No. 3.

3. Statutory Salaries

There was no support for cost of living allowance (COLA) increases given to elected officials effective January 1, 1998.

Recommendation:

The County Commission consult with legal counsel regarding the salary increases and pay only the authorized salary set by the Salary Commission.

Status:

Partially implemented. In 1999, the Salary Commission authorized annual COLA increases. However, no action was taken concerning the 1998 COLA increases. In addition, some disputes have arisen because in the past some officials' salaries were at lower percentages of the statutory maximum than other officials' salaries. Although not repeated in the current MAR, our recommendation remains as stated above.

4. General Fixed Assets

- A. Various fixed asset purchases were not recorded in the fixed asset listing.
- B. Statutorily required information including identification number, description of the item, cost, physical location, date and source of acquisition by fund, and date and method of disposition were not being recorded for most general fixed asset items.

Recommendation:

The County Clerk:

- A. Maintain the general fixed asset records on a current basis to reflect all additions as they occur, and periodically reconcile additions of assets to expenditures for equipment to ensure additions are properly recorded. In addition, the County Clerk should document the annual physical inventory performed and any adjustments made as a result of the physical inventory.
- B. Record all required information in the general fixed asset record and keep the record on a current basis.

Status:

- A. Not implemented. See MAR No. 4.
- B. Partially implemented. Upon implementation of the new computer program for fixed assets, all required information was recorded for many items; however, information on many older assets is no longer available. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Assessor's Accounting Controls and Procedures

- A. Some receipts were not remitted to the County Treasurer. From June 1996 to June 1997, the Assessor's office receipts were at least \$411 more than monies remitted to the County Treasurer.
- B. Receipt slips were not prenumbered prior to June 1998 and were not issued for some monies received.
- C. The method of payment was not always indicated on the receipt slips.
- D. Receipts were not remitted to the County Treasurer on a timely basis.

Recommendation:

The Assessor:

- A. Remit all receipts to the County Treasurer, including the \$411 that cannot be accounted for. In addition, the County Commission should review this situation and decide if further investigation is warranted.
- B. Issue prenumbered receipt slips for all monies received.
- C. Indicate the method of payment on all receipt slips and reconcile the composition of receipt slips to the composition of monies remitted to the County Treasurer.
- D. Remit all monies to the County Treasurer intact daily or when accumulated receipts exceed \$100.

Status:

- A. Partially implemented. Currently receipts are remitted to the County Treasurer; however, no action was taken concerning the \$411. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. Copy monies are not receipted immediately when received. In some instances, copy monies are not receipted until the monthly turnover is prepared. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.
- D. Partially implemented. Monies are remitted to the County Treasurer on a monthly basis; however, these turnovers may exceed \$100. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Circuit Clerk and Ex-Officio Recorder of Deeds' Accounting Controls and Procedures

- A. Monthly listings of liabilities (open items) were not reconciled with the cash balance for the fee account. In addition, the Circuit Clerk deposited \$893 of unclaimed or unidentified monies into the Circuit Division Interest Fund instead of determining the proper disposition of these monies.
- B. Copy monies totaling \$1,334 were deposited in the Circuit Clerk's interest bank account and not receipted or remitted to the County Treasurer.
- C. The Circuit Clerk deposited into the Circuit Clerk's interest bank account \$170 more than actual interest earned.

Recommendation:

The Circuit Clerk and Ex-Officio Recorder of Deeds:

- A. Reconcile the monthly listing of open items to the cash balance for the fee account. In addition, continue efforts to identify all cases with open items. If not identified, any excess monies should be disposed of in accordance with state law.
- B. Ensure all copy monies are receipted, deposited to the fee account, and remitted to the County Treasurer at least monthly.
- C. Refund the appropriate amounts to the applicable bank accounts and ensure the correct amount of interest is deposited monthly to the interest bank account.

Status:

A&B. Not implemented. See MAR No. 6.

- C. Partially implemented. The Circuit Clerk reviewed the activity of the interest account from 1992 to 1998 and came to the conclusion that she did deposit \$170 more than she should have into the interest fund, but later adjusted for this error; therefore, it did not appear to her that a refund was appropriate and no refund has been made in the current audit period. No similar instances were noted in the current audit period.

7. County Collector's Commissions

The County Collector did not refund \$30,800 of excess commissions to other county funds and political subdivisions. These monies were deposited into the General Revenue Fund.

Recommendation:

The County Collector refund the excess commissions to the other county funds and political subdivisions from the General Revenue Fund.

Status

Not implemented. The County Commission indicated the General Revenue Fund did not have sufficient funds to repay these monies.

8. Sheriff's Accounting Controls and Procedures

- A. Bank balances were not reconciled with the accounting records on a monthly basis.

- B. The Sheriff had \$2,260 in two old bank accounts that remained unclaimed. Of this amount, \$2,144 was received from a Sheriff's sale in January 1994. The remaining \$116 pertained to old outstanding checks.
- C. The Sheriff provided dispatching services and boarding of prisoners for other entities. No written agreements existed with these entities regarding the compensation to be paid or the services to be provided.

Recommendation:

The Sheriff:

- A. Perform monthly bank reconciliations and reconcile to the cash control balance.
- B. Disburse the amounts remaining from the 1994 Sheriff's sale and attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- C. Enter into written agreements with political subdivisions for the services provided.

Status:

- A. Partially implemented. Monthly bank reconciliations are performed; however, the book balance exceeds the reconciled bank balance by \$125 and this difference has not been resolved. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. See MAR No. 5.
- C. Not implemented. See MAR No. 2.

9. Health Center Accounting Controls and Procedures

The Health Center approved disbursements in excess of budgeted amounts.

Recommendation:

The Health Center not authorize warrants in excess of the budget.

Status:

Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# BOLLINGER COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1851, the county of Bollinger was named after George F. Bollinger, the leader of the early pioneers in the area. Bollinger County is a county-organized, 3rd-class county and is part of the 32nd Judicial Circuit. The county seat is Marble Hill.

Bollinger County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Bollinger County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 336,884   | 21         | 315,785   | 20         |
| Sales taxes               | 485,604      | 30         | 455,343   | 28         |
| Federal and state aid     | 578,163      | 36         | 584,156   | 37         |
| Fees, interest, and other | 214,551      | 13         | 247,348   | 15         |
| Total                     | \$ 1,615,202 | 100        | 1,602,632 | 100        |

The following chart shows how Bollinger County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 446,013   | 27         | 470,098   | 30         |
| Public safety             | 416,638      | 25         | 423,639   | 27         |
| Highways and roads        | 778,032      | 48         | 687,294   | 43         |
| Total                     | \$ 1,640,683 | 100        | 1,581,031 | 100        |

The county maintains approximately 59 county bridges and 960 miles of county roads.



The county's population was 8,820 in 1970 and 10,619 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 48.4                    | 46.9 | 26.2  | 10.1   | 6.9    |
| Personal property      |    | 19.6                    | 18.4 | 7.4   | 4.8    | 3.2    |
| Railroad and utilities |    | 10.8                    | 10.0 | 9.5   | 11.8   | 7.6    |
| Total                  | \$ | 78.8                    | 75.3 | 43.1  | 26.7   | 17.7   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Bollinger County's property tax rates per \$100 of assessed valuations were as follows:

|                              |    | Year Ended December 31, |      |
|------------------------------|----|-------------------------|------|
|                              |    | 1999                    | 1998 |
| General Revenue Fund         | \$ | .19                     | .19  |
| Special Road and Bridge Fund |    | .25                     | .25  |
| Health Center Fund           |    | .24                     | .24  |
| Senate Bill 40 Board Fund    |    | .10                     | .10  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                              | Year Ended February 28, |           |
|------------------------------|-------------------------|-----------|
|                              | 2000                    | 1999      |
| State of Missouri            | \$ 23,814               | 23,141    |
| General Revenue Fund         | 155,607                 | 150,568   |
| Special Road and Bridge Fund | 197,273                 | 191,041   |
| Assessment Fund              | 32,534                  | 30,298    |
| Health Center Fund           | 188,606                 | 182,640   |
| Senate Bill 40 Board Fund    | 78,700                  | 76,368    |
| School districts             | 2,287,671               | 2,097,650 |
| Library district             | 78,842                  | 76,516    |
| Ambulance district           | 157,065                 | 151,913   |
| Fire protection districts    | 47,442                  | 44,556    |
| Drainage district            | 46,662                  | 42,075    |
| Cities                       | 6,705                   | 6,515     |
| County Clerk                 | 756                     | 1,073     |
| County Employees' Retirement | 28,634                  | 29,891    |
| Commissions and fees:        |                         |           |
| County Collector             | 940                     | 855       |
| General Revenue Fund         | 53,759                  | 50,251    |
| Total                        | \$ 3,385,010            | 3,155,351 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |        |
|------------------------|-------------------------|--------|
|                        | 2000                    | 1999   |
| Real estate            | 89.7 %                  | 90.5 % |
| Personal property      | 87.8                    | 88.6   |
| Railroad and utilities | 100.0                   | 100.0  |

Bollinger County also has the following sales taxes; rates are per \$1 of retail sales:

|         | Rate     | Expiration Date | Required Property Tax Reduction |
|---------|----------|-----------------|---------------------------------|
| General | \$ .0050 | None            | 50 %                            |
| General | .0050    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| Ken Trentham, Presiding Commissioner                              | \$     | 20,400 |        |
| Elwood Mouser, Presiding Commissioner                             |        |        | 11,570 |
| Robert Gray, Associate Commissioner                               |        | 3,067  |        |
| Jerry Woodfin, Associate Commissioner                             |        | 15,334 | 11,570 |
| Rod Jetton, Associate Commissioner                                |        | 18,400 | 11,570 |
| Diane Holzum, County Clerk  |        | 27,880 | 25,315 |
| Stephen Gray, Prosecuting Attorney                                |        | 33,621 |        |
| William Hopkins, Prosecuting Attorney                             |        |        | 27,220 |
| Dennis W. Willis, Sheriff   |        | 31,120 | 31,120 |
| Naomi Null, County Treasurer                                      |        | 20,631 | 14,979 |
| Gene Ward, County Coroner   |        | 7,791  | 5,920  |
| Winford C. Brown, Public Administrator *                          |        | 16,030 | 14,820 |
| Bob Anderson, County Collector**,<br>year ended February 28,      | 28,820 | 24,550 |        |
| James M. Bollinger, County Assessor ***, year ended<br>August 31, |        | 29,300 | 29,103 |
| John W. Reilly, County Surveyor ****                              |        |        |        |

\* Includes fees received from probate cases.

\*\* Includes \$940 and \$855, respectively, of commissions earned for collecting city property taxes.

\*\*\* Includes \$900 annual compensation received from the state.

\*\*\*\* Compensation on a fee basis.

State-Paid Officials:

|   |        |        |
|---|--------|--------|
| Sharon Lutes, Circuit Clerk and<br>Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Scott Evan Thomsen, Associate Circuit Judge                     | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office  | Number of Employees Paid by |          |
|---|-----------------------------|----------|
|   | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds* | 2                           | 2        |
| County Clerk*                                   | 2                           | 0        |
| Prosecuting Attorney*                           | 3                           | 0        |
| Sheriff**                                       | 13                          | 0        |
| County Coroner*                                 | 1                           | 0        |
| County Collector*                               | 2                           | 0        |
| County Assessor*                                | 3                           | 0        |
| Associate Division                              | 0                           | 1        |
| Probate Division                                | 0                           | 1        |
| Road and Bridge                                 | 14                          | 0        |
| Health Center***                                | 10                          | 0        |
| Janitor*  | 2                           | 0        |
| Total   | <u>52</u>                   | <u>4</u> |

\* Includes one part-time employee.

\*\* Includes two part-time employees.

\*\*\* Includes five part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Bollinger County's share of the 32nd Judicial Circuit's expenses is 11.94 percent.

The Bollinger County Health Center with voter approval obtained a \$300,000 bank loan on January 5, 1995, to partially finance the construction of a new building. The loan matures on January 5, 2005. At December 31, 1999, the outstanding balance on the bank loan was \$159,931.



CITY OF BERKELEY, MISSOURI

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-117  
November 14, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

November 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

The accounting and financial records for Berkeley have severely declined since 1996. In March 2000, former Governor Mel Carnahan requested an audit. The findings of our audit fall into eight categories: overall accounting records, police and fire pension fund records, property tax rates, receipt and disbursement procedures, expenditures, city credit cards, payroll processes and municipal court actions. City officials agreed with our recommendations and are already instituting several of them. The following summary highlights our findings.

**Poor records leave city unable to monitor financial status**

Berkeley officials have not been able to adequately monitor the financial condition of their city due to poorly maintained records, an inaccurate general ledger, no monthly financial activity reports and untimely bank reconciliations. Several factors contributed to these issues: vacancies in the city manager and finance director positions, disputes within the city council, and a lack of cooperation or communication between city officials. The city's outside accounting firm began disclosing these significant accounting problems in 1997. Due to the state of the city's records, the outside accounting firm has had to perform routine accounting functions usually left to a city staff.

**Pension fund records not maintained**

The city has not obtained an actuarial study since 1996 to determine the long-term financial condition of the Police and Fire Pension Fund. In addition, city officials have not recorded some fund transactions, regularly invested pension revenues or prepared accurate records of employee's contributions and balances. Because all of an employee's pension fund contributions are refunded to the employee, it is imperative the city have current and accurate employee statements.

Our audit also questioned the Pension Board's travel expenditures, which included pension-related conference trips to Las Vegas, Lake Ozark and Phoenix. These trips totaled nearly \$15,000 in expenses paid by the fund. Some board members were reimbursed for travel expenses in addition to receiving a \$60 daily allowance.

**City overcharged taxpayers \$575,000**

Berkeley set its property tax rate too high, according to state law, and in turn overcharged it residents \$575,000 in property taxes from 1997 to 1999. In April 2000, the city decided to refund the money. Rather than mailing a check, residents seeking a refund had to bring their paid tax receipts to city hall, a method which is not equitable to all residents. As of June 2000, the city had only returned about \$20,000.

YELLOW SHEET

### **One employee records, stores, prints and signs checks**

To safeguard against possible loss or misuse of funds, the city needs to segregate the duties of printing and signing checks from recording check information into the computer. One employee is responsible for all of these duties. In addition, there is no written policy for issuing manual checks to help prevent unauthorized uses.

### **Some city officials reimbursed for travel expenses above allowance**

The city reimbursed several individuals for meals and other costs in addition to the \$50 per diem payment for travel-related expenditures. In one case, the city paid a hotel bill for a trip that included a \$40 room service charge, even though the city had already reimbursed \$350 to the individual for the same trip.

### **Officials do not pay for personal cellular phone calls**

The city does not have a formal written policy on cellular phones and does not require officials to pay for personal calls. City officials said the cellular phones are used for both personal and business use, with all costs paid by the city. During one month, a city council member incurred 1,433 minutes in excess of the free minutes provided by the monthly service plan.

### **Social Security withholdings not reported**

The city did not report city employee wages and withholdings for 1997 and 1998 to the Social Security Administration. The city had corrected the 1998 omission, but had not corrected the 1997 omission.

### **Municipal court bonds not regularly deposited, arrest warrants not timely activated**

Receipts are not transmitted to the city or deposited in the bond bank account on a timely basis, open items are not properly accounted for, the checking account is not reconciled to the court records, and some bond account checks are signed in advance. The court had not properly disposed of some bonds, recorded the disposition of numerous cases on the computer system or activated arrest warrants in a timely manner.

CITY OF BERKELEY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Roger B. Wilson  
Governor of Missouri  
and  
To the Honorable Mayor  
and  
Members of the City Council  
City of Berkeley  
Berkeley, Missouri 63134

By his authority under Section 26.060, RSMo, former Governor Carnahan requested the State Auditor's Office perform an audit of the city of Berkeley in March 2000. In response to this request, the Missouri State Auditor's Office conducted an audit of the city. Our audit of the city included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

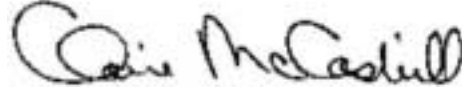
1. Review the city's overall financial records and accounting procedures.
2. Perform procedures we deemed necessary to evaluate citizens' concerns.
3. Review certain internal control procedures, legal compliance issues, and management practices to determine the efficiency and effectiveness of those procedures and practices.

Our audit was made in accordance with applicable generally accepted governmental auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed council minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Berkeley, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 3, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                   |
|---------------------|-------------------|
| Director of Audits: | Karen Laves, CPA  |
| Audit Manager:      | Mark Ruether, CPA |
| In-Charge Auditor:  | Douglas E. Brewer |
| Audit Staff:        | B. Simpson        |

## EXECUTIVE SUMMARY

## CITY OF BERKELEY, MISSOURI EXECUTIVE SUMMARY

The city of Berkeley has an annual operating budget of approximately \$10 million and pension fund assets of almost \$13 million. For the past four fiscal years, the city of Berkeley's accounting records have not been accurately maintained and procedures and controls have been inadequate. The city's CPA firm began disclosing significant problems in the city's accounting system in the audit for the year ended June 30, 1997. For the year ended June 30, 1998, the city's CPA firm was unable to express an opinion on the city's financial statements and issued a management letter with 41 recommendations regarding significant deficiencies in the city's accounting controls and procedures. The city's CPA firm has not yet completed an audit for the year ended June 30, 1999. On March 16, 2000, former Governor Carnahan requested the State Auditor to perform an audit of the city.

The city's general ledger, which is a record of all city financial transactions, has not been accurately maintained, and the city has not performed bank reconciliations of its primary bank account. The city has paid more than \$134,000 to its CPA firm for the fiscal year 1999 audit, including a significant amount of work to perform the bank reconciliations, make corrections to the general ledger, re-compute the city's property tax rates, and train new city employees. As a result of the poor financial records, the City Council has not received periodic financial information to monitor the financial condition of the city.

The city maintains a Pension Fund for its police and firefighters. Actuarial studies, which are necessary to determine the long-term financial condition of the Pension Fund, have not been performed since 1996. The city has not maintained sufficient records of pension revenues, expenditures, and balances, and has not been transferring the required amount of property taxes and employee contributions to the pension investment management account on a timely basis.

From 1997 to 1999, the city levied approximately \$575,000 more in debt service property taxes than allowed. In April 2000, the City Council decided to remedy this by making refunds to city taxpayers who brought paid tax receipts to city hall. As of June 30, 2000, the city had refunded only approximately \$20,000, and has taken little additional action to get the refunds to all applicable taxpayers.

The City Council does not exercise adequate control over expenditures. Some expenditures in the areas of travel, cellular phone, and credit card expenditures were not adequately documented or reviewed, and the city did not report Social Security taxes for 1997 and 1998 to the Social Security Administration. In addition, accounting records and controls for the municipal court need improvement.

While improvements in the city's overall accounting records and procedures for the year ended June 30, 2000 have begun, significant improvements are still needed.

The city has experienced significant turnover and vacancies in key personnel, including the positions of City Manager and Finance Director. For much of the time period from 1995 to 1998, the position of City Manager was vacant. The City Council appointed a new City Manager

in September 1998, but because of a dispute over the legality of the appointment, the City Manager was not allowed to assume his duties until May 1999. The position of Finance Director was also vacant for much of 1998 and 1999. The city had an acting Finance Director from December 1999 to August 2000, when a permanent Finance Director was hired. This turnover in personnel, along with disputes within the City Council and a lack of cooperation or communication between the city and the Pension Board, have contributed to the city's current problems.

The city could resolve some of these problems by implementing the State Auditor's recommendations contained in this report. However, the City Council, Pension Board, and city management employees must learn to work together effectively. The city must evaluate management practices to more efficiently use the resources available to the city and ensure an effective system of accounting and administrative controls is in place.

## CITY OF BERKELEY, MISSOURI HISTORY AND ORGANIZATION

The city of Berkeley is located in north St. Louis County with Lambert-St. Louis International Airport on the western border. It was incorporated as a Council-Manager form of government in 1937. The population of the city in 1990 was 12,250.

The city government consists of a mayor and six-member City Council. The mayor and one other Council member are elected at-large; the other five are representatives elected from each ward. All are elected for four-year terms. The Mayor, City Council, and other principal officials at June 30, 2000 were:

| <u>Elected Officials</u>                  | <u>Term Expires</u> | Compensation<br>for the<br>Year Ended<br><u>June 30, 2000</u> |
|---|---------------------|---|
| Babatunde Deinbo, Mayor (1)               | April 2004          | \$ 2,100  |
| Kenneth McClendon, Councilman-at-large    | April 2002          | 2,100   |
| Louis Bowser, Ward One Councilman         | April 2002          | 2,100   |
| Nina Schaefer, Ward Two Councilwoman      | April 2004          | 2,100   |
| Aloha Keeley, Ward Three Councilwoman     | April 2002          | 2,100   |
| Louvenia Mathison, Ward Four Councilwoman | April 2004          | 2,100   |
| VACANT, Ward Five Councilman(2)           |                     |   |

| <u>Other Principal Officials</u>               | Compensation<br>for the<br>Year Ended<br><u>June 30, 2000</u> |
|--|---|
| Karl J. Reid, City Manager/Chief of Police (3) | \$ 66,725   |
| Jean Holmes, Acting Finance Director (4)       | 39,051  |
| Sarita Kimble, Acting City Clerk (5)           | 26,884  |
| George Staton, Human Resource Manager (6)      | 38,061  |
| Donnell Smith, City Attorney                   | 30,000  |
| Renee' Hardin-Tammons, Municipal Judge (7)     | 14,510  |
| Felicia Ezell-Flewellen, Prosecuting Attorney  | 14,807  |
| Diane Downey, Court Clerk                      | 32,679  |

- (1) Theodore Hoskins was removed from office in June 1999. Kenneth McClendon, Councilman-at-large, served as Acting Mayor until Babatunde Deinbo was elected in April 2000.
- (2) Jean Montgomery won a special election in September 2000 to fill this position. Babatunde Deinbo held this position until he was elected Mayor in April 2000.

- (3) No additional compensation was paid to Karl Reid for serving as Chief of Police. Gertrude Bogan was appointed Chief of Police in August 2000.
- (4) Phyllis Mitchell served as Finance Director until December 1999. Della Ellis was appointed Finance Director in August 2000.
- (5) Doris Jackson served as City Clerk until March 2000.
- (6) Resigned on July 3, 2000, and the position remains vacant.
- (7) Timothy Devereaux served as Municipal Judge until August 1999.

As of June 30, 2000, the city of Berkeley employed 136 full-time employees.

Assessed valuation and tax rate information for tax year 1999 are as follows:

#### ASSESSED VALUATION

|                   |                      |
|-------------------|----------------------|
| Real estate       | \$113,831,438        |
| Personal property | <u>\$ 52,777,880</u> |
| Total             | <u>\$166,609,318</u> |

#### TAX RATE PER \$100 ASSESSED VALUATION

|                      |               |
|----------------------|---------------|
| General Revenue Fund | \$ .69 *      |
| Debt Service Fund    | .36 **        |
| Pension Fund         | <u>.09</u>    |
| Total                | <u>\$1.14</u> |

\* Of the \$.69 General Fund levy, the city uses \$.21 for the Park Fund and \$.03 for the Revolving Equipment Replacement Fund.

\*\* The city levied \$.36; however, the State Auditor's Office certified a tax rate ceiling of \$.24.

The city also has the following sales taxes; rates are per \$1 of retail sales:

|                      | <u>Rate</u> | <u>Expiration<br/>Date</u> |
|----------------------|-------------|----------------------------|
| General              | \$ .01      | None                       |
| Capital improvements | .005        | None                       |

## HISTORY AND ORGANIZATION



## MANAGEMENT ADVISORY REPORT

CITY OF BERKELEY, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |  |
|-----------|--|
| <b>1.</b> | <b>Overall Accounting Records and Procedures</b> |
|-----------|--|

The adequacy of the city's financial accounting records and procedures has severely declined over the past four fiscal years. The city's CPA firm began disclosing significant financial reporting deficiencies for the year ended June 30, 1997, and could not conclude the city's financial statements for the year ended June 30, 1998, were fairly presented due to the city's poor records and procedures. The CPA firm has not yet completed audit work for the year ended June 30, 1999. Our review of the city's overall accounting records and procedures noted the following concerns:

- A. The city maintains a general ledger to account for revenues, expenditures, and balances for each city fund. The city has not been accurately recording accounting entries from the daily receipt listings and check registers to the general ledger and therefore, the general ledger is not accurate. As a result, the city's CPA firm has proposed numerous general ledger corrections for the years ended June 30, 1999 and 1998. In addition, the city's CPA firm noted that copies of the general ledger were not always printed.

Reconciling the general ledger to other accounting records helps ensure all transactions are accurately recorded and helps ensure the city's revenues, expenditures, and balances are fairly stated. At least monthly, the city should ensure that city receipt listings and check registers agree to the general ledger. In addition, fund balances should be reconciled to bank balances, to ensure monies are properly recorded and handled. The ledger should be printed at least monthly, and retained with documentation of the reconciliations.

- B. Bank reconciliations have not been performed on a regular basis. The city's CPA firm reconciled the city's bank accounts at June 30, 1999, because no reconciliations had been performed by the city. As of June 30, 2000, the city Finance Department had reconciled seven of the nine city bank accounts but had not yet reconciled the general fund account, which is the largest city account. In addition, audit adjustments for the year ended June 30, 1999, have not been recorded on the general ledger. Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis.
- C. Monthly financial activity reports are not submitted to the City Council. Article III, Section 3 of the City Charter requires the City Manager to keep the City Council fully advised on the financial condition of the city. The city should provide accurate monthly financial summaries to the City Council to ensure the City Council properly monitors the financial condition of the city.

- D. As noted above, the city's CPA firm has not yet issued an audit report for the year ended June 30, 1999, and no audit has yet been performed for the year ended June 30, 2000. The city paid the CPA firm \$134,464 during the year June 30, 2000. The CPA firm performed significant accounting and reconciling procedures for the city, including performing bank reconciliations for the city's bank accounts as noted above. The CPA firm apparently spent a significant amount of time training new city employees because of turnover in the city's accounting personnel, and re-computing the city's debt service tax rates (See MAR No. 3).

Beginning in December 1999, the city has paid \$11,741 to another CPA to perform accounting services on a part-time basis. Her main duties were to help with the bank reconciliations and prepare an open-items list for the court bond account. The city has just contracted with this CPA to perform additional services for the city from October 1 to December 31, 2000, for a fee of \$7,500.

In March 2000, the city's Police and Fireman's Pension Board engaged a CPA firm to perform an audit of the city's Pension Fund for the years ended June 30, 1996 through 1999, and the CPA firm started audit fieldwork in July 2000. The audit fees will be \$90 per hour for professional staff and \$50 per hour for clerical support staff. Although the audit is in progress the total cost of this audit has not yet been estimated. Even though the city's annual CPA audits for 1996, 1997 and 1998 included the Pension Fund, (and the 1999 audit will include the Pension Fund) the Pension Board is paying to have these years audited again. The Board indicated the audit was needed due to the city's inadequate financial records of the Pension Fund (see Management Advisory Report No. 2) and the lack of timely audits performed on the city's financial statements.

The city should ensure its financial and accounting records are up-to-date to reduce the audit costs and ensure timely audits. The City Council and the Pension Board should work together to ensure audits of the Pension Fund are done on a timely basis and to avoid duplicate or unnecessary audit expenses. The city has used the same CPA auditing firm for more than 10 years and has not periodically solicited proposals for auditing services. The city should periodically solicit proposals for auditing services to ensure it receives the best value.

**WE RECOMMEND** the City Council:

- A. Ensure the city's general ledger is accurately maintained, reconciled to applicable accounting records, printed, and permanent copies retained.
- B. Ensure accurate bank reconciliations are prepared monthly for all city accounts.
- C. Ensure monthly financial reports are prepared for the Council to review and monitor the financial condition of the city.

- D. Ensure all accounting records, including bank reconciliations, are kept up-to date to help reduce audit costs, and work with the Pension Board to ensure the city does not incur any duplicate or unnecessary audit costs. In addition, the council should periodically solicit proposals for auditing services.

### **AUDITEE'S RESPONSE**

- A. *Implemented. Financial reports were printed in consolidation form for the period 07/01/99-06/30/00 and are filed. Monthly financial reports were printed for periods 07/00, 08/00 and 09/00. The finance department is currently in the process of reconciling each month's activity and verifying the accuracy of the information.*
- B. *Implemented/In process. Reconciliation of the general fund account is still in process, and we estimate approximately two months until completion. All other bank accounts have been reconciled through 08/30/00.*
- C. *Will implement. The City Council currently receives monthly revenue reports. Expenditure and fund balance reports are in process.*
- D. *Will implement. We are currently in the process of hiring additional staff and preparing policies and standard operating procedure manuals for the finance department. We have implemented new revenue collection and purchasing procedures.*

*The Finance Director is actively involved with the Pension Board. There is better communication and we are currently reviewing policies and procedures for necessary changes to ensure proper approval process and accountability.*

*The city has prepared a request for proposal and is ready to proceed with solicitations for audit services.*

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| <b>2. Police and Fire Pension Fund</b> |
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The city has established a Pension Fund for police and fire employees. A separate Pension Board, comprised of a current police employee, a current fire employee, a member of the City Council, the City Manager, and two citizen representatives, oversees the operations of the Pension Fund. The Pension Board is responsible for investing the Pension Fund assets and approving disbursements from the fund. The City Finance Director serves as treasurer of the Pension Board. Our review of the Pension Fund and Pension Board noted the following concerns:

- A. The Pension Board has not obtained an actuarial report on the Pension Fund since June 30, 1996. An actuarial report assesses the solvency of the Pension Fund and helps determine whether the city is properly funding the Pension Fund. An actuary was hired to prepare a report for the two years ended June 30, 1998; however, a

formal actuarial report was never issued. The Pension Board has hired another firm to complete actuarial reports for the years ended June 30, 2000 and 1999. The firm has not yet completed the reports because the firm has not received some necessary information from the city.

Section 200.170 of the City Municipal Code requires the Pension Board to retain a competent actuary on an annual basis. Without annual actuarial reports, the board cannot determine the long-term financial condition of the Pension Fund and cannot make sound decisions concerning the operations of the fund. The Pension Board and city officials should work with the actuary to ensure the fiscal year 1999 report can be prepared immediately and that future actuarial reports are prepared on a timely basis.

- B. The city has not maintained accurate and complete records of financial transactions of the Pension Fund. For the last three fiscal years, the city has not adequately recorded Pension Fund transactions to the general ledger nor maintained cash and investment balances for the Pension Fund.

A portion of the city's property tax levy is earmarked for the Pension Fund. In addition to property taxes, Pension Fund revenues consist of employee contributions and investment income. In May 2000, the city Finance Department recorded property tax revenues and employee contributions to the Pension Fund for the first 10 months of the year ended June 30, 2000, and subsequently transferred this amount to the pension investment management account. No investment income has been recorded on the general ledger for the year ended June 30, 2000.

The city relied on their CPA firm to calculate the amounts of property taxes and employee contributions to be transferred from the General Fund to the Pension Fund for the years ended June 30, 1999 and 1998. At June 30, 1998, the CPA's calculations indicated the city owed \$160,223 from the General Fund to the Pension Fund. During fiscal year 1999, the city made two large transfers to the Pension Fund and had overpaid the Pension Fund by \$29,300. Therefore, the city should offset future pension fund transfers by this amount.

The city has a fiduciary responsibility to ensure all Pension Fund revenues are recorded and all pension monies are transferred to the investment management account on a timely basis. The city should ensure all Pension Fund transactions are recorded at least monthly to the general ledger, and transferred to the investment management account.

- C. Neither the board nor the city has prepared accurate, up-to-date statements of contributions and balances for all employees contributing to the Pension Fund.

When an employee leaves employment with the city, all employee contributions to the Pension Fund are refunded to the employee. Therefore, it is important for the city to have up-to-date information of total contributions for each employee. Monthly

statements of contributions and balances for each employee are also necessary to ensure employee and city records agree and to detect errors in a timely manner. The Finance Department and Pension Board should work together to prepare current statements and ensure the statements are updated monthly and verified for accuracy.

- D. Minutes of Pension Board meetings are not signed. In addition, the board could not locate minutes for several meetings. The Board Chairman indicated that all meetings are recorded on cassette tapes, but some minutes were not typed because the board does not have a secretary. As a result, some minutes were not approved in a timely manner. For example, the board approved the minutes for February 2000 at the May 2000 meeting.

All board minutes should be prepared prior to and approved at the next subsequent board meeting. The minutes should be signed by the preparer, and signed by the Board Chairperson to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken.

- E. Pension Board approval is not documented for some disbursements. In July 1999, a former police department employee was paid approximately \$20,600 from the Pension Fund for benefits due to him. While the board did retain support for the calculation of this amount, board approval of this disbursement was not documented in the board minutes. To help ensure all disbursements are for valid pension-related purposes, board approval should be documented for all disbursement made from the Pension Fund.

- F. Neither the city nor the board maintain adequate supporting documentation for some Pension Fund expenditures, and some expenditures paid from the Pension Fund did not appear to be prudent uses of pension assets. Board members attend various pension-related conferences which are paid from the Pension Fund. Expenses for trips to Las Vegas, Nevada, in February 1999 totaling \$5,942; Lake Ozark, Missouri, in September 1999 totaling \$2,069; and Phoenix, Arizona, in February 2000 totaling \$6,981; were reviewed and the following concerns noted:

- 1) Invoices were not retained for registration, airfare, lodging, or other expenses incurred for some of these trips. Due to inadequate documentation, it was difficult to determine the attendees at these conferences. Original invoices or other supporting documentation is necessary to ensure that disbursements are for legitimate pension-related purposes.
- 2) Pension board members are paid per diems of \$60 per day to cover miscellaneous travel expenses. The board members are not required to document actual expenditures paid from the per diem payments, and these amounts are not included on their W-2 forms. In addition, some board members were reimbursed for miscellaneous travel expenses, such as

gasoline, room service, telephone calls, and photocopies, in addition to the per diem payments.

The Pension Board should adopt travel policies to ensure the city pays for only actual and reasonable travel expenses. If the board continues to provide per diem payments, the city should require the submission of receipts or other documentation to support the actual expenses covered by the per diem payments or include per diem payments as income on applicable W-2 forms.

- 3) It had been a practice of the Pension Board to pay for members' spouses or guests to attend these conferences. The Board Chairman requested the applicable board members to reimburse the pension fund for spouse and guest expenses incurred for the February 2000 trip to Phoenix. In June 2000, the Board Chairman drafted a memo summarizing the total amounts reimbursed for spouse and guest expenses for the Phoenix trip, as well as reimbursements for a hotel overpayment, airline cancellation, and reimbursement of mileage paid to two board members for the same trip. The total reimbursement to the pension fund, according to the memo, was \$1,893; however, only \$1,813 of deposits (a difference of \$80) could be traced to the pension account bank statements.

The board should adopt a formal policy regarding allowable expenses to be reimbursed. In addition, the records should be carefully reviewed to ensure all reimbursements received are deposited.

- 4) The Pension Board authorized the transfer of \$2,823 from the pension investment account to the city's checking account in September 1999, to pay for board travel expenses for the conference in Lake Ozark. City records show that only \$2,069 was actually spent for this conference, but there was no record that the difference (\$754) was transferred back to the pension investment account. The city and the Pension Board should follow up on this matter and determine whether the \$754 should be transferred back to the pension investment account or city expenditures records are in error.
- 5) Disbursements for the trip to Phoenix were made by the Pension Board's investment management bank directly upon the authorization of the Board Chairman. Section 200.420 of the City Municipal Code requires that all disbursements from the Pension Fund be made by checks drawn by the city Finance Director based on vouchers approved by the Pension Board. Because checks were not issued by the Finance Director, the city did not have a record of these payments.

**WE RECOMMEND** the City Council work with the Pension Board to ensure:

- A. Annual actuarial reports are obtained for the Pension Fund.

- B. All Pension Fund transactions are recorded to the general ledger and funds transferred to the pension investment management account in a timely manner.
- C. Accurate monthly statements of employee contributions and balances are prepared.
- D. All Pension Board minutes are prepared, reviewed and approved at the subsequent board meeting, and signed by both the preparer and the Board Chairman.
- E. Approval for all Pension Fund disbursements is documented in the minutes.
- F.1. Invoices or other documentation is maintained to support all expenditures from the Pension Fund.
  - 2. Only actual and necessary travel expenses are reimbursed to board members. If per diem payments continue to be made, the city should require receipts or other documentation for the spending of per diems or include these payments as income on applicable W-2 forms.
  - 3. Adopt a policy regarding allowable expenses to be reimbursed. In addition, the city should ensure all reimbursements for the conference in Phoenix were deposited into the pension bank account.
  - 4. The \$754 difference between the amount transferred to the city checking account and actual conference expenses is investigated and resolved.
  - 5. All Pension Fund disbursements are made by checks drawn by the City Finance Director pursuant to the City Municipal Code.

#### **AUDITEE'S RESPONSE**

- A. *Will implement. The Finance Director did contact the current actuarial firm, Milliman & Robertson, Inc., to assess the status of information needed to complete the actuarial reports for 1999 and 2000. According to the firm, they have completed a report for 1998. The 1999 report is currently in process.*
- B. *Will implement. All tax revenues are recorded to the general ledger each month. Employee contribution transactions are recorded bi-weekly or monthly. Investment activity has been calculated but not entered due to prior period audit adjustments due to the Pension Fund.*

*Property tax calculations are done via spreadsheet every month before entering into the general ledger. The city is scheduled to make another property tax contribution totaling \$32,333.33 to the pension investment account in October 2000. Future transfers will be made on a monthly basis.*



*The Pension Fund overpayment will be verified and accounted for in future Pension Fund transfers.*

- C. Will implement. This function will be implemented by the Finance Department upon completion of the Pension Fund audit.*
- D. Will implement. As communication gaps are eliminated among the Pension Board, City Administration and City Council, policies and procedures will be reviewed and changed where necessary to ensure compliance with all Pension Board rules and regulations. Additional rules and regulations will also undergo review to ensure compliance with federal, state and local Pension Board laws.*
- E. Will implement. Policies and procedures will be reviewed and changes implemented where needed. The Finance Director will also ensure proper approval and adequate documentation is obtained prior to issuing disbursements from the Pension Fund. Part of new purchasing procedures in the Finance Department require each department to obtain prior approval of charges from the department head which then must have city manager approval before incurring any liabilities. Purchase orders, contracts, etc. are then issued and vouchers are completed, which must also have the department head and City Manager approval prior to payment of invoices.*

*A similar process will be reviewed and implemented for disbursements from the Pension Fund.*

- F.1. Will implement. See comments above for part E.*
- 2. Will implement. Travel policies do exist for regular city travel. These policies will be reviewed and updated and extended to travel procedures for the Pension Fund as well.*
- 3. Will implement. See comment above for travel policies. The Finance Department will investigate reimbursement for the Phoenix conference to verify if all deposits were made into the pension bank account.*
- 4. Will investigate and present findings to Pension Board for resolution if needed.*
- 5. Will implement. The Finance Director will review the number of authorized signatories with the investment manager and discuss/implement changes necessary to ensure limited authorization to pension funds.*

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| <b>3. Debt Service Property Tax Levy</b> |
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The city levies a debt service property tax to pay off the city's general obligation bonds. The State Auditor's Office is required to review all local government property tax rates to determine whether the tax rates have been set in accordance with state law. For tax years

1999 and 1998, the city provided insufficient data to the State Auditor's Office of its debt service calculations, and therefore, the State Auditor's Office could not certify these tax levies. The State Auditor's Office certified the 1997 debt service levy as \$0.33 per \$100 assessed valuation, but this levy was calculated based on inaccurate data submitted by the city. With the help of the city's CPA firm, new calculations of the debt service levy were made and submitted to the State Auditor's Office for tax years 1999, 1998 and 1997, as follows:

| Tax<br>Year | Allowable Rate<br>per \$100 of<br><u>Assessed Valuation</u> | Actual Rate Levied<br>per \$100 of<br><u>Assessed Valuation</u> |
|-------------|---|---|
| 1999        | \$ 0.24   | \$ 0.36   |
| 1998        | 0.25  | 0.36  |
| 1997        | 0.25  | 0.36  |

As a result of these errors, the city overcharged taxpayers approximately \$575,000 during this three-year period. In April 2000, the City Council decided to make refunds of overpayments for the 1999, 1998, and 1997 debt service taxes. Because the St. Louis County Collector collects property taxes for the city, the city requested the collector's office to assist in calculating the amounts to be refunded. The collector's office provided the city a list of all real and personal property tax overcharges for these three years, which is more than the actual amounts overpaid because some charged taxes are never collected. The city calculated the amounts to be refunded for railroad and utility taxes.

On April 17, 2000, the city posted a notice in the newspaper to instruct taxpayers to claim their tax refunds at city hall. To receive a refund, the taxpayers were required to bring copies of their paid tax receipts. At June 30, 2000, the city had made approximately 520 tax refunds totaling only \$20,310.

By requiring taxpayers to come to city hall and claim their refunds, substantial amounts of tax refunds may remain unclaimed. To ensure equitable treatment of all taxpayers, the city needs to make an effort to locate all taxpayers who are due a refund. The city should request the St. Louis County Collector to provide a list of all taxpayers who overpaid. The city should consider obtaining current addresses of the taxpayers and mail refund checks to all applicable taxpayers. In addition, since the balance of the city's Debt Service Fund is needed to calculate future debt service tax rates, the city should transfer the total amount of the calculated refunds from the Debt Service Fund to an escrow account, and all refunds should be made from the escrow account.

**WE RECOMMEND** the City Council ensure future debt service tax rates are properly calculated and adequate supporting documentation of the calculations is sent to the State Auditor's Office. In addition, the city should transfer the remaining amount of the calculated tax refunds into an escrow account and issue tax refund checks from the escrow account to all taxpayers who are due a refund.

## **AUDITEE'S RESPONSE**

*The current year tax calculations have been submitted to the State Auditor's Office and certification notice was received by the city indicating the tax rate ceiling calculations were certified. This information was also forwarded to the St. Louis County Collector's Office.*

*The city will address transferring the remaining funds into an escrow account and pursue other avenues to refund more of these tax dollars. The city will target businesses to refund taxes and discuss other alternatives for retrieving tax payment information from the St. Louis County Collector's Office.*

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| <b>4. Receipt and Disbursement Procedures</b> |
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- A. The duties of entering check information into the computer system, printing checks, and signing checks with a check signing machine are not segregated. The Accounts Payable Clerk performs all of these duties. In addition, the Accounts Payable Clerk has possession of all blank checks.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. To achieve this, the duties of entering check information into the computer should be segregated from printing and signing the checks.

- B. When checks are processed, the Accounts Payable Clerk generates an accounts payable check register; however, the check register is not a complete and accurate listing of checks issued by the city. We compared the check register to the city's general ledger for the month of July 1999, and noted that only 278 checks were listed on the check register while approximately 380 checks were issued during this time period. Two checks were recorded as void in the city's general ledger, yet no similar void entries were made in the accounts payable check register. In addition, several checks were issued out of sequential order.

The accounts payable check register should be a complete listing of all checks issued in numerical order. This would help ensure that all checks are properly accounted for and are recorded on the general ledger. In addition, checks should be issued in numerical sequence.

- C. The city has no written procedures for writing and processing manual checks. Currently, manual checks are issued when payroll adjustments are necessary or in situations when the city determines monies are needed immediately. We reviewed ten manual checks and noted that supporting documentation for one manual check did not contain the proper authorized signature. In addition, our review noted a manual check, dated August 4, 1999 in the amount of \$3,245, was not recorded on

the city's general ledger. Lack of internal controls over manual checks could allow unauthorized use and errors or irregularities to occur or go undetected.

- D. The city requires all disbursements to be made pursuant to a disbursement order or purchase order. Supporting documentation, such as vendor invoices, must be attached to the order, and the Finance Director and City Manager must sign the order before disbursement is made. Of 42 disbursements reviewed, six payments (14 percent) were processed without the proper authorized signatures. To ensure all obligations were actually incurred and are reasonable, all disbursement orders and purchase orders should indicate approval by the appropriate individuals.
- E. There is a lack of segregation of duties in the city's Finance Department. City receipts are recorded by city employees into a centralized computerized cash register. In September 1999, the city hired a cashier who is responsible for counting monies, reconciling composition of receipts to cash register reports, recording receipts to the city's records, and preparing the city's deposits. The cashier also records correcting entries to the city's records when necessary.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. This could be achieved by segregating the cash receipting and depositing duties from the duties of posting to the city's accounting records. In addition, someone independent of the receipting and posting duties should perform the bank reconciliations and reconcile receipts to bank deposits.

**WE RECOMMEND** the City Council:

- A. Adequately segregate the duties of entering check information into the computer from printing and signing the checks.
- B. Ensure all checks are recorded on the accounts payable check register and reconciled to the city's general ledger each time checks are processed. In addition, checks should be issued in numerical sequence.
- C. Develop a formal written policy regarding the writing and processing of manual checks and ensure all manual checks are posted to the general ledger.
- D. Ensure all disbursement orders and purchase orders contain the proper authorized signatures.
- E. Segregate the duties of cash receipting and depositing from the duties of recording receipts to the city's accounting records. In addition, someone independent of the receipting and recording duties should perform the bank reconciliations and reconcile receipts to bank deposits.

## **AUDITEE'S RESPONSE**

- A. *Implemented. Two individuals currently perform the accounts payable function. Invoices received are logged daily and vouchers are prepared in finance. Invoices must have an approved purchase order, contract, etc. and proper receipt documentation before processing a voucher can take place. Once vouchers are prepared, they are sent to department heads for approval and then to the Finance Director and City Manager for final approval.*

*Once this process is complete, the second individual, who inputs the information into the computer system and prints the checks, then enters the approved vouchers. Checks are reviewed by the Finance Manager and given back to the second accounts payable individual for mailing. The Finance Manager also maintains a log of all blank checks that includes the check series numbers and the date each batch is used along with the name of the individual requesting the check(s).*

- B. *In process. When checks are printed, the information is automatically updated to the general ledger system. Cash disbursement journals are printed and filed for reconciliation to the check register that is printed at the end of the month.*

*The Finance Manager maintains a list of check numbers printed during each check run to ensure sequential check processing.*

- C. *In process. Policies and Standard Operating Procedures are currently in development. Once completed a thorough review will be performed with all members of the Finance Department.*

- D. *Implemented. See comments provided above for part A. A current list of authorized signatures is on file in the Finance Department.*

- E. *Will implement. The Finance Department is currently seeking a revenue clerk whose primary duties will be receipting all city revenue. This position will act under an Accountant Analyst who will verify daily revenue reports and bank reconciliations each month.*

|                        |
|------------------------|
| <b>5. Expenditures</b> |
|------------------------|

- A. The City Manager, Mayor, and members of the City Council attend in-state as well as out-of-state conferences. The city has a policy which states the city will reimburse costs for travel, lodging, registration, parking fees, and official long distance phone calls, and pays a per diem of \$50 per day to cover meals and other travel-related expenses. For the year ended June 30, 2000, the city made approximately \$3,200 in per diem payments. The employees and officials are not required to submit receipts or other documentation to support the spending of these per diem payments nor does the city include these payments on their W-2 forms.

There were numerous instances of the city reimbursing individuals for meals and other costs in addition to paying per diems. For example, the city paid a city council member's hotel bill for a trip to Los Angeles, California, which included room service charges of \$40. The city had also paid per diems totaling \$350 to this council member for this trip.

The city should review its travel policies and ensure the city pays for only actual and reasonable travel expenses. If the city continues to provide per diem payments, the city should require the submission of receipts or other documentation to support the actual expenses covered by the per diem payments or include per diem payments as income on the employees' and officials' W-2 forms.

- B. The city does not have a formal written policy for the usage of cellular telephones and radios. During the year ended June 30, 2000, the city spent \$23,057 on cellular services for seven cellular telephones, 19 cellular telephones which additionally function as two-way radios, and four cellular two-way radios. These phones and radios are assigned to department heads, council members, police officers, and city street employees. The city pays for monthly service plans ranging from \$40 to \$59 per month, which includes 250 free minutes for each phone and a pool of 250 minutes for all radios.

Several city officials and employees regularly incurred airtime in addition to the free minutes provided by the monthly service plans. The city's cellular service invoice for May 2000 included \$606 in total additional airtime. The largest individual charge, \$315, was incurred by a council member who incurred 1,433 minutes in excess of free airtime minutes. The next largest charge, \$170, was also for a council member who incurred 774 minutes in excess of free airtime minutes. City officials indicated that the cellular phones incur both city and personal usage; however, the city does not require employees or officials to reimburse the city for personal calls.

The city should develop policies and procedures for cellular phone and radio usage and review which employees and officials require a phone or radio. In addition, the city should monitor cellular usage to ensure all costs are related to city business and require reimbursement for any personal usage costs.

**WE RECOMMEND** the City Council:

- A. Review its travel policies and ensure only actual and necessary travel expenses are incurred. If the city continues to make per diem payments, the city should require receipts or other documentation to support the spending of per diems or include these payments as income on applicable W-2 forms.
- B. Establish a policy for cellular telephone and radio usage stating the individuals authorized to be assigned a phone or radio, and allowable use of the phones and radios. All billings should be reviewed for reasonableness and the city should ensure

cellular phones and radios are used for city business only or require reimbursement for personal usage.

**AUDITEE'S RESPONSE**

- A. *The Berkeley City Council implemented bill number 3345 which became ordinance number 3287 detailing travel and expense policies. The council will reinforce this policy with the City Manager and Finance Department to ensure adherence to the travel policy.*

*The city of Berkeley is willing to amend its policy regarding the per diem limit and documentation requirements.*

*The Finance Department will implement better accounting procedures to review and ensure proper documentation is submitted before payment of travel related expenses.*

- B. *Will implement. The city of Berkeley is in the process of adopting an official cellular telephone use policy. The city will identify all necessary users and keep an inventory of assigned telephones. The policy will place emphasis on usage restriction, specifying business use only. The policy will also detail requirements for all city personnel and/or council members to pay for personal usage.*

*The Finance Department is currently in the process of analyzing cellular phone usage incurred throughout the fiscal period ending 06/30/00. At its conclusion, each city employee and/or council member will be required to submit a statement of business use/personal use. ALL PERSONAL USE CHARGES will be billed to said employee and/or council member.*

*This practice has been performed on an inconsistent basis over the fiscal period ending 06/30/00. This practice will be implemented and performed on a monthly basis to ensure timely billing and receipt of any personal use charges.*

**6.**

**City Credit Cards**

- A. The city spent approximately \$80,000 on fuel for city vehicles during the year ended June 30, 2000. The city uses fuel credit cards, and a separate card is assigned to each of the city's 83 vehicles. City employees must enter a personal identification number (PIN) and the vehicle odometer reading into the computer at the fueling station when using the card. The city employee is then responsible for submitting all fuel credit slips to the city's Purchasing Clerk. While a detailed report of all fuel card transactions is sent to the city monthly, the city does not reconcile these reports to the credit slips or review the reports for reasonableness.

Several fuel credit slips for the month of March 2000 were missing, and numerous odometer readings recorded at the time of purchase were not valid. This information helps the city to monitor the reasonableness of fuel purchases.

- B. The city has 15 credit cards from various stores for purchasing supplies. These cards are held by the City Manager; Purchasing Clerk; and Fire, Police, and Street Departments. Three laser-jet printers, a fax machine, and a refrigerator were purchased with the credit cards without maintaining any bid documentation. City policy requires the solicitation of at least three oral bids for items costing more than \$400. The city should ensure that all credit card purchases comply with its bidding policies.
- C. The city has eight Visa credit cards that are primarily used by the City Manager, Mayor, and City Council for lodging and travel expenses. Supporting documentation such as invoices and credit card slips, was not maintained for several credit card payments. In one case, the city made a payment of \$3,044 in January 2000 for the balance of a credit card statement, but no invoices or credit card slips were attached to the statement. At our request, the city obtained the supporting invoices, and these expenses comprised of lodging for a trip to Los Angeles, California, by the Mayor and certain council members.

The city has not adopted formal policies and procedures for the use of city credit cards. Such policies and procedures, such as a policy prohibiting the personal use of city credit cards, are necessary to help ensure city credit cards are used only for city business. In addition, the city should carefully evaluate the need for each credit card.

**WE RECOMMEND** the City Council evaluate the need for each city credit card and cancel any cards which are determined unnecessary. Formal policies and procedures should be adopted for credit card use, including policies which prohibit the personal use of city credit cards, require all credit slips be submitted prior to payment of credit card invoices, and require credit card purchases to comply with city bidding policies. The policy for fuel credit cards should include a requirement that valid odometer readings be entered for all fuel credit purchases and fuel invoices be reviewed for reasonableness.

### **AUDITEE'S RESPONSE**

*Will implement. The City Manager and City Council will review all credit cards to determine their necessity and if cancellation(s) is/are warranted.*

*Formal credit card use policies will be implemented and provide for proper authorization, usage, and incorporate spending limits. The policies will also include support documentation requirements.*

*A review of city bidding policies will be monitored on a regular basis to ensure compliance. Currently, oral bids are obtained when using the credit cards.*

*Monthly fuel reports are currently reviewed for reasonableness and reconciled to the credit card slips. The City Purchasing Agent is currently performing this function each month. If credit card slips are missing, a memo is forwarded to each department head notifying them of the missing slip(s)*



*and giving them two business days to turn the slips in. If slips are not turned in within the time allotted, possible reprimand and/or suspension of gas service will occur. This function will be assumed by the City Accountant.*

|  |
|--|
| <b>7. Payroll and Related Procedures</b> |
|--|

The city's payroll was processed by city employees until September 1999, when the city contracted with a local company to process its payroll. During our review, we noted the following concerns relating to payroll:

- A. While it appears the city has properly withheld and remitted Social Security taxes for city employees, the city did not submit copies of employee W-2 forms to the Social Security Administration (SSA) for the years ended December 31, 1998 and 1997. As a result, the SSA had no record of city employee or employer social security contributions, totaling approximately \$555,566 and \$562,058, respectively.

The SSA brought the 1998 reporting error to the attention of the city in February 2000, after a city employee noted the SSA had no record of her social security earnings for 1998 or 1997. The city Finance Department submitted copies of city employee W-2 forms to the SSA in July 2000, for 1998; however, the city has not submitted copies of employee W-2 forms for 1997.

The city believes that changes in personnel may have caused the 1998 and 1997 reporting omissions. For 1999, the city's payroll company sent the required information to the SSA.

The city should immediately send copies of 1997 W-2 forms to the SSA and work with the SSA to ensure all city employees' social security records are properly updated for 1997 and 1998.

- B. The city did not issue any Forms 1099-Miscellaneous for the year ended December 31, 1999. Forms 1099-Miscellaneous were issued for prior years and city officials indicate this was just an oversight for 1999. Sections 6041 through 6051 of the Internal Revenue Code require non-employee compensation of at least \$600 in one year, to an individual or unincorporated business, to be reported to the Federal government.
- C. The city did not perform a formal selection process for payroll processing services or perform an analysis of the costs and benefits of outsourcing these services. Total payments of \$22,440 were made to the company during the year ended June 30, 2000. Also, the city continues to employ a full-time payroll clerk who had previously performed most of the payroll processing duties.

The city should perform a formal study to compare the costs and benefits of performing payroll processing services with city employees and city equipment verses contracting with a vendor to perform these services. If the city determines that it is beneficial to contract with a vendor to provide these services, the city should procure these services using a formal selection process, including soliciting proposals from various vendors and documenting the reasons for selecting the winning vendor.

**WE RECOMMEND** the City Council:

- A. Work with the SSA to ensure that the 1998 reporting error has been corrected, and correct the 1997 reporting error by sending copies of all W-2 forms to the SSA. In addition, the city should ensure that W-2 forms are properly submitted to the SSA in the future.
- B. Issue Forms 1099-Miscellaneous for the year ended December 31, 1999, and ensure this is done in the future.
- C. Perform a formal cost/benefit study for using city employees and equipment for payroll processing versus contracting with a vendor for these services. If the city decides to continue contracting with a vendor for these services, the vendor should be chosen using a formal selection process in which proposals are solicited from various vendors and the reasons for choosing the winning vendor are documented.

**AUDITEE'S RESPONSE**

- A. *Implemented. The 1998 reporting error has been corrected. Copies of all W-2 forms were restructured to complete the W-3 summary form and information submitted to the Social Security Administration and to the Internal Revenue Service. The 1997 reporting error is in process.*

*B&C. Will implement.*

|                           |
|---------------------------|
| <b>8. Municipal Court</b> |
|---------------------------|

- A. During the year ended June 30, 2000, receipts of approximately \$600,000 were processed by the Municipal Court.

Checks and money orders are not restrictively endorsed upon receipt and receipts are not transmitted to the city treasury on a timely basis. Receipts are transmitted approximately one to three times per week and the endorsement is not applied until after the transmittals are made to the city. The average transmittal during the month of November 1999 was \$10,306.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt and monies should be transmitted daily or when accumulated receipts exceed \$100.

- B.1. Bond receipts are not deposited on a timely basis. Deposits are generally made two or three times per month and average approximately \$3,200. To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
2. Monthly listings of open items (liabilities) are not prepared. Open bonds shown on the bond ledger as of June 30, 2000, totaled \$55,740. However, the reconciled bond checking account balance at June 30, 2000, was only \$50,183. While this difference indicates there could be a shortage of as much as \$5,557 in the bond account, it appears the court may not be properly recording some bond dispositions as they occur.

Monthly open-items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. The court should immediately investigate the difference between open items and the available cash balance and reimburse the account for any shortages.

3. The court does not maintain an accurate ledger balance for the bond checking account. While the general ledger and reconciled bank balance maintained by the City Finance Department was \$50,183 at June 30, 2000, the balance in the Court Clerk's checkbook ledger was only \$8,294. This discrepancy went undetected due to an apparent lack of communication between the court and the city's Finance Department and no reconciliation between the court's and Finance Department's records.

To ensure bonds are properly accounted for, accurate checkbook ledger balances should be recorded and agreed to the reconciled bank balances. The difference between the current checkbook ledger balance and reconciled bank balance should be investigated and resolved.

4. The court does not adequately follow up on old bonds. As of June 30, 2000, the bond ledger included bond receipts totaling \$10,900, which had been held for at least one year, with the oldest bond being held for more than three years.

An attempt should be made to determine the proper disposition of these bonds. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and if monies should be paid over to the city treasury as provided by Section 479.210 RSMo 1994. Those bonds which cannot be forfeited and remain unclaimed for one year after

disposition should be turned over to the state's Unclaimed Property Section in accordance with Section 447.595, RSMo 1994.

5. The bond account requires two signatures for all disbursements. The checks are sometimes signed in advance by the City Manager. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.
- C. The final disposition of each case is manually recorded on the court docket by the Court Clerk and subsequently entered into the court's computer system. The computer tracks payment history as well as amounts due to the court.

There were numerous drawers full of cases for which the final dispositions had not been entered into the computer system. According to the Court Clerk, there were several months in 1998 when she was working alone with no assistant clerks and she has not been able to enter numerous case dispositions into the computer system.

The court allows defendants to make partial payments of fines and court costs. Although the court's computer system tracks payment history as well as amounts owed to the court, the accounts receivable records are not accurate because of the numerous case dispositions which have not been entered into the computer system.

To ensure the court records are accurate and up-to-date, the ultimate disposition of each case should be entered into the court's computer system in a timely manner.

- D. We reviewed four case files which court records indicated warrants had been issued for defendants. However, the police department's computer system did not indicate active warrants for any of these four defendants. According to the court's records, the warrants were issued nearly a month earlier. To ensure all warrants are current, warrants should be activated on a timely basis.

Warrants that remain in the police department's computer system for periods greater than three years are automatically purged, and warrants recalled by the police department are not always recorded on the court's records. Some warrants which were canceled or purged as far back as 1993 are still indicated as active cases in the court's records. To ensure proper disposition of all cases, the police warrant records should be periodically compared to the court's records and differences should be resolved.

**WE RECOMMEND** the Municipal Court:

- A. Restrictively endorse checks and money orders immediately upon receipt and transmit court receipts daily or when accumulated receipts exceed \$100.
- B.1. Deposit bond monies daily or when accumulated receipts exceed \$100.

2. Prepare monthly listings of open items (liabilities) and reconcile the listings to the bond checking account balance. In addition, the court should investigate the difference between the open-items balance and the bond account balance and reimburse the account for any shortages.
  3. Maintain an accurate bond checkbook ledger balance, and investigate the difference between the checkbook ledger and the reconciled bank balance.
  4. Implement adequate procedures to follow up on old outstanding bonds and dispose of them in accordance with state law.
  5. Discontinue the practice of signing bond checks in advance.
- C. Enter the dispositions of all court cases into the computer system on a timely basis.
- D. Work with the police department to ensure warrants are activated in a timely manner and the police and court's warrant records are in agreement.

#### **AUDITEE'S RESPONSE**

- A. *We now endorse checks and money orders immediately upon receipt, and we transmit all receipts to the city daily.*
- B.1. *We intend to work with the Police Chief to ensure bond monies are transmitted to the court daily, to be deposited.*
2. *We agree that monthly listings of open items should be prepared and reconciled to the bond checking account. The city has contracted with a CPA to help resolve the differences noted. Once a correct balance has been determined, the REJIS computer system will aid in maintaining a monthly open items listing.*
  3. *We agree that an accurate ledger balance for the bond checking account should be maintained. The city has contracted with a CPA to help resolve the difference.*
  4. *We will implement this recommendation.*
  5. *The practice of signing checks in advance has been discontinued.*
- C. *The Court Clerk and another city employee have begun entering the final dispositions of those cases which had not previously been entered into the computer system. Currently, all case dispositions are entered into the computer system daily.*
- D. *Warrants are issued by the court and sent to the Police Department for activation. The Court Clerk currently maintains a file of warrants which are pending activation by the Police Department. The Court Clerk will begin following-up on any warrants that are not*

*activated by the Police Department in a timeframe of two weeks to ensure all warrants are activated timely.*

*In addition, REJIS sends a listing of all warrants which will be purged from the computer system. Before warrants are actually purged, cases are docketed for the court's review. When the court decides to purge a warrant rather than reactivate it, the Court Clerk and Police Clerk will work together to ensure warrants are deleted from the computer system so that police and court records agree.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



GRUNDY COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-116  
November 13, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

November 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Our office conducted an audit of the Ex-Officio County Collector, Grundy County, Missouri.**

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State statute requires the state auditor to audit the office of the County Collector after being notified of a vacancy in that office. On August 8, 2000, a vacancy occurred in the office of the Ex-Officio County Collector of Grundy County, Missouri; a successor was appointed effective August 25, 2000.

This audit report includes no findings arising from our audit of the Grundy County Ex-Officio County Collector.

YELLOW SHEET



GRUNDY COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the County Commission  
and  
Ex-Officio County Collector  
Grundy County, Missouri

Section 52.150, RSMo 1994, requires the state auditor to audit the office of the County Collector after being notified of a vacancy in that office. On August 8, 2000, a vacancy occurred in the office of the Ex-Officio County Collector of Grundy County, Missouri; a successor was appointed effective August 25, 2000.

To satisfy our statutory obligation we have audited the operations of the Ex-Officio County Collector of Grundy County, Missouri. The scope of this audit included, but was not necessarily limited to, the period March 1 to August 8, 2000, and the year ended February 29, 2000. In accordance with Section 52.150, RSMo 1994, our responsibilities during this audit were to:

1. Determine the financial condition of the accounts of the office of the Ex-Officio County Collector.
2. Determine the proper compensation that should have been paid to the replaced Ex-Officio County Collector during the past three years and the compensation actually paid during such period.
3. File a report of our findings with the County Commission and the person appointed to fill the vacancy in the office of the Ex-Officio County Collector.

Section 52.150, RSMo 1994, requires the County Commission to accept the state auditor's report and, if necessary, to take certain specific actions if the state auditor finds any monies owing to the county or the past Ex-Officio County Collector.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the Ex-Officio County Collector.

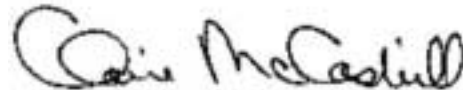
As part of our audit, we assessed the controls of the Ex-Officio County Collector to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of

the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Ex-Officio County Collector and was not subjected to the procedures applied in the audit of that office.

The accompanying Management Advisory Report presents our findings arising from our audit of the Ex-Officio County Collector.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 6, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Regina Pruitt, CPA    |
| Audit Staff:        | Martin Beck           |

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

GRUNDY COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

This report includes no findings arising from our audit of the Ex-Officio County Collector.

This report is intended for the information of the Ex-Officio County Collector and the management of Grundy County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

GRUNDY COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Ex-Officio County Collector and the township collectors bill and collect property taxes for the county and most local governments.

Helen Frisbie served as Ex-Officio County Collector until August 8, 2000. Colleen Kidd was appointed the Grundy County Ex-Officio Collector effective August 25, 2000.

The Ex-Officio County Collector received compensation of \$9,449 for the period April 1 to August 8, 2000. During the years ended March 31, 2000, 1999, and 1998, the Ex-Officio County Collector received compensation of \$26,512 per year. Compensation was in accordance with statutory provisions.

The following schedule reflects amounts from the records of the Ex-Officio County Collector on the modified accrual basis. The schedule does not include any of the operating costs of the Ex-Officio County Collector's office other than commissions retained. Operating costs are paid from the General Revenue Fund of the county.



Appendix

GRUNDY COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR  
SCHEDULE OF REVENUES AND EXPENDITURES

|   | Period<br>March 1 to<br>August 8, 2000 | Year Ended<br>February 29, 2000 |
|---|--|---------------------------------|
| <b>REVENUES</b>                           |  |                                 |
| Property taxes                            | \$ 355,775                             | 5,312,649                       |
| Interest                                  | 1,073                                  | 3,358                           |
| Other                                     | 31,536                                 | 69,432                          |
| Less Provision for Uncollectible Accounts | (190,373)                              | (340,249)                       |
| Total Revenues                            | <u>198,011</u>                         | <u>5,045,190</u>                |
| <b>EXPENDITURES</b>                       |  |                                 |
| State of Missouri                         | 1,388                                  | 24,163                          |
| General Revenue Fund                      | 5,485                                  | 94,313                          |
| Special Road and Bridge Fund              | 138                                    | 29,381                          |
| Townships Road and Bridge                 | 4,896                                  | 146,640                         |
| Assessment Fund                           | 2,616                                  | 53,653                          |
| Health Center Fund                        | 4,268                                  | 118,499                         |
| Senate Bill 40 Board Fund                 | 2,879                                  | 78,200                          |
| School districts                          | 103,258                                | 3,040,740                       |
| North Central Missouri College            | 8,348                                  | 219,951                         |
| Library district                          | 5,352                                  | 155,637                         |
| Nursing home                              | 4,275                                  | 121,160                         |
| Fire protection district                  | 3,188                                  | 105,084                         |
| Townships                                 | 11,351                                 | 283,640                         |
| Township road bond                        | 243                                    | 12,791                          |
| Special road district                     | 493                                    | 8,702                           |
| Cities                                    | 18,634                                 | 446,311                         |
| County Clerk                              | 552                                    | 540                             |
| County Employees' Retirement              | 10,245                                 | 18,827                          |
| Commissions and fees:                     |  |                                 |
| Township Collectors                       | 0                                      | 43,308                          |
| General Revenue Fund                      | 10,404                                 | 43,650                          |
| Total Expenditures                        | <u>198,011</u>                         | <u>5,045,190</u>                |
| REVENUES OVER (UNDER EXPENDITURES)        | <u>\$ 0</u>                            | <u>0</u>                        |



CITY OF LAKE OZARK, MISSOURI

YEAR ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-115  
November 9, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

October 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Lake Ozark, Missouri.**

The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained in some instances. Examples include \$22,655 for a loader lease/purchase, \$35,438 for an excavator lease/purchase, \$1,835 for a postage meter, \$2,996 for police handheld radios, and \$1,325 for utility poles.

Formal bidding procedures provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business.

The board does not review complete listings of all disbursements including the related invoices. Several expenditures were noted which do not appear to be a prudent use of public funds. Supporting documentation was not available for some credit card purchases and reimbursement requests.

Accounting duties are not adequately segregated and improvements are needed in controls over receipts.

The city's board minutes do not include sufficient detail of matters discussed and actions taken. The board minutes did not always include an adequate description of motions made and resolutions passed. The minutes and meeting agendas do not document the specific reasons for going into a closed session. Furthermore, the actions taken by the board in closed meetings are not generally recorded in the regular minutes or otherwise publicly posted.

The city has not performed a formal review of the adequacy of the sewer rates. The city's audited financial statements have shown losses of approximately \$498,000 and \$89,000 in the Sewer Fund during the years ended December 31, 1999 and 1998, respectively.

The city has not entered into formal written agreements for some services, including sewer, legal, accounting, and cleaning services.

(over)

YELLOW SHEET

The city's budgets are not retained with the official minutes and are not signed by the board to denote approval. In addition, budgets prepared by the city did not include some information required by state law, such as budget messages or general budget summaries describing the important features of the budget and major changes from the preceding years.

The city does not maintain complete records to account for all property owned by the city.

As also noted in our prior report for the municipal division, accounting duties are not adequately segregated. Monthly listings of open items are not prepared for the fine account. Procedures are not in place to follow up on old outstanding checks and bonds held by the municipal division. Warrants are not always issued when applicable for nonpayment or failure to appear. Police department employees responsible for collecting bonds are not bonded. Adequate records are not maintained to account for traffic tickets issued and their ultimate disposition.

CITY OF LAKE OZARK, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Lake Ozark  
Lake Ozark, Missouri 65049

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Lake Ozark, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

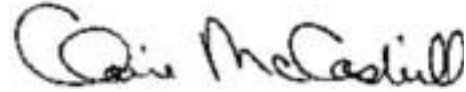
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Lake Ozark, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 8, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                     |
|---------------------|---------------------|
| Director of Audits: | Karen Laves, CPA    |
| Audit Manager:      | David Holtmann, CPA |
| In-Charge Auditors: | Holly Gilstrap, CPA |
|                     | Amy Fast            |
| Audit Staff:        | Ted Fugitt, CPA     |

## HISTORY AND ORGANIZATION



# CITY OF LAKE OZARK, MISSOURI HISTORY AND ORGANIZATION

The city of Lake Ozark is located in Miller and Camden County. The city was incorporated in 1966 as a fourth-class city. The city consolidated with the village of Lake View in November 1998 and the village of Lakeland in May 1999. The population of the city in 1999 was estimated at 1,046.

The city government consists of a mayor and six-member board of aldermen. The six board members are elected for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1999, were:

| <u>Elected Officials</u>    | <u>Term Expires</u> | <u>Actual Compensation for the Year Ended December 31, 1999</u> | <u>Bond Amount</u> |
|-----------------------------|---------------------|---|--------------------|
| Gary Weber, Mayor           | April 2001          | \$ 1,800  | \$                 |
| Steven Dalton, Alderman (1) | April 2000          | 900   |                    |
| Larry Gridley, Alderman (1) | April 2000          | 900   |                    |
| Paul Sale, Alderman (2)     | April 2000          | 900   |                    |
| Carolyn Berger, Alderwoman  | April 2001          | 900   |                    |
| Garrett Holmes, Alderman    | April 2001          | 900   |                    |
| Jill Wade, Alderwoman (3)   | April 2001          | 675   |                    |

## Other Principal Officials

|   |        |        |
|---|--------|--------|
| Herb Llewellyn, City Administrator                | 42,000 | 10,000 |
| Rachel Kelley, City Clerk                         | 21,947 | 20,000 |
| Judy Noser, City Treasurer/Court Clerk            | 18,356 | 60,000 |
| Sandy Venis,<br>Planning & Zoning Coordinator (4) | 18,225 | 10,000 |
| Shelly Cato, Collector of Revenue (5)             | 3,840  |        |
| Richard Ward, City Attorney                       | 14,400 |        |
| D. Rodney Fire, Police Chief                      | 30,741 |        |
| Rick Sturgeon, Superintendent of Public Works     | 32,773 |        |

- (1) Steven Dalton was reelected in April 2000, running against Larry Gridley after the city changed its ward boundaries. Margaret Spurrier was also elected in April 2000.
- (2) Paul Garison was elected in April 2000 to replace Paul Sale.
- (3) Replaced Michael Coppinger in April 1999.
- (4) Sandy Venis was the City Collector thru September 1999, when she became the Planning & Zoning Coordinator and Assistant to the City Administrator. Greg Smith served as the Planning and Zoning Coordinator thru July 1999.

- (5) Shelly Cato was hired in November 1999. Shelly resigned in June 2000, and was replaced by Wilma Edwards.

Assessed valuation and tax rate information for 1999 and 1998 are as follows:

ASSESSED VALUATION

|                     | <u>1999</u>          | <u>1998</u>       |
|---------------------|----------------------|-------------------|
| Real estate         | \$ 39,050,084        | 23,609,312        |
| Personal Property * | <u>3,760,856</u>     | <u>2,886,017</u>  |
| Total               | \$ <u>42,810,940</u> | <u>26,495,329</u> |

TAX RATES PER \$100 ASSESSED VALUATION

|              |         |      |
|--------------|---------|------|
| General Fund | \$ 0.23 | 0.26 |
|--------------|---------|------|

\* The city did not levy personal property taxes in 1999.

The city had the following sales taxes, rates are per \$1 of retail sales:

|                      | <u>Rate</u> | <u>Expiration<br/>Date</u> |
|----------------------|-------------|----------------------------|
| General              | .010        | none                       |
| Capital improvements | .005        | none                       |
| Transportation       | .005        | none                       |

## MANAGEMENT ADVISORY REPORT

CITY OF LAKE OZARK, MISSOURI  
SUMMARY OF FINDINGS

1. Expenditures (pages 9-12)

The city has no formal bid policy. The Mayor and the Board of Aldermen approve listings of bills, but do not review related invoices and supporting documentation. The city made several expenditures which do not appear to be a prudent use of public funds. Supporting documentation was not retained for some credit card purchases and mileage reimbursements were not properly documented. Expenditures are allocated to various funds without adequate supporting documentation.

2. Accounting Controls and Procedures (pages 12-14)

Accounting duties are not adequately segregated and improvements are needed in controls over receipts.

3. Board Meetings, Minutes, and Ordinances (pages 14-16)

The board minutes do not always include sufficient detail of matters discussed and actions taken by the Board of Aldermen. Board minutes also do not list the specific reason for going into closed session and the final disposition of matters resolved in closed session is not publicly disclosed. The city has negotiated additional provisions in sewer extensions which are not formally adopted in the city's ordinances.

4. City Sewer Rates (pages 16-17)

The city has not performed a formal review of the adequacy of the sewer rates.

5. City Contracts (pages 17-18)

The city has not entered into formal written agreements with the city of Lakeside for sewer services, the City Attorney, the local CPA for accounting services, and the cleaning service for City Hall.

6. Compensation (pages 18-19)

The board does not review and approve payments to the city employees. Several payments to city employees were not properly reported to the IRS as wages. Forms 1099 are not always filed as required.

7. Property Tax Procedures (pages 19-20)

The City Collector does not prepare monthly or annual reports of taxes collected or those that remain delinquent. In addition, the city is not billing delinquent taxes.

8. Budgetary Practices (pages 20-21)

Budgets were not prepared in accordance with state law and were not retained in the official minutes or signed by the board to indicate approval.

9. Property Records (page 21)

The city does not maintain complete records to account for all property owned by the city.

10. Municipal Division (pages 21-24)

Accounting duties are not adequately segregated. Monthly listings of open items are not prepared for the fine account. Procedures are not in place to follow up on old outstanding checks and bonds held by the municipal division. Warrants are not always issued when applicable for nonpayment or failure to appear. Police department employees responsible for collecting bonds are not bonded. Adequate records are not maintained to account for traffic tickets issued and their ultimate disposition.

CITY OF LAKE OZARK, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                     |
|-----------|---------------------|
| <b>1.</b> | <b>Expenditures</b> |
|-----------|---------------------|

- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained in some instances. Examples include \$22,655 for a loader lease/purchase, \$35,438 for an excavator lease/purchase, \$1,835 for a postage meter, \$2,996 for police handheld radios, and \$1,325 for utility poles.

Formal bidding procedures provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons noted why the bid was selected. The bidding policy should also address procedures for opening sealed bids.

- B. The City Clerk provides the board monthly listings of bills to be paid; however, this listing does not include payroll and regular monthly expenditures. Fifteen of the twenty-three disbursements we selected were not recorded on the listings. In addition, although board minutes make a general reference that the listing of bills is approved for payment, the listings are not signed or initialed by the board members and retained with the official board minutes. Invoices are retained in monthly files, but these invoices are not reviewed by the board members.

To adequately document the board's review and approval of all disbursements, complete listings of bills should be signed or initialed by the board members to denote their approval and retained with the official minutes. In addition, the board members should review supporting documentation before payment is made to ensure all disbursements represent valid operating costs of the city.

- C. The following expenditures do not appear to be a prudent use of public funds:
1. The city holds an annual Christmas party which all city officials and employees, their spouses, and children are invited to attend. The city pays all of the costs related to the party which totaled approximately \$1,475 for the year ended December 31, 1999.

2. The board also approved a performance stipend of \$50 for all full time city employees. These cash payments totaling \$1,400 which appear to be bonuses were distributed to the city employees at the Christmas party.

Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the Constitution and laws of the state would prohibit from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

3. The city made a donation of \$245 during the year ended December 31, 1999 to the March of Dimes for a fund raiser.

The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The above expenses do not appear to represent a necessary and prudent use of public funds.

- D. The city has two credit cards used by city employees for travel and other purposes. Adequate supporting documentation was not submitted or retained for some charges. Some items paid including meals and seminar costs were not supported by receipts or credit card slips.

Adequate supporting documentation should be retained for all credit card purchases, and reconciled to credit card statements to ensure the propriety of the charges. Adequate supporting documentation will help the city evaluate the necessity and reasonableness of credit card purchases.

- E. Reimbursements made to employees for mileage were seldom supported by adequate documentation. Many employee expense reports did not contain sufficient information such as the date of trip, trip origin, destination, and purpose. A detailed travel expense report including documentation supporting the expenses claimed will help the city determine the propriety of payments made for travel expenses.

Failure to require adequate supporting documentation for expenditures increases the risk that the city will pay for items not related to city purposes.

- F. Procedures established through city ordinance 88-25 to properly allocate expenditures among the various funds are not always followed.

1. The superintendent of public works' salary is allocated equally from the street and sewer fund. In addition, the city transfers monies from the sewer fund to the general fund monthly to reimburse it for administrative expenses. This allocation and transfer are not supported by adequate documentation.

2. Vehicles purchased for the sewer department and paid for out of the sewer fund, are also used by the street department for snow removal.

It is essential that the city properly allocate expenses to the various funds. Furthermore, the uses of certain funds, such as capital improvements and transportation sales taxes and state motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

- G. The city does not always code expenditures to the appropriate expenditure line item. The board approved a training expenditure to be paid out of a capital line item. The board approved coding this expenditure in this manner because the training line item had been depleted. City personnel acknowledge this practice of coding expenditures where funds are available occur although it does not represent an accurate accounting of the actual expenditures. The city should ensure all expenditures are appropriately classified and amend the budget if necessary.
- H. During 1999, the city paid approximately \$14,700 to pave Lakeview Boulevard. Board minutes indicate all board members approved this transaction, including former Alderman Paul Sale, who lives on Lakeview Boulevard. Citizen concern was voiced because of the appearance of a possible conflict.

City officials should avoid any type of involvement in city decisions that relate to themselves. Discussions and decisions concerning transactions where potential conflict of interest exists should be completely documented and retained by the city to provide assurance that no city official has benefited improperly.

**WE RECOMMEND** the Board of Alderman:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected and procedures for opening sealed bids.
- B. Ensure listings of bills include all disbursements. Approval should be adequately documented by retaining a signed copy of the listing of bills with the board minutes. In addition, the board should review all invoices.
- C. Ensure all expenditures from city monies are a prudent use of public funds.
- D. Ensure adequate supporting documentation is submitted for all credit card purchases and reconciled to credit card statements to ensure the propriety of the charges.
- E. Ensure reimbursement requests include the purpose of miles driven, date, and destination.



- F. Ensure all expenditures are properly allocated to the various funds and the allocations are supported by adequate documentation.
- G. Ensure all expenditures are charged to the correct line item and amend the budget if necessary.
- H. Avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. Such matters and transactions should be completely documented and retained in city records so the public has assurance that no city official has benefited improperly.

**AUDITEE'S RESPONSE:**

- A. *The city has adopted, by ordinance, a procurement policy.*
- B. *The bill paying procedure placed into effect this year is as follows: A bills list is first approved by the Board of Aldermen, then signed by the Mayor, and then checked by the City CPA to make sure that only the bills approved have been paid. A Finance Committee, made up of two members of the Board of Aldermen and the City CPA will be formed to review all bills before being presented to the Board of Aldermen for approval.*
- C. *The Board of Aldermen will ensure all expenditures of city monies are a prudent use of city funds.*
- D. *These bills are now reviewed by the Finance Committee before being approved by the Board and any undocumented bills will not be reimbursed.*
- E. *A standard form with all requested information is now being filled out by the employee and checked by the City Administrator or Finance Committee.*
- F. *The city will re-analyze appropriate mechanisms during the budget process to ensure revenues and expenses are attributed to proper funds.*
- G. *All expenditures will be recorded to the proper line item even if that item goes over the budget. The Board of Aldermen will then make, through ordinance, any adjustments necessary.*
- H. *The Board of Aldermen will always ask the City Attorney for his opinion prior to voting on issues where a conflict may appear.*

|           |   |
|-----------|---|
| <b>2.</b> | <b>Accounting Controls and Procedures</b> |
|-----------|---|

- A. The following concerns were noted related to receipts:
  - 1. Receipt slips are not issued for all monies received by the city. Receipt slips are only issued for cash payments. To help ensure receipts are

properly recorded and deposited, official prenumbered receipt slips should be issued for all monies received immediately upon receipt.

2. The method of payment (i.e., cash, check, or money order) is not recorded on the receipt slips or the utility payment stubs. To ensure all receipts have been recorded properly and deposited intact, the method of payment should be recorded on each receipt slip or utility payment stub and the composition of receipts should be reconciled to the composition of bank deposits.
3. Receipt slips are not issued in numerical sequence for monies received by the city. To adequately account for all receipts, receipt slips should be issued in numerical order for all monies received and the numerical sequence should be accounted for properly. In addition, voided receipt slips are not retained. To ensure all receipt slips are properly accounted for, all voided receipt slips should be properly defaced and retained.
4. Checks and money orders received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
5. Receipts are kept in a file folder on the City Collector's desk until the deposit. To reduce the risk of theft, loss or misuse of funds, receipts should be kept in a secure location until deposited.
6. Some monies are not deposited intact. The city requires contractors to post an excavating bond when applying for an excavation permit. The monies are kept in a file cabinet until the work is complete and then given back to the contractor. Also, a property tax payment was returned to the payee due to overpayment rather than being deposited and the overpayment subsequently disbursed by city check.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact and all disbursements should be made by check.

- B. Accounting duties are not adequately segregated. The City Collector collects all monies, records transactions, prepares deposits, and makes the deposit. The City Clerk indicated she reviews the deposit, but this review is not documented.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the reconciliation between receipts and deposits.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Require receipt slips be issued for all monies received.
2. Ensure the method of payment is recorded on each receipt slip or utility stub, and the composition of receipts is reconciled to the composition of deposits.
3. Require receipt slips to be issued in numerical sequence and ensure the numerical sequence of receipt slips is accounted for properly. In addition, voided receipts should be properly defaced and retained.
4. Restrictively endorse all checks immediately upon receipt.
5. Ensure receipts are kept in a secure location until deposited.
6. Deposit all monies intact and make subsequent refunds by check.
- B. Adequately segregate duties. If duties cannot be adequately segregated, at a minimum, there should be a documented review of the reconciliation between receipts and deposits.

**AUDITEE'S RESPONSE:**

- A.1. *The staff has been instructed to issue receipts for all moneys received.*
2. *The staff has been instructed to record the method of payment on all receipts.*
3. *The city now uses pre-numbered receipts and the staff has been instructed to attach voided receipts.*
4. *All checks are endorsed "For Deposit Only" upon receipt.*
5. *The city has installed a cash drawer at the counter to ensure security.*
6. *The city staff has been instructed to deposit all funds and issue checks for refunds.*
- B. *The staff has added additional checks and balances to segregate duties.*

|   |
|---|
| <b>3. Board Meetings, Minutes, and Ordinances</b> |
|---|

- A. The board minutes do not include sufficient detail of matters discussed and actions taken. The board minutes did not always include an adequate description of motions made and resolutions passed.
  1. The city entered into a lease agreement in July 1998 for sewer improvements constructed by a Neighborhood Improvement District

(NID). The lease agreement refers to a city resolution. However, there is no documentation of a formal resolution made by the board.

2. Although it appears the board approved the extension of the sewer line approximately two miles beyond the NID, along Highway HH, board minutes did not adequately document the motion made. The minutes stated only that a motion was made to accept the recommendation of the Public Works Director. No description of the recommendation was given.
3. The city sold two used police cars in January 2000. Although the sale was advertised and city records indicate the highest bid was accepted, board minutes contained no documentation of board discussion or approval of the sale of these vehicles.

The minutes are the official record of the actions of the board. Care should be taken to ensure the minutes are complete and provide reasons and specific intentions behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to board intentions and possible incorrect interpretation of board actions by the general public, future board members, or other outside entities.

- B. The board minutes and the meeting agendas do not document the specific reasons for going into a closed session. The tentative agenda and the minutes normally list litigation, real estate transactions, and personnel issues as the reason to go into a closed session. In addition, several instances were noted where a reason was not specified.

Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, personnel issues, some competitive bidding issues, confidential or privileged communications with auditors, etc. Section 610.022, RSMo, requires a closed meeting, record or vote be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

- C. The city has a Sewer Extension Policy (Chapter 710, Municipal Code) which requires the developers to pay the costs of extending city sewer services to the new development. In addition, any system upgrades required by the city will be paid for by the city. On several occasions the city has made additional provisions in approving sewer extensions that call for the city to refund one-half (50 percent) of the new impact fees for connections to the line installed by the developer until their costs have been recovered, or for a period of five years, whichever comes first. These additional provisions have not been established by ordinance. To ensure equitable treatment to all parties, all provisions in granting sewer extensions should be defined by city ordinance and followed by the city.

- D. Actions taken by the board in closed meeting are not generally recorded in the regular minutes or otherwise publicly posted. Instead, the city's policy is to make them available upon request. Section 610.021, RSMo 1994, requires certain matters discussed in closed meetings to be made public upon final disposition.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure all significant discussions and actions taken are adequately documented in board minutes.
- B. Ensure minutes and the agenda state the specific reason for going into closed session, as required by state law.
- C. Ensure all provisions related to sewer extensions are formally adopted by city code.
- D. Publicly disclose the final disposition of applicable matters discussed in closed session.

**AUDITEE'S RESPONSE:**

- A. *The City Clerk will ensure that adequate discussion is contained in the minutes.*
- B. *The City Clerk will ensure that city records include reasons for convening into executive session.*
- C. *Each situation is different and the cost will vary considerably as well as the number of customers that will be served. The Board of Aldermen feels that each situation has to be based on its own merits.*
- D. *The city will publicly disclose the final disposition of applicable matters discussed in closed session.*

|                            |
|----------------------------|
| <b>4. City Sewer Rates</b> |
|----------------------------|

The city has not performed a formal review of the adequacy of the sewer rates. The city's audited financial statements have shown losses of approximately \$498,000 and \$89,000 in the Sewer Fund during the years ended December 31, 1999 and 1998, respectively. In addition, the city entered into an agreement with the Lake Region Water and Sewer Company (LRWS) in March, 2000, to accept all wastewater generated by the region at a rate significantly less than the rate proposed by a professional study that calculated service charges.

City Ordinance 705.150 requires sewer user charges to be reviewed every year and that the sewer rates be set at an amount adequate to generate revenues to cover the costs of operation, maintenance, and replacement of the system. Although the city approves the

sewer rates in May of each year, no formal review has been performed to document the adequacy of the rate structure.

**WE RECOMMEND** the Board of Aldermen review the sewer rates to ensure revenues are sufficient to cover all costs of providing this service. In addition, the city should review the agreement with the LRWS to ensure rates are sufficient to cover all costs.

**AUDITEE'S RESPONSE:**

*The city will ensure that rates are analyzed annually (in May) and that the rates are sufficient to cover all costs.*

|                          |
|--------------------------|
| <b>5. City Contracts</b> |
|--------------------------|

The city has not entered into formal written agreements for some services.

- A. The city provides sewer services to the city of Lakeside. The city of Lakeside is billed at the city's rate plus a 25 percent surcharge. The city made a verbal agreement with the city of Lakeside regarding this rate, but a written agreement does not exist.
- B. The city annually appoints a local attorney to serve as City Attorney. Payments to the City Attorney totaled \$14,400 for the year ended December 31, 1999. The city has not entered into a written agreement with this individual.
- C. In 1993, the city entered into a contract with a local CPA for management advisory and financial accounting services. Although the fees paid to the CPA have increased since that time, the original contract has not been updated. Payments to the CPA totaled \$6,224 for the year ended December 31, 1999.
- D. The city has used the same individual to clean City Hall for several years. This individual is paid \$100 per month. The city has not entered into a written agreement for cleaning services.

Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

**WE RECOMMEND** the Board of Aldermen enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation to be paid. Contracts should adequately detail the rights and duties of all parties and should be properly updated and/or extended when necessary.

### **AUDITEE'S RESPONSE:**

*The city's policy has been to charge entities outside of the city limit a 25 percent surcharge. During the revision of the sewer extension policy, the surcharge amount has inadvertently been omitted while the city practice continued assessing the 25 percent surcharge. The city will review the ordinance and up date the surcharge amount. The city will enter into contracts with the City Attorney, CPA, and with the cleaning service.*

|                        |
|------------------------|
| <b>6. Compensation</b> |
|------------------------|

A. The city has a policy to pay for sick leave and vacation leave under certain situations (to reward full attendance and vacation pay if unable to use within a year of earning the vacation time). The city's policy requires the city administrator to approve payment of any unused vacation. During the year ended December 31, 1999, the City Administrator requested payment totaling \$1,292 for his "wellness days" and unused vacation time without obtaining approval from the board. In effect, the City Administrator authorized his own payment without the approval of the Board of Aldermen.

B. The following payments to city employees were not properly reported to the Internal Revenue Service (IRS):

1. The payment made to the City Administrator totaling \$1,292 (see Part A, above), was not included on his W-2 form.
2. The city distributed bonuses (MAR No. 1.C.) totaling \$1,400 (\$50 per full time employee) which was not included on the employee's W-2 forms.
3. A phone allowance of \$32 per month is paid to the City Administrator, the Police Chief, and the Superintendent of Public Works and \$6 per month to the City Treasurer in addition to their salary. These individuals are not required to submit to the city an itemized report of phone expenses incurred on the city's behalf, and this expense allowance is not reported on the W-2 forms.

Internal Revenue Service Regulation No. 31.3401(a)-4 specifically requires expenses not accounted for to the employer to be considered as gross income and also requires payroll taxes to be withheld from this gross income.

4. The City Administrator and the Mayor received \$200 each in 1999 for working the firework displays on the lake. The fireworks display is sponsored by the Betterment Committee. The additional compensation was not included on the W-2 forms. In addition, the payments to the Mayor appear to violate Section 105.458, RSMo 1994, which prohibits elected officials from performing services for additional compensation.

- C. The city did not always file Forms 1099 with the Internal Revenue Service. The Internal Revenue Code requires payments of \$600 or more for services by nonemployees (other than corporations) be reported to the federal government on Forms 1099. During the year ended December 31, 1999 the city paid one individual \$600 for the public restrooms lease and another individual \$1,325 for installing five utility poles.

**WE RECOMMEND** the Board of Aldermen:

- A. Review and approve all payments to the City Administrator.
- B. Ensure all employee compensation is properly reported to the IRS. The city should require documentation of actual expenses incurred or include the amounts on the employees W-2 forms and withhold applicable payroll taxes from the allowances. In addition, the city should refrain from paying additional amounts to the Mayor or Board of Aldermen that is not specifically approved by ordinance.
- C. Ensure that IRS Forms 1099 are filed as required for prior years as well as the future.

**AUDITEE'S RESPONSE:**

- A. *Any payments to the City Administrator other than his regular paycheck will be approved by the Board of Aldermen and the check signed by the Mayor.*
- B. *The staff will ensure that all employee compensation is reflected on W-2 forms.*
- C. *Our new accounting system will allow us to flag any person receiving \$600 or more to receive a form 1099.*

|                                   |
|-----------------------------------|
| <b>7. Property Tax Procedures</b> |
|-----------------------------------|

- A. The City Collector's duties include billing, collecting, and depositing property tax receipts. Monthly and annual reports were not prepared by the City Collector summarizing the amount of property taxes collected as well as those that remain delinquent.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of delinquent taxes. Section 94.330, RSMo 1994, also provides that the board may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

Monthly and annual reports which comply with state law and are classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.



- B. The City Collector has not billed delinquent taxes in the past. The City Collector indicated only current taxes can be billed through the computer system. Past due amounts have to be manually entered on the computer and will be for this year's billings.

**WE RECOMMEND** the Board of Aldermen:

- A. Require monthly and annual reports of property taxes collected and delinquent.
- B. Pursue collection of all delinquent taxes.

**AUDITEE'S RESPONSE:**

- A. *The City Collector will issue a monthly report to the Board of Aldermen listing all delinquencies in taxes, sewer, water, and trash.*
- B. *The Board of Aldermen will adopt a policy to dispose of property with delinquent taxes owed during the next year.*

|                               |
|-------------------------------|
| <b>8. Budgetary Practices</b> |
|-------------------------------|

Although the board minutes make general references that the annual budgets were adopted, the budgets are not retained with the official minutes and are not signed by the board to denote approval. In addition, the budgets prepared by the city for the years ended December 31, 2000 and 1999, did not include some information required by state law. The budgets did not include budget messages or general budget summaries, describing the important features of the budget and major changes from the preceding years. The budget prepared for the year ended December 31, 1999, did not include beginning and projected ending fund balance or a statement of estimated or actual revenues and expenditures for the two preceding budget years.

Sections 67.010 through 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A complete budget should include appropriate revenue and expenditure estimations by classification, and include beginning and estimated ending fund balances. Prior year comparisons of actual revenues and expenditures need to be included to help ensure accurate amounts are budgeted.

**WE RECOMMEND** the Board of Aldermen sign or initial budgets and retain them with the official minutes. In addition, the board should ensure annual budgets include all relevant information required by state law.

**AUDITEE'S RESPONSE:**

*This will be done with the next budget process.*

|                            |
|----------------------------|
| <b>9. Property Records</b> |
|----------------------------|

The city does not maintain complete records to account for all property owned by the city. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The record should include a detailed description of the assets including the name, make and model numbers, an asset identification number, the physical location of the assets, and the date and method of disposition of the assets when disposed of. In addition, all property items should be identified with a tag or other similar device, and the city should conduct annual inventories.

Adequate general fixed asset records are necessary to secure better internal control and safeguard city assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on city property. A similar comment was made by the city's auditor during their annual audit.

**WE RECOMMEND** the Board of Aldermen ensure property records are maintained which include all pertinent information for each asset such as tag number, description, costs, acquisition date, location, and subsequent disposition. Additionally the city should properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.

**AUDITEE'S RESPONSE:**

*The staff will develop a plan to track fixed assets and present the plan to the Board of Aldermen for approval within the next year.*

|                               |
|-------------------------------|
| <b>10. Municipal Division</b> |
|-------------------------------|

- A. Accounting duties are not adequately segregated. Currently, the Court Clerk is responsible for receiving, recording, and depositing all monies and for preparing and signing checks and reconciling bank statements. There is no independent review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing monies from that of recording receipts and preparing disbursements. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between

receipts and deposits and an independent review of bank statements and bank reconciliations.

- B. Monthly listings of open items (liabilities) are not prepared for the fine account. At our request, the Court Clerk prepared a listing as of December 31, 1999. The cash balance exceeded the open items listing by \$2,299. In addition, the listing included restitution and overpayments dating back to 1996.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure monies have been properly recorded and handled and sufficient funds are available for the payment of all liabilities. Any differences identified through the reconciliation process should be resolved in a timely manner. The Court Clerk should attempt to disburse restitution and overpayments and identify the remaining balance in the account. Unidentified or unclaimed monies remaining in the account should be disbursed in accordance with state law.

- C. Outstanding checks totaling \$2,741 in the bond bank account and \$1,189 in the fine bank account have been outstanding for more than one year. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If payees cannot be located, Sections 447.500 through 447.595, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.

- D. The municipal division has not implemented adequate procedures to follow up on cash bonds held for more than one year. As of December 31, 1999, the balance of the municipal division's bond account included bond receipts totaling \$3,540, which have been held in excess of one year.

An attempt should be made to determine the proper disposition of these bonds. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and if monies should be paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo 1994, requires cash bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

- E. In three instances out of sixty cases reviewed the Court Clerk failed to issue a warrant or an order to show cause for nonpayment or failure to appear. There were also five instances when the case file indicated a warrant had been issued, but the warrant did not appear on the state warrant system.

Proper and timely issuance of warrants for amounts due to the court and for failure to appear helps to maximize court revenues along with providing equitable treatment for those citizens who are paying fines and court costs when due.

- F. Employees of the police department collect cash bonds. These individuals are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.
- G. Neither the police department nor the municipal division maintains adequate records to account for traffic tickets issued and their ultimate disposition. Although the Court Clerk maintains a log of tickets issued, that log does not include voided tickets or tickets filed with the state court.

Without a proper accounting of the numerical sequence and ultimate disposition of all tickets, the police department and the court cannot be assured that all tickets issued are properly submitted to the traffic violations bureau (TVB) or Associate Circuit Court.

- H. The city operates a TVB to receive payment of fines and court costs at times other than during court. A schedule which specifies the offenses which may be paid at the TVB and the amount of fines and costs to be imposed for each offense has been established; however, this schedule of fines and court costs has not been prominently posted at the TVB. Section 479.050, RSMo 1994, and Supreme Court Rule 37.49 requires a schedule which designates the offenses within the authority of the TVB clerk and the amount of fines and costs to be imposed for each offense to be prominently posted at the TVB.

Conditions similar to A-D, F, and G were noted in the prior audit report of the city of Lake Ozark Municipal Division for the two years ended December 31, 1995. The Municipal Division responded that it would implement these recommendations; however, little or no corrective action has been taken. These deficiencies are serious and should be corrected immediately.

**WE RECOMMEND** the city of Lake Ozark Municipal Division:

- A. Adequately segregate duties or establish procedures for independent review.
- B. Prepare monthly listings of open items and reconcile to the cash balance. Any differences should be investigated and resolved in a timely manner. In addition, the municipal division should attempt to disburse restitution and overpayments and identify and disburse the remaining balance in the account. Any remaining unidentified monies should be disbursed in accordance with state law.
- C. Periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If the payees cannot be located, the monies should be disbursed in accordance with state law.
- D. Implement procedures to follow up on cash bonds in a timely manner and dispose of them in accordance with state law.
- E. Ensure warrants are issued when necessary and that all warrants are properly recorded on the state warrant system.

- F. Request the city to obtain bond coverage for all persons handling municipal division monies.
- G. Maintain a complete ticket log in order to account for the numerical sequence and ultimate disposition of all tickets assigned and issued.
- H. Prominently post the schedule of fine and costs at the TVB as required.

**AUDITEE'S RESPONSE:**

- A. *The City Clerk is now reviewing the financial aspects of the court.*
- B. *The administrative staff is now reconciling monthly cash balances.*
- C. *The staff has been instructed to annually review outstanding checks.*
- D. *The staff has implemented procedures to follow up on cash bonds.*
- E. *The staff will issue warrants when necessary.*
- F. *Bond coverage for all employees has been obtained.*
- G. *The staff is updating the ticket log to include all tickets issued by the Police Department.*
- H. *The TVB fine schedule has been posted.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



WORTH COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-114  
November 8, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

October 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Worth, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Worth County was a financial and compliance audit of various county operating funds.

- The county spent more than was budgeted in several funds during 1999 and 1998. While the County Clerk prepares periodic budget-to-actual reports, they were apparently not effectively used for the Special Road and Bridge Fund. For the years ended December 31, 1999 and 1998, the county spent more than the budgeted amounts in the Special Road and Bridge Fund by more than \$88,000 and \$116,000 respectively. The majority of the overspending involved disbursements for two federally-funded bridge projects. The county received and spent significantly more than the budgeted amounts for these projects, but failed to adequately compare the budgeted and actual amounts and therefore, did not prepare budget amendments.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

WORTH COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of Worth County, Missouri

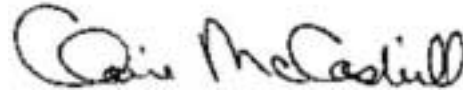
We have audited the accompanying special-purpose financial statements of various funds of Worth County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Worth County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Worth County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Worth County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 14, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

June 14, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Mark Ruether, CPA     |
| In-Charge Auditor:  | Robyn Lamb            |
| Audit Staff:        | Julie Vollmer         |
|                     | Linda Cockrell        |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Worth County, Missouri

We have audited the special-purpose financial statements of various funds of Worth County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Worth County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 99-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

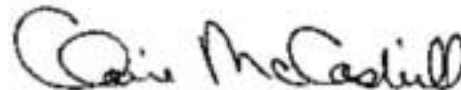
In planning and performing our audit of the special-purpose financial statements of various funds of Worth County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial



reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Worth County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 14, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

WORTH COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ (1,449)         | 425,965   | 424,516       | 0                    |
| Special Road and Bridge             | 79,070             | 778,271   | 804,502       | 52,839               |
| Assessment                          | 570                | 40,745    | 41,315        | 0                    |
| Law Enforcement Training            | 3,033              | 650       | 1,065         | 2,618                |
| Prosecuting Attorney Training       | 282                | 129       | 50            | 361                  |
| Law Enforcement Sales Tax           | 5,310              | 51,744    | 54,423        | 2,631                |
| Capital Improvements Sales Tax 40%  | 23,214             | 18,557    | 15,174        | 26,597               |
| Capital Improvements Sales Tax 60%  | 66,816             | 25,799    | 57,669        | 34,946               |
| Emergency Preparedness              | 1,719              | 6,121     | 7,747         | 93                   |
| Senior Citizens Services            | 1,359              | 11,097    | 9,890         | 2,566                |
| Bad Check                           | 5,541              | 1,676     | 5,217         | 2,000                |
| Juvenile Grant                      | 1,972              | 38        | 266           | 1,744                |
| Recorder User Fees                  | 6,074              | 1,044     | 0             | 7,118                |
| Domestic Violence                   | 898                | 99        | 0             | 997                  |
| COPS Fast Grant                     | 0                  | 7,105     | 7,105         | 0                    |
| Prosecuting Attorney Delinquent Tax | 720                | 334       | 0             | 1,054                |
| Circuit Clerk Interest              | 410                | 368       | 0             | 778                  |
| Local Emergency Planning Committee  | 7,729              | 1,965     | 1,142         | 8,552                |
| POST                                | 266                | 503       | 0             | 769                  |
| Law Library                         | 532                | 459       | 179           | 812                  |
| Total                               | \$ 204,066         | 1,372,669 | 1,430,260     | 146,475              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

WORTH COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 1,599           | 410,972   | 414,020       | (1,449)              |
| Special Road and Bridge             | 76,884             | 667,307   | 665,121       | 79,070               |
| Assessment                          | 0                  | 43,683    | 43,113        | 570                  |
| Law Enforcement Training            | 1,877              | 2,183     | 1,027         | 3,033                |
| Prosecuting Attorney Training       | 125                | 157       | 0             | 282                  |
| Law Enforcement Sales Tax           | 5,139              | 50,177    | 50,006        | 5,310                |
| Capital Improvements Sales Tax 40%  | 18,159             | 15,043    | 9,988         | 23,214               |
| Capital Improvements Sales Tax 60%  | 76,312             | 25,118    | 34,614        | 66,816               |
| Emergency Preparedness              | 327                | 9,207     | 7,815         | 1,719                |
| Senior Citizens Services            | 3,810              | 8,534     | 10,985        | 1,359                |
| Bad Check                           | 3,879              | 1,662     | 0             | 5,541                |
| Juvenile Grant                      | 1,888              | 84        | 0             | 1,972                |
| Recorder User Fees                  | 5,046              | 1,028     | 0             | 6,074                |
| Domestic Violence                   | 786                | 112       | 0             | 898                  |
| COPS Fast Grant                     | 824                | 9,330     | 10,154        | 0                    |
| Prosecuting Attorney Delinquent Tax | 188                | 557       | 25            | 720                  |
| Circuit Clerk Interest              | 196                | 869       | 655           | 410                  |
| Local Emergency Planning Committee  | 7,181              | 1,957     | 1,409         | 7,729                |
| POST                                | 0                  | 266       | 0             | 266                  |
| Law Library                         | 203                | 484       | 155           | 532                  |
| Total                               | \$ 204,423         | 1,248,730 | 1,249,087     | 204,066              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |         |  |         |         |  |
|--|-------------------------|---------|--|---------|---------|--|
|  | 1999                    |         |  | 1998    |         |  |
|  | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                            |                         |         |  |         |         |  |
| Property taxes                             | \$ 137,339              | 167,718 | 30,379                                 | 172,493 | 128,116 | (44,377)                               |
| Sales taxes                                | 55,000                  | 50,668  | (4,332)                                | 56,500  | 46,510  | (9,990)                                |
| Intergovernmental                          | 30,095                  | 14,171  | (15,924)                               | 18,995  | 24,130  | 5,135                                  |
| Charges for services                       | 48,413                  | 54,002  | 5,589                                  | 41,524  | 43,455  | 1,931                                  |
| Interest                                   | 450                     | 144     | (306)                                  | 400     | 387     | (13)                                   |
| Other                                      | 14,796                  | 2,618   | (12,178)                               | 3,963   | 2,423   | (1,540)                                |
| Tax anticipation note                      | 152,116                 | 121,380 | (30,736)                               | 100,104 | 135,829 | 35,725                                 |
| Interfund loan                             | 0                       | 9,798   | 9,798                                  | 0       | 0       | 0                                      |
| Transfers in                               | 5,466                   | 5,466   | 0                                      | 33,122  | 30,122  | (3,000)                                |
| Total Receipts                             | 443,675                 | 425,965 | (17,710)                               | 427,101 | 410,972 | (16,129)                               |
| <b>DISBURSEMENTS</b>                       |                         |         |  |         |         |  |
| County Commission                          | 23,742                  | 24,281  | (539)                                  | 25,202  | 24,291  | 911                                    |
| County Clerk                               | 35,327                  | 35,043  | 284                                    | 36,553  | 35,652  | 901                                    |
| Elections                                  | 8,875                   | 2,718   | 6,157                                  | 10,660  | 9,551   | 1,109                                  |
| Buildings and grounds                      | 21,271                  | 21,711  | (440)                                  | 25,822  | 25,349  | 473                                    |
| Employee fringe benefits                   | 15,365                  | 13,935  | 1,430                                  | 16,100  | 15,189  | 911                                    |
| County Treasurer                           | 13,780                  | 12,937  | 843                                    | 14,190  | 14,326  | (136)                                  |
| County Collector                           | 23,660                  | 22,177  | 1,483                                  | 24,025  | 21,532  | 2,493                                  |
| Circuit Clerk/Ex Officio Recorder of Deeds | 2,200                   | 3,420   | (1,220)                                | 3,000   | 2,108   | 892                                    |
| Associate Circuit Court                    | 7,300                   | 3,800   | 3,500                                  | 4,600   | 4,381   | 219                                    |
| Court administration                       | 1,055                   | 0       | 1,055                                  | 1,925   | 233     | 1,692                                  |
| Public Administrator                       | 5,700                   | 5,814   | (114)                                  | 6,300   | 5,699   | 601                                    |
| Sheriff                                    | 25,800                  | 25,264  | 536                                    | 37,400  | 33,247  | 4,153                                  |
| Jail                                       | 11,790                  | 15,943  | (4,153)                                | 5,000   | 11,790  | (6,790)                                |
| Prosecuting Attorney                       | 36,310                  | 36,830  | (520)                                  | 37,475  | 38,638  | (1,163)                                |
| Juvenile Officer                           | 6,545                   | 4,597   | 1,948                                  | 6,575   | 6,542   | 33                                     |
| County Coroner                             | 4,195                   | 4,443   | (248)                                  | 3,775   | 4,200   | (425)                                  |
| Public health and welfare services         | 2,500                   | 2,500   | 0                                      | 5,000   | 5,000   | 0                                      |
| Tax anticipation note repayment            | 135,829                 | 135,829 | 0                                      | 91,026  | 91,026  | 0                                      |
| Interfund loan repayment                   | 0                       | 2,352   | (2,352)                                | 0       | 0       | 0                                      |
| Other                                      | 31,493                  | 31,024  | 469                                    | 25,250  | 37,156  | (11,906)                               |
| Transfers out                              | 22,881                  | 19,798  | 3,083                                  | 20,373  | 27,492  | (7,119)                                |
| Emergency Fund                             | 9,519                   | 100     | 9,419                                  | 9,788   | 618     | 9,170                                  |
| Total Disbursements                        | 445,137                 | 424,516 | 20,621                                 | 410,039 | 414,020 | (3,981)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | (1,462)                 | 1,449   | 2,911                                  | 17,062  | (3,048) | (20,110)                               |
| CASH, JANUARY 1                            | 1,462                   | (1,449) | (2,911)                                | 704     | 1,599   | 895                                    |
| CASH, DECEMBER 31                          | \$ 0                    | 0       | 0                                      | 17,766  | (1,449) | (19,215)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |          |  |         |         |  |
|---------------------------------------|-------------------------|----------|--|---------|---------|--|
|                                       | 1999                    |          |  | 1998    |         |  |
|                                       | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |          |  |         |         |  |
| Property taxes                        | \$ 162,567              | 185,616  | 23,049                                 | 193,579 | 140,995 | (52,584)                               |
| Intergovernmental                     | 465,805                 | 483,709  | 17,904                                 | 302,853 | 401,829 | 98,976                                 |
| Charges for services                  | 64,597                  | 62,920   | (1,677)                                | 64,000  | 64,463  | 463                                    |
| Interest                              | 3,669                   | 2,837    | (832)                                  | 3,000   | 3,669   | 669                                    |
| Other                                 | 11,881                  | 43,189   | 31,308                                 | 4,000   | 7,054   | 3,054                                  |
| Tax anticipation note                 | 0                       | 0        | 0                                      | 48,609  | 48,609  | 0                                      |
| Transfers in                          | 0                       | 0        | 0                                      | 0       | 688     | 688                                    |
| Total Receipts                        | 708,519                 | 778,271  | 69,752                                 | 616,041 | 667,307 | 51,266                                 |
| DISBURSEMENTS                         |                         |          |  |         |         |  |
| Salaries                              | 156,349                 | 113,440  | 42,909                                 | 143,094 | 117,983 | 25,111                                 |
| Employee fringe benefits              | 24,268                  | 15,164   | 9,104                                  | 24,268  | 15,701  | 8,567                                  |
| Supplies                              | 53,650                  | 75,214   | (21,564)                               | 53,500  | 64,836  | (11,336)                               |
| Insurance                             | 5,650                   | 5,775    | (125)                                  | 5,728   | 2,212   | 3,516                                  |
| Road and bridge materials             | 180,200                 | 176,806  | 3,394                                  | 170,000 | 176,887 | (6,887)                                |
| Equipment repairs                     | 15,000                  | 28,675   | (13,675)                               | 15,000  | 6,080   | 8,920                                  |
| Equipment purchases                   | 0                       | 32,645   | (32,645)                               | 0       | 21,900  | (21,900)                               |
| Construction, repair, and maintenance | 223,955                 | 299,264  | (75,309)                               | 39,000  | 163,061 | (124,061)                              |
| Tax anticipation note repayment       | 48,609                  | 48,609   | 0                                      | 63,300  | 63,300  | 0                                      |
| Other                                 | 3,290                   | 3,444    | (154)                                  | 4,700   | 3,039   | 1,661                                  |
| Transfers out                         | 5,090                   | 5,466    | (376)                                  | 30,122  | 30,122  | 0                                      |
| Total Disbursements                   | 716,061                 | 804,502  | (88,441)                               | 548,712 | 665,121 | (116,409)                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (7,542)                 | (26,231) | (18,689)                               | 67,329  | 2,186   | (65,143)                               |
| CASH, JANUARY 1                       | 79,070                  | 79,070   | 0                                      | 76,884  | 76,884  | 0                                      |
| CASH, DECEMBER 31                     | \$ 71,528               | 52,839   | (18,689)                               | 144,213 | 79,070  | (65,143)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Intergovernmental                   | \$ 29,969 | 29,682 | (287)                                  | 29,960 | 26,767 | (3,193)                                |
| Interest                            | 0         | 45     | 45                                     | 50     | 27     | (23)                                   |
| Other                               | 60        | 13     | (47)                                   | 56     | 625    | 569                                    |
| Transfers in                        | 13,121    | 11,005 | (2,116)                                | 16,684 | 16,264 | (420)                                  |
| Total Receipts                      | 43,150    | 40,745 | (2,405)                                | 46,750 | 43,683 | (3,067)                                |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Assessor                            | 43,150    | 41,315 | 1,835                                  | 46,750 | 43,113 | 3,637                                  |
| Total Disbursements                 | 43,150    | 41,315 | 1,835                                  | 46,750 | 43,113 | 3,637                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | (570)  | (570)                                  | 0      | 570    | 570                                    |
| CASH, JANUARY 1                     | 570       | 570    | 0                                      | 0      | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 570    | 0      | (570)                                  | 0      | 570    | 570                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 950   | 514           | 850    | 624    | (226)         |  |
| Interest                            | 60       | 81            | 55     | 59     | 4             |  |
| Other                               | 1,200    | 55            | 700    | 1,500  | 800           |  |
| Total Receipts                      | 2,210    | 650           | 1,605  | 2,183  | 578           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 2,500    | 1,065         | 2,500  | 1,021  | 1,479         |  |
| Transfers out                       | 0        | 0             | 0      | 6      | (6)           |  |
| Total Disbursements                 | 2,500    | 1,065         | 2,500  | 1,027  | 1,473         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (290)    | (415)         | (895)  | 1,156  | 2,051         |  |
| CASH, JANUARY 1                     | 3,033    | 3,033         | 1,877  | 1,877  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,743 | 2,618         | 982    | 3,033  | 2,051         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit F

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 175 | 129           | 176    | 157    | (19)          |  |
| Total Receipts                      | 175    | 129           | 176    | 157    | (19)          |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 200    | 50            | 200    | 0      | 200           |  |
| Total Disbursements                 | 200    | 50            | 200    | 0      | 200           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (25)   | 79            | (24)   | 157    | 181           |  |
| CASH, JANUARY 1                     | 282    | 282           | 125    | 125    | 0             |  |
| CASH, DECEMBER 31                   | \$ 257 | 361           | 101    | 282    | 181           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT SALES TAX FUND

|                                     | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|-------------------------|---------|--|--------|--------|--|
|                                     | 1999                    |         |  | 1998   |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |        |        |  |
| Sales taxes                         | \$ 48,000               | 51,142  | 3,142                                  | 48,000 | 47,726 | (274)                                  |
| Interest                            | 333                     | 199     | (134)                                  | 110    | 333    | 223                                    |
| Other                               | 2,118                   | 403     | (1,715)                                | 3,000  | 2,118  | (882)                                  |
| Total Receipts                      | 50,451                  | 51,744  | 1,293                                  | 51,110 | 50,177 | (933)                                  |
| DISBURSEMENTS                       |                         |         |  |        |        |  |
| Salaries                            | 43,838                  | 40,825  | 3,013                                  | 29,500 | 35,193 | (5,693)                                |
| Employee fringe benefits            | 5,050                   | 4,100   | 950                                    | 4,800  | 3,483  | 1,317                                  |
| Office expenditures                 | 1,270                   | 1,100   | 170                                    | 3,211  | 2,529  | 682                                    |
| Equipment                           | 4,900                   | 6,466   | (1,566)                                | 4,500  | 5,164  | (664)                                  |
| Other                               | 700                     | 1,932   | (1,232)                                | 3,586  | 3,637  | (51)                                   |
| Total Disbursements                 | 55,758                  | 54,423  | 1,335                                  | 45,597 | 50,006 | (4,409)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5,307)                 | (2,679) | 2,628                                  | 5,513  | 171    | (5,342)                                |
| CASH, JANUARY 1                     | 5,310                   | 5,310   | 0                                      | 5,139  | 5,139  | 0                                      |
| CASH, DECEMBER 31                   | \$ 3                    | 2,631   | 2,628                                  | 10,652 | 5,310  | (5,342)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENTS SALES TAX 40% FUND

| Year Ended December 31,             |           |        |  |         |        |  |
|-------------------------------------|-----------|--------|--|---------|--------|--|
| 1999                                |           |        | 1998                                   |         |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |         |        |  |
| Sales taxes                         | \$ 14,350 | 15,343 | 993                                    | 14,070  | 14,318 | 248                                    |
| Interest                            | 725       | 862    | 137                                    | 397     | 725    | 328                                    |
| Interfund loan repayment            | 0         | 2,352  | 2,352                                  | 0       | 0      | 0                                      |
| Total Receipts                      | 15,075    | 18,557 | 3,482                                  | 14,467  | 15,043 | 576                                    |
| DISBURSEMENTS                       |           |        |  |         |        |  |
| Road and bridge materials           | 22,500    | 5,376  | 17,124                                 | 22,500  | 9,988  | 12,512                                 |
| Interfund loan                      | 0         | 9,798  | (9,798)                                | 0       | 0      | 0                                      |
| Total Disbursements                 | 22,500    | 15,174 | 7,326                                  | 22,500  | 9,988  | 12,512                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,425)   | 3,383  | 10,808                                 | (8,033) | 5,055  | 13,088                                 |
| CASH, JANUARY 1                     | 23,214    | 23,214 | 0                                      | 18,159  | 18,159 | 0                                      |
| CASH, DECEMBER 31                   | \$ 15,789 | 26,597 | 10,808                                 | 10,126  | 23,214 | 13,088                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CAPITAL IMPROVEMENTS SALES TAX 60% FUND

|                                     |    | Year Ended December 31, |          |  |          |         |  |
|-------------------------------------|----|-------------------------|----------|--|----------|---------|--|
|                                     |    | 1999                    |          |  | 1998     |         |  |
|                                     |    |                         |          | Variance<br>Favorable<br>(Unfavorable) |          |         | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual   |  | Budget   | Actual  |  |
| RECEIPTS                            |    |                         |          |  |          |         |  |
| Sales taxes                         | \$ | 21,480                  | 23,014   | 1,534                                  | 21,106   | 21,476  | 370                                    |
| Interest                            |    | 3,700                   | 2,783    | (917)                                  | 326      | 3,642   | 3,316                                  |
| Other                               |    | 0                       | 2        | 2                                      | 0        | 0       | 0                                      |
| Total Receipts                      |    | 25,180                  | 25,799   | 619                                    | 21,432   | 25,118  | 3,686                                  |
| DISBURSEMENTS                       |    |                         |          |  |          |         |  |
| Courthouse repairs                  |    | 88,575                  | 57,669   | 30,906                                 | 74,413   | 34,614  | 39,799                                 |
| Total Disbursements                 |    | 88,575                  | 57,669   | 30,906                                 | 74,413   | 34,614  | 39,799                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (63,395)                | (31,870) | 31,525                                 | (52,981) | (9,496) | 43,485                                 |
| CASH, JANUARY 1                     |    | 66,816                  | 66,816   | 0                                      | 76,312   | 76,312  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 3,421                   | 34,946   | 31,525                                 | 23,331   | 66,816  | 43,485                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
EMERGENCY PREPAREDNESS FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | \$ 5,107 | 4,425         | 5,533  | 5,072  | (461)         |  |
| Interest                            | 0        | 8             | 0      | 0      | 0             |  |
| Transfers in                        | 4,135    | 1,688         | 3,000  | 4,135  | 1,135         |  |
| Total Receipts                      | 9,242    | 6,121         | 8,533  | 9,207  | 674           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Salaries                            | 7,200    | 7,200         | 7,200  | 7,200  | 0             |  |
| Employee fringe benefits            | 571      | 517           | 551    | 566    | (15)          |  |
| Mileage and training                | 75       | 30            | 264    | 49     | 215           |  |
| Total Disbursements                 | 7,846    | 7,747         | 8,015  | 7,815  | 200           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,396    | (1,626)       | 518    | 1,392  | 874           |  |
| CASH, JANUARY 1                     | 1,719    | 1,719         | 327    | 327    | 0             |  |
| CASH, DECEMBER 31                   | \$ 3,115 | 93            | 845    | 1,719  | 874           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit K

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENIOR CITIZENS SERVICES FUND

| Year Ended December 31,             |          |        |  |         |         |  |
|-------------------------------------|----------|--------|--|---------|---------|--|
| 1999                                |          |        |  | 1998    |         |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |         |         |  |
| Property taxes                      | \$ 9,400 | 10,971 | 1,571                                  | 10,000  | 8,295   | (1,705)                                |
| Intergovernmental                   | 0        | 2      | 2                                      | 600     | 0       | (600)                                  |
| Interest                            | 200      | 124    | (76)                                   | 300     | 187     | (113)                                  |
| Transfer in                         | 60       | 0      | (60)                                   | 0       | 52      | 52                                     |
| Total Receipts                      | 9,660    | 11,097 | 1,437                                  | 10,900  | 8,534   | (2,366)                                |
| DISBURSEMENTS                       |          |        |  |         |         |  |
| Contract services                   | 10,050   | 8,728  | 1,322                                  | 12,300  | 10,025  | 2,275                                  |
| Rent                                | 900      | 900    | 0                                      | 1,300   | 900     | 400                                    |
| Other                               | 60       | 262    | (202)                                  | 300     | 60      | 240                                    |
| Total Disbursements                 | 11,010   | 9,890  | 1,120                                  | 13,900  | 10,985  | 2,915                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,350)  | 1,207  | 2,557                                  | (3,000) | (2,451) | 549                                    |
| CASH, JANUARY 1                     | 1,359    | 1,359  | 0                                      | 3,810   | 3,810   | 0                                      |
| CASH, DECEMBER 31                   | \$ 9     | 2,566  | 2,557                                  | 810     | 1,359   | 549                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
BAD CHECK FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 1,550 | 1,539         | 550     | 1,522  | 972           |  |
| Interest                            | 140      | 137           | 0       | 140    | 140           |  |
| Total Receipts                      | 1,690    | 1,676         | 550     | 1,662  | 1,112         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Prosecuting Attorney                | 4,500    | 5,217         | 3,048   | 0      | 3,048         |  |
| Total Disbursements                 | 4,500    | 5,217         | 3,048   | 0      | 3,048         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,810)  | (3,541)       | (2,498) | 1,662  | 4,160         |  |
| CASH, JANUARY 1                     | 5,541    | 5,541         | 3,879   | 3,879  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,731 | 2,000         | 1,381   | 5,541  | 4,160         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 JUVENILE GRANT FUND

|                                     |    | Year Ended December 31, |        |                            |         |        |                            |
|-------------------------------------|----|-------------------------|--------|----------------------------|---------|--------|----------------------------|
|                                     |    | 1999                    |        |                            | 1998    |        |                            |
|                                     |    |                         |        | Variance                   |         |        | Variance                   |
|                                     |    | Budget                  | Actual | Favorable<br>(Unfavorable) | Budget  | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |                            |         |        |                            |
| Interest                            | \$ | 110                     | 38     | (72)                       | 65      | 84     | 19                         |
| Total Receipts                      |    | 110                     | 38     | (72)                       | 65      | 84     | 19                         |
| DISBURSEMENTS                       |    |                         |        |                            |         |        |                            |
| Foster care                         |    | 500                     | 0      | 500                        | 1,000   | 0      | 1,000                      |
| Office expense                      |    | 275                     | 266    | 9                          | 275     | 0      | 275                        |
| Total Disbursements                 |    | 775                     | 266    | 509                        | 1,275   | 0      | 1,275                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (665)                   | (228)  | 437                        | (1,210) | 84     | 1,294                      |
| CASH, JANUARY 1                     |    | 1,972                   | 1,972  | 0                          | 1,888   | 1,888  | 0                          |
| CASH, DECEMBER 31                   | \$ | 1,307                   | 1,744  | 437                        | 678     | 1,972  | 1,294                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit N

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER USER FEES FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 890   | 868           | 1,065   | 876    | (189)         |  |
| Interest                            | 155      | 176           | 125     | 152    | 27            |  |
| Total Receipts                      | 1,045    | 1,044         | 1,190   | 1,028  | (162)         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Ex Officio Recorder of Deeds        | 5,930    | 0             | 5,930   | 0      | 5,930         |  |
| Total Disbursements                 | 5,930    | 0             | 5,930   | 0      | 5,930         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,885)  | 1,044         | (4,740) | 1,028  | 5,768         |  |
| CASH, JANUARY 1                     | 6,074    | 6,074         | 5,046   | 5,046  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,189 | 7,118         | 306     | 6,074  | 5,768         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

|                                     |    | Year Ended December 31, |        |                       |        |        |                       |
|-------------------------------------|----|-------------------------|--------|-----------------------|--------|--------|-----------------------|
|                                     |    | 1999                    |        |                       | 1998   |        |                       |
|                                     |    |                         |        | Variance<br>Favorable |        |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual | (Unfavorable)         | Budget | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |        |                       |        |        |                       |
| Charges for services                | \$ | 140                     | 85     | (55)                  | 120    | 100    | (20)                  |
| Interest                            |    | 0                       | 14     | 14                    | 0      | 12     | 12                    |
| Total Receipts                      |    | 140                     | 99     | (41)                  | 120    | 112    | (8)                   |
| DISBURSEMENTS                       |    |                         |        |                       |        |        |                       |
| Crime victims                       |    | 640                     | 0      | 640                   | 640    | 0      | 640                   |
| Total Disbursements                 |    | 640                     | 0      | 640                   | 640    | 0      | 640                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (500)                   | 99     | 599                   | (520)  | 112    | 632                   |
| CASH, JANUARY 1                     |    | 898                     | 898    | 0                     | 786    | 786    | 0                     |
| CASH, DECEMBER 31                   |    | \$ 398                  | 997    | 599                   | 266    | 898    | 632                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

WORTH COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 COPS FAST GRANT FUND

| Year Ended December 31,             |        |        |  |        |        |  |
|-------------------------------------|--------|--------|--|--------|--------|--|
| 1999                                |        |        |  | 1998   |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |        |        |  |
| Intergovernmental                   | \$ 0   | 0      | 0                                      | 15,586 | 2,970  | (12,616)                               |
| Interest                            | 0      | 0      | 0                                      | 73     | 7      | (66)                                   |
| Transfers in                        | 7,021  | 7,105  | 84                                     | 0      | 6,353  | 6,353                                  |
| Total Receipts                      | 7,021  | 7,105  | 84                                     | 15,659 | 9,330  | (6,329)                                |
| DISBURSEMENTS                       |        |        |  |        |        |  |
| Salaries                            | 6,432  | 6,235  | 197                                    | 12,256 | 8,310  | 3,946                                  |
| Employee fringe benefits            | 589    | 870    | (281)                                  | 2,135  | 1,844  | 291                                    |
| Total Disbursements                 | 7,021  | 7,105  | (84)                                   | 14,391 | 10,154 | 4,237                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 0      | 0                                      | 1,268  | (824)  | (2,092)                                |
| CASH, JANUARY 1                     | 0      | 0      | 0                                      | 824    | 824    | 0                                      |
| CASH, DECEMBER 31                   | \$ 0   | 0      | 0                                      | 2,092  | 0      | (2,092)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 570   | 321    | (249)                                  | 210    | 557    | 347                                    |
| Interest                            | 0        | 13     | 13                                     | 0      | 0      | 0                                      |
| Total Receipts                      | 570      | 334    | (236)                                  | 210    | 557    | 347                                    |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Prosecuting Attorney                | 200      | 0      | 200                                    | 200    | 25     | 175                                    |
| Total Disbursements                 | 200      | 0      | 200                                    | 200    | 25     | 175                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 370      | 334    | (36)                                   | 10     | 532    | 522                                    |
| CASH, JANUARY 1                     | 720      | 720    | 0                                      | 188    | 188    | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,090 | 1,054  | (36)                                   | 198    | 720    | 522                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Interest                            | \$ 210 | 368           | 220    | 869    | 649           |  |
| Total Receipts                      | 210    | 368           | 220    | 869    | 649           |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Circuit Clerk                       | 0      | 0             | 0      | 655    | (655)         |  |
| Total Disbursements                 | 0      | 0             | 0      | 655    | (655)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 210    | 368           | 220    | 214    | (6)           |  |
| CASH, JANUARY 1                     | 207    | 410           | 48     | 196    | 148           |  |
| CASH, DECEMBER 31                   | \$ 417 | 778           | 268    | 410    | 142           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

WORTH COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL EMERGENCY PLANNING COMMITTEE FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Intergovernmental                   | \$     | 0             | 0      | 1,757  | 1,757         |  |
| Interest                            |        | 0             | 0      | 200    | 200           |  |
| Total Receipts                      | 0      | 0             | 0      | 1,957  | 1,957         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Office expense                      |        | 0             | 0      | 1,409  | (1,409)       |  |
| Mileage and training                |        | 0             | 0      |        | 0             |  |
| Total Disbursements                 | 0      | 0             | 0      | 1,409  | (1,409)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 0             | 0      | 548    | 548           |  |
| CASH, JANUARY 1                     |        | 0             | 7,181  | 7,181  | 0             |  |
| CASH, DECEMBER 31                   | \$     | 0             | 7,181  | 7,729  | 548           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

WORTH COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Worth County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Citizens Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Local Emergency Planning Committee, POST, and Law Library funds for the years ended December 31, 1999 and 1998.



Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                    | <u>Years Ended December 31,</u> |
|--------------------------------|---------------------------------|
| General Revenue Fund           | 1998                            |
| Special Road and Bridge Fund   | 1999 and 1998                   |
| Law Enforcement Sales Tax Fund | 1998                            |
| Bad Check Fund                 | 1999                            |
| COPS Fast Grant Fund           | 1999                            |
| Circuit Clerk Interest Fund    | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1999 and 1998, did not include the Circuit Clerk Interest Fund, and Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Schedule

WORTH COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|              |                                |
|--------------|--------------------------------|
| <b>99-1.</b> | <b>Overspending of Budgets</b> |
|--------------|--------------------------------|

Disbursements were made in excess of the approved budgets in the following funds during the two years ended December 31, 1999, as follows:

| Fund                      |    | Year Ended December 31, |         |
|---------------------------|----|-------------------------|---------|
|                           |    | 1999                    | 1998    |
| General Revenue           | \$ | N/A                     | 3,981   |
| Special Road and Bridge   |    | 88,441                  | 116,409 |
| Law Enforcement Sales Tax |    | N/A                     | 4,409   |
| Bad Check                 |    | 717                     | N/A     |
| COPS Fast Grant           |    | 84                      | N/A     |
| Circuit Clerk Interest    |    | N/A                     | 655     |

While the County Clerk prepares periodic budget to actual reports, they were apparently not effectively used for the Special Road and Bridge Fund. The majority of the overspending involved disbursements for two federally-funded bridge projects. The county received and spent significantly more than the budgeted amounts for these projects, but failed to adequately compare the budgeted and actual amounts and, therefore, did not prepare budget amendments.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Supp. 1999, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

**WE RECOMMEND** the County Commission adopt procedures to compare budgeted and actual disbursements and ensure the county and applicable officials do not authorize disbursements in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budgets should be formally amended.

**AUDITEE'S RESPONSE**

*We agree and we will amend the budgets as needed in the future. We will more closely monitor budgeted and actual expenditures.*

## Follow-Up on Prior Audit Findings

WORTH COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## SECTION ON OTHER MATTERS



## WORTH COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Worth County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 14, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Worth County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Financial Condition

The county's General Revenue Fund is in poor financial condition. The county relies on tax anticipation notes (TANs) to maintain a positive cash flow in the General Revenue Fund. The past two years, the county has borrowed on TANs as early as February in order to operate the remainder of the year. The balance of outstanding TANs has increased steadily over the past five years, from \$46,012 at December 31, 1995, to \$121,380 at December 31, 1999 (approximately 40 percent of the 1999 total General Revenue Fund revenues). In addition, the county made an interfund loan of \$9,798 from the Capital Improvements Sales Tax 40 % Fund to the General Revenue Fund in 1999 which was primarily repaid in 2000.

### 2. Personnel Policies and Procedures

The county's compensatory time policy for its employees may not comply with the Fair Labor Standards Act. Time sheets and leave records for the Sheriff's deputies are not routinely submitted to the County Clerk's office.

### 3. County Expenditures

The county did not always advertise and solicit bids, nor was bid documentation always retained for various purchases.

### 4. Vehicle and Equipment Usage Logs

Usage reports for county vehicles are prepared by the Sheriff's Department, but the reports are not reviewed by the County Commission. Usage reports are not prepared for the road and

bridge vehicles or equipment. The county allows the Road and Bridge Supervisor to drive his county vehicle to his residence, but does not report the value of the commuting mileage on his W-2 form.

5. Emergency Preparedness Program

The county operates an emergency preparedness program which is funded from federal assistance, payments from cities, and the county's General Revenue Fund. Written agreements between the county and the cities outlining the terms and responsibilities of the cities' participation have not been developed.

6. General Fixed Assets

The county's general fixed asset records do not include some county property. Additions per the general fixed asset records are not reconciled periodically to fixed asset purchases. Property tags are not attached to assets designating the items as county property.

This Letter on Other Matters is intended for the information of the management of Worth County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

\* \* \* \* \*



CITY OF BELL CITY, MISSOURI

YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-113  
October 26, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

October 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Bell City, Missouri.**

Inadequate oversight and monitoring by the Board of Alderman and inadequate records and procedures have contributed to a serious financial situation for the city. The city operated with very low cash balances in many funds. Due to the inadequate cash balances in some funds, the city has at times paid bills from whichever funds had money available. Also, the low cash balances have necessitated the city purchasing used equipment which later required significant repairs.

Inadequate records and procedures have inhibited the board's ability to effectively monitor and manage the city and have resulted in or contributed to the city's problems. These weaknesses include inadequate detail in the budgets and other financial reports, lacking of bidding for various purchases, inadequate segregation of accounting duties or review of work performed, inadequate collection procedures on delinquent utility accounts and a lack of reconciliations over utility billings, payments, and accounts receivable.

In July 1998, the city purchased land and a new metal building to house city hall for \$26,500. The city spent approximately \$4,700 more to renovate the building for offices. The city did not maintain documentation of the estimates for the various options it had considered prior to the purchase of the building. In addition, the minutes of the board meetings contain no discussion of these various options or cost estimates. Also, the city did not obtain a professional appraisal to value the land and building to purchase. The bank, which wrote the loan, informally appraised the property and building at \$40,000 to \$45,000 whereas the Stoddard County Assessor, after the improvements were made by the city, appraised the land and building at \$27,300.

The city has not taken adequate steps to ensure the timely collection of delinquent accounts. According to the Mayor, the board was unaware the problem was significant until the new City Clerk prepared a delinquent list in April 2000, which showed the delinquent accounts for water, sewer, and trash services totaled approximately \$16,000. Several customers on the list had been delinquent for three to four years with some account balances over \$1,000. The city also has not adequately accounted for water meter deposits, has not created and funded reserve accounts required by its sewer bond, and has not obtained annual audits.

(over)

YELLOW SHEET

The city's purchasing ordinance requires advertising for sealed competitive bids for all purchases of goods or services exceeding \$100. However, we noted bids or proposals were not solicited, or bid documentation was not retained, for several purchases, such as asphaltting (\$9,654) and insurance (\$9,044).

The city entered into several installment loans with a local bank. A 10-year loan was obtained in July 1998, for the purchase of the city hall totaling \$30,371. Another loan was for 30 months obtained in March 1999, for the purchase of a 1987 pickup truck totaling \$3,863. The contracts obligate the city to payments up to 10 years without any option to renew the contracts on a yearly basis. Extending the contracts over multi-year periods without the right of withdrawal obligates the city for future periods which appears to violate the intent of the Missouri Constitution on legal indebtedness absent a vote of city taxpayers.

The city financed its premiums for various insurance policies with one company at a 16.25 percent and 17 percent interest rate through an insurance premium financing company. This method of paying insurance premiums is very costly.

The city maintains two non-interest bearing bank accounts. The average month-end bank balance in the general account for the year ended June 30, 2000, was \$25,068. To maximize revenues, city monies should be deposited into interest-bearing accounts.

The city paid the maintenance employee an additional \$200 on July 16, 1999. Also, while the former police resigned effective July 2, 1999, the city paid him \$200 on July 16, 1999 and on July 30, 1999. There is no documentation of additional hours worked by these employees to support the payments and they were apparently additional payments for services previously rendered. These payments appear to be bonuses. In addition, all city employees received a \$50 and \$25 Christmas bonus in December 1999 and 1998, respectively. These bonuses violate the Missouri Constitution.

Additionally, in December 1998, a city employee received his payroll check one week in advance of the date earned. In June 1998, the city loaned the former police officer \$500 to be repaid weekly in \$25 installment payments. Such payments violate the Missouri Constitution, which prohibits any political subdivision of the state from granting or lending money to an individual. In addition, it is not prudent for a city to compensate employees in advance.

The maintenance employee was the sole bidder for the city's 1975 pickup truck. The minutes documented the approval of the sale of the truck to the employee for \$500. While the title was transferred to the employee, the city was never paid for the truck. According to the Mayor, the truck was instead given to the employee in lieu of the rest of a retroactive raise. Such a gift or bonus is prohibited by the Missouri Constitution. Furthermore, in January 2000, the city sold its 1987 truck to the Mayor's father-in-law without publicizing or soliciting bids.

The city does not have a formal policy regarding public access to city records. A formal policy regarding access to and copies of city records would establish reasonable guidelines for the city to make the records available to the public. The board meeting minutes do not always include sufficient detail of matters discussed or action and votes taken. For example, the minutes did not document the various options discussed prior to the purchase of the new city hall land and building.

CITY OF BELL CITY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
And  
Members of the Board of Aldermen  
City of Bell City  
Bell City, Missouri 63735

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Bell City, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

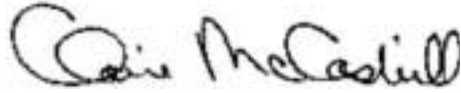
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Bell City, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 27, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                            |
|---------------------|----------------------------|
| Director of Audits: | Karen Laves, CPA           |
| Audit Manager:      | Douglas J. Porting, CPA    |
| In-Charge Auditor:  | Katherine K. Cardenas, CPA |
| Audit Staff:        | Douglas P. Robinson        |
|                     | Latoya Smith               |



## HISTORY AND ORGANIZATION

# CITY OF BELL CITY, MISSOURI HISTORY AND ORGANIZATION

The city of Bell City is located in Stoddard County. The city was incorporated in 1955 as a fourth-class city. The population of the city in 1990 was 469.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected from two wards in staggered elections for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 2000, were:

| Elected Officials                          | Term Expires | Actual Compensation for the Year Ended June 30, 2000 | Amount of Bond |
|--|--------------|--|----------------|
| David Scherer, Mayor                       | April, 2001  | \$ 25  | \$ 0           |
| Howard Pikey, Alderman, Ward One           | April, 2001  | 12   | 0              |
| David Lewis, Alderman, Ward Two            | April, 2001  | 12   | 0              |
| Lula Maestas, Alderwoman, Ward One (1)     | April, 2002  | 0  | 0              |
| Kay Hughes, Alderwoman, Ward Two (2)       | April, 2002  | 0  | 0              |
| <b>Other Principal Officials</b>           |              |  |                |
| Billy Harrison, City Clerk/Court Clerk (3) |              | 3,520  | 5,000          |
| Robbie Hale, Police Officer (4)            |              | 6,600  | 0              |
| Donald Rhodes, City Attorney               |              | 0  | 0              |

Other city employees include one full-time and three part-time employees.

- (1) Elected in April 2000 to replace Tim Hall.
- (2) Elected in April 2000 to replace Johnny Dover.
- (3) Appointed to replace Mildred Rivers who retired in March 2000.
- (4) Appointed to replace Joel Moyers who resigned in January 2000. Joel Moyers replaced Larry Gammons who resigned in July 1999.

Assessed valuation and tax rate information for tax year 1999 is as follows:

|                           |                            |
|---------------------------|----------------------------|
| <b>ASSESSED VALUATION</b> |                            |
| Real estate               | \$ 1,079,187               |
| Personal property         | <u>624,037</u>             |
| Total                     | <u><u>\$ 1,703,224</u></u> |

TAX RATE PER \$100 ASSESSED VALUATION

|              |         |
|--------------|---------|
| General Fund | \$ . 69 |
|--------------|---------|

Summaries of the financial activity of the city of Bell City for the two years ended June 30, 2000 are presented on the following pages.

Year Ended June 30, 2000

|                                     | General<br>Fund | Water<br>Fund | Sewer<br>Fund | Solid<br>Waste<br>Fund | Motor<br>Fuel<br>Fund | Meter<br>Deposit<br>Fund | Fire<br>Departmen<br>Fund | Total   |
|-------------------------------------|-----------------|---------------|---------------|------------------------|-----------------------|--------------------------|---------------------------|---------|
| <b>RECEIPTS</b>                     |                 |               |               |                        |                       |                          |                           |         |
| Sales taxes                         | \$ 13,020       | 0             | 0             | 0                      | 0                     | 0                        | 0                         | 13,020  |
| Property taxes                      | 11,797          | 0             | 0             | 0                      | 0                     | 0                        | 0                         | 11,797  |
| Franchise taxes                     | 13,491          | 0             | 0             | 0                      | 0                     | 0                        | 0                         | 13,491  |
| Permits and city stickers           | 1,169           | 0             | 0             | 0                      | 0                     | 0                        | 0                         | 1,169   |
| Other                               | 6,606           | 0             | 0             | 0                      | 0                     | 0                        | 1,555                     | 8,161   |
| Water fees                          | 905             | 19,754        | 0             | 0                      | 0                     | 0                        | 0                         | 20,659  |
| Sewer fees                          | 0               | 0             | 32,017        | 0                      | 0                     | 0                        | 0                         | 32,017  |
| Solid waste fees                    | 0               | 0             | 0             | 28,515                 | 0                     | 0                        | 0                         | 28,515  |
| Gas and motor vehicle taxes         | 0               | 0             | 0             | 0                      | 19,274                | 0                        | 0                         | 19,274  |
| Meter deposits                      | 25              | 0             | 0             | 0                      | 0                     | 675                      | 0                         | 700     |
| Total Receipts                      | 47,013          | 19,754        | 32,017        | 28,515                 | 19,274                | 675                      | 1,555                     | 148,803 |
| <b>DISBURSEMENTS</b>                |                 |               |               |                        |                       |                          |                           |         |
| Salaries and fringe benefits        | 18,191          | 9,544         | 11,284        | 6,522                  | 10,579                | 0                        | 0                         | 56,120  |
| Supplies                            | 1,078           | 2,550         | 2,340         | 916                    | 1,772                 | 316                      | 0                         | 8,972   |
| Insurance                           | 6,243           | 476           | 1,567         | 276                    | 1,502                 | 0                        | 0                         | 10,064  |
| Utilities                           | 6,155           | 1,262         | 1,705         | 38                     | 859                   | 0                        | 0                         | 10,019  |
| Equipment purchases and repairs     | 2,252           | 2,241         | 2,649         | 2,760                  | 461                   | 0                        | 1,949                     | 12,312  |
| Loan/bond payments                  | 9,645           | 0             | 6,306         | 0                      | 0                     | 0                        | 0                         | 15,951  |
| Police department                   | 2,005           | 0             | 0             | 0                      | 1,594                 | 0                        | 0                         | 3,599   |
| Fire department                     | 749             | 0             | 0             | 0                      | 0                     | 0                        | 0                         | 749     |
| Other                               | 1,412           | 1,231         | 1,442         | 58                     | 736                   | 86                       | 0                         | 4,965   |
| Waste water analysis                | 0               | 0             | 442           | 0                      | 0                     | 0                        | 0                         | 442     |
| Landfill fee                        | 0               | 0             | 0             | 14,420                 | 0                     | 0                        | 0                         | 14,420  |
| Street repair                       | 0               | 0             | 0             | 0                      | 7,143                 | 0                        | 0                         | 7,143   |
| Total Disbursements                 | 47,730          | 17,304        | 27,735        | 24,990                 | 24,646                | 402                      | 1,949                     | 144,756 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (717)           | 2,450         | 4,282         | 3,525                  | (5,372)               | 273                      | (394)                     | 4,047   |
| CASH, JULY 1                        | 1,299           | 691           | 1,530         | 997                    | 12,266                | 1,804                    | 1,028                     | 19,615  |
| CASH, JUNE 30                       | \$ 582          | 3,141         | 5,812         | 4,522                  | 6,894                 | 2,077                    | 634                       | 23,662  |

NOTE: As of June 30, 2000, the outstanding principle balances on the city's two bank loans were as follow

1. \$25,906 on a 10-year loan with principle and interest payments of \$4,325 per year for 8 more years.
2. \$2,027 on a 30-month loan with principle and interest payments of \$142 per month for 15 more months.

Year Ended June 30, 1999

|                                     | General<br>Fund | Water<br>Fund | Sewer<br>Fund | Solid<br>Waste<br>Fund | Motor<br>Fuel<br>Fund | Meter<br>Deposit<br>Fund | Fire<br>Department<br>Fund | Total   |
|-------------------------------------|-----------------|---------------|---------------|------------------------|-----------------------|--------------------------|----------------------------|---------|
| <b>RECEIPTS</b>                     |                 |               |               |                        |                       |                          |                            |         |
| Sales taxes                         | \$ 11,701       | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 11,701  |
| Property taxes                      | 9,916           | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 9,916   |
| Franchise taxes                     | 14,053          | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 14,053  |
| Permits and city stickers           | 1,345           | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 1,345   |
| Loan proceeds                       | 33,000          | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 33,000  |
| Other                               | 3,436           | 610           | 146           | 100                    | 0                     | 0                        | 511                        | 4,803   |
| Water fees                          | 0               | 15,689        | 0             | 0                      | 0                     | 0                        | 0                          | 15,689  |
| Sewer fees                          | 0               | 0             | 27,294        | 0                      | 0                     | 0                        | 0                          | 27,294  |
| Solid waste fees                    | 0               | 0             | 0             | 20,700                 | 0                     | 0                        | 0                          | 20,700  |
| Gas and motor vehicle taxes         | 0               | 0             | 0             | 0                      | 18,812                | 0                        | 0                          | 18,812  |
| Meter deposits                      | 0               | 0             | 0             | 0                      | 0                     | 525                      | 0                          | 525     |
| Total Receipts                      | 73,451          | 16,299        | 27,440        | 20,800                 | 18,812                | 525                      | 511                        | 157,838 |
| <b>DISBURSEMENTS</b>                |                 |               |               |                        |                       |                          |                            |         |
| Salaries and fringe benefits        | 18,949          | 7,508         | 16,147        | 4,799                  | 7,412                 | 0                        | 0                          | 54,815  |
| Supplies                            | 2,675           | 3,282         | 1,505         | 856                    | 711                   | 0                        | 0                          | 9,029   |
| Insurance                           | 6,115           | 315           | 592           | 0                      | 1,507                 | 0                        | 0                          | 8,529   |
| Utilities                           | 6,965           | 1,505         | 2,431         | 0                      | 0                     | 0                        | 0                          | 10,901  |
| Equipment purchases and repairs     | 2,443           | 527           | 3,220         | 3,082                  | 396                   | 0                        | 45                         | 9,713   |
| Police department                   | 4,072           | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 4,072   |
| Fire department                     | 1,102           | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 1,102   |
| City Hall building                  | 31,162          | 0             | 0             | 0                      | 0                     | 0                        | 0                          | 31,162  |
| Other                               | 1,044           | 932           | 238           | 26                     | 1,053                 | 102                      | 0                          | 3,395   |
| Waste water analysis                | 0               | 0             | 433           | 0                      | 0                     | 0                        | 0                          | 433     |
| Loan/bond payments                  | 0               | 3,042         | 5,880         | 0                      | 0                     | 0                        | 0                          | 8,922   |
| Landfill fee                        | 0               | 0             | 0             | 12,360                 | 0                     | 0                        | 0                          | 12,360  |
| Street repair                       | 0               | 0             | 0             | 0                      | 6,433                 | 0                        | 0                          | 6,433   |
| Total Disbursements                 | 74,527          | 17,111        | 30,446        | 21,123                 | 17,512                | 102                      | 45                         | 160,866 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,076)         | (812)         | (3,006)       | (323)                  | 1,300                 | 423                      | 466                        | (3,028) |
| CASH, JULY 1                        | 2,375           | 1,503         | 4,536         | 1,320                  | 10,966                | 1,381                    | 562                        | 22,643  |
| CASH, JUNE 30                       | \$ 1,299        | 691           | 1,530         | 997                    | 12,266                | 1,804                    | 1,028                      | 19,615  |

## MANAGEMENT ADVISORY REPORT

CITY OF BELL CITY, MISSOURI  
SUMMARY OF FINDINGS

1. Financial Oversight and Monitoring (page 11-12)

The Board of Aldermen has not provided adequate oversight and monitoring of city operations. Records and procedures are inadequate and the city is in a serious financial situation.

2. City Hall Purchase (pages 12-13)

The board did not maintain documentation of estimates obtained for various options it had considered prior to the purchase of a new building. The city did not obtain a professional appraisal valuing the land and building prior to the purchase. The city spent approximately \$4,700 for labor and materials to renovate the building without soliciting bids.

3. Water, Sewer, and Trash Systems (pages 13-17)

The city does not reconcile total billings to payments received and amounts remaining unpaid for utility services. The city has not taken steps to ensure the timely collection of delinquent accounts. The city has not established a system to account for each customer account. The city does not reconcile total gallons of water billed to customers to gallons of water pumped. Records of customers paying the meter deposit are not adequately maintained. The city has not established the two revenue bond reserve accounts as required by the bond covenant. The balance which should be in the Debt Service Reserve Account and the Depreciation and Replacement Accounts at June 30, 2000 is \$2,213 each. The city's water and sewer systems have not been audited as required by state law. In addition, the city has not established procedures to ensure all customers receiving trash services are billed.

4. Disbursements (pages 17-20)

Bids or proposals were not solicited or bid documentation was not retained for several purchases. The Board of Aldermen does not document the review of invoices prior to payment and supporting documentation was not adequate for some disbursements. The city entered into several bank loans which appear to violate the Missouri Constitution. The city is paying a high interest rate for its insurance premium and did not seek other alternatives for paying the insurance premiums.

5. Accounting Controls and Procedures (pages 20-22)

The board has not appointed separate individuals to serve as City Treasurer or City Collector. The Mayor and one of the Aldermen sign checks, but are not bonded. Receipts are not deposited intact and the City Clerk does not adequately perform

reconciliations of the various accounting records. The city deposits city funds in non-interest bearing accounts. The city has not prepared or maintained permanent, detailed property records of fixed assets.

6. Ordinances, Records, and Board Minutes (pages 22-24)

Many of the city's ordinances are old and outdated. In addition, the city does not maintain a listing of all ordinances passed and repealed. The city does not have a formal policy regarding public access to city records. Board meeting minutes are not adequately maintained and are not signed by the Mayor, the City Clerk, or any of the board members.

7. Budgets and Financial Reporting (pages 24-26)

Budgets are not prepared in accordance with statutory requirements and the city approved expenditures in excess of budgeted amounts. An annual maintenance plan for city streets has not been prepared and the city's published financial statements are not sufficiently detailed.

8. Personnel Policies and Procedures (pages 26-28)

Bonuses were paid to city employees, a city employee was paid his payroll check one week in advance of the date earned and the city loaned the former police chief \$500. The city does not have an annual ordinance to establish the compensation of the City Clerk and other employees, time sheets are not prepared, and records of vacation and sick leave are not maintained.

9. Restricted Revenues (page 28-29)

The city has not established procedures to ensure expenditures are properly allocated among the various funds. Some expenses charged to the Motor Fuel Fund appear inappropriate while other expenses allowed by state law are not charged to the fund (i.e., police officer's salary).

10. City-Owned Vehicles (pages 29-31)

Vehicle logs are not adequately maintained. Several problems were noted with the purchase and sale of city vehicles, including not soliciting bids and giving a truck to an employee. The city has not adequately planned for replacing its vehicles and equipment resulting in purchasing poor quality equipment.



CITY OF BELL CITY, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |   |
|-----------|---|
| <b>1.</b> | <b>Financial Oversight and Monitoring</b> |
|-----------|---|

Inadequate oversight and monitoring by the Board of Aldermen and inadequate records and procedures have contributed to a serious financial situation for the city.

The city has operated with very low cash balances in many funds. Due to the inadequate cash balances in some funds, the city has at times paid bills from whichever funds had money available. As noted elsewhere in this report, the city has also not consistently allocated costs to the various funds benefiting from the expenditures and as a result, restricted receipts may have been used improperly. Also, the low cash balances have necessitated the city purchasing used equipment which later required significant repairs and financing its insurance premiums at a high rate of interest. The city also has not established the reserve bond accounts required by its revenue bond covenant.

Inadequate records and procedures have inhibited the board's ability to effectively monitor and manage the city and have resulted in or contributed to the problems noted above. These weaknesses include inadequate detail in the budgets and other financial reports, lack of bidding for various purchases, inadequate segregation of accounting duties or review of work performed, inadequate collection procedures on delinquent utility accounts and a lack of reconciliations over utility billings, payments, and accounts receivable.

The Board of Aldermen should review disbursements, reducing discretionary spending as much as possible, and ensure adequate revenues exist to fund the necessary core city services as well as to properly fund revenue bond reserve accounts. These plans should be formalized in a detailed annual budget. In addition, the board should ensure adequate accounting records and an effective system of accounting and administrative controls are in place, including procedures to frequently monitor budgeted and actual activity. The specific recommendations contained in the following MARs, if implemented, will help establish these records, controls, and procedures.

**WE RECOMMEND** the Board of Aldermen review the current financial condition of the city's funds, and consider the various alternatives of reducing disbursements and/or increasing receipts. In addition, the board should ensure adequate budgets and financial records are prepared and maintained in the future, and adequate controls and procedures are in place to properly oversee city operations.

**AUDITEE'S RESPONSE**

*The board agrees with the recommendation and is aware of the city's poor financial condition. It indicated it will continue to consider ways to improve the financial condition and noted the city has already begun implementing several procedures to increase collections of delinquent*

*utility accounts. It also indicated it will develop and maintain adequate records and controls, as addressed in detail later in the audit report.*

|                              |
|------------------------------|
| <b>2. City Hall Purchase</b> |
|------------------------------|

In July 1998, the city purchased land and a new metal building to house city hall for \$26,500. The city spent approximately \$4,700 more to renovate the building for offices. The city obtained a \$30,000 loan from a local bank for the purchase of the land and building. During our review of the purchase, we noted the following concerns:

- A. The Mayor and board members indicated that prior to purchasing the new building, they had reviewed other options. They indicated they obtained estimates for purchasing two separate existing buildings within the city, repairing the erosion and deterioration problem with the old city hall, and contracting for a building to be built (similar to the one purchased). The Mayor indicated the estimates for the various options ranged from approximately \$28,900 to \$30,000. However, the city did not maintain documentation of such estimates for the various options it had considered prior to the purchase of the building. In addition, the minutes of board meetings contain no discussion of these various options or cost estimates.

Without supporting documentation, there is little assurance the board took appropriate steps to ensure the decision to purchase the building was the most beneficial to the city. In addition, discussions of such major transactions should be fully documented in the board meeting minutes.

- B. The city did not obtain a professional appraisal to value the land and building prior to purchase. The bank which wrote the loan indicated an informal, in-house appraisal valued the property and building at \$40,000 to \$45,000. According to the Stoddard County Assessor, the appraised value of the land and building at January 1, 2000, (after the additional improvements were made by the city) was \$27,300.

The disparity between the county assessor's appraisal and the bank's in-house appraisal supports the importance or significance of an independent appraisal in establishing the market value of the land and building as a basis for determining the reasonableness of the asking price.

- C. The city spent approximately \$4,700 for labor and materials to renovate the building for two offices and a restroom. Except for a wall dividing the garage and the office area, the building was basically a shell when it was purchased.
- 1) Beginning in November 1998, the board hired and paid \$1,752 to an individual to build the offices and restroom facility without soliciting bids and without a written contract. The project was completed in April 1999,

or nine months after the building was purchased. According to the Mayor, the project took longer and the cost of labor was significantly more than the board had anticipated. However, there is no documentation to support the agreement with the contractor, or the cost the board anticipated.

Written contracts establish payment terms, clarify responsibilities and expectations of both parties, and help ensure the city receives the services it desires. Section 432.070, RSMo 1994, requires all contracts to be in writing. In addition, the city should compare invoices to contract terms to provide assurance the city is paying the appropriate amounts for services.

- 2) Of the \$4,700 spent to renovate the building, approximately \$2,840 was used to purchase materials. The materials were purchased from seven different vendors without soliciting bids. As noted in MAR No.4, competitive bids help ensure the city receives fair value by contracting with the lowest and best bidders.

Had competitive bids been solicited, the board could have better ensured the reasonableness of the labor cost, the quantity and type of materials needed, and the length of time to complete the project.

**WE RECOMMEND** the Board of Aldermen solicit bids, estimates, and/or appraisals for all major purchases. In addition, ensure documentation of estimates or bids taken and discussion of major transactions is adequate and all agreements are in writing.

### **AUDITEE'S RESPONSE**

*The board agrees and indicated it will ensure in the future that bids, estimates, and appraisals are obtained when applicable and that all applicable information is adequately documented.*

|   |
|---|
| <b>3. Water, Sewer, and Trash Systems</b> |
|---|

The city provides water, sewer, and trash services to its residents. Water meters are read on approximately the twentieth of each month and a combined water, sewer, and trash utility bill is mailed on the last day of the month. Payments are due by the tenth of the following month. Our review of the utility systems and related procedures identified the following concerns:

- A. While the city maintains individual customer account sheets, the city does not maintain a control ledger to account for total billings and payments received each month. As a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid are not performed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies

are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made, and to facilitate independent reviews.

- B. The city has not taken adequate steps to ensure the timely collection of delinquent accounts. Periodic listings of delinquent utility account balances were not prepared and reviewed by the board. According to the Mayor, the board was unaware the problem was significant until the new City Clerk prepared a delinquent list in April 2000 which showed the delinquent accounts for water, sewer and trash services totaled approximately \$16,000. Several customers on the list had been delinquent for three to four years with some account balances over \$1,000.

City ordinance No. 28.910 requires a \$5 penalty for any water or sewer bill not paid by the tenth of the month be added to the bill. In addition, if the bill is not paid for 30 days, water service is to be discontinued and not reconnected until all past due bills are paid in full along with a reconnect fee. The city has not enforced the penalty on delinquent water bills or disconnected delinquent accounts.

To maximize receipts and ensure equitable treatment to customers who pay timely, the city should prepare periodic listings of delinquent accounts and take steps necessary to ensure timely collection of the delinquencies.

- C. The city has not established a system to ensure it accounts for all customer accounts. The city maintains a separate utility ledger sheet for each customer and a meter reading sheet for customers receiving water services. However, account numbers are not assigned, nor are the utility billing statements prenumbered. As a result, there is not adequate assurance all meters are read and that all customers are properly billed for services.

The city does not account for all utility ledger sheets. The former City Clerk removed customer ledger sheets for closed accounts or customers who had moved and filed them in various other locations. Account numbers would help ensure all customers are accounted for, properly billed, and collections properly recorded. In addition, a log of all assigned account numbers would provide a summary control record of all customer accounts in use and/or closed.

- D. The city has not obtained annual audits of its combined water works and sewage system. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined water works and sewage system, and the cost of the audits is to be paid from the revenues received from the system.

In addition to being required by state law, annual audits of the city funds would help:

- 1) Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.
- 2) Determine the propriety and accuracy of its financial transactions.
- 3) Ensure revenues of the system are adequate to meet the expenses of providing the service.

E.1. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The individual customer account sheets report the gallons of water used each month from the individual meter readings. The maintenance supervisor records the daily meter readings from the city's well, but the gallons pumped are not reconciled to the total gallons billed. The gallons of water billed in January 2000 were 23 percent less than the gallons of water pumped. The Public Service Commission generally recommends investigation if the usage not billed exceeds 15 percent.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences.

2. The city does not adequately account for water meter deposits. The city requires each customer to pay a refundable water meter deposit. These monies are credited to the Meter Deposit Fund. The city currently has approximately 200 customers and the balance in the fund as of June 30, 2000, was \$2,077. The meter deposit was \$10 until it was increased to \$25 in August 1983. Based on the number of customers and the balance in the Meter Deposit Fund, it appears the balance may not be enough to cover meter deposits for existing customers.

A permanent summary record listing the customer deposits held at any particular date has not been established. The only record the city maintains of customer deposits is the copy of the receipt slip issued to the customer at the time of payment and the fund ledger which indicates the total deposit collected each month along with refund information which includes the date, customer name and refund amount. Without a listing of customer deposits the risk of refunding an incorrect amount is increased.

A permanent summary record listing the customer deposits would allow for periodic reconciliations between deposits, refunds and cash on hand. Without these reconciliations, the possibility of errors going undetected is increased. In addition, the city should determine what the correct balance of the Meter Deposit Fund should be and transfer any necessary funds from the Water Fund.

- F. The city has not created and funded all reserve accounts required by its sewer revenue bond. In September 1996, the city issued \$100,000 in revenue bonds to partially finance the construction of extensions and improvements of the sewer system.

The revenue bond covenant requires the establishment of a Debt Service Reserve Account to be funded by a monthly transfer of approximately \$49 beginning October 1996 until the balance reaches \$5,900. These funds are to be expended only to prevent any default in the payment of interest on or principal of the bond. In addition, the bond covenant requires the establishment of a Depreciation and Replacement Account to be funded by a monthly transfer of approximately \$49 beginning in October 1996 until the balance reaches \$5,900. These funds are to be expended only for the purpose of making unusual or extraordinary replacements and repairs in and to the sewer system. A portion of monthly sewer fees is to be used to fund the reserve accounts; however, all monies are deposited into the Sewer Fund. As of June 30, 2000, the balances in each of these accounts should have been \$2,213.

The failure of the city to adequately maintain the required reserve accounts could allow the bondholders to take legal action to force compliance or immediate payment of the bond.

- G. The city has not established procedures to ensure all customers receiving trash services are billed. The city's maintenance employee indicated he is not provided with a list of customers, but collects trash wherever it is set out. As a result, the city may not be billing all customers to whom service is provided and losing revenue.

**WE RECOMMEND** the Board of Aldermen:

- A. Require the City Clerk to maintain a summary record of billings and payments and to perform monthly reconciliations of the amounts billed to amounts collected and delinquent accounts.
- B. Ensure delinquent utility account lists are prepared and periodically reviewed by the board and take all necessary steps to ensure timely collection of delinquencies.
- C. Establish an account number system and control log to ensure all utility customers are accounted for and billed for services.
- D. Ensure annual audits of the water and sewer system are obtained.
- E.1. Compare the gallons of water pumped to the gallons billed on a monthly basis and investigate significant differences.

2. Ensure a list of all water meter deposits is prepared and reconciled to the balance in the Meter Deposit Fund. The board should transfer the necessary monies from the Water Fund to cover any deficiency.
- F. Establish and fund all accounts required by the bond covenants. In addition, the board should determine how much should be transferred into the Debt Service Reserve Account and the Depreciation and Replacement Account from the Sewer Fund.
- G. Establish procedures to ensure all customers receiving trash services are billed.

### **AUDITEE'S RESPONSE**

A,C,

*&E.1. The board agrees and indicated the city will implement these recommendations by the end of calendar year 2000.*

*B. The board agrees and indicated it has already implemented the recommendation. The city has collected a significant portion of the delinquencies noted and has established payment agreements for most delinquent accounts. The board will continue to closely monitor delinquent accounts.*

*D. The board agrees and will try to ensure annual audits are obtained.*

*E.2,*

*&G. The board agrees and will try to implement these recommendations by the end of calendar year 2000.*

*F. The board agrees and believes the prior city clerk has already established these accounts. However, if it discovers the accounts have not been established, this will be done immediately. The board also indicated it will begin making the required monthly transfers immediately and will develop a plan to repay the accumulated accounts owed.*

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| <b>4.</b> | <b>Disbursements</b> |
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- A. The city's purchasing ordinance requires advertising for sealed competitive bids for all purchases of goods and services exceeding \$100. However, we noted bids or proposals were not solicited, or bid documentation was not retained, for several purchases. Following are some examples:

|                            |          |
|----------------------------|----------|
| Asphalting                 | \$ 9,654 |
| Insurance                  | 9,044    |
| Trucks                     | 4,300    |
| Truck repairs              | 1,016    |
| Sewer materials            | 273      |
| Chemicals                  | 795      |
| Grant application services | 350      |

The Mayor indicated that informal phone quotes were usually obtained from several vendors; however, documentation of the quotes was not maintained.

Competitive bidding helps ensure the city receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bids, or by advertised sealed bids. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected.

- B. The Board of Aldermen indicated it reviews and approves all invoices prior to payment. However, the approval is not documented on the invoices or listing of bills to be paid. The only documentation of the board's approval is a general statement in the minutes that bills were approved. Without documentation of approval on the invoices and/or the listing of bills, it is not clear which invoices were approved.

In addition, no one independent of the check preparation and signing process compares actual checks written with the approved invoices and approved listing of bills.

All disbursements should be closely scrutinized by the board or someone independent of the disbursement process and properly authorized. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring.

- C. The city did not have bills-of-sale, purchase contracts, or invoices to support the purchase of two pickup trucks costing \$3,000 and \$1,300.

All disbursements should be supported by paid receipts or vendor-provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds.

- D. The city entered into several installment loans with a local bank. A 10-year loan was obtained in July 1998 for the purchase of the city hall totaling \$30,371. Another loan was for 30 months obtained in March 1999 for the purchase of a



1987 pickup truck totaling \$3,863. The contracts obligate the city to payments up to 10 years without any option to renew the contracts on a yearly basis.

Article VI, Section 26(a), of the Missouri Constitution states that no city shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years, except as otherwise provided in the constitution. Article VI, Section 26(c), of the Missouri Constitution allows cities to incur debt by bond issue only after approval of two-thirds of the qualified electors voting thereon.

The city's beginning balance and anticipated revenue for fiscal year 1999 was already obligated when it entered into the loan agreements for these purchases, and it had already allocated all but \$2,669 of its total available funds. Extending the contracts over multi-year periods without the right of withdrawal obligates the city for future periods which appears to violate the intent of the Missouri Constitution on legal indebtedness absent a vote of city taxpayers.

- E. The city financed its premiums for various insurance policies with one company at a 16.25 percent and 17 percent interest rate through an insurance premium financing company for the fiscal years ended June 30, 2000 and 1999, respectively. For that period, the finance charges totaled \$182 and \$210, for insurance premiums totaling \$4,088 and \$3,778, respectively.

This method of paying insurance premiums is very costly. The city should seek other alternatives to reduce the amount of finance charges being paid for insurance premiums, including contacting the insurance company to determine if it will accept periodic payments. The insurance company indicated to us that semi-annual, and possibly quarterly, deferred payments can be made with no finance charge.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure bids are solicited for all applicable purchases in accordance with city ordinance. Documentation of the bidding process should be maintained in all cases. If the city believes that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.
- B. Ensure the board's approval of invoices is documented. In addition, approved invoices and listings of bills should be compared to checks written by someone independent of the check preparation and signing process.
- C. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods and services received.

- D. Not incur debt in violation of the constitution.
- E. Seek other alternatives for paying the city's insurance premiums to reduce the finance charges currently being paid.

### **AUDITEE'S RESPONSE**

- A. *The board agrees with the recommendation and indicated it will probably need to consider changing the ordinance to establish more reasonable thresholds. In addition, the board will ensure the city complies with the ordinance and maintains applicable documentation.*
- B&E. *The board agrees and will attempt to implement these recommendations immediately.*
- C. *The board agrees with the recommendation and indicated it will ensure supporting documentation for purchases is retained.*
- D. *The board agrees and will ensure the recommendation is followed in the future.*

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| <b>5.</b> | <b>Accounting Controls and Procedures</b> |
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- A. The City Clerk also serves as the City Treasurer and City Collector, and is responsible for all of the record keeping duties of the city. These duties include receiving and depositing monies, preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing monthly financial reports. The City Clerk also performs all functions related to generating monthly utility bills, receipting and recording utility payments, making credit adjustments, monitoring delinquent accounts, and initiating service shutoff orders. The board does not provide adequate supervision or an independent review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

If segregating these offices is not feasible, at a minimum, procedures for adequate independent review should be established.

- B. The City Clerk, the Mayor, and a designated alderman are authorized to sign checks. Although dual signatures are required on each check, only the City Clerk is bonded. Failure to properly bond individuals who have access to funds exposes

the city to risk of loss. In addition, the bond covenants for the city's sewer revenue bonds require all officers handling funds and accounts of the system to be adequately bonded.

- C. Receipts are not deposited intact. While deposits are made daily, varying amounts of cash were withheld from deposits to use as a change fund. In addition, the City Clerk did not indicate the method of payment on the daily collection sheet. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact and the composition of receipts should be documented and reconciled to the amount deposited. If a change fund is needed, it should be established and maintained at a constant amount.
- D. While the bank balance is reconciled to the check register balance, it is not reconciled to the fund ledger balances. For the year ended June 30, 2000, the bank balance was \$556 less than the total fund ledger balances of all city funds. In addition our review of the fund ledgers disclosed several errors in the fund balances. Adequate reconciliation procedures ensure errors or irregularities are detected in a timely manner.
- E. The city maintains two non-interest bearing bank accounts. The average month-end bank balance in the general account for the year ended June 30, 2000, was \$25,068. To maximize revenues, city monies should be deposited into interest-bearing accounts.
- F. The city has not prepared or maintained permanent, detailed property records for fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. Also, annual physical inventories are not performed.

Property records are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for fixed assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original value is not available. The city should properly record all fixed asset transactions and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

**WE RECOMMEND** the Board of Aldermen:

- A. Appoint separate individuals to the positions of City Clerk, City Collector and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review should be established.

- B. Obtain bond coverage for all persons with access to city assets.
- C. Ensure monies are deposited intact and the composition of receipt records is reconciled to bank deposits. In addition, the change fund should be maintained at a constant amount.
- D. Ensure bank balances and the check register balance are reconciled to the total fund ledger balances each month.
- E. Ensure city monies are deposited into interest bearing accounts.
- F. Establish property records for fixed assets that include all pertinent information for each asset, such as a tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

#### **AUDITEE'S RESPONSE**

- A. *The board agrees and will establish procedures to ensure an independent review is performed immediately.*
- B. *The board agrees with the recommendation and indicated it will look into obtaining bond coverage for all applicable officials.*
- C&E. *The board agrees and has already implemented these recommendations.*
- D. *The board agrees and indicated the City Clerk is now working on these reconciliations.*
- F. *The board agrees and will implement this recommendation immediately.*

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| <b>6.</b> | <b>Ordinances, Records, and Board Minutes</b> |
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- A. Improvement is needed in the organization and documentation of the city's ordinances. The ordinances were last codified in March 1982 and many of the ordinances are old and outdated. In addition, a listing of ordinances passed since the last codification is not maintained. Instead, updated ordinances are kept in a file by the year they were adopted, making it difficult to locate the latest update to an ordinance or determine if an ordinance has been updated or rescinded since the last codification.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well organized and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

- B. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to and copies of city records would establish reasonable guidelines for the city to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and the cost for providing copies of public records.

Section 610.023, RSMo Cumulative Supp. 1999, lists requirements for making city records available to the public. Section 610.026, RSMo Cumulative Supp. 1999, allows the city to charge fees for copying public records, not to exceed the city's actual cost of document search and duplication.

- C. The board minutes are prepared by the City Clerk; however, they are not signed by the Mayor, the Clerk, or any of the board members.

The board minutes should be signed by the Clerk, and the Mayor, or a designated member of the board, to provide an independent attestation that the minutes are a complete and correct record of matters discussed and actions taken during the board meetings.

- D. The board meeting minutes do not always include sufficient detail of matters discussed or action and votes taken. For example, the minutes did not document the various options discussed prior to the purchase of the new city hall land and building in July 1998, the gift of a 1975 truck to the maintenance employee in July 1999, the sale of a 1987 truck to the Mayor's father-in-law in January 2000, or approval of the City Clerk's raise in June 2000.

Section 610.020, RSMo 1994, requires minutes of meetings be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes of the board's meetings are necessary to retain a record of the business conducted and to provide an official record of board actions and decisions.

**WE RECOMMEND** the Board of Aldermen:

- A. Update and codify the city's ordinances and ensure a complete set of ordinances is maintained. In addition, the city should consider establishing an index of all city ordinances passed and rescinded.
- B. Establish formal written policies and procedures regarding public access to and/or copies of city records.
- C. Ensure all board minutes are properly signed, to attest to their accuracy.
- D. Ensure complete and accurate minutes of the board's meetings are maintained, including all significant discussions, actions and votes taken, and information required by state law.

## **AUDITEE'S RESPONSE**

- A. *The board agrees with the recommendation. The board indicated the city has already begun updating the ordinances; however, the project will take time to complete and the board cannot commit to an implementation date at this time.*
- B&C. *The board agrees and will implement these recommendations immediately.*
- D. *The board agrees and will begin reviewing immediately to ensure board meeting minutes are complete.*

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| <b>7. Budgets and Financial Reporting</b> |
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- A. The budgets for the years ended June 30, 2001, 2000, and 1999 do not include a budget message or general budget summaries describing the important features of the budgets and major changes from the preceding years. The budgets combine receipts and disbursements of all funds into one budget rather than presenting a separate budget for each fund. They also do not include a statement of estimated or actual revenues and expenditures for the two preceding budget years, or the beginning and estimated ending available resources. In addition, the Board of Aldermen does not periodically compare actual revenues and expenditures to the budgeted amounts. While the board receives a monthly report of actual receipts and disbursements, this report does not include a comparison to amounts budgeted.

Sections 67.010, RSMo 1994, requires each political subdivision of the state to prepare an annual budget with a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years. Prior year comparisons of actual revenues and expenditures need to be included to help ensure accurate amounts are budgeted. A budget should include appropriate revenue and expenditure estimations by classification, and include the beginning available resources and reasonable estimates of the ending available resources. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

- B. During the years ended June 30, 2000 and 1999, the city approved expenditures in excess of budgeted amounts totaling \$21,819 and \$39,743, respectively. For the year ended June 30, 1999, expenditures exceeded the budgeted amounts largely due to the purchase of the new city hall, which cost \$30,000. The city did not prepare an amended budget, nor did the city adopt a resolution authorizing additional expenditures.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If there are valid reasons which necessitate excess

expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such increases.

- C. A formal maintenance plan for city streets has not been prepared annually. A maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, a cost estimate, the dates such work could begin, and any other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents. During the years ended June 30, 2000 and 1999, street repair expenditures totaled \$7,143 and \$6,433, respectively.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

- D. While the city published semi-annual financial statements, the financial statements only presented the beginning cash balance, total receipts, total disbursements, and ending cash balance of each fund presented. The various revenue sources and disbursement categories were not shown.

Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annually, a full and detailed account of the receipts, disbursements, and indebtedness of the city. Complete financial statements are necessary to keep the citizens informed of the financial activity and condition of the city.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law. In addition, the board should periodically compare actual revenues and expenditures with budgeted amounts to monitor city finances and ensure actual expenditures do not exceed budgeted amounts.
- B. Ensure actual expenditures do not exceed budgeted amounts. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such before they are incurred.
- C. Prepare a formal maintenance plan for city streets at the beginning of the year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.
- D. Publish complete, detailed semi-annual financial statements of all of the financial activity and indebtedness of the city.

## **AUDITEE'S RESPONSE**

- A. *The board agrees and will ensure budgets are complete, beginning with the fiscal year 2002 budget. In addition, the board indicated it will begin immediately to monitor city finances more closely.*
- B. *The board agrees and will begin immediately to monitor the budgeted and actual expenditures and will prepare budget amendments when necessary.*
- C. *The board agrees that a maintenance plan is a good tool and should be done, as long as the plan remains flexible. The board indicated it will begin working on its street maintenance plan between now and Spring 2001.*
- D. *The board agrees and will implement the recommendation when the next semi-annual financial statements are prepared.*

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| <b>8. Personnel Policies and Procedures</b> |
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- A. We noted the following concerns regarding compensation to employees:

- 1) The city paid the maintenance employee an additional \$200 on July 16, 1999. Also, while the former police officer resigned effective July 2, 1999, the city paid him \$200 on July 16, 1999 and on July 30, 1999. The Mayor indicated these were partial retroactive payments of raises which had been previously approved a year earlier. There is no documentation of additional hours worked by these employees to support the payments and they were apparently additional payments for services previously rendered. Therefore, these payments appear to be bonuses. In addition, all city employees received a \$50 and \$25 Christmas bonus in December 1999 and 1998, respectively.

The bonuses appear to represent additional compensation for services previously rendered and violate Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- 2) In December 1998, a city employee received his payroll check one week in advance of the date earned. Also, in June 1998, the city loaned the former police officer \$500 to be repaid weekly in \$25 installment payments. The amount was deducted from the employee's weekly payroll check until the loan was paid in full on October 28, 1998.



Such payments appear to violate Article VI, Section 23 of the Missouri Constitution which prohibits any political subdivision of the state from granting or lending money to an individual. In addition, it is not prudent for a city to compensate employees in advance. Doing so could result in the city paying an individual for services not performed.

- B. The city has not adopted an annual ordinance to establish the compensation or the term of office of the City Clerk and other employees. The budgets also do not provide a detail of salaries paid to each appointed official and employee. During our audit, the new City Clerk received a \$50 per week raise effective June 1, 2000. Also, in March 2000, the board approved free water, sewer, and trash services for all full-time employees, as a benefit to city employees, but did not adopt an ordinance to establish the additional compensation.

Sections 79.270 through 79.320, RSMo 1994, require that duties, powers, compensation, and the term of office of city officials and employees be established by ordinance. Also, compensation rates set by ordinance, in addition to meeting statutory requirements, document the approved amounts to be paid and reduce potential misunderstandings regarding the amount of pay each city official and employee is to receive. In addition, ordinance hearings provide for public input and information concerning the salaries and benefits paid.

- C. The city has three full-time employees and three part-time employees. Full-time employees do not prepare time sheets. As a result, there is no documentation to support the city's allocation of payroll expenditures to the various funds. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures and the allocation of payroll costs to the various funds, and to provide the board with a method to monitor hours worked.
- D. Records of vacation and sick leave earned and used are not maintained. City ordinance requires the City Clerk to maintain records of vacation leave allowance and use. Adequate documentation of leave time earned and used is necessary to ensure that leave time is not abused.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Refrain from paying bonuses or additional compensation for services previously rendered.
- 2. Discontinue the practice of paying employees in advance or making loans to employees.
- B. Establish by ordinance the salaries or pay rates and applicable terms of office for all officials and employees, and ensure changes to these officials' compensation do not occur during a term of office, in accordance with state law.

- C. Require time sheets be completed for each employee showing actual hours worked by function or activity as a basis to properly allocate payroll costs to the appropriate funds and to monitor hours worked.
- D. Require the City Clerk to maintain records of vacation and sick leave.

### **AUDITEE'S RESPONSE**

- A.1. *The board agrees with the recommendation but disagrees that the payments in July 1999 were bonuses. It indicated these were retroactive payments for raises previously agreed upon. The board indicated it will not pay any bonuses or make retroactive raises in the future.*
- A.2. *The board agrees with the recommendation and indicated this practice has not happened again since December 1998.*
- B&C. *The board agrees and will address these recommendations immediately.*
- D. *The board agrees and will develop leave records as soon as possible.*

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| <b>9.</b> | <b>Restricted Revenues</b> |
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Procedures have not been established to ensure expenditures are properly allocated among the various funds benefiting from the expenditures and to ensure restricted revenues are expended only for their intended purposes.

The police officer's salary was primarily paid from the General Fund until April 2000 when the city began paying it out of the Motor Fuel Fund. The City Clerk, assistant City Clerk, and maintenance employees' salaries are paid from the General Fund, Water Fund, Sewer Fund, Solid Waste Fund and the Motor Fuel Fund. While the clerks and maintenance employees are responsible for various duties related to city utilities such as collection and billing, reading water meters, and collecting trash, the salaries are not allocated based on work performed. The former City Clerk indicated expenses are paid from the funds that have available cash balances. As noted in MAR No.8 C, time sheets are not prepared by all employees for use as a basis to allocate payroll costs and shared expenses.

Of the \$34,000 in net salaries paid to the City Clerk, assistant City Clerk, and maintenance employees for the fiscal year ended June 30, 2000, approximately \$4,697 was paid from the Motor Fuel Fund even though these employees did little or no work on street projects. However, \$7,755 of the police officer's net salary was paid from the General Fund, but would have been an allowable expenditure from the Motor Fuel Fund. The Missouri Constitution, Article IV, Section 30(a) (2), requires the city to use those funds only for construction, reconstruction, maintenance, repair, policing, signing, lighting, and cleaning roads and streets. Documentation to support the number of hours

worked related to streets, is necessary to ensure the city is using motor fuel related receipts to pay only expenses authorized by state law.

It is essential that the city properly allocate expenses to the various funds. In January 1999, the board authorized an increase in trash rates. Allocation of expenses is necessary for the city to ensure the water, sewer and trash rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the uses of certain funds, such as motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

**WE RECOMMEND** the Board of Aldermen ensure all expenditures are properly allocated to the various funds and the allocations are supported by adequate documentation.

### **AUDITEE'S RESPONSE**

*The board agrees and will begin implementing the recommendation immediately; however, it indicated that developing the methodology for allocating expenditures to the various funds will take some time and it cannot commit to when this will be fully implemented.*

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| <b>10. City-Owned Vehicles</b> |
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The city has one patrol car, a trash truck, and two pickup trucks. During our review of the city's policies and procedures for protecting the city's interest in these vehicles, we noted the following concerns:

- A. Logs which document vehicle usage are not adequately maintained. The City Clerk began maintaining a gasoline usage log in June 2000. While the log documents the date, the vehicle, and number of gallons pumped from the city's gas pump, the vehicle's odometer reading is not documented. The city's maintenance employee fueled his personal vehicle (which he began using for city business after the city's maintenance truck broke down in April 2000) ten times in twenty days totaling approximately 134 gallons of gasoline, and the police officer fueled the patrol car eleven times during the same period totaling 123 gallons of gasoline. Odometer readings would help ensure fuel is used in the identified vehicle and would allow for the calculation of fuel efficiency to evaluate the reasonableness of fuel usage.

Logs are necessary to document appropriate use of the vehicles and to support gasoline expenditures. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded, the vehicles are being properly utilized, and to help

identify vehicles which should be replaced. Information on the log should be reconciled to gasoline usage/purchases and other maintenance charges.

- B. The city owned a 1975 pickup truck which broke down and was going to require significant repairs. Rather than repair the truck it was sold to a sole bidder in April 1999. In March 1999, the city purchased a 1987 pickup truck for \$3,000 to replace the 1975 truck. Over the following eight months, the city spent approximately \$800 in repairs and discussed the need for an additional \$3,000 in repairs to the truck. In January 2000, the city sold the 1987 truck for \$1,300 and in February 2000 purchased a 1986 pickup truck for \$1,300. In April 2000, the engine on the 1986 truck quit, with repair costs estimated at \$3,800. Our review of the purchase and sale of these vehicles disclosed several problems as follows:

- 1) Based on our review of the board meeting minutes, the sole bid for the 1975 truck was from the maintenance employee. The minutes documented the approval of the sale of the truck to the employee for \$500. While title was transferred to the employee, the city was never paid for the truck. According to the Mayor, the truck was instead given to the employee in lieu of the rest of a retroactive raise he was to receive in July 1999.

The board meeting minutes did not document the board's discussion or approval of giving the truck to the maintenance employee. As noted in MAR No. 8, such a gift or bonus would be prohibited by Article VI, Section 23 of the Missouri Constitution.

- 2) In January 2000, the city sold the 1987 truck to the Mayor's father-in-law without publicizing or soliciting bids. The Mayor indicated he was not involved in the decision to sell the truck to his father-in-law. However, when we questioned two of the current aldermen who served on the board at the time about the sale, neither of them could remember any of the details of the sale. The board meeting minutes do not document the board's discussion or approval of the sale of the truck, thus it is not clear who authorized the transaction.

The board should publicize or solicit bids to ensure the best price is obtained for property sold. Documentation of bids received should be maintained.

Discussions and decisions concerning transactions where potential conflicts of interest exist should be completely documented so that the public has assurance that no city official or city employee has benefited improperly. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for city officials.

- 3) The city trash truck, police car, and maintenance trucks purchased in the past few years have required significant repairs. When the 1986 truck stopped working in April 2000, the maintenance employee began using the 1975 truck for city business that the city had previously given him. The city has purchased a number of pieces of used equipment which required significant repairs within a short time after purchase. The Mayor and former City Clerk indicated that the city's lack of funds prevents the city from purchasing new equipment. However, the city has not prepared a feasible plan for replacing its vehicles or equipment. With adequate planning and a conscientious effort to build up the city's reserves for equipment replacement, the city would be in a better position to purchase better quality equipment.

**WE RECOMMEND** the Board of Aldermen:

- A. Maintain complete and accurate usage logs for each vehicle. The logs should be reviewed by a supervisor or the board periodically for completeness and reasonableness.
- B.1.  
&2. Avoid apparent conflicts of interest and ensure board meeting minutes clearly document discussions and decisions concerning transactions where potential conflicts of interest exist. In addition, the board should consider adopting a code of conduct for city officials and refrain from granting anything of value to city employees.
- B.3. Establish a feasible plan for replacing the city's vehicles/equipment.

**AUDITEE'S RESPONSE**

- A. *The board agrees and will implement the recommendation immediately. It indicated that it has already begun to monitor the usage records and will continue to do so. It indicated it is also in the process of replacing the city truck so it is not necessary for the employee to use his private vehicle.*
- B.1.  
&2. *The board agrees with the recommendation and that it is important to avoid actual conflicts as well as the appearance of conflicts of interest. The board will ensure in the future that all discussions are fully documented in the board meeting minutes.*
- B.3. *The board agrees that planning is necessary, but feels that given the city's current financial condition, full implementation may be out of the board's control. It indicated that it will continue to work on strengthening the city's financial condition.*

This report is intended for the management of the city of Bell City and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC  
REHABILITATION CENTER

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-112  
October 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Roger B. Wilson, Governor  
and  
Roy C. Wilson, M.D., Director  
Department of Mental Health  
and  
Mental Health Commission  
and  
Richard Scotten, Executive Director  
Southwest Missouri Psychiatric Rehabilitation Center  
El Dorado Springs, Missouri 65744

We have audited the Department of Mental Health, Southwest Missouri Psychiatric Rehabilitation Center. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and expenditures made by the Southwest Missouri Psychiatric Rehabilitation Center.

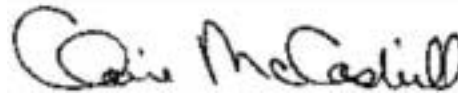
Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the facility's revenues, expenditures, rules, regulations, and other pertinent procedures and documents, and interviewed facility personnel.

As part of our audit, we assessed the facility's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and was not subjected to the procedures applied in the audit of the Department of Mental Health, Southwest Missouri Psychiatric Rehabilitation Center.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Mental Health, Southwest Missouri Psychiatric Rehabilitation Center.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 9, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | David Holtmann, CPA    |
| In-Charge Auditor:  | April McHaffie, CPA    |
| Audit Staff:        | Sandi Ohern, CPA       |
|                     | Jody Vernon, CPA       |
|                     | Rachel Simons          |

## MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
SUMMARY OF FINDINGS

1. El Dorado Springs Facility (pages 7-8)

The Department of Mental Health (DMH) and the Southwest Missouri Psychiatric Rehabilitation Center (SWMPRC) did not adequately plan or monitor the design of the new facility. As a result, additional costs were incurred and potential reimbursements for client care may have been lost.

2. Expenditures and Related Items (pages 8-10)

The facility allowed other DMH facilities to expend funds from SWMPRC's appropriations. The facility also purchased property items in advance of need and did not adequately assess the need for some cellular phones and pagers.

3. Supported Community Placement Operations (pages 10-12)

Several problems were noted during our review of client funds maintained by community placement facilities.

4. Fixed Assets (pages 12-13)

A physical inventory of fixed assets is not conducted on an annual basis and the physical inventory is not performed by an individual independent of the record-keeping duties. Fixed assets purchased were not always recorded on the fixed asset listing. Written authorization is not always required for all property dispositions and the method of disposition is not adequately documented. Property tags are not assigned and placed on the items upon the receipt of fixed assets.

5. Vehicle Usage (pages 13-14)

The facility needs to reevaluate the use of some state-owned vehicles. Vehicle logs are not complete or properly monitored.

6. Inventory Records and Procedures (pages 14-15)

The facility has not established adequate inventory records and procedures for certain inventory supplies.

7. Receipt Controls and Procedures (pages 15-16)

Controls over receipts are in need of improvement. The method of payment is not recorded on the receipt slips and checks issued are not always signed by two of the designated cosigners.

8. Employee Meals (pages 16-17)

The facility needs to review the practice of providing meals to employees.

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S FINDINGS

|           |                                   |
|-----------|-----------------------------------|
| <b>1.</b> | <b>El Dorado Springs Facility</b> |
|-----------|-----------------------------------|

As a result of a legislative action in December 1991, much of the state owned property from the Nevada State Hospital was transferred to the city of Nevada when the state hospital was closed. After the transfer of this property to the city of Nevada, the state continued to use (rent free) part of this property to operate the Southwest Missouri Psychiatric Rehabilitation Center (SWMPRC), formerly Southwest Missouri Mental Health Center. In July 1994, the city of Nevada started charging the state rent for the space they had occupied since the closure of the Nevada State Hospital. From July 1994 until October 1997, the state continued to use this space and paid \$246,167 in rent to the city of Nevada. SWMPRC continues to maintain some administrative offices in the city of Nevada.

In May 1995, a 15-year lease contract was awarded for the construction of a new facility for the SWMPRC. This building was designed to provide office space and a 12 bed residential treatment facility in El Dorado Springs. Before construction began on the new facility, the original plans were substantially modified to provide for administrative offices and a 24 bed residential treatment facility. Our review disclosed that the Department of Mental Health (DMH) and SWMPRC did not adequately plan or monitor the design of this new facility to meet Medicaid standards, and did not ensure that certain safety features were included. Furthermore, since neither the DMH nor the SWMPRC indicated compliance with the Medicaid standards was a requirement, the Office of Administration (OA) did not specify compliance with such standards when bidding the project. These design deficiencies have resulted in potential lost client revenue and additional construction and rental costs for the state.

For DMH facilities to receive Medicaid reimbursements, the facilities must meet minimum federal standards relating to room size, physical facilities, programming, staffing, etc. The process by which it is determined whether federal standards are met is called certification. Beds are "certified" when they have been determined to meet these standards. The client rooms at SWMPRC do not meet specific size requirements and, therefore, are not certified. As a result, the new El Dorado Springs facility is unable to seek reimbursement from Medicaid for those clients that would otherwise qualify. It should be noted that certain private insurance companies also require Medicaid standards be met to qualify for reimbursement. The amount of potential reimbursement revenue that has been lost by the state could not be determined.

The SWMPRC's 15-year lease contract for the facility in El Dorado Springs commenced April 1997. Terms of the contract required a one time payment of \$31,319 and annual rent of

\$106,628. However, before the SWMPRC could move into the new facility, several changes had to be made to the new building. The state paid \$101,038 to the lessor to make needed improvements related to the types of clients to be served by the facility. These modifications included items such as changes to shower and sprinkler heads, alterations to shower bases, and changes to light switches in some common areas of the building. It appeared these modifications to the new facility were for items that should have been included in the original proposal. Furthermore, while these modifications were being made, the SWMPRC paid \$36,222 in rent payments to the city of Nevada to continue to use their existing facility while also paying \$65,997 in lease payments for the new building for the months April through October 1997.

To protect the interests and resources of the state, construction and acquisition of facilities must be adequately planned and monitored. Inadequate planning and monitoring of the new SWMPRC has resulted in the state incurring additional construction costs of more than \$101,000, additional rental costs of at least \$36,222, and the inability to seek reimbursement for client care from Medicaid for some clients that would otherwise qualify for benefits.

**WE RECOMMEND** the DMH and SWMPRC ensure all future projects are adequately planned and monitored. Furthermore, considering the length of the SWMPRC lease, the department should evaluate all available options, including whether it would be cost beneficial to pursue a different facility for the SWMPRC that would meet Medicaid standards.

**AUDITEE'S RESPONSE:**

*We agree that all future projects should be adequately planned and monitored as has been done in the past. The Department has and will continue to plan and monitor all projects. This planning and monitoring process is evident in that over the last several years multiple new facilities have been built and are in operation serving hundreds of individuals statewide. However, we will reevaluate the current lease for the facility in relation to the program/clients being served. Any reimbursement for services may be limited as the role and responsibility of this facility is as a "safety net" for individuals in the region after they had exhausted all other resources. It was anticipated that a client with any third party insurance/resource would be referred to the private sector for services. Additionally, individuals between the ages of 21 to 65 are not eligible for their services to be covered by Medicaid while in an institute for mental disease.*

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| <b>2. Expenditures and Related Items</b> |
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- A. During the year ended June 30, 1999, the SWMPRC received pharmacy medication credits resulting from the pharmacy not properly billing Medicaid for eligible prescriptions for the year ended June 30, 1998. The error was discovered and the pharmacy began applying credits to the year ended June 30, 1999 expenditures. As a result of these credits being applied to fiscal year 1999 medication costs, the facility



estimated approximately \$217,700 of its fiscal year 1999 appropriations would not be spent and would lapse at year end. Because of these anticipated unspent appropriations, the DMH directed the SWMPRC to pay costs of the Fulton State Hospital from its anticipated unspent fiscal year 1999 appropriations.

Our review found that more than \$161,200 was expended from the SWMPRC's appropriations for operating costs of the Fulton State Hospital. These expenditures were represented and processed as SWMPRC's expenditures. As a result, the SWMPRC's operating costs are overstated and the DMH circumvented the legislative intent by allowing Fulton State Hospital to inappropriately charge expenditures to SWMPRC's appropriation. Section 33.040, RSMo 1994, provides that expenditures shall be within the purpose of the appropriation, and Section 33.170, RSMo 1994, states that no claim shall be paid unless the money for such claim has been previously appropriated by law. Furthermore, the SWMPRC falsely certified that the amounts presented for payment were proper and valid charges against the fund and the SWMPRC's appropriations.

- B. The facility purchased \$25,686 of various assets (bedroom and living furniture and various recreational items) for a proposed expansion of the El Dorado Springs Facility in June 1999. The expansion (an amendment to the 15 year lease) was not approved until October 1999 by the OA-Division of Facilities Management, and the bids for the building project have not yet been awarded. Therefore, the items purchased for the expansion remain idle in storage. In addition, several of the items purchased (television, stereo, and VCR) were stolen from the storage facility in January 2000.

Buying items before they are needed is an unnecessary use of state funds. In addition, failure to utilize all available property increases the possibility that unused assets will be lost, stolen, or otherwise misused.

- C. The facility expended \$6,017 and \$10,576 for cellular phone charges for the year ended June 30, 1999 and 1998, respectively. Thirteen phones are maintained for various employees including the executive director, personnel director, unit manager, the business office, and the residential care department. The executive director and unit manager both maintain two cellular phones and a pager which resulted in costs to the facility of \$4,439 during the two years ended June 30, 1999 (at least \$2,207 in unnecessary or excessive costs). It does not appear reasonable for these two individuals to each have two cellular phones and a pager.

**WE RECOMMEND** the facility:

- A. Along with the DMH, discontinue the practice of allowing other DMH facilities to expend funds from SWMPRC's appropriations.

- B. Cease purchasing property items in advance of the need.
- C. Review and assess the need for the cellular phones utilized by SWMPRC personnel.

**AUDITEE'S RESPONSE:**

- A. *We understand the State Auditor's concern and agree with the recommendation. However, throughout our system the increasing cost of clinically appropriate medications have impacted on the ability to maintain desirable levels of care. Over the past few years the Governor and Legislature have recognized the need in this area and have been responding with additional funding dedicated for drugs, especially the newer generations of psychotropic medication. Their efforts are making strides in alleviating much of the impact of medication cost increases. However, in the Fiscal Year 1999 there were huge pressures on facilities operating budgets resulting mainly from medication cost increases. For instance, Fulton State Hospitals medication usage increased by over 63% (\$600,000+) between 1996 and 1999. The new funding received prior to 1999 did not cover the increased cost the system was experiencing. Southwest Missouri Psychiatric Rehabilitation Center's medication cost in FY 1999 was materially less than in prior years due to one-time credits received from their supplier. This one-time savings in medication cost at Southwest was used to assist Fulton with their medication costs.*
- B. *Southwest Missouri Psychiatric Rehabilitation Center does not normally purchase items in advance of the need. Correspondence from the Office of Administrations Division of Facilities Management regarding "Acceptance of the proposal" was dated November 2, 1998 and the "Notice of Award to Amend" lease was dated December 15, 1998. These dates were prior to the June 1999 purchases. The first bid for construction was not successful, which caused an unanticipated delay. It should be noted the bidding process was conducted by the city.*
- C. *We have reviewed the number of cellular phones and pagers currently in use and have eliminated one cellular phone and one pager by effective September 1, 2000. We feel the remaining cellular phones and pagers are essential to our operation based in extreme rural Southwest Missouri. Our staff are responsible for the life, safety, and well being of our clients and must be accessible.*

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| <b>3. Supported Community Placement Operations</b> |
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Through Community Placement (CP), the SWMPRC purchases residential care in community-based facilities for clients who would otherwise require institutionalization. These placement facilities include residential care centers, group homes, foster homes, supervised apartments, and nursing homes providing intermediate or skilled nursing care. The SWMPRC and the placement facility enter into a master agreement which is a contract specifically identifying all services to be performed by both parties.

As a part of our review of the CP Program, we visited six placement facilities. A review of client funds and their property being maintained at those facilities disclosed the following concerns:

- A. Three of the CP facilities visited maintained client funds in the CP facility's operating account. This procedure of commingling the client's personal money with the facility's operating funds is a violation of the contract between the SWMPRC and the placement facility. Furthermore, it increases the likelihood that client monies are not being adequately safeguarded or accounted for properly.
- B. At two of the CP facilities, clients were not always required to initial their ledger sheets when obtaining their personal allowances in the form of cash. Not only is this in violation of the master agreement, this practice increases the risk of misuse of client funds.
- C. Three of the CP facilities reviewed did not always retain invoices or vouchers to support the disbursements made from client funds. The master agreement requires adequate documentation to support the expenditure of client funds. Without original invoices or vouchers, it is not possible to verify that clients' monies are spent only for their benefit.
- D. At one of the six facilities, client purchases exceeding \$100 were not approved by SWMPRC prior to the transaction, as required by the master agreement. All purchases exceeding \$100 should be approved prior to the purchase to ensure they are necessary and for the direct benefit of the client for whom the purchase is being made.
- E. Three CP facilities visited allowed some client accounts to maintain a negative balance. The noted deficits were as large as \$127 in September 1999. The master agreement between the SWMPRC and the placement facilities prohibits using monies of one client to defray expenses of another. Allowing some clients to have negative balances results in other clients' monies being used to cover their expenses.

**WE RECOMMEND** the SWMPRC require the CP facilities to:

- A. Cease commingling client funds with the general operating funds of the placement facility.
- B. Require the clients to initial their ledger sheets when obtaining cash.
- C. Retain adequate documentation, such as original invoices, to support expenditures made from client funds.
- D. Obtain prior approval from the SWMPRC for client purchases that exceed \$100.

- E. Monitor the client accounts to ensure negative account balances do not occur.

**AUDITEE'S RESPONSE:**

*A-E. We concur with the recommendations and will strengthen existing monitoring procedures to ensure compliance with contract provisions.*

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| <b>4. Fixed Assets</b> |
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Our review of the fixed assets and related record-keeping procedures indicated the following areas where improvements are needed:

- A. A physical inventory is not performed annually. One physical inventory was performed during the two years ending June 30, 1999; however, the date of the physical inventory was not documented, and the physical inventory counts were not reconciled to the perpetual inventory records. In addition, the physical inventory was performed by the same person who was responsible for maintaining the property records.

To provide assurance that all property exists and can be located, the facility should ensure the physical inventories are fully completed and reconciled to the perpetual inventory records. The physical inventory should be performed by someone other than the individual who maintains the fixed asset records to ensure adequate control over fixed assets.

- B. Fixed asset purchases and dispositions are not reconciled to the fixed asset listings. We noted the facility failed to record purchases of furniture items totaling \$34,874, a vehicle costing \$17,891, and a water softener filtration system costing \$4,200. In addition, dispositions are not recorded on a timely basis.

Adequate fixed asset records are necessary to provide better controls over state-owned property and provide a basis for proper financial reporting. Reconciliations are necessary to ensure all property items purchased or disposed are being properly recorded and controlled.

- C. Supervisory approval is not required for any dispositions to the fixed asset records. In addition, the method of disposition is not documented. The lack of adequate procedures for dispositions recorded to the fixed asset records diminishes the control over state-owned property.
- D. Property control tags are not always affixed to the items immediately upon receipt. Property items purchased after July 1, 1999, had not been tagged. Property control

tags help identify property and safeguard the property from loss.

**WE RECOMMEND** the facility:

- A. Conduct a physical inventory of fixed assets on an annual basis and ensure the physical inventory of fixed asset items is performed by an individual independent of the record-keeping duties.
- B. Include all fixed asset purchases and dispositions on the property records and periodically reconcile purchases and dispositions to the records to ensure all items purchased and disposed of are properly and promptly recorded.
- C. Ensure written authorization is required and maintained for all property dispositions, and the method of disposition is adequately documented.
- D. Assign and affix property tags to fixed assets upon receipt.

**AUDITEE'S RESPONSE:**

*A-D. We concur with the recommendations and will continue to comply with applicable regulations. Annual physical inventories were taken. However, the DMH Property Control System was not available to us for use as of July 1999 as it was closed pending conversion to SAM II. We will insure this process is formalized in the future.*

**5.**

**Vehicle Usage**

At June 30, 1999, the facility had eight state-owned vehicles, consisting of three vans, three passenger cars, one sport utility vehicle, and a pickup truck.

- A. The facility allows the Executive Director and the Unit Manager to use a state-owned vehicle to commute from their homes to the El Dorado Springs Office. The Executive Director commutes from his home in Walker to El Dorado Springs, or approximately a 50-mile daily round trip. Total mileage driven by this employee in the state-owned vehicle for commuting purposes was approximately 7,800 out of the 12,446 total miles (63 percent) driven during the year ending June 30, 1999. The Unit Manager commutes from her home in Foster, or approximately a 100-mile daily round trip. Total mileage driven by this employee in the state-owned vehicle for commuting purposes was approximately 23,100 out of the 25,809 total miles (90 percent) during the year ending June 30, 1999.

We also noted that the facility allows the Assistant Center Director to use a state vehicle to drive from the Nevada facility to the El Dorado Springs facility. The facility justifies this by indicating the Assistant Center Director picks up the interoffice mail. This employee resides in Nevada, however, is officially domiciled

at the El Dorado Springs facility. This employee does not report any taxable fringe benefit for this usage of the state vehicle.

Considering the level of business miles driven, the vehicles used by the Executive Director and Unit Manager do not appear to be justified for business purposes. The facility should ensure that all state vehicles are appropriately used and justified for business purposes.

- B. Mileage logs maintained by the facility do not always indicate the purpose of the trips. Furthermore, there is no indication of any periodic reviews of the vehicle logs. Facility policy requires the purpose of the trip be recorded. Such documentation and reviews of the logs are necessary to determine if the vehicles are being used efficiently and only for official state business.

**WE RECOMMEND** the facility:

- A. Reevaluate the use and need for the abovementioned state-owned vehicles and ensure all vehicles are used appropriately and justified for business purposes.
- B. Ensure the purpose of trips is recorded on the vehicle logs and periodically review these logs to ensure the vehicles are being used efficiently and appropriately.

**AUDITEE'S RESPONSE:**

*A&B. We concur with the recommendations and have reviewed all vehicle assignments.*

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| <b>6. Inventory Records and Procedures</b> |
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- A. During December 1997, the SWMPRC investigated an employee for alleged stealing from the facility's general, food and medical inventory supplies. The facility does not maintain any records relating to the general, medical, and food inventory supplies and therefore was not able to substantiate any shortages of supplies. Without adequate inventory records and procedures, the facility is not able to identify or investigate possible misuse or theft of inventory items.
- B. The facility contracts with a local pharmacy to provide all patient medications. The inventory records for prescription medications and narcotic drugs appear to provide adequate control. However, inventory records are not maintained for all nonprescription drugs. A perpetual inventory record for nonprescription drugs would provide controls over nonprescription drugs.

**WE RECOMMEND** the facility:

- A. Establish adequate inventory records and procedures for the inventory supplies.
- B. Evaluate the feasibility of establishing perpetual inventory records for all nonprescription drugs.

**AUDITEE'S RESPONSE:**

*A&B. Currently the facility does not maintain an inventory of either supplies or pharmacy items as we have gone to a "just in time" purchase system for supplies. This system does not require large warehousing of inventories. Additionally, we have contracted with a local pharmacy to provide medications.*

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| <b>7. Receipt Controls and Procedures</b> |
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- A. Moneys received at the El Dorado Springs facility are opened by two clerks in the executive office. These clerks forward the receipts to a clerk in the business office who prepares a generic receipt slip, restrictively endorses the checks, and places the receipts in a mail bag to be taken to the Nevada facility. When receipts are delivered to the Nevada facility, a clerk prepares a listing of the receipts and the deposit slip. The receipts are then given to the accountant who writes an official state receipt and enters the receipts on the computer. Each Monday, the accountant takes the receipts and related records back to El Dorado Springs where she reconciles her records with the business office clerk's receipt slips. Finally, the deposit is made by the accountant in El Dorado Springs.

We noted the following concerns related to the facility's procedures related to the handling of receipts:

- 1) An initial receipt record or mail log of receipts is not prepared immediately by the mail opener.
- 2) Receipts are handled by five individuals and transported back and forth from two facilities before being deposited. Receipts should be recorded and deposited daily or when accumulated receipts exceed \$100.
- 3) Checks are not restrictively endorsed immediately upon receipt.

To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed and an initial record or mail log should be prepared for all receipts immediately upon receipt. Receipts should be recorded and deposited daily.

- B. The facility accepts cash, checks, and money orders. Receipt slips issued do not indicate the method of payment received. To ensure all receipts are deposited intact, the method of payments received should be indicated on the receipt slips. The composition of receipt slips issued should be reconciled to the composition of the bank deposits.
- C. Checks written from the petty cash funds require two signatures. We noted that checks are sometimes only signed by one of the cosigners. When this occurs, the accountant contacts the bank to notify them that the checks will only have one signature. This practice weakens administrative control and defeats the purpose of a dual signature system.

**WE RECOMMEND** the facility:

- A. Restrictively endorse all checks and prepare an initial record or mail log of all receipts immediately upon receipt. In addition, receipts should be recorded and deposited daily or when accumulated receipts exceed \$100.
- B. Record the method of payment on the receipt slip and reconcile daily the composition of cash and checks deposited to the receipt slips.
- C. Ensure checks are signed by two of the designated cosigners.

**AUDITEE'S RESPONSE:**

- A. *Checks are restrictively endorsed immediately after verification that Southwest Missouri Psychiatric Rehabilitation Center is the intended payee.*

*B&C. This is our policy.*

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| <b>8. Employee Meals</b> |
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Section 630.186, RSMo 1994, states "Any purchase of food in any institution under the control of the department, other than the usual quantity purchased for the patients or residents thereof, to be used by or for anyone other than the patients or residents of such institution shall be charged directly to the individual responsible for such purchase."

The SWMPRC provides meals to employees at no charge as part of a "modeling" program. The purpose of the program, according to facility personnel, was to encourage employees to eat with the clients to set a good example. The program had an estimated cost of \$29,371 for the year ended June 30, 1999. The providing of free meals to employees appears to violate the abovementioned state law.



**WE RECOMMEND** the facility review the practice of providing free meals to employees.

**AUDITEE'S RESPONSE:**

*We do not consider the modeling program as providing free meals to employees rather it is a responsibility of the direct care staff to eat with the clients. The modeling program teaches the clients daily living skills and taking meals with the clients is only a part of the program. Tasks such as cleaning their rooms, proper hygiene, and laundry are other examples of the skills being taught through the modeling program. Only the direct care staff responsible for this program, eat with the clients.*

This report is intended for the information of the management of the Southwest Missouri Psychiatric Rehabilitation Center and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

## History, Organization, and Statistical Information

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

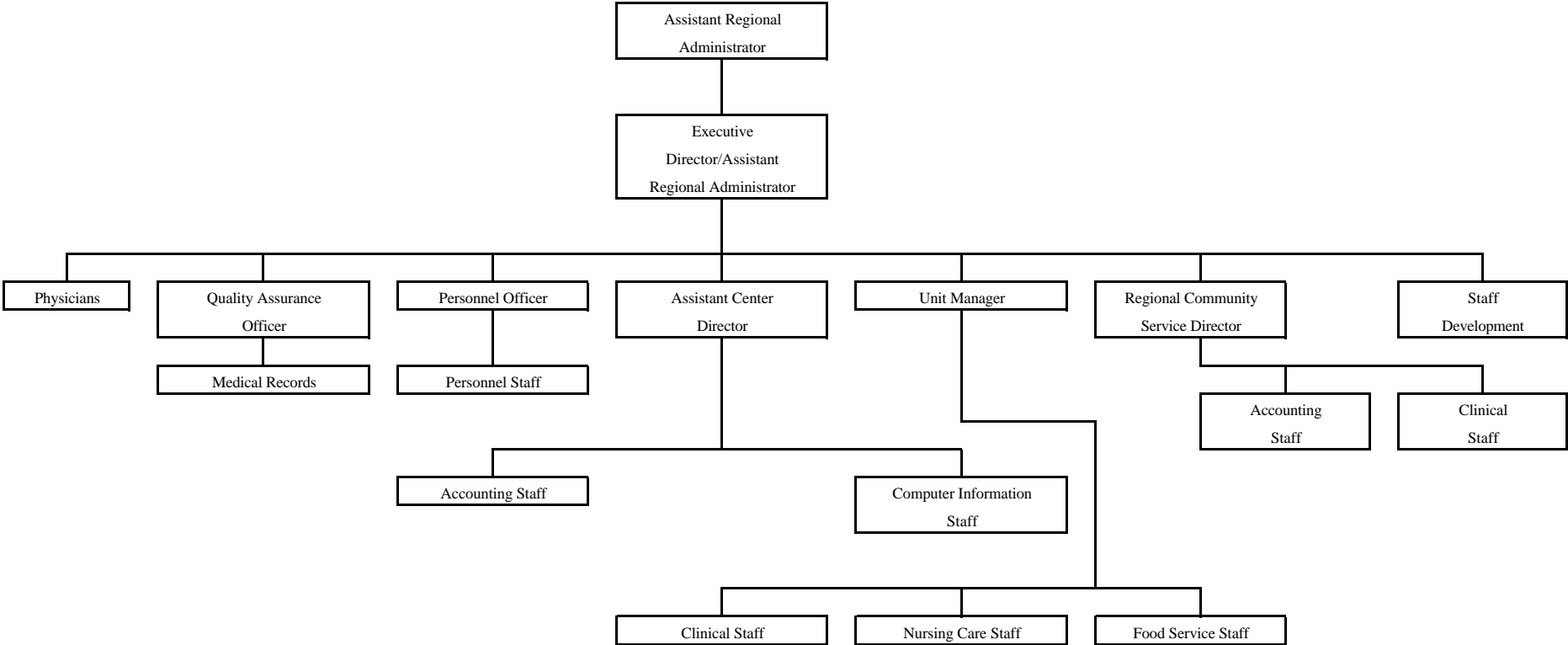
In December, 1997, Southwest Missouri Psychiatric Rehabilitation Center (SWMPRC) formerly Southwest Missouri Mental Health Center, moved into a new facility in El Dorado Springs from its previous location in Nevada. The 24-bed, adult psychiatric treatment facility provides both acute and long-term care. SWMPRC continues to maintain some administrative offices in the city of Nevada.

The facility accepts those persons in need of treatment for serious mental illness and mental disorders. The staff of the facility provide psychological rehabilitation to enable the clients to return to the community. Following discharge, community-based care and treatment is provided by staff of the Administrative Agents through the Purchase of Service Program, the decentralized community placement program, and the Medicaid-funded targeted case management and Community Psychiatric Rehabilitation Center programs. Treatment services are monitored by the staff of the southwest Regional Supported Community Living Program, located in Nevada.

The cost of care, both in-patient treatment and supported community living patients, is shared by the client, based on ability to pay, and the Department of Mental Health.

At June 30, 1999, the SWMPRC had 148 employees. These employees were assigned to various administration, medical and service functions. Richard Scotten serves as the Executive Director. Statistical data and an organization chart follows.

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
ORGANIZATION CHART  
JUNE 30, 1999



DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
STATISTICAL DATA

|                                     | Year Ended June 30, |      |
|-------------------------------------|---------------------|------|
|                                     | 1999                | 1998 |
| INPATIENTS (at year end)            | 23                  | 21   |
| OCCUPANCY                           |                     |      |
| Total number of beds                | 24                  | 24   |
| Average daily census                | 22                  | 20   |
| Bed occupancy percentage            | 92%                 | 83%  |
| Supported Community Living patients | 793                 | 733  |
| Outpatients*                        | 0                   | 542  |

\* Outpatient services were privatized on June 30, 1998.

Appendix A

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
COMPARATIVE SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

| Year Ended June 30,                    |                       |                     |                 |                       |                     |                  |
|--|-----------------------|---------------------|-----------------|-----------------------|---------------------|------------------|
| 1999                                   |                       |                     | 1998            |                       |                     |                  |
|  |                       | Lapsed              |                 |                       | Lapsed              |                  |
|  | <u>Appropriations</u> | <u>Expenditures</u> | <u>Balances</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Balances</u>  |
| GENERAL REVENUE FUND-STATE             |                       |                     |                 |                       |                     |                  |
| Personal service                       | \$ 2,571,393          | 2,515,984           | 55,409          | 0                     | 0                   | 0                |
| Expense and equipment                  | 1,045,939             | 907,536             | 138,403         | 109,857               | 105,604             | 4,253            |
| Personal service/expense and equipment | 99,788                | 41,002              | 58,786          | 5,257,001             | 5,113,040           | 143,961          |
| Supported Community Living             | 3,250,186             | 3,250,086           | 100             | 4,256,799             | 3,365,513           | 891,286          |
| Total General Revenue Fund-State       | <u>\$ 6,967,306</u>   | <u>6,714,608</u>    | <u>252,698</u>  | <u>9,623,657</u>      | <u>8,584,157</u>    | <u>1,039,500</u> |

Appendix B

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

|                                 | Year Ended June 30,             |                                |                                 |                                |
|---------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                                 | 1999                            |                                | 1998                            |                                |
|                                 | General Revenue<br>Fund - State | Mental Health<br>Trust Fund ** | General Revenue<br>Fund - State | Mental Health<br>Trust Fund ** |
| Personal Service                | \$                              | 0                              |                                 | 0                              |
| Travel and vehicle:             |                                 |                                |                                 |                                |
| Travel                          | 82,137                          | 0                              | 144,098                         | 0                              |
| Other expense                   | 17,781                          | 0                              | 6,457                           | 0                              |
| Equipment purchases             | 437                             | 0                              | 52,002                          | 0                              |
| Office and Communication:       |                                 |                                |                                 |                                |
| Expense                         | 108,139                         | 0                              | 133,543                         | 0                              |
| Equipment purchases             | 19,883                          | 0                              | 101,050                         | 0                              |
| Institution and physical plant: |                                 |                                |                                 |                                |
| Food and food service           | 149,592                         | 0                              | 86,453                          | 0                              |
| Fuel and utilities              | 18,773                          | 0                              | 57,303                          | 0                              |
| Drugs and medicine              | 52,488                          | 0                              | 480,522                         | 0                              |
| Laundry service                 | 10,789                          | 0                              | 13,027                          | 0                              |
| Housekeeping supplies           | 15,390                          | 0                              | 6,483                           | 0                              |
| Maintenance supplies            | 50,794                          | 0                              | 39,979                          | 0                              |
| Medical and laboratory expense  | 35,376                          | 0                              | 88,855                          | 0                              |
| Other expense                   | 23,413                          | 0                              | 12,644                          | 0                              |
| Equipment purchases             | 33,953                          | 0                              | 93,280                          | 0                              |
| Lease                           | 159,796                         | 0                              | 251,150                         | 0                              |
| Data processing:                |                                 |                                |                                 |                                |
| Expense and equipment           | 74,835                          | 0                              | 81,614                          | 0                              |
| Professional services           | 8,255                           | 0                              | 7,788                           | 0                              |
| Other expense                   | 71,903                          | 0                              | 198,240                         | 0                              |
| Supported Community Living      | 3,250,086                       | 0                              | 3,365,513                       | 0                              |
| Benefit of patients             | 0                               | 1,089                          | 0                               | 1,871                          |
| Total Expenditures              | \$                              |                                |                                 |                                |

\*\* The Mental Health Trust Fund is funded through donations and gifts made by patients, patients' family, and other citizens that have an interest in Mental Health Services. The Mental Health Trust Fund expenditures are charged to department-wide appropriations.



Appendix C

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
COMPARATIVE SCHEDULE OF RECEIPTS

|                            | Year Ended June 30, |               |                 |               |
|----------------------------|---------------------|---------------|-----------------|---------------|
|                            | 1999                |               | 1998            |               |
|                            | General Revenue     | Mental Health | General Revenue | Mental Health |
|                            | \$ Fund - State     | Trust Fund    | Fund - State    | Trust Fund    |
| Charges from Patients:     |                     |               |                 |               |
| Private pay and insurances | 18,811              | 0             | 43,060          | 0             |
| Medicaid                   | 91,404              | 0             | 546,983         | 0             |
| Medicare                   | 16,564              | 0             | 73,890          | 0             |
| Other                      | 835                 | 0             | 1,241           | 0             |
| Trust Fund                 | \$ 0                | 1,410         | 0               | 2,045         |
| Total Receipts             | <u>127,614</u>      | <u>1,410</u>  | <u>665,174</u>  | <u>2,045</u>  |

Appendix D

DEPARTMENT OF MENTAL HEALTH  
SOUTHWEST MISSOURI PSYCHIATRIC REHABILITATION CENTER  
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND CASH EQUIVALENTS - MEMBERS CASH FUND

|   | Year Ended June 30, |         |
|---|---------------------|---------|
|   | 1999                | 1998    |
| RECEIPTS                                  |                     |         |
| Residents' deposits                       | \$ 533,106          | 588,550 |
| Interest income                           | 2,060               | 2,470   |
| Total Receipts                            | 535,166             | 591,020 |
| DISBURSEMENTS                             |                     |         |
| Community living expenses                 | 504,680             | 430,271 |
| Resident's withdraws                      | 39,210              | 144,787 |
| Refunds to Social Security Administration | 11,001              | 12,846  |
| Total Disbursements                       | 554,891             | 587,904 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS       | (19,725)            | 3,116   |
| CASH AND CASH EQUIVALENTS, JULY 1         | 35,107              | 31,991  |
| CASH AND CASH EQUIVALENTS, JUNE 30        | \$ 15,382           | 35,107  |

\* \* \* \* \*



DEPARTMENT OF MENTAL HEALTH  
FULTON STATE HOSPITAL

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-111  
October 24, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

October 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

Fulton State Hospital, which is administered by the Department of Mental Health, spent nearly \$400,000 above its state budget during a two-year period. The hospital paid these excess costs with the subsequent year's appropriations and money authorized for a separate, unrelated rehabilitation center.

Our office noted this concern in an audit of Fulton State Hospital for the years ended June 30, 1999 and 1998. Our audit's findings focused in three main areas:

- Overspending appropriations
- Providing services to other entities
- Monitoring the Supported Community Living Program

**Hospital circumvents state budget process**

The hospital went around the state's appropriation process when it spent more than its budget and used its subsequent year's appropriations and Southwest Missouri Psychiatric Rehabilitation Center's appropriations to pay the excess. We recommend that the hospital either keep its expenditures within its budget or request additional funding. (See page 6)

**Hospital services to other entities do not cover costs**

The compensation the hospital receives does not cover the cost of the services it provides. The hospital does laundry for four other state mental health facilities, but only charges two facilities for the service and, in some cases, does not have a written contract for these services.

In addition, the hospital provides meal services and bed space to other entities, in exchange for food purchases from one entity and in-kind services from another entity. This practice of charging expenditures to other state appropriations violates the intent of the appropriation process and state law. We recommend the hospital create written contracts for all services it provides, create an internal service fund to account for these costs, and change budgeted funds so all facility costs are paid from the hospital's approved appropriations. (See page 7)

YELLOW SHEET

### **Supported Community Living program needs better monitoring**

The Supported Community Living Program, which serves about 775 clients in various housing setting, needs a better system to track deficiencies and client expenditures. Although the program's staff made monitoring visits, there were very few written reports documenting the visits. The reports also did not always adequately describe the specific deficiencies.

Quarterly reports from vendors on how clients spend their money are not always available, which does not ensure that the clients' funds are spent appropriately. In addition, the hospital is not always documenting the vendors' monitoring visits or reviewing the reports, which provides little assurance that the required visits occurred. We recommend timely monitoring reports, quarterly reports of clients' monies, and complete vendor monitor reports. (See page 9)

DEPARTMENT OF MENTAL HEALTH  
FULTON STATE HOSPITAL

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Roger B. Wilson, Governor  
and  
Mental Health Commission  
and  
Roy C. Wilson, M.D., Director  
Department of Mental Health  
and  
Felix T. Vincenz, Ph.D., Superintendent  
Fulton State Hospital  
Fulton, Missouri 65251

We have audited the Department of Mental Health, Fulton State Hospital. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations and administrative rules as we deemed necessary or appropriate in the circumstances.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the facility.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the facility's revenues, expenditures, contracts, applicable legal provisions, rules and regulations, and other pertinent procedures and documents, and interviewed facility and other state personnel.

As part of our audit, we assessed the facility's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

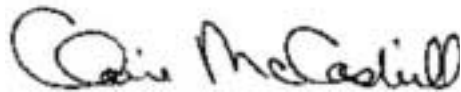
Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional



procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and Statewide Accounting for Missouri (SAM) system and was not subjected to the procedures applied in the audit of the Department of Mental Health, Fulton State Hospital.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Mental Health, Fulton State Hospital.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

January 10, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Mark Ruether, CPA      |
| In-Charge Auditor:  | Gary Boehmer, CPA      |
| Audit Staff:        | Terese Summers, CPA    |
|                     | Roxane Edgell          |
|                     | Sarah Glosemeyer       |

## MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF MENTAL HEALTH  
FULTON STATE HOSPITAL  
SUMMARY OF FINDINGS

1. Overspending of Appropriations (pages 6-7)

For the fiscal years ended June 30, 1999 and 1998, the Fulton State Hospital (FSH) incurred obligations in excess of its appropriations from the General Revenue Fund-State by approximately \$192,000 and \$206,000, respectively. These costs were paid from the subsequent years' appropriations and from appropriations for the Southwest Missouri Psychiatric Rehabilitation Center.

2. Services Provided to Other Entities (pages 7-8)

The FSH provides laundry and other services to various entities. Written contracts have not been obtained for some services provided, and the compensation received for providing these services does not appear to cover the related costs.

3. Supported Community Living Program (pages 9-10)

A review of the Supported Community Living program noted missing or inadequate documentation in the following required reports: 1) quality assurance monitoring of client files, 2) vendor reports of how clients' money is spent, and 3) vendor monitoring reports.

DEPARTMENT OF MENTAL HEALTH  
FULTON STATE HOSPITAL  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

|           |                                       |
|-----------|---------------------------------------|
| <b>1.</b> | <b>Overspending of Appropriations</b> |
|-----------|---------------------------------------|

For the fiscal year ending June 30, 1999 and 1998, Fulton State Hospital (FSH) overspent its appropriation from the General Revenue Fund-State by approximately \$192,000 and \$206,000, respectively. The facility exceeded its appropriation each year because of obligations that were incurred which could not be paid from that fiscal year's appropriation. Of these amounts, \$31,000 and \$206,000 for fiscal years 1999 and 1998, respectively, were paid from FSH's subsequent years' appropriations. In addition, over \$161,000 of obligations incurred by FSH during the fiscal year ending June 30, 1999, were paid from appropriations for the Southwest Missouri Psychiatric Rehabilitation Center. FSH personnel indicated that expenditures are closely monitored and controlled, but the appropriation amounts are not sufficient to cover some necessary operating expenditures.

Article IV, Section 28, of the Constitution of Missouri provides that no obligation shall be incurred unless there is in the appropriation an unencumbered balance sufficient to pay it. By incurring obligations in excess of the appropriation, the facility has circumvented the appropriation process.

**WE RECOMMEND** the FSH closely monitor and review total operating expenditures and keep actual expenditures within the appropriated amounts. If this cannot be done, the FSH and the department should request additional funding.

**AUDITEE'S RESPONSE**

*We understand and agree with your concern. Relative to this question, the hospital's year-end purchase plans are based on three key principals:*

- 1. Routine operational needs - Expenditures noted by the audit team regarding items that are ordered in one fiscal year and paid for in the following year were for supplies, services and equipment that are essential to client care and daily hospital operations. Thus, the dates on which these items are ordered and subsequently paid relative to the end of one fiscal year and the beginning of the next are moot.*
- 2. Planning for change - The audit team also refers to planned inventory investments that enable the hospital to anticipate obligations in the upcoming fiscal year due to special needs or strategic demands so that it can operate within available resources. Examples include mandated training that may affect hundreds of staff, occupancy that exceeds the hospital's capacity, etc. While the audit report judges such actions to be outside the hospital's*

*legislative authority, FSH would suggest that the hospital is exercising effective fiscal and operations management to fulfill the mission of the facility and to maximize the impact of taxpayer funds for client care.*

3. *Regular payoff of compensatory and holiday time - The majority of the \$206,000 incurred in FY98 but paid from FY99 was for a year-end payoff of overtime and holiday pay not previously paid. This expenditure served two key purposes: (1) it avoided the incremental higher cost created by the cost-of-living increase that became effective in FY99; and, (2) provided payment for these balances to employees in as timely a manner as reliable projections of the hospital's financial position allowed.*

*Regarding the payment of FSH expenditures from the Southwest Missouri Psychiatric Rehabilitation appropriation, we understand the State Auditor's concern and agree with the recommendation. However, throughout our system the increasing cost of clinically appropriate medications have impacted on the ability to maintain desirable levels of care. Over the past few years the Governor and Legislature have recognized the need in this area and have been responding with additional funding dedicated for drugs, especially the newer generations of psychotropic medication. Their efforts are making strides in alleviating much of the impact of medication cost increases. However, in FY 99 there were huge pressures on facilities operating budgets resulting mainly from medication cost increases. For instance, FSH's medication usage increased by over 63 percent (\$600,000+) between 1996 and 1999. The new funding received prior to 1999 did not cover the increased cost the system was experiencing. Southwest Missouri Psychiatric Rehabilitation Center's medication cost in FY 1999 were materially less than in prior years due to one-time credits received from their supplier. This one-time savings in medication cost at Southwest was used to assist FSH with their medication costs.*

## **AUDITOR'S COMMENT**

The expenditures referred to above were both ordered and received in one fiscal year and paid from the following years' appropriations or from appropriations of a separate facility. Because of budgetary restrictions, we see no issues in this particular situation that are "moot". While we agree it is necessary for the FSH to plan for change, this does not justify spending beyond available resources, or spending resources specifically designated for other, unrelated facilities. Such a practice is clearly a circumvention of the appropriation process.

|   |
|---|
| <b>2. Services Provided to Other Entities</b> |
|---|

The FSH provides laundry services to four other state mental health facilities and two state correctional facilities. The FSH also provides meal services to one state correctional facility and the Callaway County Jail, and provides bed space to the state Department of Corrections. While there are written contracts for many of these agreements, there are no written contracts with two

of the mental health facilities for laundry services. Written contracts are necessary to designate the services and compensation to be provided and to help prevent misunderstandings.

Our review of these service agreements noted that the FSH may not be receiving adequate compensation to cover the costs of providing these services. For example, two of the four mental health facilities provide no compensation to the FSH for laundry services. For the other two facilities, the FSH is allowed to charge \$5,000 annually in operating expenses to one facility's appropriation, and to charge operating expenses to the other facility's appropriations equivalent to a fixed rate per pound of laundry processed for that facility. In addition, the second facility pays for one full-time employee who works in the FSH's laundry operation. The correctional facilities provide compensation in the form of four full-time inmate workers for FSH's laundry operation.

Regarding meal services and bed space, the FSH has agreements in which the entities receiving the meal services purchase food for the FSH and the entity receiving the bed space provides certain in-kind services to the FSH.

The compensation received by the FSH for laundry and other services provided does not appear to fully cover the costs of providing these services. In addition, the practice of allowing FSH to charge expenditures to other state appropriations violates the intent of the appropriation process and applicable state laws. The FSH should consider establishing an internal service fund to account for the costs paid and compensation received for providing these services. Compensation rates should be set to cover the entire costs of providing these services.

**WE RECOMMEND** the FSH evaluate the establishment of an internal service fund to account for the costs and compensation received for laundry and other services provided to other entities. In addition, written contracts should be obtained from all facilities which receive these services, and the compensation received should be sufficient to cover the costs of providing the services. Furthermore, the department should pursue changes in the facility's budgeted funds to allow all costs of the facility and its operations to be paid from appropriations to or for the FSH.

### **AUDITEE'S RESPONSE**

*We concur. Within the next 90 days, FSH will:*

- 1. Submit written contract proposals to those facilities that do not compensate FSH for identified services.*
- 2. In collaboration with the Division of Comprehensive Psychiatric Services, evaluate the cost and feasibility of a legislatively appropriated account for the costs and compensation received for services provided to other entities.*

**3.****Supported Community Living Program**

The FSH serves as the location for a regional Supported Community Living (SCL) program. The SCL program serves about 775 clients residing in a array of housing settings, and starting February 1999, the program is supervised by a Central Regional Manager. The major functions of the SCL program are case management, client monitoring, and facility monitoring/inspections. Program personnel are responsible for reviewing spending of the clients' monies, reviewing invoices from the various vendors when providing services, performing annual inspections of the vendors, and performing quality assurance reviews of all related aspects of the clients and files. Our review of this program noted the following concerns:

- A. Even though quality assurance monitoring visits were made, SCL personnel had apparently prepared very few quality assurance monitoring reports during the period of May 1998 through March 1999. From discussions with program employees, the program was without a director for a period of time and other tasks were given priority. As of October 1999, most of the monitoring reports for the period ending March 1999 had been prepared; however, SCL personnel need to ensure all quality assurance monitoring visits are documented on a timely basis.

A review of quality assurance monitoring reports prepared as of October 1999 noted the following; 1) many reports indicated there was at least one deficiency in the client's case file, but there weren't always adequate explanations to describe the specific deficiencies, 2) some reports were either not signed by the case worker and/or the supervisor, and 3) some reports were not dated by the worker and/or supervisor.

Quality assurance guidelines are necessary to assess the performance of the SCL in providing effective services, meeting needs of clients, and ensuring satisfaction of its customers. To ensure client files are complete and accurate and that any deficiencies are corrected in a timely manner, the quality assurance monitoring reports should be prepared on a timely basis and should include all necessary information.

- B. The FSH is not always receiving quarterly reports of the vendors' spending of clients' monies. The facility maintains documentation of requests for these reports, but these reports are not always included in the vendors' files. Therefore, it is unclear whether the facility did not receive the applicable reports, or the reports were received and not filed. In addition, some reports that we requested were in the possession of case workers rather than being filed.

To ensure the clients' funds are being appropriately spent and properly monitored, quarterly reports should be obtained from the vendors detailing how the client funds are spent. The appropriate documentation should be retained in the files.

- C. Documentation of vendor monitoring visits performed by case managers was not always included in the applicable files. Therefore, the facility has little assurance that the required monitoring visits were performed. In some instances, only part of the monitoring report was in the file. In addition, some monitoring reports were not dated and were not signed by a supervisor to show that an independent review was made of the monitoring visit.

To ensure the individual vendors are properly monitored, all monitoring reports should be fully completed and reviewed by a supervisor, and all monitoring reports should be appropriately filed.

To ensure appropriate monitoring of youth clients, appropriate documentation should be maintained in the files as required by facility policy and state regulations.

**WE RECOMMEND** the FSH require the SCL program:

- A. Prepare quality assurance monitoring reports of client files on a timely basis, and ensure the reports are appropriately completed and properly signed and dated by both the caseworker and supervisor.
- B. Ensure quarterly reports of how clients' monies are spent are received and properly included in the respective files.
- C. Ensure that all vendor monitoring reports are included in the applicable files, and that the monitoring reports be dated and have the appropriate supervisor's signature to indicate that an independent review had been conducted.

**AUDITEE'S RESPONSE**

- A. *We partially concur. The quality assurance monitoring reports referred to were formal internal reviews, by the prior director, of each SCL case manager's documentation. We do not intend to continue the same type reviews. Many SCL case management responsibilities are in the process of being transferred to administrative agents. We do intend to monitor the case management functions performed by the agents after the transfer is complete and their contracts have been revised. Until then, SCL supervisors will review the work performed by their staff as part of basic supervision.*
- B. *We concur. We make a diligent effort to obtain these reports from the facilities. Sometimes reports are missing from the files, because the case managers are reviewing them. We have the reports on 50 of the 66 facilities and have mailed notices to the others. We expect to have the remainder by October 31, 2000.*
- C. *We concur. We have completed annual facility review forms on 72 of the 83 facilities and expect to have the remainder completed by October 31, 2000.*



This report is intended for the information of the management of the Fulton State Hospital and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF MENTAL HEALTH  
FULTON STATE HOSPITAL  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Fulton State Hospital, established by the General Assembly in 1847 and opened in 1851, is the oldest public mental health facility west of the Mississippi River. The 508-bed hospital provides inpatient adult psychiatric services, including long-term care, for a thirty-one county area in the state's northeast quadrant, and maximum and medium security units for males and females from the entire state. Services include geriatric care, social learning programs, cognitive behavioral programs, psychiatric rehabilitation, alcohol and drug abuse treatment, and group home settings.

The hospital has been accredited by the Joint Commission on the Accreditation of Healthcare Organizations since 1984. At June 30, 1999, the facility had 21 beds certified for federal Medicaid or Medicare reimbursement.

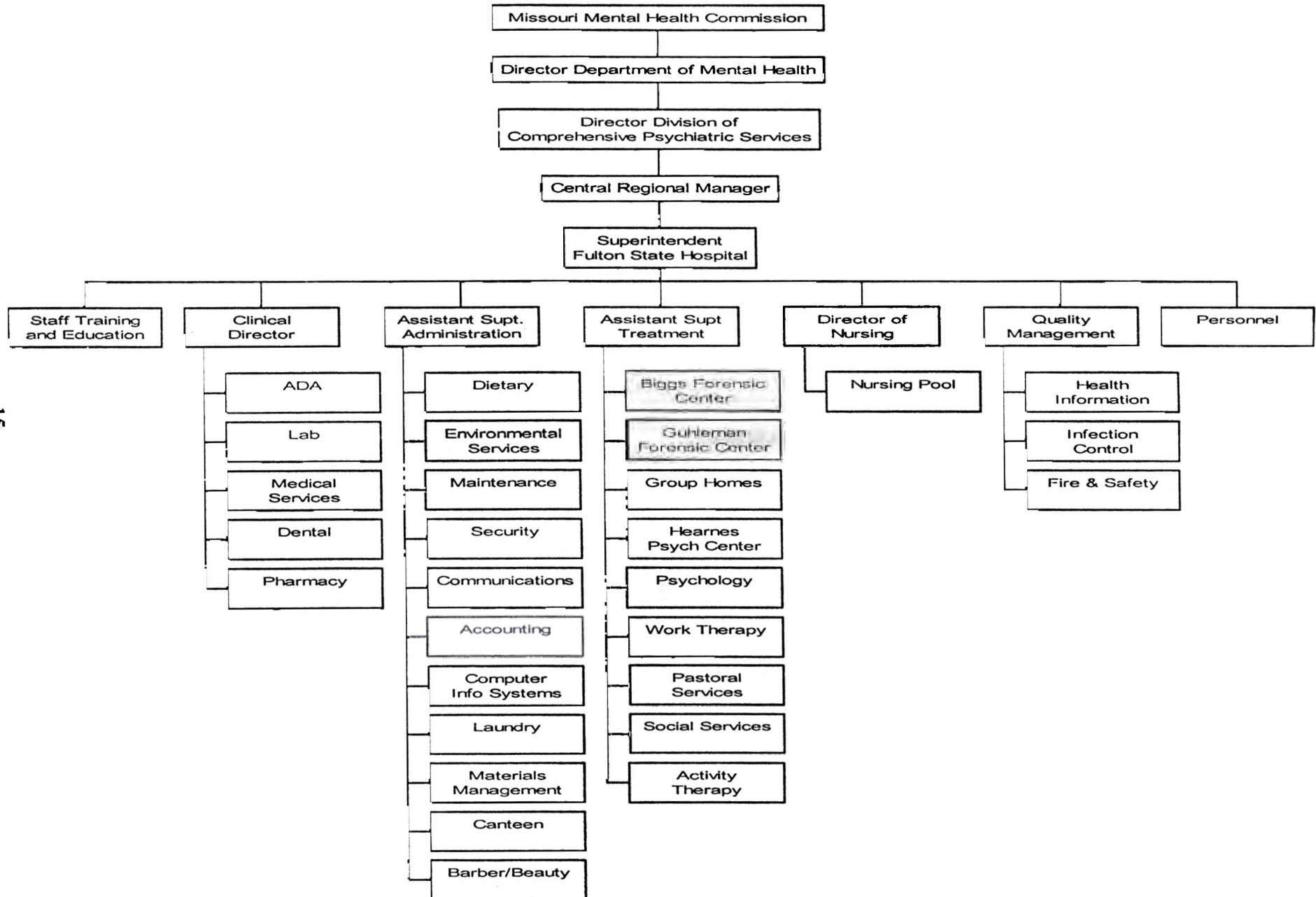
The 64-bed Hearnes Psychiatric Center offers psychosocial rehabilitation services for long-term care patients. The Guhleman Forensic Center is a 175-bed medium-security environment that offers a variety of inpatient treatment services to male and female patients who are progressing toward increased liberty and responsibility but not yet appropriate for a minimum-security environment. The Biggs Forensic Center is a 227-bed maximum-security unit that offers a variety of inpatient treatment services to male and female patients who have historically demonstrated dangerous behavior toward others in combination with a serious psychiatric and/or personality disorder. The 18-bed Alcohol and Drug Abuse Unit provides a treatment program for alcohol and drug abuse patients. The hospital also operates a 24-bed group home complex.

The hospital owns approximately 259 acres of land in and around Fulton. As of June 30, 1999, Fulton State Hospital had approximately 399 inpatients and 19 group home clients, and employed approximately 1,380 individuals assigned to various administrative, service and support sections. Stephen C. Reeves served as Superintendent from January 1, 1991, until his resignation effective January 29, 1999. Felix T. Vincenz, Ph.D., was appointed as Superintendent effective February 1, 1999, and presently serves in that capacity.

The hospital campus also serves as the location for a regional Supported Community Living Program or SCL. As of February 1999, this program is supervised by the Central Regional Manager. The SCL program serves about 775 clients residing in a array of housing settings within the same 31 county area served by the long-term inpatient programs offered by the hospital. The SCL program receives selected support services from the hospital for office space, accounting and associated needs.

An organization chart and statistical data follows:

DEPARTMENT OF MENTAL HEALTH  
 FULTON STATE HOSPITAL  
 ORGANIZATION CHART  
 JUNE 30, 1999



DEPARTMENT OF MENTAL HEALTH  
 FULTON STATE HOSPITAL  
 STATISTICAL DATA

|                            | Year Ended June 30, |                     |                     |                     |                     |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                            | <u>1999</u>         | <u>1998</u>         | <u>1997</u>         | <u>1996</u>         | <u>1995</u>         |
| PATIENTS ON BOOKS          |                     |                     |                     |                     |                     |
| Inpatients                 | 351                 | 437                 | 463                 | 401                 | 430                 |
| Leave-absences             | 9                   | 19                  | 24                  | 12                  | 26                  |
| Supported Community Living | <u>775</u>          | <u>773</u>          | <u>809</u>          | <u>779</u>          | <u>779</u>          |
| Total                      | <u><u>1,135</u></u> | <u><u>1,229</u></u> | <u><u>1,296</u></u> | <u><u>1,192</u></u> | <u><u>1,235</u></u> |
| INPATIENTS                 |                     |                     |                     |                     |                     |
| Beginning of year          | 446                 | 447                 | 408                 | 429                 | 458                 |
| Admissions                 | 494                 | 663                 | 736                 | 733                 | 671                 |
| Releases                   | <u>589</u>          | <u>673</u>          | <u>681</u>          | <u>761</u>          | <u>699</u>          |
| End of year                | <u><u>351</u></u>   | <u><u>437</u></u>   | <u><u>463</u></u>   | <u><u>401</u></u>   | <u><u>430</u></u>   |
| OCCUPANY STATISTICS        |                     |                     |                     |                     |                     |
| Number of beds             | 486                 | 484                 | 484                 | 471                 | 491                 |
| Average daily inpatients   | 411                 | 467                 | 426                 | 409                 | 440                 |
| Bed occupy percentage      | 85 %                | 96 %                | 88 %                | 87 %                | 90 %                |

Appendix A

DEPARTMENT OF MENTAL HEALTH  
FULTON STATE HOSPITAL  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES (See Note)

|   |    | Year Ended June 30, |              |          |                |              |          |
|---|----|---------------------|--------------|----------|----------------|--------------|----------|
|   |    | 1999                |              |          | 1998           |              |          |
|   |    | Lapsed              |              |          | Lapsed         |              |          |
|   |    | Appropriations      | Expenditures | Balances | Appropriations | Expenditures | Balances |
| GENERAL REVENUE FUND - STATE                  |    |                     |              |          |                |              |          |
| Personal Service                              | \$ | 34,829,955          | 34,006,763   | 823,192  | 30,884,568     | 30,822,561   | 62,007   |
| Expense and Equipment                         |    | 4,474,056           | 4,474,056    | 0        | 3,679,740      | 3,679,740    | 0        |
| Personal Service and/or Expense and Equipment |    | 1,077,215           | 1,077,215    | 0        | 955,193        | 955,193      | 0        |
| Total General Revenue Fund - State            | \$ | 40,381,226          | 39,558,034   | #VALUE!  | 35,519,501     | 35,457,494   | #VALUE!  |

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the state treasurer as fund custodian and the Office of Administration provide administrative control over the fund resources within the authority prescribed by the General Assembly. This does not represent all expenditures of the facility. Some expenditures relating to state facilities are charged to department-wide appropriations and not identified by facility. Expenditures charged to department-wide appropriations that are identified to FSH are noted in Appendix B.

Appendix B

DEPARTMENT OF MENTAL HEALTH

FULTON STATE HOSPITAL

COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS) (See Note)

|   |    | Year Ended June 30,                             |   |   |   |
|---|----|---|---|---|---|
|   |    | 1999  |   | 1998  |   |
|   |    | Expenditures<br>From Facility<br>Appropriations | Expenditures From<br>Department-Wide<br>Appropriations<br>for FSH | Expenditures<br>From Facility<br>Appropriations | Expenditures From<br>Department-Wide<br>Appropriations<br>for FSH |
| Personal services                           | \$ | 34,006,763                                      | 34,649  | 30,822,561                                      | 0   |
| Travel and vehicle expense                  |    | 189,889   | 0   | 137,159   | 0   |
| Transportation equipment purchase           |    | 51,450  | 0   | 16,000  | 0   |
| Office expense                              |    | 241,287   | 0   | 238,826   | 0   |
| Office and communication equipment purchase |    | 130,911   | 0   | 43,918  | 0   |
| Communication expense                       |    | 137,802   | 0   | 101,767   | 0   |
| Institution and physical plant expense      |    | 2,917,862                                       | 1,780,283   | 2,526,052                                       | 1,844,902   |
| Institution and physical plant purchases    |    | 388,240   | 0   | 155,240   | 0   |
| Data processing expense and equipment       |    | 426,935   | 0   | 331,188   | 0   |
| Professional services                       |    | 947,219   | 36,888  | 982,431   | 34,956  |
| Other expense                               |    | 119,675   | 0   | 102,352   | 0   |
| Treatment services                          |    | 0   | 835,006   | 0   | 819,801   |
| Adult community programs                    |    | 0   | 2,472,099   | 0   | 3,374,898   |
| Youth community programs                    |    | 0   | 389,532   | 0   | 455,817   |
| Resident training                           |    | 0   | 739   | 0   | 59,000  |
| New medication therapies                    |    | 0   | 331,034   | 0   | 185,604   |
| Comprehensive psychiatric services          |    | 0   | 132,087   | 0   | 171,454   |
| Total Expenditures                          | \$ | 39,558,034                                      | 6,012,317   | 35,457,494                                      | 6,946,432   |

Note: Not included in this schedule are expenditures paid from department-wide appropriations that do not specify amounts by facility.



## Appendix C

### DEPARTMENT OF MENTAL HEALTH

### FULTON STATE HOSPITAL

### COMPARATIVE STATEMENT OF RECEIPTS - GENERAL REVENUE FUND-STATE

|                        |    | Year Ended June 30,     |                         |
|------------------------|----|-------------------------|-------------------------|
|                        |    | 1999                    | 1998                    |
| Patient receipts:      |    |                         |                         |
| Medicaid               | \$ | 977,518                 | 1,254,241               |
| Medicare               |    | 398,517                 | 387,484                 |
| Private pay            |    | 836,719                 | 1,273,213               |
| Insurance              |    | 42,239                  | 33,397                  |
| Court settlements      |    | 31,137                  | 213,423                 |
| Total Patient Receipts |    | <u>2,286,130</u>        | <u>3,161,758</u>        |
| Other receipts:        |    |                         |                         |
| Cafeteria sales        |    | 23,533                  | 21,975                  |
| Other commodity sales  |    | 750                     | 3,098                   |
| Other                  |    | 8,325                   | 5,211                   |
| Total Other Receipts   |    | <u>32,608</u>           | <u>30,284</u>           |
| Total Receipts         | \$ | <u><u>2,318,738</u></u> | <u><u>3,192,042</u></u> |

Appendix D

DEPARTMENT OF MENTAL HEALTH  
FULTON STATE HOSPITAL  
COMPARATIVE STATEMENT OF PATIENT RECEIPTS, DISBURSEMENTS, AND  
CASH BALANCES (FROM NON-APPROPRIATED FUNDS)

|                       |    | Year Ended June 30, |           |
|-----------------------|----|---------------------|-----------|
|                       |    | 1999                | 1998      |
| CASH BALANCE, JULY 1  | \$ | 317,477             | 321,879   |
| RECEIPTS              |    | 1,927,208           | 1,998,613 |
| DISBURSEMENTS         |    | 1,968,350           | 2,003,015 |
| CASH BALANCE, JUNE 30 | \$ | 276,335             | 317,477   |

Appendix E

DEPARTMENT OF MENTAL HEALTH

FULTON STATE HOSPITAL

COMPARATIVE STATEMENT OF INCOME, EXPENSES, AND NET INCOME FOR THE  
CANTEEN FUND AND THE SHELTERED WORKSHOP FUND (NON-APPROPRIATED FUNDS)

|                    | Year Ended June 30,     |                               |                      |                               |
|--------------------|-------------------------|-------------------------------|----------------------|-------------------------------|
|                    | 1999                    |                               | 1998                 |                               |
|                    | Canteen<br>Fund         | Sheltered<br>Workshop<br>Fund | Canteen<br>Fund      | Sheltered<br>Workshop<br>Fund |
| INCOME             |                         |                               |                      |                               |
| Sales              | \$ 318,569              | 40,887                        | 301,834              | 44,146                        |
| Interest income    | <u>2,529</u>            | <u>1,031</u>                  | <u>1,783</u>         | <u>1,148</u>                  |
| Total Income       | <u>321,098</u>          | <u>41,918</u>                 | <u>303,617</u>       | <u>45,294</u>                 |
| EXPENSES           |                         |                               |                      |                               |
| Operating expenses | <u>249,171</u>          | <u>27,395</u>                 | <u>234,797</u>       | <u>20,942</u>                 |
| NET INCOME         | \$ <u><u>71,927</u></u> | <u><u>14,523</u></u>          | <u><u>68,820</u></u> | <u><u>24,352</u></u>          |

\* \* \* \* \*



MISSOURI TECHNOLOGY CORPORATION

TWO YEARS ENDED JUNE 30, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-110  
October 12, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

October 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

Our office is required by state law to regularly audit the Missouri Technology Corporation, an organization which helps strengthen the state's economy through the development of science and technology.

We audited financial statements for two years ended June 30, 1999 and 2000, and have no findings or concerns. We did note:

- The corporation's financial statements fairly represent the financial position of the organization.
- The corporation's operations and general cash flow follow accepted accounting procedures.
- The corporation's internal control over financial reporting has no material weaknesses.

YELLOW SHEET

MISSOURI TECHNOLOGY CORPORATION

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## FINANCIAL SECTION

## State Auditor's Reports





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Honorable Mel Carnahan, Governor  
and  
Joseph L. Driskill, Director  
Department of Economic Development  
and  
Members of the Board of Directors  
Missouri Technology Corporation  
Jefferson City, Missouri 65102

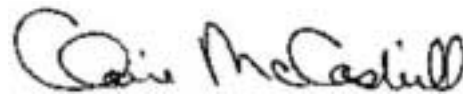
We have audited the accompanying financial statements of Missouri Technology Corporation, as of and for the years ended June 30, 2000 and 1999, as identified in the table of contents. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Missouri Technology Corporation, as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 24, 2000, on our consideration of the corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the corporation's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Blattell, CPA     |
| In-Charge Auditor:  | Terrie Laswell         |
| Audit Staff:        | Troy Royer             |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor  
and  
Joseph L. Driskill, Director  
Department of Economic Development  
and  
Members of the Board of Directors  
Missouri Technology Corporation  
Jefferson City, Missouri 65102

We have audited the financial statements of the Missouri Technology Corporation, as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated August 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

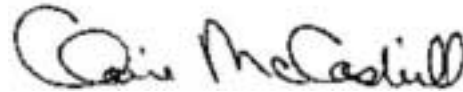
Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Missouri Technology Corporation are free of material misstatement, we performed tests of the corporation's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Missouri Technology Corporation, we considered the corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Missouri Technology Corporation, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

August 24, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A

MISSOURI TECHNOLOGY CORPORATION  
COMPARATIVE BALANCE SHEET

|                                      | June 30,         |               |
|--------------------------------------|------------------|---------------|
|                                      | 2000             | 1999          |
| ASSETS                               |                  |               |
| Cash (Note 2)                        | \$ 48,620        | 48,838        |
| Total Assets                         | <u>48,620</u>    | <u>48,838</u> |
| LIABILITIES AND FUND EQUITY          |                  |               |
| Liabilities:                         |                  |               |
| Accounts Payable                     | 0                | 900           |
| Fund equity:                         |                  |               |
| Retained Earnings                    | <u>48,620</u>    | <u>47,938</u> |
| Total Liabilities and<br>Fund Equity | \$ <u>48,620</u> | <u>48,838</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MISSOURI TECHNOLOGY CORPORATION  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS

|                                    | Year Ended June 30, |        |
|------------------------------------|---------------------|--------|
|                                    | 2000                | 1999   |
| OPERATING REVENUES                 | \$ 0                | 0      |
| OPERATING EXPENSES                 |                     |        |
| Corporation expense                | 657                 | 0      |
| Total Operating Expenses           | 657                 | 0      |
| OPERATING INCOME (LOSS)            | (657)               | 0      |
| NONOPERATING REVENUES              |                     |        |
| Interest income                    | 1,339               | 1,073  |
| Total Nonoperating Revenues        | 1,339               | 1,073  |
| NET REVENUES OVER (UNDER) EXPENSES | 682                 | 1,073  |
| RETAINED EARNINGS, JULY 1          | 47,938              | 46,865 |
| RETAINED EARNINGS, JUNE 30         | \$ 48,620           | 47,938 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

MISSOURI TECHNOLOGY CORPORATION  
COMPARATIVE STATEMENT OF CASH FLOWS

|   | Year Ended June 30, |               |
|---|---------------------|---------------|
|   | 2000                | 1999          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |               |
| Cash payments for corporation expenses  | \$ (657)            | 0             |
| Cash payments for professional and technical services   | (900)               | 0             |
| Net Cash Used By Operating Activities   | (1,557)             | 0             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |               |
| Interest received   | 1,339               | 1,073         |
| Net Cash Provided by Investing Activities   | 1,339               | 1,073         |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | (218)               | 1,073         |
| <b>CASH, JULY 1</b>   | 48,838              | 47,765        |
| <b>CASH, JUNE 30</b>  | <u>\$ 48,620</u>    | <u>48,838</u> |
| <b>RECONCILIATION OF NET REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                     |               |
| Revenues over expenses  | \$ 682              | 1,073         |
| Adjustments to reconcile revenues over expenses net cash provided (used) by operating activities:       |                     |               |
| Interest income   | (1,339)             | (1,073)       |
| Decrease in accounts payable  | (900)               | 0             |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>   | <u>\$ (1,557)</u>   | <u>0</u>      |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Notes to the Financial Statements

MISSOURI TECHNOLOGY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

These financial statements present the Missouri Technology Corporation (MTC), a not-for-profit corporation.

Expenses presented for the corporation may not reflect the total cost of the corporation's activities. Other direct and indirect costs and services provided by the Department of Economic Development and other state agencies are not allocated to the corporation.

B. Basis of Accounting

The financial statements for the MTC are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liability is incurred.

C. Fiscal Authority and Responsibility

Fiscal authority and responsibility rests with the Board of Directors of the corporation.

2. Cash

Cash was maintained in a negotiable order of withdrawal (NOW) account and two certificates of deposits at June 30, 2000, and a NOW account at June 30, 1999. At June 30, 2000 and 1999, the reported amount and book balance was \$48,620 and \$48,838, respectively. The interest rate for the NOW account at June 30, 2000 and 1999, was 2.25 percent and the two certificates of deposits was 5.95 percent and 5.50 percent. The corporation's deposits at June 30, 2000 and 1999, were entirely covered by federal depositary insurance.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

## MISSOURI TECHNOLOGY CORPORATION HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Technology Corporation (MTC) was authorized by Section 348.263, RSMo 1994, to replace the Missouri Business Modernization and Technology Corporation. The MTC was organized and held its first board meeting on November 16, 1994, and its Articles of Incorporation were filed with the Secretary of State on January 10, 1995.

The purposes of the MTC are to contribute to the strengthening of the economy of the state through the development of science and technology, to promote the modernization of Missouri businesses by supporting the transfer of science, technology and quality improvement methods to the workplace, and to enhance the productivity and modernization of Missouri businesses by providing leadership in the establishment of methods of technology application, technology commercialization and technology development.

The board of directors of the MTC is composed of fifteen persons and shall consist of the following members:

- 1) The director of the Department of Economic Development, or the director's designee;
- 2) The president of the University of Missouri system, or the president's designee;
- 3) A member of the state senate, appointed by the president pro tem of the senate;
- 4) A member of the house of representatives, appointed by the speaker of the house;
- 5) Eleven members appointed by the governor, two of which shall be from the public sector and nine members from the private sector who shall include, but shall not be limited to, individuals who represent technology-based businesses and industrial interests. The governor shall also appoint one of the members, who must be from the private sector, as chairman.

Members of the MTC board of directors at June 30, 2000, were:

Mr. Frank Stokes, Chairman  
Dr. John T. Park, Vice-Chairman  
Mr. David Corwin, Secretary/Treasurer  
Ms. Lynda K. Andrews  
Dr. David L. Bodde  
Mr. Bill Borgmeyer  
Dr. Delbert Day  
Mr. Joseph L. Driskill  
The Honorable Jerry T. Howard  
Dr. Manuel Pacheco  
Mr. Dennis D. Roedemeier  
Ms. Carol Rosenbaum  
Mr. David Steward

There were two vacancies on the MTC board of directors at June 30, 2000.

\* \* \* \* \*



DUNKLIN COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-109  
October 11, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

October 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following findings were noted as a result of an audit conducted by our office of the Ex-Officio County Collector, Dunklin County, Missouri.**

---

State statute requires the state auditor to audit the office of the County Collector after being notified of a vacancy in that office. On April 30, 2000, a vacancy occurred in the office of the Ex-Officio County Collector of Dunklin County, Missouri; a successor was appointed effective May 1, 2000.

Monthly listings of liabilities are not prepared and reconciled to cash balances. Several errors occurred during the audit period and were not detected in a timely manner because of the lack of such reconciliations. For example, \$10,484 received and deposited in June 1999 was not disbursed to applicable political subdivisions until April 2000.

As of April 30, 2000, the reconciled bank balance was approximately \$43,000 more than April distributions including unidentified monies totaling \$18,092 and undistributed interest totaling \$18,099. The Ex-Officio County Collector has not distributed interest for several years.

Additionally, tax receipts and other monies received are not reconciled to the composition of bank deposits. The Ex-Officio County Collector does not post the paid tax bills to the accounting records on a daily basis or generate a daily abstract.

For the year ended February 29, 2000, the annual settlement of the Ex-Officio County Collector had not been completed and filed with the County Commission as of June 2000. State law requires settlements be filed with the County Commission. In addition, timely completion of the settlement is necessary to permit the prompt review and verification of the tax book charges and credits.

The audit also recommended improvements related to bank reconciliations, drainage and levee district records, purchases made from political subdivisions' tax monies, and excess interest transferred to the County Special Road and Bridge Fund.

Several similar conditions had been noted in our prior report on Dunklin County for the two years ended December 31, 1998. The Ex-Officio County Collector indicated these recommendations would be implemented, however, no improvements were noted.

YELLOW SHEET



DUNKLIN COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the County Commission  
and  
Ex-Officio County Collector  
Dunklin County, Missouri

Section 52.150, RSMo 1994, requires the state auditor to audit the office of the County Collector after being notified of a vacancy in that office. On April 30, 2000, a vacancy occurred in the office of the Ex-Officio County Collector of Dunklin County, Missouri; a successor was appointed effective May 1, 2000.

To satisfy our statutory obligation, we have audited the operations of the Ex-Officio County Collector of Dunklin County, Missouri. The scope of this audit included, but was not necessarily limited to, the period March 1 to April 30, 2000, and the year ended February 29, 2000. In accordance with Section 52.150, RSMo 1994, our responsibilities during this audit were to:

1. Determine the financial condition of the accounts of the office of the Ex-Officio County Collector.
2. Determine the proper compensation that should have been paid to the replaced Ex-Officio County Collector during the past three years and the compensation actually paid during such period.
3. File a report of our findings with the County Commission and the person appointed to fill the vacancy in the office of the Ex-Officio County Collector.

Section 52.150, RSMo 1994, requires the County Commission to accept the state auditor's report and, if necessary, to take certain specific actions if the state auditor finds any monies owing to the county or the past Ex-Officio County Collector.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the Ex-Officio County Collector.

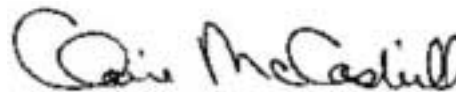
As part of our audit, we assessed the controls of the Ex-Officio County Collector to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of

the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Ex-Officio County Collector and was not subjected to the procedures applied in the audit of that office.

The accompanying Management Advisory Report presents our findings arising from our audit of the Ex-Officio County Collector of Dunklin County, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 16, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Jeannette Eaves, CPA  |
| In-Charge Auditor:  | Randall Gordon, CPA   |
| Audit Staff:        | Scott Fontana         |

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

DUNKLIN COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR  
MANAGEMENT ADVISORY REPORT –  
STATE AUDITOR’S FINDINGS

|           |  |
|-----------|--|
| <b>1.</b> | <b>Reconciliation of Ex-Officio County Collector’s Records</b> |
|-----------|--|

- A. Monthly bank reconciliation procedures during the audit period were inadequate. The bank reconciliations did not include as deposits in transit monies collected in one month but not recorded by the bank until the next month. In addition, although two checks had been reissued to replace two voided checks, the bank reconciliation showed the two voided checks as being outstanding. Accurate and complete bank reconciliations are necessary to ensure all receipts and collections are properly accounted for and facilitate reconciliation procedures between cash in the bank and liabilities.
  
- B. Monthly listings of liabilities are not prepared and reconciled to cash balances. Several errors occurred during the audit period and were not detected in a timely manner because of the lack of such reconciliations. For example, \$10,484 received and deposited in June 1999 was not disbursed to applicable political subdivisions until April 2000. The Ex-Officio County Collector did not realize these monies remained in her bank account until delinquent tax statements were sent to individuals. Several individuals responded that their taxes had been paid and subsequent review determined some monies received and deposited in June 1999 had not been posted to the accounting records. In addition, payment in lieu of taxes totaling \$4,991 had not been disbursed to the applicable drainage and levee districts as of April 30, 2000. Of this amount, \$1,911 was received in July 1999 and the remaining \$3,080 was received in December 1999. Also, taxes totaling \$402 received by the Ex-Officio County Collector for the Varney River Drainage District during the period March 1997 to December 1999 had not been disbursed as of April 30, 2000.

These errors were not detected because the Ex-Officio County Collector did not prepare and reconcile monthly listings of liabilities to the bank balance. As of April 30, 2000, the reconciled bank balance was approximately \$43,000 more than April distributions, including unidentified monies totaling \$18,092. Identification of month-end liabilities is necessary to ensure all receipts and collections are properly accounted for and cash in the bank is adequate to meet liabilities.

- C. The method of payment received (cash, check, and money order) is not consistently indicated on the receipt slip or on the paid tax receipt. Additionally, tax receipts and other monies received are not reconciled to the composition of bank deposits. The Ex-Officio County Collector does not post the paid tax bills to the accounting records on a daily basis or generate a daily abstract. As a result,

\$10,484 received in June 1999 was not posted to the accounting records and the error was not detected until April 2000. (See B above).

To properly reconcile receipts to deposits and ensure all monies are being deposited intact, a daily abstract should be generated and the method of payment should be reconciled to the composition of deposits.

These conditions were also noted in our report on Dunklin County, and the Ex-Officio County Collector indicated these recommendations would be implemented. However, no improvements were made regarding these conditions.

**WE AGAIN RECOMMEND** the Ex-Officio County Collector:

- A. Perform accurate monthly bank reconciliations.
- B. Prepare monthly listings of liabilities and reconcile the listings to the reconciled bank balances.
- C. Record the method of payment on each receipt slip issued and each paid tax receipt. In addition, the Ex-Officio County Collector should prepare a daily abstract of all receipts and reconcile the composition of receipts per the daily abstract to the composition of bank deposits.

### **AUDITEE'S RESPONSE**

*The current Ex-Officio County Collector provided the following responses:*

- A&B. Beginning with the August 2000 bank reconciliation, these procedures will be implemented.*
- C. Receipts will be entered into the computer daily. The composition of receipts will be indicated and will be compared to the deposits. This will be implemented when the computer system is able to perform this procedure. We anticipate this will be in September 2000.*

|  |
|--|
| <b>2. Ex-Officio County Collector's Accounting Controls and Procedures</b> |
|--|

Our review indicated many significant problems in the control procedures used by the Ex-Officio County Collector:

- A. The receipt slip books used for some drainage districts and levee collections are not prenumbered. In addition, different receipt slip books are used for each drainage and levee district and the Ex-Officio County Collector used multiple receipt slip books for the same drainage or levee district even though the receipt

slip book had not been completed. Consequently, the numerical sequence of receipt slips issued is not accounted for.

Also, the Ex-Officio County Collector was unable to locate all of the receipt slip books and other records applicable to the drainage and levee districts. Thus, there is no assurance that all monies received for drainage and levee districts had been appropriately deposited and disbursed to the districts.

To adequately account for receipts, prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly. In addition, records for drainage districts and levee districts should be maintained in a manner to ensure all monies received have been distributed.

- B. During the period March 1 to April 30, 2000 and the year ended February 29, 2000, the Ex-Officio County Collector did not distribute interest earned on bank deposits. As of April 30, 2000, cumulative interest totaled approximately \$18,099. According to the Ex-Officio County Collector, the interest had not been disbursed because she was not sure how to allocate the interest monies to the various political subdivisions.

Section 110.150.2, RSMo Cum. Supp. 1999, and Missouri Attorney General's Opinions No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, health center funds, library funds, special road and bridge funds, assessment funds, and bond debt service funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund. To allocate the interest equitably, the percentage of tax collections should be used.

- C. For the year ended February 29, 2000, the annual settlement of the Ex-Officio County Collector had not been completed and filed with the County Commission as of June 2000. Section 139.160, RSMo 1994, requires settlements be filed with the County Commission by the first Monday in March. In addition, timely completion of the settlement is necessary to permit the prompt review and verification of the tax book charges and credits.
- D. At April 30, 2000, the Ex-Officio County Collector's bank account had \$349 in outstanding checks that were over a year old. In addition, the Ex-Officio County Collector had \$430 in outstanding checks written in 1997 from a previous bank account. Checks totaling \$363 from the previous bank account were written to political subdivisions and should be reissued. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks. If the payees cannot be located, various statutory provisions including Sections 447.500 through 447.595, RSMo 1994 provide for the disposition of unclaimed monies.



- E. During the period March 1 to April 30, 2000 and the year ended February 29, 2000, the Ex-Officio County Collector purchased postage stamps totaling \$1,980 with checks drawn on the Ex-Officio County Collector bank account. The Ex-Officio County Collector had no authority to make purchases from political subdivisions' tax monies. These monies were only available in the account due to poor internal controls and a lack of reconciliation procedures by the Ex-Officio County Collector.
- F. As of May 1999, the Ex-Officio County Collector held \$142,780 of county receipts and related interest of \$4,956 in the Ex-Officio County Collector's bank accounts rather than in a County Treasurer's bank account. In July 1999, the Ex-Officio County Collector disbursed \$153,324 to the County Treasurer's bank account and credited this amount to the Special Road and Bridge Fund. Supporting documentation could not be located to determine how the \$153,324 amount was calculated. Based on our review of additional interest accrued through July 1999, the Ex-Officio County Collector disbursed \$4,185 more in interest to the County Treasurer's Special Road and Bridge Fund than applicable. This amount needs to be returned to the Ex-Officio County Collector's bank account.

Conditions similar to A-C were also noted in our report on Dunklin County, and the Ex-Officio County Collector indicated these recommendations would be implemented. However, no improvements were made regarding these conditions.

**WE RECOMMEND** the Ex-Officio County Collector:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of those receipt slips. Records should be adequately maintained to ensure all monies collected have been disbursed to the drainage districts and levee districts.
- B. Allocate interest in accordance with state statutes and Attorney General's opinions.
- C. Ensure annual settlements are completed in a timely manner.
- D. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- E. Discontinue the practice of purchasing postage stamps from the Ex-Officio County Collector's bank account. Reimbursement of \$1,980 should be obtained from the General Revenue Fund.
- F. Obtain reimbursement of \$4,185 from the Special Road and Bridge Fund.

## **AUDITEE'S RESPONSE**

*The current Ex-Officio County Collector provided the following responses:*

- A. The drainage districts provide us with receipt slips to use for their collections. However, last month, we started keeping an additional receipt slip book to help keep track of monies collected to ensure monies get disbursed.*
- B. Interest has been disbursed.*
- C. I am still working on the annual settlement. It should be filed in September 2000.*
- D. Some of these checks have been reissued. I will check to see if the other checks can be resolved.*
- E. We will stop purchasing postage stamps from this account. Reimbursement will be made from the General Revenue Fund in September 2000.*
- F. This will be transferred during September 2000.*

This report is intended for the information of the Ex-Officio County Collector and the management of Dunklin County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## FOLLOW-UP ON PRIOR AUDIT FINDINGS

DUNKLIN COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Ex-Officio County Collector of Dunklin County, Missouri, on the applicable finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1998, on Dunklin County.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the Ex-Officio County Collector should consider implementing those recommendations.

8. Ex-Officio County Collector's Accounting Controls and Procedures

- A. Receipt slips were not issued for partial payments received and receipt slip books used for some drainage districts and levee collections were not prenumbered. Consequently, the numerical sequence of receipt slips was not accounted for.
- B. The method of payment received (cash, check, and money order) was not consistently indicated on the receipt slip or on the paid tax receipt. Additionally, the tax receipts were not reconciled to the composition of bank deposits and a daily abstract was not prepared.
- C. Monies received were not deposited intact as personal checks were cashed for county employees from the daily receipts.
- D. The Ex-Officio County Collector did not distribute interest totaling \$10,125 earned on bank deposits.
- E. Annual settlements were not completed on a timely basis.
- F. The Ex-Officio County Collector's bank account included land tax sale monies totaling approximately \$13,000.
- G. Monthly bank reconciliations procedures during the audit period were inadequate and monthly listing of liabilities were not prepared and reconciled to cash balances resulting in unidentified monies totaling \$4,411 being held in the Ex-Officio County Collector's bank account. In addition, \$147,736 of county receipts and related interest were being held in the Ex-Officio County Collector's bank accounts instead of a County Treasurer bank account.

Recommendation:

The Ex-Officio County Collector:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of those receipt slips.
- B. Record the method of payment on each receipt slip issued and each paid tax statement. Reconcile the composition of receipts to the paid tax bills and to bank deposits. Furthermore, prepare a daily abstract to reconcile collections per books to bank deposits.
- C. Deposit all receipts intact and discontinue the practice of cashing personal checks.
- D. Allocate interest in accordance with state statutes and Attorney General's opinion.
- E. Ensure annual settlements are completed in a timely manner.
- F. Disburse surplus monies from land tax sales to the County Treasurer.
- G. Perform monthly bank reconciliations on all bank accounts, prepare monthly listings of liabilities and reconcile the listings to the reconciled bank balances.

Status:

A,D,

&E. Not implemented. See MAR No. 2.

B. Not implemented. See MAR No. 1.

C. Implemented.

F. Partially implemented. As of April 30, 2000, the Ex-Officio County Collector's bank account still included \$273 of land tax sale monies. Although not repeated in the current report, our recommendation remains as stated above.

G. Partially implemented. Monthly bank reconciliations are performed, however, the bank reconciliations are not adequate. Monthly listings of liabilities are not prepared and reconciled to the bank balances. See MAR No. 1.

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

DUNKLIN COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Ex-Officio County Collector and the township collectors bill and collect property taxes for the county and most local governments.

Jeris Warrington served as Ex-Officio County Collector until April 30, 2000. Nina Rhew was appointed the Dunklin County Ex-Officio County Collector effective May 1, 2000.

The Ex-Officio County Collector received compensation of \$3,336 for the period April 1 to April 30, 2000. During the years ended March 31, 2000, 1999, and 1998, the Ex-Officio County Collector received compensation of \$40,137, \$40,175, and \$40,110, respectively. Compensation was in accordance with statutory provisions and includes drainage districts commissions.

The following schedule reflects amounts from the records of the Ex-Officio County Collector on the modified accrual basis. The schedule does not include any of the operating costs of the Ex-Officio County Collector's office other than commissions retained. Operating costs are paid from the General Revenue Fund of the county.

Appendix

DUNKLIN COUNTY, MISSOURI  
EX-OFFICIO COUNTY COLLECTOR  
SCHEDULE OF REVENUES AND EXPENDITURES

|   | Period<br>March 1<br>to<br>April 30, 2000 | Year Ended<br>February 29, 2000 |
|---|---|---------------------------------|
| REVENUES                                  |   |                                 |
| Property taxes                            | \$ 1,176,611                              | 11,675,256                      |
| Interest                                  | 1,909                                     | 8,957                           |
| Other                                     | 23,698                                    | 73,090                          |
| Less Provision for Uncollectible Accounts | (763,327)                                 | (1,176,611)                     |
| Total Revenues                            | 438,891                                   | 10,580,692                      |
| EXPENDITURES                              |   |                                 |
| State of Missouri                         | 2,861                                     | 73,906                          |
| General Revenue Fund                      | 12,077                                    | 270,206                         |
| Special Road and Bridge Fund              | 24,538                                    | 645,576                         |
| Assessment Fund                           | 3,713                                     | 103,730                         |
| Health Center Fund                        | 10,187                                    | 266,467                         |
| Senate Bill 40 Board Fund                 | 8,305                                     | 218,855                         |
| School districts                          | 291,726                                   | 7,502,918                       |
| Library districts                         | 23,693                                    | 608,260                         |
| Ambulance districts                       | 12,108                                    | 316,880                         |
| Johnson Grass Fund                        | 36  | 2,571                           |
| Townships                                 | 9,585                                     | 239,206                         |
| Drainage/Levee Districts                  | 3,303                                     | 20,923                          |
| Cities                                    | 865                                       | 99,029                          |
| County Employees' Retirement              | 15,218                                    | 60,774                          |
| Other                                     | 615                                       | 7,836                           |
| Commissions and fees:                     |   |                                 |
| General Revenue Fund                      | 20,061                                    | 73,533                          |
| Township Collectors                       | 0   | 69,913                          |
| Ex-Officio County Collector               | 0   | 109                             |
| Total Expenditures                        | 438,891                                   | 10,580,692                      |
| REVENUES OVER (UNDER) EXPENDITURES        | \$ 0                                      | 0                               |

\* \* \* \* \*





CITY OF PINE LAWN, MISSOURI

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-108  
October 2, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

October 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Pine Lawn, Missouri.**

The City of Pine Lawn has failed to implement 25 of the 35 recommendations made in our prior audit that covered the year ended June 30, 1994. Although the city indicated in that report that most of the recommendations would be implemented, we have repeated many recommendations in the current report. These include violations of IRS regulations, lack of bid documentation, inadequate controls over credit card purchases, inadequate controls over seized and forfeited property, inadequate collection of delinquent trash collection fees, the lack of ordinances establishing the duties of various city employees, failure to publish financial statements, budgets not approved on a timely basis, inadequate financial reporting not provided for the board, inadequate property records, and inadequate controls in the municipal court.

The city did not properly plan for a construction project. In January 1995, there was significant interest in possibly converting a donated school building into a city community center. In October 1996, the city contracted with an architect to prepare a feasibility study. In October 1997, the city entered into a second contract with the architect, which provided that the architect would be compensated at the rate of 4.4 percent of total construction costs. The firm was also supposed to help promote the bond issue to finance the complex. In addition, the city did not have plans to obtain additional funding for the project at the time they entered into the second agreement. The city did not obtain at least three proposals from architectural firms, which is required by state law, before entering into the agreements. The city ultimately decided not to construct the center and the architect sued the city for services provided on the second agreement. The city reached a settlement with the architect for \$13,358 and expended approximately \$9,400 in legal fees related to this case. The city spent significant amounts of city monies on architectural plans for and promotion of a project that was ultimately never started.

The city charges citizens a user fee for trash collection services; however, the monies received do not cover the cost of trash collection services. The city has not adequately pursued delinquencies. As of June 30, 1999, city records show approximately \$656,000 in uncollected trash fees.

The Board of Alderman discussed items in closed session that are not allowed to be discussed under the provisions of the Sunshine Law. In addition, the Board of Alderman discussed items in closed session that were not included on the closed session agendas.

(over)

YELLOW SHEET

The city's purchasing ordinance requires advertising for bids for all purchases of goods and services in the amount of \$5,000 or more. However, although the city indicated in our prior audit that they would watch this more closely, bids or bid documentation was not retained for many purchases. Some items purchased without documentation of bids and/or advertisements include home demolition projects, gas purchases, and a 4x4 truck.

The city deposits seized money into a bank account. This account contains a balance of \$40,342 as of May 2000. Some of the money has been held for several years including approximately \$20,000 that we commented on in our prior audit report. The police department's log of evidence and seized property is not adequate. The log does not indicate the date the property or evidence was seized or evidence taken or the disposition of the item.

The Board of Aldermen does not receive enough information to monitor the budget and evaluate the financial position of the city's funds. The city overspent the approved General Revenue budget by \$10,616 and \$10,470 for the years ended June 30, 1999 and June 30, 1998, respectively.

The municipal court division has not implemented adequate procedures to follow up on bonds held for more than one year. As of June 30, 1999, the balance of the city's bond account included bond receipts totaling \$8,747 which have been held at least two years.

The city has not disbursed the domestic violence fees collected to St. Louis County for disbursement to a local domestic violence shelter.

CITY OF PINE LAWN, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
And  
Members of the City Council  
City of Pine Lawn  
Pine Lawn, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Pine Lawn, Missouri. The city had engaged Schmersahl Treloar & Co., P.C., Certified Public Accountants (CPA's), to perform a financial audit of the city for the year ended June 30, 1999. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

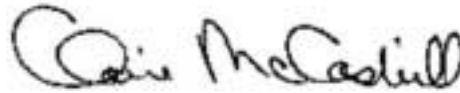
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied during this audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Pine Lawn, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 12, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Karen Laves, CPA        |
| Audit Manager:      | Alice M. Fast, CPA, CIA |
| In-Charge Auditor:  | Darrick A. Fulton       |
| Audit Staff:        | A. Dailey               |

## HISTORY AND ORGANIZATION

# CITY OF PINE LAWN, MISSOURI HISTORY AND ORGANIZATION

The City of Pine Lawn was incorporated as a fourth-class city in 1947 and is located in north St. Louis County. The population according to the 1990 census was 5,092.

The city government consists of a Mayor and an eight-member Board of Aldermen. The eight members are elected from four wards for two-year terms, one from each of the four wards each year. The Mayor is elected for two years, presides over the Board of Aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1999 were:

|  | Term           | Compensation<br>Paid<br>For the<br>Year Ended | Amount         |
|--|----------------|---|----------------|
| <u>Elected Officials</u>                 | <u>Expires</u> | <u>June 30, 1999</u>                          | <u>Of Bond</u> |
| Adrian Wright, Mayor                     | 2001           | \$ 7,200                                      | \$ 0           |
| Rose Griffin, Alderwoman (2)             | 2000           | 4,800   | 0              |
| Kitty Lomax, Alderwoman (1)              | 2001           | 1,000   | 0              |
| Bob Harris, Alderman (1)                 | 2001           | 1,000   | 0              |
| Sylvester Caldwell, Alderman (4)         | 2000           | 4,800   | 0              |
| James Reynolds, Alderman                 | 2001           | 4,800   | 0              |
| Johnson White, Alderman (4)              | 2000           | 4,800   | 0              |
| F. Michael Horskins, Alderman (1)        | 2001           | 1,000   | 0              |
| Richard Laususe, Alderman (3)            | 2000           | 4,800   | 0              |
| <br><u>Other Principal Officials</u>     |                |   |                |
| Janet Wright, City Clerk                 |                | 24,705  | 10,000         |
| Huedell McGee, City Treasurer            |                | 600 (7)                                       | 10,000         |
| Pervaiz Butt, City Administrator         |                | 32,785  | 10,000         |
| Ida Brown, Municipal Court Clerk         |                | 25,805  | 10,000         |
| Nakisa Ford, Assistant Court clerk       |                | 16,000  | 10,000         |
| Kenneth Heinz, City Attorney (5)         |                | 6,600 (8)                                     | 0              |
| James Sievers, Prosecuting Attorney      |                | 7,550   | 0              |
| Charles E. Kirksey, Jr., Municipal Judge |                | 8,400   | 0              |
| George Prophete, Street Supervisor       |                | 24,080  | 0              |
| Harlan Brooks, Building Commissioner (6) |                | 24,705  | 1,000          |

- (1) Elected in the April 1999 election.
- (2) Replaced by Pelton Jackson in the April 2000 election.
- (3) Replaced by Chester Brown in the April 2000 election.
- (4) Reelected in the April 2000 election.
- (5) Mark Zoole became City Attorney in July 2000.



(6) Employment terminated in January 2000. Alvin Winton is currently the part-time Building Commissioner.

(7) In addition to this amount, the treasurer receives a monthly expense allowance of \$75.

(8) This amount represents monthly retainer fees of \$550 a month which is paid to the City Attorney's law firm. Other payments made to the City Attorney's law firm for legal fees for the year ended June 30, 1999 totaled \$19,847.

The city did not have a Police Chief as of June 30, 1999. Donald Hardy became Police Chief on July 9, 1999.

Assessed valuation and tax rate information for 1999 is as follows:

ASSESSED VALUATION

|                   |                             |
|-------------------|-----------------------------|
| Real Estate       | \$ 11,880,480               |
| Personal Property | <u>3,546,001</u>            |
| Total             | <u><u>\$ 15,426,481</u></u> |

TAX RATES PER \$100 ASSESSED VALUATION

|         |         |
|---------|---------|
| General | \$ 0.24 |
|---------|---------|

The city also has the following sales taxes; rates are per \$1 of retail sales:

|  | <u>Rate</u> | <u>Expiration<br/>Date</u> |
|--|-------------|----------------------------|
| Capital Improvement                                  | 0.05        | None                       |
| Capital Improvement-Parks and<br>storm water control | 0.05        | None                       |

## MANAGEMENT ADVISORY REPORT

CITY OF PINE LAWN  
SUMMARY OF FINDINGS

1. City Expenditures (pages 9-12)

Monthly expense allowances and uniform allowances are not properly reported to the Internal Revenue Service. There were expenditures for which the public purpose was questionable. The city does not always obtain bids or solicit proposals for purchases. The city does not document its approval of purchases made with the city's credit card. The city does not have a formal travel expense policy.

2. Inadequate Planning (pages 13-15)

The city did not properly plan for the building of a proposed community center and did not properly obtain proposals from architectural firms when selecting the architect for the project. In addition, the city paid \$3,300 to purchase and install park equipment in a playground the board voted to demolish six months later.

3. Evidence and Seized Property Controls and Procedures (pages 15-16)

The police department does not maintain an adequate record of evidence and seized property. There is \$40,343 in seized money that has been held in a separate account for many years.

4. Delinquent Trash Collection Fees (pages 16-18)

The city has not properly pursued the collection of delinquent trash collection fees and as of June 30, 1999, the city had approximately \$656,000 of delinquent fees.

5. City Business Licenses (page 18)

The city does not have an adequate system in place to ensure compliance with city business license and building code ordinances.

6. Board Meetings and Ordinances (pages 19-20)

The city is not in compliance with the Sunshine Law and the city needs to adopt ordinances regarding duties of several city employees and the Senior Citizen Building.

7. Budgets and Financial Reporting (pages 20-22)

The city does not publish semiannual financial statements and city budgets are not approved on a timely basis. The Board of Aldermen does not receive complete financial information to make informed decisions and properly manage city monies.

8. City Property Records (pages 22-24)

The city has not established records to annually inventory and account for city property. In addition, the city does not reconcile the gallons of gas purchased to gallons of gas pumped and on hand. Complete logs are not maintained for city-owned vehicles documenting their use.

9. Miscellaneous Records and Procedures (pages 24-27)

Several city employees do not maintain time sheets and adequate leave records are not maintained by the city. Law Enforcement Training and Domestic Violence Shelter fees were not properly handled by the city. The city does not separately account for restricted sales tax monies. Occupancy permits are not required to be on file for all candidates for city office.

10. Municipal Court Division (pages 27-30)

Several weaknesses were noted in the internal control procedures and accounting records of the municipal court.

CITY OF PINE LAWN, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

|           |                          |
|-----------|--------------------------|
| <b>1.</b> | <b>City Expenditures</b> |
|-----------|--------------------------|

- A. Uniform allowances of \$300 are paid annually to the police officers. In addition, the street commissioner was paid an expense allowance of \$280 during the year ended June 30, 1999. The officers and street commissioner are not required to submit an itemized report of expenses and these amounts are not reported on the employees' W-2 forms.

Internal Revenue Service (IRS) Regulation No. 31.3401(a)-4 requires expenses not accounted for to the employer to be considered as gross income and also requires payroll taxes to be withheld from this gross income. The failure to properly submit the required forms could result in penalties to the city. In addition, it would appear more appropriate for the city to reimburse these employees for actual documented costs.

This condition was also noted in our 1994 prior report. The city indicated at that time it would review this with its CPA. Although the IRS requires this reporting, the city has not implemented the recommendation.

- B. The city made several expenditures which do not appear to be a prudent use of public funds.

- 1) The city routinely sends flowers to funerals in cases of death in an employee's family. The city expended \$1,041 for these payments from July 1, 1998, through March 31, 2000. These expenditures do not appear to be necessary costs of operating the city. Public funds should be expended only for costs necessary to operate the city.
- 2) The city reimburses residents age sixty-five and older 50 percent of city utility franchise taxes paid on utility bills. During the period of July 1, 1998, through March 31, 2000, the city expended approximately \$15,000 for the senior citizen utility tax rebate program.

These payments are not conditioned on financial need. The city's authority or the municipal purpose to make such payments has not been researched and documented.

These conditions were noted in our prior report.

- C. The city's purchasing ordinance requires advertising for bids for all purchases of goods and services in the amount of \$5,000 or more. However, although the city indicated after our prior audit that they would watch this more closely, bids or bid documentation was not retained for many purchases. The following items were purchased from July 1, 1998, through March 31, 2000, without documentation of bids and/or advertisements:

| <u>Item</u>                        | <u>Cost</u> |
|------------------------------------|-------------|
| Home demolition projects           | \$ 76,825   |
| Gas purchases                      | 38,000      |
| 4X4 truck                          | 28,667      |
| Computer purchase and installation | 10,250      |
| Sewer project                      | 10,000      |
| Playground equipment               | 6,032       |
| Lawn mowers                        | 5,970       |

While the city indicated the purchase of the truck had been bid, no documentation could be located. Competitive bidding helps ensure the city receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the city's business. In addition, complete documentation should be maintained of all bids received. If other than the lowest bid is selected, the reasons should be adequately documented.

- D. The city entered into a contract for engineering services related to a street repair project. Although the city indicated it solicited proposals for this service, no documentation of this was maintained.

Sections 8.289 and 8.291, RSMo 1994, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

See also MAR 2.A. for additional comments related to obtaining proposals.

- E. The city maintains a credit card for the purchase of items from vendors with whom the city does not have an account. Most purchases made by employees of the city require a purchase order, which is approved by the City Clerk prior to making the purchase. However, a purchase order is not required to be obtained prior to the use of the credit card. The city indicated that purchases made with the credit card are approved prior to the purchase, but there is no documentation maintained of this approval.

The city should establish procedures to ensure purchases made with the city's credit card are properly approved and appropriate documentation is maintained of the approval process.

Although the city indicated in the prior report that it would document approvals as recommended, this has not been done.

- F. City ordinance number 822 establishes the salaries of the members of the Board of Alderman. This ordinance states that board members will not be entitled to any expense recovery for ordinary expenses incurred in the office of alderman. It further states that any extraordinary expenses shall be subject to prior approval by the Board of Aldermen.

There has been considerable disagreement between the city officials as to what constitutes an ordinary or extraordinary expense. In addition, the city has no written travel and expense policies. Without written, documented policies, the types of expenses that can be incurred, the extent of those expenses which will be paid by the city, and the appropriate payment mechanism for the expenses may not be known.

To avoid confusion, the city should clearly define its travel and expense policy. This would include defining what constitutes an ordinary as opposed to an extraordinary expense.

**WE RECOMMEND** the Board of Aldermen and the Mayor:

- A. Require the police officers and Street Commissioner to submit itemized reports of uniform expenses or report the allowances as other income on the employees' W-2 forms. In addition, the city should consider filing amended W-2 forms for the unreported employee compensation.
- B. Ensure expenditures are limited to those necessary to properly operate the city and within the city's authority.
- C. Ensure bids are solicited for all applicable purchases in accordance with city ordinance. Documentation of the bidding process should be maintained in all cases. If the city feels that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.
- D. Solicit and document proposals for engineering services.
- E. Ensure purchases made with the city's credit card are properly approved and documentation of the approval is maintained.
- F. Adopt a formal policy regarding travel expenses which includes a definition of ordinary versus extraordinary expenses.

## **AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

- A. *The City intends to implement the reporting of uniform allowances for police officers and an expense allowance for the street commissioner immediately. This method of reporting will be incorporated with the W-2 for the current calendar year.*
- B. *With regard to the purchase of flowers, the city's position is unchanged. Certain good-will expenditures are part of doing business within our community as well as with other communities and their elected officials.*

*The senior citizen utility franchise tax reimbursement program will continue. Due to the large numbers of senior citizens living on a fixed income within the community, the city officials believe there is a moral obligation to offer this reimbursement. We will consult with our legal counsel again to ensure that it is within our authority.*

- C. *The city has always acquired bids for projects prior to awarding the bid to the contractor. Sometimes bids have been acquired in an emergency in order to correct a problem immediately and avoid legal liability for a safety hazard, but the lowest bid was always accepted. Though some of the records may not have been readily available for review, the city will be more vigilant in safeguarding the records and making them available for review.*
- D. *The city solicited bids for engineering service upon recommendations received from St Louis County. The city invited various engineering firms via telephone to bid on the street project; however, a limited response was received. The bid that was eventually accepted by the elected official was within the accepted industry range. In the future, the city will retain documentation of who they contacted.*
- E. *Effective immediately, all purchases made by credit card will be well documented and approved by the proper authority prior to purchase even though we believe our current practice is appropriate.*
- F. *The city intends to implement a formal written policy defining ordinary and extraordinary expenses for employees and elected officials. The policy will be implemented within 120 days upon conclusion of a public hearing.*

## **AUDITOR'S COMMENT**

- 1.D. Although the city states that proposals were solicited, no documentation of this was maintained. The city should maintain all records to document it complied with the law.



- A. On January 23, 1995, the St. Louis Archdiocese donated a school building to the city of Pine Lawn. At that time, there was significant interest among board members and citizens regarding the possibility of converting the school building into a city community center. In October 1996, the city contracted with an architect to prepare a feasibility study regarding converting the school into a city complex that would include a city hall building, a police station, and a community center. This study cost the city \$2,200 and the architect concluded the cost of reconfiguring the existing building into a city complex would be \$2,037,440 and the cost of demolishing the existing building and constructing a completely new city complex would be \$3,097,776.

In October 1997, the city entered into a second contract with the architect. This contract provided that the architect would be compensated at the rate of 4.4 percent of total construction costs of the city complex. In addition to providing architectural services, the firm was to help promote the bond issue to finance the complex. The contract outlined six “public information” services they were to provide and stipulated that if the bond issue did not pass, there would be no charge for the “public information” work, but if the bond issue did pass, the architect would provide the architectural services for the project.

On April 7, 1998, Pine Lawn voters passed a bond issue of one million dollars for the purpose of providing funding for the construction of a community center in the city.

The city did not obtain at least three proposals from architectural firms before entering into the agreements. Sections 8.289 and 8.291, RSMo 1994, provide that when obtaining architectural services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firms proximity to and familiarity with the area in which the project is located.

In addition, the city did not have plans to obtain the additional funding at the time they entered into the second agreement with the architect or when the bond issue was passed. The City Administrator indicated they researched other funding options; however, no documentation of this was available.

The city ultimately decided not to construct a city complex and the architect sued the city for \$44,911 as payment for services provided on the second agreement. The city reached a settlement with the architect to pay him an additional \$13,358 for these services. In addition, the city expended approximately \$9,400 in legal fees related to this case from February 1999 thru March 2000.

The city's failure to properly plan for the construction and financing of this project resulted in the city spending significant amounts of city monies on architectural plans for and promotion of a project that was ultimately never started.

- B. On March 12, 1999, the city paid approximately \$3,300 to purchase and install a swing set and a "merry-go-round" in Council Grove Park. On October 11, 1999, the Board of Alderman passed Ordinance Number 824 which transferred ownership of Council Grove Park and several other adjoining lots to a construction company for the purpose of constructing new homes. The park was demolished and the new playground equipment was removed. The merry-go-round was placed in another city park and the swing set was dismantled and placed in city storage for future use.

While the city did not have the developer in place at the time the new equipment was installed in the Council Grove Park, it appears they had considered the Council Grove Park site as a potential location for new homes to be built. In addition, although the equipment purchased by the city is still usable by the city at other park locations, the cost of installing the equipment at the Council Grove location was approximately \$1,200.

The city's failure to adequately plan for the development of this site caused monies and city workers' time to be wasted.

**WE RECOMMEND** the Board of Aldermen and Mayor, in the future:

- A. Ensure that adequate funding is in place to complete the project before putting a project up for a vote of the citizens or signing any contracts for work. In addition, the city should solicit and document proposals for architectural services.
- B. Consider the future uses of property before making improvements to the property to ensure city funds are put to the best possible use.

### **AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

- A. *The city acknowledges the importance of soliciting bids and documenting construction proposals and will be carefully monitoring all future endeavors to ensure they comply with accepted practices. Internal procedures will be reviewed and new procedures will be adopted where necessary. In the case of the proposed Community Center, although the citizens approved the bond issue, city officials decided not to pursue the plan at that time because of the potential burden of increased taxes on the senior population and those citizens living on a fixed income. When all financial obligations can be met without unduly taxing residents, city officials will look at new opportunities with proper planning.*

- B. *It appears that the auditors did not consider all the relevant factors surrounding this issue due to rapid changes in revitalizing the depressed community. In order to change the infrastructure and improve the outlook of the community, the city elected officials need to react quickly to accept or act upon whatever growth opportunities they can bring to Pine Lawn without any expense to the city. Although it may not have appeared to be "adequate planning", the current economic situation requires us to do whatever we can to accommodate long-term, beneficial investments in the community.*

*Due to the fact that we have encouraged new housing construction by removing dilapidated and vacant properties without committing any city dollars, we disagree with the auditor's recommendation. We will be careful in future planning, however, we will not hesitate to make investment decisions for the community as they become necessary to improve and beautify the city.*

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| <b>3. Evidence and Seized Property Controls and Procedures</b> |
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The police department maintains records and custody of evidence and seized property. During our review, we noted the following concerns relating to evidence and seized property:

- A. The police department's log of evidence and seized property is not adequate. The log does not indicate the date the property was seized or evidence taken or the disposition of the item. The current log shows only the case number, description of evidence or property seized, and the name of the officer who seized the property. In addition, the evidence receipts are not prenumbered.

A complete log of evidence and seized property should be maintained to ensure these items are adequately safeguarded. Periodically, an inventory should be taken of all the evidence and seized property and reconciled to the log. In addition, evidence receipts should be prenumbered and the numerical sequence accounted for to ensure that all items are recorded and disposed of properly.

This condition was noted in the prior report.

- B. The city deposits seized money into a bank account. This account contains a balance of \$40,342 as of May 2000. Some of the seized money has been held for several years including approximately \$20,000 that we commented on in our prior report.

The city should begin forfeiture proceedings on any money subject to forfeiture. All other monies should be returned.

**WE AGAIN RECOMMEND** the Board of Aldermen and the Mayor:

- A. Require a complete log of all seized property, be maintained, prenumbered evidence receipts be obtained, and the numerical sequence of the evidence receipts issued be

accounted for properly. In addition, a periodic inventory should be taken and reconciled to the log.

- B. Consult with legal counsel and determine the proper disposition of these monies.

#### **AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

- A. *We will consult with our Certified Public Accountant regarding inadequate seized property procedures during our upcoming FY 2000 audit. We will implement whatever procedures are recommended.*
- B. *We will consult with our legal counsel and appropriate officials in St. Louis County to determine the proper disposition of seized monies and property. It is difficult to provide the exact time for resolving this issue since we are dependent on outside agencies and their approval, however, we intend to bring this issue to complete closure.*

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| <b>4. Delinquent Trash Collection Fees</b> |
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The city began charging citizens a user fee for trash collection services in 1992. The city's legal counsel advised the city this was a proper user fee. In addition, to ensure the fee was allowable, the city voted in the fee in August 1999. However, due to a large amount of uncollected trash bills, the monies received are not enough to cover the cost of trash collection services. The city's CPA audit report for the year ended June 30, 1999, stated that the city has paid over \$200,000 during the last several years from the General Fund to help pay for trash collection services. As of June 30, 1999, city records show approximately \$656,000 in uncollected trash fees.

Although we commented on this in our last report, the city has still not adequately pursued the delinquencies. The city's CPA audit report also had a similar comment. The city has not issued citations for citizens who remain delinquent for a period in excess of 90 days. In addition, the city does not review delinquent lists prior to the issuance of city permits and licenses.

City ordinance number 705 which authorizes the trash billing system states that "any owner of premises who appears on the delinquent list and further remains delinquent for a period in excess of 90 days shall receive a citation from the City which shall carry a \$50 fine for said violation." The ordinance further states that "no owner shall be issued any license or permit unless the collection charge for his residence has been paid." The city ordinance also allows for a lien for the amount of delinquent trash bills to be filed against the owner's property.

Since some residents are paying timely for this service, it does not appear equitable to allow other residents to receive the same services for free.

If the city continues to contract with a trash hauler and bill residents for this service, delinquent fee collection procedures need to be instituted. The city should consider issuing citations, not issuing licenses and permits, or filing liens against property owners who are delinquent in paying their trash bills. The city should consider whether it would be beneficial to hire a collection agency to help reduce the delinquent amount. Delinquent bills that are considered uncollectable should be written off by the city.

**WE AGAIN RECOMMEND** the Board of Aldermen and the Mayor ensure citations are issued to property owners who are delinquent in excess of 90 days, and ensure no permits or licenses are issued to any property owner who appears on the delinquent list. The board should consider instituting other procedures to collect the delinquencies as the city deems appropriate. Amounts that are deemed uncollectible should be written off of the city's records.

### **AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

*This issue is difficult to address because of its complexity and unpopularity with our elected officials, given the political implications. However, the current administration will dedicate and devote the time to bring this issue to the table and to discuss all pertinent aspects of collectibility. Presently, we are seriously debating the following options:*

- a. To hire an outside agency to collect the delinquent trash fees.*
- b. To give landlords an option to pay delinquent trash fees in full within 90-120 days and forgive the accumulated interest and penalties as of the implementation date.*
- c. To forgive delinquent trash fees for those citizens who are unable to pay a large sum due to their fixed income or for whom the amount creates a real financial hardship.*
- d. To hire additional staff to administer trash billing in-house in order to gain better control of delinquent trash fees.*

*However, your recommendation that we issue citations every 90 days and place liens on property involves real legal and practical problems such as lack of personnel to administer and enforce the program. The current court system is overloaded with moving and non-moving violations and would be overwhelmed with the addition of more housing citations. In conclusion, we will review all the options available to us along with our current ordinance, which may require some changes pertaining to trash fee collectibility. It is our intention to adopt the most workable and enforceable solution within 120 days.*

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| <b>5. City Business Licenses</b> |
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The city does not have an adequate system in place to ensure compliance with city business license and building code ordinances. One local garage has been operating without a valid city license for at least two years. Ordinance section 600.040 expressly prohibits any Pine Lawn business from operating without a valid city business license. Although the city has been attempting to regulate this business for several years, the garage continues to operate in violation of city code. On January 20, 2000, the owner paid \$164 for a business license; however, when the city Building Inspector conducted an inspection, he noted several areas that were not in compliance with the building codes. As of March 31, 2000, the city has not yet issued the license and the garage continues to operate without a business license.

In addition, from July 1, 1998 to March 31, 2000, the city made payments to this company totaling \$443 for towing and tire repair of city vehicles. Utilizing the services of a company which is operating without a business license, does not appear appropriate for the city. Based on discussions with city officials, it appears that other garages in the city could also potentially be out of compliance with city codes. City ordinances represent laws of the city and should be properly enforced.

**WE RECOMMEND** the Board of Aldermen and the Mayor ensure that a system is in place to enforce city ordinances regarding business licenses and building codes. In addition, the city should discontinue the practice of utilizing the services of a business that does not have a current business license.

### **AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

*The city does have an adequate system in place to monitor city business licenses and building code enforcement. Currently, the individual whose license was revoked is involved in pending litigation with the city, and we reserve the right to not address this specific finding.*

### **AUDITOR'S COMMENT**

It appears the city does not have an adequate system in place to monitor city business license and building code enforcement. This business has continued to operate in violation of city codes and without a license for at least two years.

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| <b>6. Board Meetings and Ordinances</b> |
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- A. The Board of Alderman discussed items in closed session that are not allowed to be discussed under the provisions of the Sunshine Law. In addition, the Board of Alderman discussed items in closed session that were not included on the closed session agendas.

Section 610.021, RSMo Cumulative Supp. 1999, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, personnel issues, some competitive bidding issues, confidential or privileged communications with auditors, etc. Section 610.022, RSMo Cumulative Supp. 1999, requires a closed meeting, record or vote be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

B. The city has not adopted ordinances which are required by state law or would provide helpful guidelines for city operations:

1. Although we recommended in our prior audit that the city adopt ordinances to establish the duties of several city officials including the City Administrator, Building Commissioner, Street Supervisor, Police Clerk and City Attorney, the city has not done so. To better clarify the expected duties and responsibilities of city employees, the city should have written job descriptions for all positions at the city. In addition, Section 79.290, RSMo 1994, requires that the duties of officers of the city be prescribed by ordinance.
2. The city owns a Senior Citizen Building next to City Hall and allows various groups to rent the building. While the city does have an informal policy, they do not have a written policy or ordinance outlining for what purposes the Senior Citizen Building can be used and the fee charged for rental of the building.

An ordinance outlining the city's policy regarding use of this building and fees charged would help avoid confusion and ensure all citizens and groups are treated equitably.

**WE RECOMMEND** the Board of Aldermen and the Mayor:

- A. Ensure minutes and agendas state the specific reasons for going into a closed session, as required by state law, and that only the items specified in the agenda are discussed in the closed meeting. In addition, ensure that only items allowed in Section 610.021, RSMo Cumulative Supp. 1999, are discussed in closed meetings.
- B.1. Enact an ordinance establishing duties and descriptions of all city positions that are not currently in the City Code.
2. Enact an ordinance establishing policies regarding the rental of the Senior Citizen Building.

## **AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

*The city appreciates the auditors' observation and comments. Because allegations of prior statutory violations (minor and technical) of the Sunshine Law are involved, the city does not intend any of its response to be construed as any type of admission. The city has recently appointed a new legal counsel, who will provide model ordinances, procedures and resolutions to ensure that the Sunshine Law is fully observed to accommodate the rights of the citizens and the media. Since the administrative staff is very limited and performs overlapping duties, it is difficult to establish and determine specific job descriptions. However, we will consider the recommendation as suggested with our legal counsel to rectify this issue. Regarding use of all public buildings for personal or political use, the city intends to enact an ordinance or adopt a policy and procedures within 120 days.*

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| <b>7. Budgets and Financial Reporting</b> |
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A. The city does not publish semiannual financial statements. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semiannual statements of receipts, expenditures, and indebtedness of the city. In addition, Section 79.165, RSMo 1994, states that the treasurer shall not pay out any money of the city after the end of the month in which such financial statement should have been published, until such time as such financial statement is published.

B. City budgets are not approved on a timely basis. The city operates on a July 1 to June 30 fiscal year. The budgets for fiscal years beginning July 1, 1998 and 1999, were not approved until October 1998 and February 2000, respectively.

Section 67.010, RSMo 1994, requires each political subdivision to prepare a budget for the ensuing year. To be of maximum benefit to the taxpayers and the city, the budget should be prepared and adopted prior to the beginning of the fiscal year. In addition, the city's lease agreement with the Pine Lawn Municipal Assistance Corporation stipulates that the lease agreement is terminated if the city fails to have an approved budget by November 1 of each year of the lease agreement.

C. The Board of Aldermen does not receive enough information to monitor the budget and evaluate the financial position of the city's funds. A list of expenditures is prepared each month for the board to approve and the Treasurer reports whether there is enough money to pay the bills for the month. However, the balances of each fund, and an analysis of the budgeted and actual revenues and expenditures to date, are not provided. As a result, the city overspent the approved General Revenue budget by \$10,616 and \$10,470 for the years ended June 30, 1999 and June 30, 1998, respectively. This concern was also noted in the city's CPA audit report.



The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The Board of Aldermen should review budget to actual comparisons prior to approving expenditures.

For the aldermen to properly manage the finances of the city, they should be provided with the balances of funds held by the city and an analysis of budgeted and actual revenues and expenditures to date periodically.

These conditions were noted in our prior report and the city at that time indicated it would implement the recommendations.

**WE AGAIN RECOMMEND** the Board of Aldermen and the Mayor:

- A. Prepare and publish semiannual financial statements in accordance with state law.
- B. Adopt the city budget prior to the beginning of the city's fiscal year, as required by state law and lease provisions.
- C. Require complete information regarding the financial position of the city, including balances of funds held by the city and a comparison of budgeted and actual revenues and expenditures to date each month. In addition, the Board of Aldermen should ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to the expenditures.

#### **AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

*It is not always practical to implement or enforce the steps required to perform precisely the duties outlined by Missouri statutes. However, the city intends to correct and adopt the following measures:*

- a. *To ensure semi-annual financial statements are published as suggested effective FY 2001, etc. A financial statement will be published for the period ending December 31, 2000.*
- b. *To try to adopt its budget prior to the beginning of each fiscal year.*
- c. *To consider some other cost-efficient method and less cumbersome plan of furnishing the required financial information to enable elected officials to evaluate the financial*

*position of the city; due to the limited technical skills of the administrative staff, it will be difficult to implement and provide complete city financial data on a monthly basis. We will implement some method of reporting by June 30, 2001.*

**8.**

### **City Property Records**

- A. The city has not established adequate records to account for city property. Property records are necessary to secure better internal controls over assets and provide a basis for determining insurance coverage.

The city should establish adequate detailed property records. All property items (including land) should be recorded at historical cost or estimated historical cost, if historical cost is not available. The records should be maintained on a perpetual basis, accounting for property additions and dispositions as they occur. In addition, all items should be identified as city property with a tag or similar device and an annual inventory of property should be performed and agreed to the detailed property records.

A similar concern was noted in the city's CPA audit report.

- B. The city, through its various departments, owns and operates approximately 23 vehicles. The city owns a gas tank that is filled up approximately weekly. During our review of city vehicle and gasoline usage, we noted the following concerns:

1. Each vehicle has a log sheet that documents when the vehicle is filled with gas. This log shows the date, gallons of gas pumped, mileage, and the person who pumped the gas. However, the city does not maintain information regarding the total amount of gas pumped from the tank.

The city should periodically determine and document the number of gallons pumped during that period. To ensure all fuel is properly recorded on the vehicle logs and accounted for, the city should reconcile gallons of gas pumped to gallons of gas recorded on the vehicle logs and reconcile the gallons of gas purchased to the gallons of gas pumped and remaining on hand.

2. Complete logs are not maintained for city-owned vehicles documenting their use. While the logs above document the vehicle mileage and number of gallons used, they do not document the purpose and destination of each trip. In addition, the city does not have a policy which addresses the appropriate use of city vehicles. Logs are necessary to document appropriate use of the vehicles and to support gasoline charges. A policy helps ensure that vehicles are used in a manner approved by the Board of Aldermen.

The logs should include the purpose and destination of each trip, along with the odometer readings and gas usage information. These logs should be reviewed to help ensure vehicles are used for city business only, are being properly utilized, and to help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline and other maintenance charges.

These conditions were noted in our prior report and the city indicated at that time that it would implement the recommendations.

**WE AGAIN RECOMMEND** the Board of Aldermen and the Mayor:

- A. Establish complete and detailed property records that account for all property items of the city. These records should be updated for any property additions or dispositions as they occur. In addition, all items should be tagged or otherwise identified as city property and an annual physical inventory should be taken of all city-owned property.
- B.1. Maintain records of the gallons of gas pumped and reconcile these records to the gallons of gas recorded on the vehicle logs and the gallons of gas purchased.
- 2. Establish a written policy for the use of city vehicles and require a complete and accurate log be maintained for each vehicle.

**AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

*The City intends to adopt the following:*

- A. *To implement a plan that requires: proper listing of fixed assets with a useful life of 3 or more years, a listing of each item purchased and deleted during the fiscal year, reconstruction of a list of existing fixed assets and their usefulness, and an annual inventory procedure. This will be done by June 2001.*
- B. *To implement procedures for reconciliation between gasoline used and gasoline purchased each month, without impacting the service to the citizens and to neighboring municipalities according to the Mutual Aid contractual agreement. Identifying the purpose of the trip and destination of each trip will be difficult and time-consuming to implement for the majority of city vehicles, which are used by police officers and street department employees to conduct their business. A written policy will be established by June 30, 2001.*

**9.****Miscellaneous Records and Procedures**

- A. The City Clerk, City Administrator, Court Clerk and Assistant Court Clerk do not prepare time sheets. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures and the allocation of payroll expenditures to the various funds, and to provide the board with a method to monitor hours worked. To support payroll expenditures, the city should require all employees prepare detailed time sheets.
- B. Records of vacation or sick leave earned and taken and accumulated balances are not updated timely and do not appear complete. The city does not document the accumulated balances of leave at the end of each month.

Adequate documentation of leave earned, taken and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure time used is not in excess of time accumulated.

This condition was noted in our prior report.

- C. From the period of July 1998 through January 2000, the city's municipal court collected a total of \$20,015 of police training monies. Of the three dollar fine charged on each case in the municipal court, two dollars is for local law enforcement training and the other dollar is the Peace Officer Standards and Training Commission (POSTC) fee and is to be remitted to the state. In addition, the municipal court has collected a one dollar domestic violence fee as allowed in Section 479.261, RSMo Cumulative Supp. 1999, for several years. We noted the following concerns related to the handling of these fees:
  - 1. Approximately \$13,300 of the total police training monies collected were for the purpose of local law enforcement training. While the city expended \$7,306 on police training out of the city's general fund during the two years ended June 30, 1999, the city has not established a separate fund or separate accounting to ensure these receipts are expended only for the purpose of local law enforcement training.
  - 2. The city has not disbursed the state's portion of the POSTC fees collected. Section 590.140, RSMo Cumulative Supp. 1999, requires these fees to be distributed monthly to the state.
  - 3. The city has not disbursed the domestic violence fees collected to St. Louis County for disbursement to a local domestic violence shelter.
- D. The city collects a one half of one percent sales tax for the purpose of improving parks and storm water control in the city. While the city can determine the amount of

sales tax receipted and expended each year for this purpose, the unspent balance of these sales tax monies is not accounted for separately. Section 644.032, RSMo Cumulative Supp. 1999, requires these monies be deposited in a special trust fund to be used for funding storm water control and local parks. A separate accounting of any unspent balance along with future years receipts and disbursements of sales tax monies would help ensure these receipts are expended only for the purpose intended by the sales tax.

- E. When a candidate files for city office, the city does not check to ensure a current occupancy permit is on file. Two of the three current board members who do not have occupancy permits on file have been residents for many years prior to the city requiring all residents to have occupancy permits. However, there has been some controversy regarding the third board member's residency in Pine Lawn. Requiring all candidates for elected office to have an occupancy permit on file with the city would help to validate the residency of all candidates for the Board of Aldermen and avoid controversy.

**WE RECOMMEND** the Board of Aldermen and the Mayor:

- A. Require all city employees to prepare detailed time sheets.
- B. Ensure records are maintained for all employees to document vacation and sick leave earned, taken, and accumulated on a monthly basis.
- C.1. Establish a separate fund or accounting of the local law enforcement training fees to ensure these funds are spent only for the purposes of police training.
  - 2. Determine the total amount of POSTC fees due to the state and remit these fees in accordance with the law.
  - 3. Determine the total amount of domestic violence fees owed to St. Louis County and remit as required.
- D. Establish a separate fund for these sales tax monies to ensure these receipts are spent in accordance with the purpose of the sales tax.
- E. Require all candidates for elected office in the city to have an occupancy permit on file with the city in order to validate residency.

**AUDITEE'S RESPONSE**

*The Mayor and City Administrator responded:*

- A. *We will require court clerks to submit attendance sheets since they are being paid overtime for work over 40 hours per week. The Administrator and City Clerk are exempt from*

*attendance sheets because they are salaried employees and available for 24 hours a day and are not compensated for time over 40 hours a week. The Court Clerks' attendance sheets will be implemented immediately.*

- B. The city does have adequate documentation of vacation and sick leave earned, used and accumulated, but extension of the balances was not carried out to the final column as balance on hand for any given month. However, effective immediately, the city intends to update all employees' vacation and sick leave earned, used and accumulated on a quarterly basis instead of a monthly basis.*
- C.1. We intend to review this issue with the city's auditors to determine whether we can establish additional procedures as an alternative to opening a separate bank account, which would require manual record keeping for very little activity.*
- C.2. Any prior and current year funds which are being held for Peace Officer Standards and Training Commission (POSTC) will be disbursed immediately to the state in accord with state law.*
- C.3. Any prior and current year funds which have been collected for domestic violation fees will be disbursed immediately to St. Louis County for local domestic violence shelters.*
- D. We intend to establish a separate accounting for the Parks and Storm Waters sales tax monies in accordance with state law. This will be done in the next three months.*
- E. The city will consider the recommendation and proceed with caution to avoid any political and legal liability to the city or to those individuals who oversee the program.*

#### **AUDITOR'S COMMENT**

- A.** Timesheets should be prepared by all staff including salaried employees. Such records serve to document actual hours worked as well as vacation and sick leave for the board to monitor and to substantiate any allocation of payroll costs between various funding sources.
- C.1.** We do not recommend the city open another bank account for these monies. Our recommendation is that the city account for these monies separately in some way to ensure they are spent appropriately. This can be done by maintaining a separate fund for these monies or tracking applicable revenues and expenditures in an existing account.

|            |                                 |
|------------|---------------------------------|
| <b>10.</b> | <b>Municipal Court Division</b> |
|------------|---------------------------------|

- A.** We noted the following concerns relating to court receipts:
  - 1)** Although the Court clerk was able to provide us bank reconciliations for the period audited, she does not always perform and/or document a formal bank

reconciliation monthly. Monthly bank reconciliations are necessary to ensure that accounting records are in agreement with the bank and errors are detected on a timely basis. Without proper documentation, there is little assurance that these reconciliations have been performed.

- 2) In our prior report, the city indicated checks and money orders were being restrictively endorsed immediately upon receipt; however, during our audit period checks and money orders are not restrictively endorsed until the deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- 3) The duties of receiving, recording, and transmitting monies collected by the municipal court are not adequately segregated, and although the City Administrator indicated he agrees court receipts to transmittals to the city about twice a month, these reconciliations are not documented. In addition, the City Administrator does not reconcile bond receipts to deposits to the bond account.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving monies from that of recording receipts and depositing court monies. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the reconciliations between receipts and transmittals.

This condition was also noted in our prior report.

B. We noted the following concerns relating to bonds:

- 1) Monthly listings of open items (liabilities) are not prepared and reconciled to the bond account bank reconciliation balance. A monthly listing of open items is necessary to ensure proper accountability over open cases and to ensure the monies held in trust are sufficient to meet liabilities. As of March 31, 2000, the city prepared an open items listing that materially agreed to the reconciled bank balance. However, this reconciliation should be performed on a monthly basis.
- 2) The municipal court division has not implemented adequate procedures to follow up on bonds held for more than one year. As of June 30, 1999, the balance of the city's bond account included bond receipts totaling \$8,747 which have been held at least two years.

An attempt should be made to determine the proper disposition of these bonds. A review should be made of any bonds posted by persons who failed

to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which are held on closed cases and remain unclaimed, Section 447.500 through 447.505, RSMo Cumulative Supp. 1999, which relate to unclaimed property, should be used to disburse these monies.

- 3) Bonds collected by the police department are not transmitted to the Court Clerk on a timely basis. Bonds are transmitted to the Court Clerk only once or twice a week. To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.
- 4) A bond fee of \$2 is collected each time a defendant is placed under arrest and posts a bond. This fee is transmitted directly to the city. However, the bond fee is recorded various ways in the bond ledger. Sometimes it is recorded as part of the bond amount, sometimes it is recorded separately from the bond amount, and still other times it is not recorded in the bond ledger at all.

The bond fee should always be recorded in the bond ledger. The police department should consider recording the total amount received in one column, and then recording the bond amount and the bond fee amount, each in separate columns. The bond ledger should include all bond and bond fee receipts to ensure proper accountability over bonds.

Similar conditions were noted in our prior report and at that time the city indicated they would implement the recommendations.

- C. Prior to January 2000, the police department accounted for the numerical sequence of traffic tickets and summonses issued. However, due to a system change, the numerical sequence is no longer accounted for properly.

Without a proper accounting of the numerical sequence of traffic tickets and summonses issued, the police department and the court cannot be assured that all tickets and summonses were properly submitted to the court for processing. A log listing the ticket and summonses number, the date issued, and the violator's name would ensure all summonses were properly submitted to the court for processing, properly voided, or not prosecuted.

This condition was noted in our prior report.

- D. Procedures established to pursue the collection of delinquent accounts and failure to appear cases include issuing warrants; however, the court did not always monitor to ensure warrants were issued on a timely basis.



Proper and timely issuance of warrants for amounts due to the court helps to maximize court revenues along with providing equitable treatment for those citizens who are paying fines and court costs when due.

**WE RECOMMEND** the city of Pine Lawn Municipal Division:

- A.1. Ensure monthly bank reconciliations are performed and documented.
- 2. Restrictively endorse all checks and money orders immediately upon receipt.
- 3. Properly segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- B.1. Prepare monthly listings of open items and reconcile this listing to the balance in the bank account.
- 2. Implement adequate procedures to follow up on bonds being held and dispose of them in accordance with state law.
- 3. Transmit bond receipts daily or when accumulated receipts exceed \$100.
- 4. Ensure that the bond fee is always recorded in the bond ledger.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets and summonses issued.
- D. Monitor to ensure all warrants are prepared and activated in a timely manner.

**AUDITEE'S RESPONSE**

*The Mayor and the City Administrator responded:*

- A. *The city accepts the findings and plans to implement: monthly bank statement reconciliation, restrictive endorsement of checks and money orders, and reconciliation of bond receipts to deposits by an independent individual.*
- B. *The city also accepts the following recommendation: to reconcile open bonds to the bank statement on a monthly basis, to turn over to the state any funds from the disposition of bonds held more than a year, to deposit bond receipts more frequently, and to ensure that the bond fee is posted properly in the ledger.*
- C. *The city intends to work with the police department to ensure the accountability and numerical sequence of all tickets and summons.*
- D. *The city intends to work with the police department and court clerks to ensure the efficient preparation of all warrants.*

*The above recommendations will be implemented by June 30, 2001.*

This report is intended for the information of the management of the city of Pine Lawn, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



CALDWELL COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-107  
September 27, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Caldwell, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Caldwell County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- In the spring of 2000, county officials were notified that various political subdivisions in the county had not received some property tax distributions from the Kidder Township Collector. According to statements filed for the months of November 1999 through February 2000, approximately \$257,000 was collected and distributed, however \$5,869 was not paid to several political subdivisions. Tax collections were deposited and distributions were made from the Kidder Township collector bank account. Additionally, numerous personal disbursements were made from this account. As of April 5, 2000, only \$93 remained in the account and the amount of personal disbursements exceeded allowable commissions by more than \$5,200.

Additionally, one taxpayer included on the delinquent tax list produced a canceled check and paid receipt showing \$1,030 had been paid. There was no evidence that these collections were ever distributed to the various political subdivisions. The county needs to review the yearly settlement as well as the unpaid amounts on the delinquent tax list and take the appropriate action. The county also needs to ensure that statutorily required bonds are obtained for all township collectors.

- The county does not have procedures in place to ensure budget documents are properly prepared and accurately reflect financial activities of the county. By the County Clerk not maintaining an independent record of revenues and expenditures for reconciliation with the County Treasurer, inaccuracies went undetected.

(over)

YELLOW SHEET

- The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Caldwell county voters under the provisions of Missouri statute. The county had no supporting documentation to explain why the tax levy was not decreased in 1999 and had no documentation for prior years levy calculations. The county should consider the excess collections when computing future property tax rollbacks.
- The county does not have procedures in place to adequately track federal assistance for preparation of the schedule of expenditures of federal awards. The information presented for most programs did not agree with the county's expenditures records. Without an accurate schedule of expenditures of federal awards, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

The audit recommended improvements in other budgeting procedures, county expenditure procedures, personnel policies and procedures, fixed assets and property tax book controls. Also included in the report are recommendations on accounting controls for the Circuit Clerk, Sheriff, Prosecuting Attorney and County Clerk.

**Copies of the audit are available upon request.**

# CALDWELL COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Caldwell County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Caldwell County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Caldwell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Caldwell County.

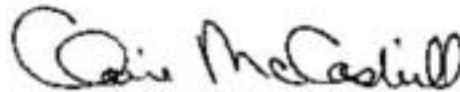
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Caldwell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 29, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Caldwell County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

June 29, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Todd M. Schuler, CPA  |
| In-Charge Auditor:  | Brenda Gierke, CPA    |
| Audit Staff:        | Martin Beck           |
|                     | Andrea Higgins        |
|                     | Sarah Glosemeyer      |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Caldwell County, Missouri

We have audited the special-purpose financial statements of various funds of Caldwell County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Caldwell County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-2. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

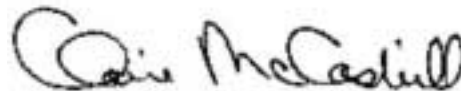
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Caldwell County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial

reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider finding number 99-1 to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Caldwell County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 29, 2000 (fieldwork completion date)



## Financial Statements

Exhibit A-1

CALDWELL COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ (95,441)        | 902,830   | 838,390       | (31,001)             |
| Special Road and Bridge             | 133,301            | 1,051,692 | 1,200,368     | (15,375)             |
| Assessment                          | (25,575)           | 121,925   | 102,562       | (6,212)              |
| Law Enforcement Training            | 4,621              | 8,051     | 3,757         | 8,915                |
| Prosecuting Attorney Training       | 1,225              | 946       | 861           | 1,310                |
| Health Center                       | 67,414             | 222,765   | 231,726       | 58,453               |
| Special Road and Bridge Sales Tax   | 102,381            | 203,121   | 149,133       | 156,369              |
| Law Enforcement Sales Tax           | (14,618)           | 200,655   | 187,123       | (1,086)              |
| Prosecuting Attorney Bad Check      | 4,348              | 9,998     | 7,540         | 6,806                |
| Law Library                         | 2,203              | 2,535     | 4,096         | 642                  |
| Domestic Violence                   | 270                | 310       | 0             | 580                  |
| Crime Victims Investigation         | 11,335             | 1,447     | 9,903         | 2,879                |
| Sheriff Civil Fees                  | 5,207              | 6,693     | 5,676         | 6,224                |
| Record Storage                      | 14,203             | 5,512     | 3,309         | 16,406               |
| Circuit Clerk Interest              | 5,806              | 2,024     | 2,583         | 5,247                |
| Planning and Zoning                 | 2,295              | 23,195    | 25,490        | 0                    |
| Associate Circuit Division Interest | 5,264              | 920       | 235           | 5,949                |
| Prosecuting Attorney Delinquent Tax | 2,002              | 899       | 750           | 2,151                |
| Local Emergency Planning Commission | 2,217              | 705       | 235           | 2,687                |
| Total                               | \$ 228,458         | 2,766,223 | 2,773,737     | 220,944              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CALDWELL COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 33,272          | 702,753   | 831,466       | (95,441)             |
| Special Road and Bridge             | 178,829            | 1,134,338 | 1,179,866     | 133,301              |
| Assessment                          | (2,565)            | 137,203   | 160,213       | (25,575)             |
| Law Enforcement Training            | 5,940              | 4,838     | 6,157         | 4,621                |
| Prosecuting Attorney Training       | 917                | 934       | 626           | 1,225                |
| Health Center                       | 56,581             | 218,545   | 207,712       | 67,414               |
| Special Road and Bridge Sales Tax   | 108,794            | 174,317   | 180,730       | 102,381              |
| Law Enforcement Sales Tax           | 5,698              | 173,102   | 193,418       | (14,618)             |
| Prosecuting Attorney Bad Check      | 2,478              | 8,650     | 6,780         | 4,348                |
| Law Library                         | 2,302              | 3,364     | 3,463         | 2,203                |
| Domestic Violence                   | 540                | 295       | 565           | 270                  |
| Crime Victims Investigation         | 14,987             | 29,520    | 33,172        | 11,335               |
| Sheriff Civil Fees                  | 2,038              | 7,669     | 4,500         | 5,207                |
| Record Storage                      | 9,315              | 5,840     | 952           | 14,203               |
| Circuit Clerk Interest              | 5,857              | 1,879     | 1,930         | 5,806                |
| Planning and Zoning                 | 0                  | 12,007    | 9,712         | 2,295                |
| Associate Circuit Division Interest | 4,607              | 1,012     | 355           | 5,264                |
| Prosecuting Attorney Delinquent Tax | 2,002              | 0         | 0             | 2,002                |
| Local Emergency Planning Commission | 0                  | 2,217     | 0             | 2,217                |
| Total                               | \$ 431,592         | 2,618,483 | 2,821,617     | 228,458              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

CALDWELL COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |          |  |          |           |  |
|-------------------------------------|-------------------------|----------|--|----------|-----------|--|
|                                     | 1999                    |          |  | 1998     |           |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |          |           |  |
| Property taxes                      | \$ 185,025              | 211,945  | 26,920                                 | 212,230  | 185,696   | (26,534)                               |
| Sales taxes                         | 215,777                 | 222,917  | 7,140                                  | 171,225  | 172,189   | 964                                    |
| Intergovernmental                   | 142,210                 | 161,811  | 19,601                                 | 50,645   | 111,387   | 60,742                                 |
| Charges for services                | 172,205                 | 156,770  | (15,435)                               | 153,285  | 162,073   | 8,788                                  |
| Interest                            | 2,500                   | 2,839    | 339                                    | 5,500    | 2,584     | (2,916)                                |
| Other                               | 108,020                 | 35,087   | (72,933)                               | 33,440   | 32,828    | (612)                                  |
| Transfers in                        | 84,180                  | 111,461  | 27,281                                 | 127,757  | 35,996    | (91,761)                               |
| Total Receipts                      | 909,917                 | 902,830  | (7,087)                                | 754,082  | 702,753   | (51,329)                               |
| DISBURSEMENTS                       |                         |          |  |          |           |  |
| County Commission                   | 61,965                  | 64,930   | (2,965)                                | 59,965   | 71,126    | (11,161)                               |
| County Clerk                        | 60,565                  | 61,042   | (477)                                  | 55,090   | 70,284    | (15,194)                               |
| Elections                           | 14,000                  | 14,000   | 0                                      | 15,000   | 0         | 15,000                                 |
| Buildings and grounds               | 45,262                  | 63,616   | (18,354)                               | 68,527   | 72,108    | (3,581)                                |
| Employee fringe benefits            | 88,180                  | 76,904   | 11,276                                 | 60,120   | 68,064    | (7,944)                                |
| County Treasurer                    | 44,040                  | 40,043   | 3,997                                  | 44,540   | 41,997    | 2,543                                  |
| Circuit Clerk                       | 34,571                  | 31,957   | 2,614                                  | 26,200   | 33,879    | (7,679)                                |
| Associate Circuit (Probate)         | 12,750                  | 8,898    | 3,852                                  | 10,750   | 8,810     | 1,940                                  |
| Court administration                | 0                       | 0        | 0                                      | 324      | 0         | 324                                    |
| Public Administrator                | 11,290                  | 11,445   | (155)                                  | 11,400   | 11,290    | 110                                    |
| Sheriff                             | 182,609                 | 195,779  | (13,170)                               | 202,650  | 200,564   | 2,086                                  |
| Prosecuting Attorney                | 59,763                  | 71,910   | (12,147)                               | 59,330   | 64,492    | (5,162)                                |
| Juvenile Officer                    | 16,170                  | 13,169   | 3,001                                  | 20,739   | 16,997    | 3,742                                  |
| County Coroner                      | 7,840                   | 9,544    | (1,704)                                | 7,690    | 9,326     | (1,636)                                |
| Other                               | 10,870                  | 35,432   | (24,562)                               | 8,625    | 12,192    | (3,567)                                |
| Miscellaneous                       | 10,685                  | 26,342   | (15,657)                               | 2,909    | 25,233    | (22,324)                               |
| University Extension                | 18,000                  | 19,029   | (1,029)                                | 20,000   | 50,368    | (30,368)                               |
| Planning and Zoning                 | 14,365                  | 13,485   | 880                                    | 12,685   | 24,736    | (12,051)                               |
| Economic development                | 42,000                  | 44,279   | (2,279)                                | 13,000   | 0         | 13,000                                 |
| Transfers out                       | 44,412                  | 36,586   | 7,826                                  | 54,500   | 50,000    | 4,500                                  |
| Emergency Fund                      | 30,000                  | 0        | 30,000                                 | 30,000   | 0         | 30,000                                 |
| Total Disbursements                 | 809,337                 | 838,390  | (29,053)                               | 784,044  | 831,466   | (47,422)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 100,580                 | 64,440   | (36,140)                               | (29,962) | (128,713) | (98,751)                               |
| CASH, JANUARY 1                     | (120,177)               | (95,441) | 24,736                                 | 36,405   | 33,272    | (3,133)                                |
| CASH, DECEMBER 31                   | \$ (19,597)             | (31,001) | (11,404)                               | 6,443    | (95,441)  | (101,884)                              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

CALDWELL COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 0                    | 36        | 36                                     | 0         | 34        | 34                                     |
| Sales taxes                           | 79,750                  | 89,672    | 9,922                                  | 71,500    | 80,436    | 8,936                                  |
| Intergovernmental                     | 475,725                 | 926,108   | 450,383                                | 571,625   | 1,014,266 | 442,641                                |
| Charges for services                  | 0                       | 2,328     | 2,328                                  | 0         | 0         | 0                                      |
| Interest                              | 10,750                  | 8,973     | (1,777)                                | 12,300    | 10,753    | (1,547)                                |
| Other                                 | 23,550                  | 24,575    | 1,025                                  | 18,325    | 28,849    | 10,524                                 |
| Transfers in                          | 100                     | 0         | (100)                                  | 36,555    | 0         | (36,555)                               |
| Total Receipts                        | 589,875                 | 1,051,692 | 461,817                                | 710,305   | 1,134,338 | 424,033                                |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 103,330                 | 124,979   | (21,649)                               | 80,000    | 103,336   | (23,336)                               |
| Employee fringe benefits              | 24,470                  | 32,625    | (8,155)                                | 16,500    | 24,591    | (8,091)                                |
| Supplies                              | 29,250                  | 38,389    | (9,139)                                | 49,625    | 39,748    | 9,877                                  |
| Insurance                             | 3,530                   | 0         | 3,530                                  | 6,500     | 3,533     | 2,967                                  |
| Road and bridge materials             | 105,825                 | 207,080   | (101,255)                              | 112,700   | 106,672   | 6,028                                  |
| Equipment repairs                     | 12,000                  | 23,351    | (11,351)                               | 15,000    | 16,978    | (1,978)                                |
| Rentals                               | 1,000                   | 60        | 940                                    | 0         | 2,800     | (2,800)                                |
| Equipment purchases                   | 13,500                  | 33,419    | (19,919)                               | 20,000    | 16,654    | 3,346                                  |
| Construction, repair, and maintenance | 172,355                 | 695,737   | (523,382)                              | 490,000   | 635,456   | (145,456)                              |
| Other                                 | 11,035                  | 6,273     | 4,762                                  | 8,325     | 203,814   | (195,489)                              |
| Transfers out                         | 38,455                  | 38,455    | 0                                      | 22,257    | 26,284    | (4,027)                                |
| Total Disbursements                   | 514,750                 | 1,200,368 | (685,618)                              | 820,907   | 1,179,866 | (358,959)                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | 75,125                  | (148,676) | (223,801)                              | (110,602) | (45,528)  | 65,074                                 |
| CASH, JANUARY 1                       | 133,301                 | 133,301   | 0                                      | 141,329   | 178,829   | 37,500                                 |
| CASH, DECEMBER 31                     | \$ 208,426              | (15,375)  | (223,801)                              | 30,727    | 133,301   | 102,574                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

CALDWELL COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

|                                     | Year Ended December 31, |          |  |         |          |  |
|-------------------------------------|-------------------------|----------|--|---------|----------|--|
|                                     | 1999                    |          |  | 1998    |          |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |         |          |  |
| Intergovernmental                   | \$ 83,905               | 84,298   | 393                                    | 77,898  | 85,509   | 7,611                                  |
| Charges for services                | 4,100                   | 716      | (3,384)                                | 4,100   | 529      | (3,571)                                |
| Interest                            | 375                     | 187      | (188)                                  | 550     | 565      | 15                                     |
| Other                               | 376                     | 138      | (238)                                  | 26,500  | 600      | (25,900)                               |
| Transfers in                        | 39,912                  | 36,586   | (3,326)                                | 50,000  | 50,000   | 0                                      |
| Total Receipts                      | 128,668                 | 121,925  | (6,743)                                | 159,048 | 137,203  | (21,845)                               |
| DISBURSEMENTS                       |                         |          |  |         |          |  |
| Assessor                            | 100,718                 | 102,562  | (1,844)                                | 155,825 | 160,213  | (4,388)                                |
| Total Disbursements                 | 100,718                 | 102,562  | (1,844)                                | 155,825 | 160,213  | (4,388)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 27,950                  | 19,363   | (8,587)                                | 3,223   | (23,010) | (26,233)                               |
| CASH, JANUARY 1                     | (25,575)                | (25,575) | 0                                      | (2,560) | (2,565)  | (5)                                    |
| CASH, DECEMBER 31                   | \$ 2,375                | (6,212)  | (8,587)                                | 663     | (25,575) | (26,238)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

|                                     | Year Ended December 31, |        |  |         |         |  |
|-------------------------------------|-------------------------|--------|--|---------|---------|--|
|                                     | 1999                    |        |  | 1998    |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |         |  |
| Charges for services                | 3,500                   | 8,051  | 4,551                                  | 2,575   | 4,838   | 2,263                                  |
| Total Receipts                      | 3,500                   | 8,051  | 4,551                                  | 2,575   | 4,838   | 2,263                                  |
| DISBURSEMENTS                       |                         |        |  |         |         |  |
| Sheriff                             | 6,000                   | 3,757  | 2,243                                  | 5,000   | 6,157   | (1,157)                                |
| Total Disbursements                 | 6,000                   | 3,757  | 2,243                                  | 5,000   | 6,157   | (1,157)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,500)                 | 4,294  | 6,794                                  | (2,425) | (1,319) | 1,106                                  |
| CASH, JANUARY 1                     | 4,810                   | 4,621  | (189)                                  | 5,940   | 5,940   | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,310                | 8,915  | 6,605                                  | 3,515   | 4,621   | 1,106                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 950   | 946           | 1,000  | 934    | (66)          |  |
| Total Receipts                      | 950      | 946           | 1,000  | 934    | (66)          |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 650      | 861           | 1,900  | 626    | 1,274         |  |
| Total Disbursements                 | 650      | 861           | 1,900  | 626    | 1,274         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 300      | 85            | (900)  | 308    | 1,208         |  |
| CASH, JANUARY 1                     | 1,225    | 1,225         | 917    | 917    | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,525 | 1,310         | 17     | 1,225  | 1,208         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit G

CALDWELL COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Property taxes                      | \$ 95,000               | 102,422 | 7,422                                  | 88,000   | 92,529  | 4,529                                  |
| Intergovernmental                   | 79,500                  | 96,897  | 17,397                                 | 87,569   | 95,778  | 8,209                                  |
| Charges for services                | 24,600                  | 17,169  | (7,431)                                | 19,900   | 24,180  | 4,280                                  |
| Interest                            | 3,400                   | 3,745   | 345                                    | 3,200    | 3,602   | 402                                    |
| Other                               | 2,400                   | 2,532   | 132                                    | 5,150    | 2,456   | (2,694)                                |
| Total Receipts                      | 204,900                 | 222,765 | 17,865                                 | 203,819  | 218,545 | 14,726                                 |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Salaries                            | 133,234                 | 136,643 | (3,409)                                | 136,660  | 133,516 | 3,144                                  |
| Office expenditures                 | 56,822                  | 56,937  | (115)                                  | 50,741   | 45,530  | 5,211                                  |
| Equipment                           | 1,400                   | 5,173   | (3,773)                                | 3,725    | 5,863   | (2,138)                                |
| Mileage and training                | 15,370                  | 12,325  | 3,045                                  | 12,725   | 14,235  | (1,510)                                |
| Other                               | 65,488                  | 20,648  | 44,840                                 | 56,549   | 8,568   | 47,981                                 |
| Total Disbursements                 | 272,314                 | 231,726 | 40,588                                 | 260,400  | 207,712 | 52,688                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (67,414)                | (8,961) | 58,453                                 | (56,581) | 10,833  | 67,414                                 |
| CASH, JANUARY 1                     | 67,414                  | 67,414  | 0                                      | 56,581   | 56,581  | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 58,453  | 58,453                                 | 0        | 67,414  | 67,414                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SPECIAL ROAD AND BRIDGE SALES TAX FUND

| Year Ended December 31,             |            |               |          |         |               |  |
|-------------------------------------|------------|---------------|----------|---------|---------------|--|
| 1999                                |            |               | 1998     |         |               |  |
|                                     |            | Variance      |          |         | Variance      |  |
|                                     |            | Favorable     |          |         | Favorable     |  |
|                                     |            | (Unfavorable) |          |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget   | Actual  |               |  |
| RECEIPTS                            |            |               |          |         |               |  |
| Sales Tax                           | \$ 172,750 | 199,586       | 175,000  | 170,767 | (4,233)       |  |
| Interest                            | 3,325      | 3,535         | 3,500    | 3,328   | (172)         |  |
| Other                               | 150        | 0             | 0        | 222     | 222           |  |
| Total Receipts                      | 176,225    | 203,121       | 178,500  | 174,317 | (4,183)       |  |
| DISBURSEMENTS                       |            |               |          |         |               |  |
| Gravel to Townships                 | 257,550    | 149,133       | 250,000  | 180,730 | 69,270        |  |
| Total Disbursements                 | 257,550    | 149,133       | 250,000  | 180,730 | 69,270        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (81,325)   | 53,988        | (71,500) | (6,413) | 65,087        |  |
| CASH, JANUARY 1                     | 87,381     | 102,381       | 93,794   | 108,794 | 15,000        |  |
| CASH, DECEMBER 31                   | \$ 6,056   | 156,369       | 22,294   | 102,381 | 80,087        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

CALDWELL COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT SALES TAX FUND

|                                     | Year Ended December 31, |          |  |         |          |  |
|-------------------------------------|-------------------------|----------|--|---------|----------|--|
|                                     | 1999                    |          |  | 1998    |          |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |         |          |  |
| Sales Tax                           | \$ 188,784              | 199,088  | 10,304                                 | 172,000 | 168,784  | (3,216)                                |
| Interest                            | 500                     | 485      | (15)                                   | 800     | 160      | (640)                                  |
| Other                               | 3,750                   | 1,082    | (2,668)                                | 16,915  | 4,158    | (12,757)                               |
| Total Receipts                      | 193,034                 | 200,655  | 7,621                                  | 189,715 | 173,102  | (16,613)                               |
| DISBURSEMENTS                       |                         |          |  |         |          |  |
| Office expenditures                 | 12,605                  | 11,478   | 1,127                                  | 15,900  | 11,774   | 4,126                                  |
| Equipment and maintenance           | 46,425                  | 36,523   | 9,902                                  | 76,620  | 62,093   | 14,527                                 |
| Jail                                | 85,967                  | 87,042   | (1,075)                                | 85,392  | 85,941   | (549)                                  |
| Mileage and training                | 0                       | 218      | (218)                                  | 0       | 0        | 0                                      |
| Vehicles                            | 0                       | 4,346    | (4,346)                                | 0       | 33,610   | (33,610)                               |
| Transfers out                       | 0                       | 47,516   | (47,516)                               | 0       | 0        | 0                                      |
| Total Disbursements                 | 144,997                 | 187,123  | (42,126)                               | 177,912 | 193,418  | (15,506)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 48,037                  | 13,532   | (34,505)                               | 11,803  | (20,316) | (32,119)                               |
| CASH, JANUARY 1                     | (14,618)                | (14,618) | 0                                      | 5,698   | 5,698    | 0                                      |
| CASH, DECEMBER 31                   | \$ 33,419               | (1,086)  | (34,505)                               | 17,501  | (14,618) | (32,119)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |    |               |        |         |               |       |
|-------------------------------------|----|---------------|--------|---------|---------------|-------|
| 1999                                |    |               | 1998   |         |               |       |
|                                     |    | Variance      |        |         | Variance      |       |
|                                     |    | Favorable     |        |         | Favorable     |       |
|                                     |    | (Unfavorable) |        |         | (Unfavorable) |       |
| Budget                              |    | Actual        | Budget |         | Actual        |       |
| RECEIPTS                            |    |               |        |         |               |       |
| Charges for services                | \$ | 6,525         | 9,873  | 4,900   | 8,567         | 3,667 |
| Interest                            |    | 0             | 125    | 0       | 83            | 83    |
| Total Receipts                      |    | 6,525         | 9,998  | 4,900   | 8,650         | 3,750 |
| DISBURSEMENTS                       |    |               |        |         |               |       |
| Prosecuting Attorney                |    | 6,525         | 7,540  | 6,500   | 6,780         | (280) |
| Total Disbursements                 |    | 6,525         | 7,540  | 6,500   | 6,780         | (280) |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0             | 2,458  | (1,600) | 1,870         | 3,470 |
| CASH, JANUARY 1                     |    | 4,348         | 4,348  | 2,478   | 2,478         | 0     |
| CASH, DECEMBER 31                   | \$ | 4,348         | 6,806  | 878     | 4,348         | 3,470 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 3,400 | 2,535         | 2,200  | 3,364  | 1,164         |  |
| Total Receipts                      | 3,400    | 2,535         | 2,200  | 3,364  | 1,164         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Publications                        | 500      | 4,096         | 1,500  | 3,463  | (1,963)       |  |
| Total Disbursements                 | 500      | 4,096         | 1,500  | 3,463  | (1,963)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,900    | (1,561)       | 700    | (99)   | (799)         |  |
| CASH, JANUARY 1                     | 2,203    | 2,203         | 2,265  | 2,302  | 37            |  |
| CASH, DECEMBER 31                   | \$ 5,103 | 642           | 2,965  | 2,203  | (762)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |        |               |     |        |        |               |
|-------------------------------------|--------|---------------|-----|--------|--------|---------------|
| 1999                                |        |               |     | 1998   |        |               |
|                                     |        | Variance      |     |        |        | Variance      |
|                                     |        | Favorable     |     |        |        | Favorable     |
|                                     |        | (Unfavorable) |     |        |        | (Unfavorable) |
|                                     | Budget | Actual        |     | Budget | Actual |               |
| RECEIPTS                            |        |               |     |        |        |               |
| Charges for services                | \$ 300 | 310           | 10  | 200    | 295    | 95            |
| Total Receipts                      | 300    | 310           | 10  | 200    | 295    | 95            |
| DISBURSEMENTS                       |        |               |     |        |        |               |
| Abuse Shelter                       | 550    | 0             | 550 | 540    | 565    | (25)          |
| Total Disbursements                 | 550    | 0             | 550 | 540    | 565    | (25)          |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (250)  | 310           | 560 | (340)  | (270)  | 70            |
| CASH, JANUARY 1                     | 270    | 270           | 0   | 540    | 540    | 0             |
| CASH, DECEMBER 31                   | \$ 20  | 580           | 560 | 200    | 270    | 70            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CRIME VICTIMS INVESTIGATION FUND

| Year Ended December 31,             |          |               |        |         |               |  |
|-------------------------------------|----------|---------------|--------|---------|---------------|--|
| 1999                                |          |               | 1998   |         |               |  |
|                                     |          | Variance      |        |         | Variance      |  |
|                                     |          | Favorable     |        |         | Favorable     |  |
|                                     |          | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |          |               |        |         |               |  |
| Charges for services                | \$ 0     | 1,318         | 16,000 | 29,144  | 13,144        |  |
| Interest                            | 0        | 129           | 150    | 376     | 226           |  |
| Total Receipts                      | 0        | 1,447         | 16,150 | 29,520  | 13,370        |  |
| DISBURSEMENTS                       |          |               |        |         |               |  |
| Law books and supplies              | 11,335   | 9,903         | 16,000 | 33,172  | (17,172)      |  |
| Total Disbursements                 | 11,335   | 9,903         | 16,000 | 33,172  | (17,172)      |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (11,335) | (8,456)       | 150    | (3,652) | (3,802)       |  |
| CASH, JANUARY 1                     | 11,335   | 11,335        | 14,987 | 14,987  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 2,879         | 15,137 | 11,335  | (3,802)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FEES

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 7,250 | 6,693         | 0       | 7,669  | 7,669         |  |
| Total Receipts                      | 7,250    | 6,693         | 0       | 7,669  | 7,669         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Sheriff                             | 11,500   | 5,676         | 4,650   | 4,500  | 150           |  |
| Total Disbursements                 | 11,500   | 5,676         | 4,650   | 4,500  | 150           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,250)  | 1,017         | (4,650) | 3,169  | 7,819         |  |
| CASH, JANUARY 1                     | 5,207    | 5,207         | 2,038   | 2,038  | 0             |  |
| CASH, DECEMBER 31                   | \$ 957   | 6,224         | (2,612) | 5,207  | 7,819         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit O

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORD STORAGE

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Charges for services                | \$ 6,000  | 5,168         | 4,500   | 5,560  | 1,060         |  |
| Interest                            | 0         | 344           | 150     | 280    | 130           |  |
| Total Receipts                      | 6,000     | 5,512         | 4,650   | 5,840  | 1,190         |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Office supplies                     | 2,635     | 3,309         | 12,000  | 952    | 11,048        |  |
| Total Disbursements                 | 2,635     | 3,309         | 12,000  | 952    | 11,048        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 3,365     | 2,203         | (7,350) | 4,888  | 12,238        |  |
| CASH, JANUARY 1                     | 14,203    | 14,203        | 9,295   | 9,315  | 20            |  |
| CASH, DECEMBER 31                   | \$ 17,568 | 16,406        | 1,945   | 14,203 | 12,258        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

CALDWELL COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

|                                     | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|-------------------------|--------|--|---------|--------|--|
|                                     | 1999                    |        |  | 1998    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |        |  |
| Interest                            | 2,200                   | 2,024  | (176)                                  | 600     | 1,879  | 1,279                                  |
| Total Receipts                      | 2,200                   | 2,024  | (176)                                  | 600     | 1,879  | 1,279                                  |
| DISBURSEMENTS                       |                         |        |  |         |        |  |
| Office supplies                     | 2,200                   | 2,583  | (383)                                  | 3,500   | 1,930  | 1,570                                  |
| Total Disbursements                 | 2,200                   | 2,583  | (383)                                  | 3,500   | 1,930  | 1,570                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (559)  | (559)                                  | (2,900) | (51)   | 2,849                                  |
| CASH, JANUARY 1                     | 4,091                   | 5,806  | 1,715                                  | 4,411   | 5,857  | 1,446                                  |
| CASH, DECEMBER 31                   | \$ 4,091                | 5,247  | 1,156                                  | 1,511   | 5,806  | 4,295                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit Q

CALDWELL COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PLANNING AND ZONING

|                                     | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|-------------------------|---------|--|--------|--------|--|
|                                     | 1999                    |         |  | 1998   |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |        |        |  |
| Charges for services                | 14,365                  | 23,195  | 8,830                                  | 14,000 | 12,007 | (1,993)                                |
| Total Receipts                      | 14,365                  | 23,195  | 8,830                                  | 14,000 | 12,007 | (1,993)                                |
| DISBURSEMENTS                       |                         |         |  |        |        |  |
| Transfers Out                       | 14,365                  | 25,490  | (11,125)                               | 12,685 | 9,712  | 2,973                                  |
| Total Disbursements                 | 14,365                  | 25,490  | (11,125)                               | 12,685 | 9,712  | 2,973                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (2,295) | (2,295)                                | 1,315  | 2,295  | 980                                    |
| CASH, JANUARY 1                     | 1,315                   | 2,295   | 980                                    | 0      | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,315                | 0       | (1,315)                                | 1,315  | 2,295  | 980                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

CALDWELL COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Caldwell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Prosecuting Attorney Delinquent Tax Fund | 1999 and 1998                   |
| Local Emergency Planning Commission Fund | 1999                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| General Revenue Fund                | 1999 and 1998                   |
| Special Road and Bridge Fund        | 1999 and 1998                   |
| Assessment Fund                     | 1999 and 1998                   |
| Prosecuting Attorney Bad Check Fund | 1999 and 1998                   |
| Law Library Fund                    | 1999 and 1998                   |
| Law Enforcement Sales Tax Fund      | 1999 and 1998                   |
| Prosecuting Attorney Training Fund  | 1999                            |
| Law Enforcement Training Fund       | 1998                            |
| Domestic Violence Fund              | 1998                            |
| Crime Victims Investigation Fund    | 1998                            |
| Record Storage Fund                 | 1999                            |
| Circuit Clerk Interest Fund         | 1999                            |
| Planning and Zoning Fund            | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1999; however, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

Although Section 50.740 RSMo 1994 requires a balanced budget, a deficit balance was budgeted in the Sheriff Civil Fees Fund for the year ended December 31, 1998.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Law Enforcement Training Fund            | 1999 and 1998                   |
| Prosecuting Attorney Training Fund       | 1999 and 1998                   |
| Special Road and Bridge Sales Tax Fund   | 1999 and 1998                   |
| Prosecuting Attorney Bad Check Fund      | 1999 and 1998                   |
| Domestic Violence Fund                   | 1999 and 1998                   |
| Crime Victim Investigation Fund          | 1999 and 1998                   |
| Sheriff Civil Fees Fund                  | 1999 and 1998                   |
| Planning and Zoning Fund                 | 1999 and 1998                   |
| Record Preservation Fund                 | 1999 and 1998                   |
| Prosecuting Attorney Delinquent Tax Fund | 1999 and 1998                   |
| Health Center Fund                       | 1998                            |

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the health center's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's or health center's holding bank in the county's or health center's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for the Health Center Board at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Property Taxes

Through December 31, 1999, Caldwell County collected \$22,906 in excess property taxes. Section 67.505, RSMo 1994, requires the county to reduce property taxes for a percentage of sales taxes collected. Caldwell County voters enacted a one-half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.



## Supplementary Schedule

## Schedule

CALDWELL COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title      | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--|---|---|-------------------------|---------|
|  |   |   | Year Ended December 31, |         |
|  |   |   | 1999                    | 1998    |
| U.S. DEPARTMENT OF DEFENSE                                     |   |   |                         |         |
| Passed through state:  |   |   |                         |         |
| Department of Public Safety -                                  |   |   |                         |         |
| 12.unknown   | Surplus property  | NA  | \$ 2,136                | 6,409   |
| U. S. DEPARTMENT OF THE INTERIOR                               |   |   |                         |         |
| Passed through state:  |   |   |                         |         |
| Department of Natural Resources -                              |   |   |                         |         |
| 15.904   | Historic Preservation Fund Grants In Aid                | 29-29-12028-443                                 | 0                       | 11,880  |
| U.S. DEPARTMENT OF JUSTICE                                     |   |   |                         |         |
| Direct programs:   |   |   |                         |         |
| 16.710   | Public Safety Partnership and Community Policing Grants | 97UMWX0535                                      | 22,304                  | 29,520  |
| Passed through:  |   |   |                         |         |
| State Department of Public Safety -                            |   |   |                         |         |
| 16.579   | Byrne Formula Grant Program                             | 97-NCDI-004                                     | 0                       | 5,195   |
| Missouri Sheriffs' Association -                               |   |   |                         |         |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program       | NA  | 1,031                   | 1,063   |
| U. S. DEPARTMENT OF TRANSPORTATION                             |   |   |                         |         |
| Passed through state Highway and Transportation<br>Commission: |   |   |                         |         |
| 20.205   | Highway Planning and Construction                       | BRO-013(15)                                     | 0                       | 117,640 |
|  |   | BRO-013(16)                                     | 12,617                  | 6,347   |
|  |   | BRO-013(17)                                     | 94,168                  | 204,387 |
|  | Program total   |   | 106,785                 | 328,374 |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                            |   |   |                         |         |
| Passed through state Department of Public Safety:              |   |   |                         |         |
| 83.544   | Public Assistance Grants                                | NA  | 342,146                 | 249,817 |

## Schedule

CALDWELL COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---|---|---|-------------------------|----------------|
|   |   |   | Year Ended December 31, |                |
|   |   |   | 1999                    | 1998           |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |   |                         |                |
| Passed through state:                         |   |   |                         |                |
| Department of Health -                        |   |   |                         |                |
| 93.268  | Immunization Grants   | NA  | 7,498                   | 7,689          |
|   |   | PG0064-8112                                     | 0                       | 3,480          |
|   |   | PG0064-9112                                     | 1,025                   | 0              |
|   | Program total   |   | <u>8,523</u>            | <u>11,169</u>  |
| Department of Social Services -               |   |   |                         |                |
| 93.563  | Child Support Enforcement                                       | NA  | 1,965                   | 2,086          |
| Department of Health -                        |   |   |                         |                |
| 93.575  | Child Care and Development Block Grant                          | PGA0067-9112                                    | 320                     | 0              |
|   |   | ERO146-8112                                     | 795                     | 55             |
|   | Program total   |   | <u>1,115</u>            | <u>55</u>      |
| 93.991  | Preventive Health and Health Services Block Grant               | NA  | 89                      | 200            |
| 93.994  | Maternal and Child Health Services<br>Block Grant to the States | NA  | 446                     | 699            |
|   |   | ERS146-0112                                     | 8,950                   | 13,995         |
|   |   | ERS146-9112                                     | 0                       | 0              |
|   |   | ERS146-8112                                     | 0                       | 0              |
|   | Program total   |   | <u>9,396</u>            | <u>14,694</u>  |
|   | Total Expenditures of Federal Awards                            |   | <u>\$ 495,490</u>       | <u>660,462</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

CALDWELL COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Caldwell County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Surplus Property (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$7,498 and \$7,689 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$89 and \$200, represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$446 and \$699 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$160,459 and \$187,818 to subrecipients under the Public Assistance Grants (CFDA number 83.544) during the year ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Caldwell County, Missouri

Compliance

We have audited the compliance of Caldwell County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Caldwell County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-3.

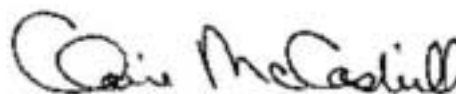
#### Internal Control Over Compliance

The management of Caldwell County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information of the management of Caldwell County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

June 29, 2000 (fieldwork completion date)

Schedule

CALDWELL COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?   x   yes        no

Reportable conditions identified that are  
not considered to be a material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?   x   yes        no

Federal Awards

Internal control over major program:

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be material weaknesses?   x   yes        none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major program:

|                   |                          |
|-------------------|--------------------------|
| CFDA or           |                          |
| Other Identifying |                          |
| <u>Number</u>     | <u>Program Title</u>     |
| 83.544            | Public Assistance Grants |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|              |                            |
|--------------|----------------------------|
| <b>99-1.</b> | <b>Financial Reporting</b> |
|--------------|----------------------------|

The county does not have procedures in place to ensure the county's budget documents are properly prepared and that they accurately present financial activities of the county. Numerous inaccuracies were noted in the actual information presented in the county's budget documents for 1999 and 1998. These errors included the omission of \$158,372 in revenue by the Special Road and Bridge Fund 1999, the erroneous inclusion of \$20,000 of revenue in the form of a bank loan in 1999 and the inclusion of a beginning cash balance from a previous year.

The County Clerk does not maintain a ledger of revenue and expenditures which can be reconciled to the County Treasurer's records; instead, she records revenue and expenditures using a computer spreadsheet and manual receipt slips. She uses the manual receipt slips to compile the budget document information. In addition, a thorough review of financial activity presented in the budget is not performed. By not maintaining an independent record of revenue and expenditures which could be reconciled to the County Treasurer's records, errors and omissions made by either official as well as corrections and adjustments made by the County Treasurer were not detected, resulting in the inaccuracies noted above.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project anticipated needs of the county for the upcoming year.

Adjustments have been made to the audited financial statements so that information presented reconciles to the County Treasurer's revenue, expense and cash balance totals.

**WE RECOMMEND** the County Clerk maintain an independent record of revenue and expenditures that can be reconciled to the County Treasurer's records. Also, the County Commission ensure that budget documents contain complete and accurate information about the county's finances and agree to the County Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.

## **AUDITEE'S RESPONSE**

*The County Commission and County Clerk thought this was being done.*

*We will implement a plan to maintain an independent record of revenue and expenses that can be reconciled to the County Treasurer's record by November 1, 2000. The County Commission and County Clerk said they will ensure the budget documents are complete and accurate effective with the 2001 budget.*

**99-2**

### **County Sales Tax**

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Caldwell County voters under the provisions of Section 67.505, RSMo 1994.

Following are the calculations used in determining excess property tax revenues collected for the year ended December 31, 1999:

|  | <u>Year Ended December 31,</u> |               |
|--|--------------------------------|---------------|
|  | <u>1999</u>                    | <u>1998</u>   |
| Actual sales tax revenues  | \$ 187,530                     | 170,773       |
| Required percentage of revenue reduction                                     | X <u>50%</u>                   | <u>50%</u>    |
| Required property tax revenue reduction                                      | <u>93,765</u>                  | <u>85,387</u> |
| Assessed Valuation   | 72,748,236                     | 64,228,697    |
| General Revenue Fund tax levy reduction<br>(per \$100 of assessed valuation) | X <u>0.10</u>                  | <u>0.13</u>   |
| Actual property tax revenue reduction  | <u>72,748</u>                  | <u>83,497</u> |
| Excess property tax revenues collected                                       | 21,017                         | 1,889         |
| Excess property tax revenues collected 1998                                  | <u>1,889</u>                   |               |
| Excess at December 31,   | \$ <u>22,906</u>               |               |

In 1998, the county rolled back the General Revenue Fund levy by \$.13. In 1999, the General Revenue Fund levy was only rolled back \$.10, even though sales tax receipts increased. The county had no supporting documentation to explain why the levy was not decreased in 1999. In addition, the county had no documentation to support the General Revenue Fund levy calculations for prior years. Due to this, actual property tax collections were not sufficiently offset by fifty percent of sales taxes collected, resulting in excess collections of approximately \$22,906. The county should consider this \$22,906 in excess collections when computing future property tax rollbacks.

**WE RECOMMEND** the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in 1999 and prior years, and ensure that supporting documentation is maintained to support future calculations.

**AUDITEE'S RESPONSE**

*Due to the timing of the audit report, this cannot be corrected this tax year; therefore, we will ensure that the property tax levy will be sufficiently reduced when the levy is set in 2001, and will include reductions for excess property taxes collected in 1999 and prior years.*

**Section III - Federal Award Findings and Questioned Costs**

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|              |   |
|--------------|---|
| <b>99-3.</b> | <b>Schedule of Expenditures of Federal Awards</b> |
|--------------|---|

|                       |                                     |
|-----------------------|-------------------------------------|
| Federal Grantor:      | Federal Emergency Management Agency |
| Pass-Through Grantor: | State Department of Public Safety   |
| Federal CFDA Number:  | 83.544                              |
| Program Title:        | Public Assistance Grants            |
| Pass-Through Entity   |                                     |
| Identifying Numbers:  | Not Applicable                      |
| Award Years:          | 1998 and 1999                       |
| Questioned Costs:     | Not Applicable                      |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have procedures in place to adequately track federal assistance for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 1999 and 1998; however, the information presented for most programs did not agree with the county's expenditure records. In addition, some program expenditures were omitted, including, \$342,146 and \$249,817, respectively, from the Federal Emergency Management Agency.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

**AUDITEE'S RESPONSE**

*The County Clerk indicated a complete and accurate schedule of expenditures of federal awards will be included in the 2001 budget.*



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

CALDWELL COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

CALDWELL COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

2.B. Federal Financial Assistance

|                       |                                      |
|-----------------------|--------------------------------------|
| Federal Grantor:      | U.S. Department of Defense           |
| Pass-Through Grantor: | Missouri Department of Public Safety |
| Federal CFDA Number:  | 16.579                               |
| Program Title:        | Byrne Formula Grant Program          |
| Pass-Through Entity   | Missouri Department of Public Safety |
| Identifying Numbers:  | 97-NCDI-004                          |
| Award Years:          | 1997                                 |
| Questioned Costs:     | Not Applicable                       |

The county received federal funding through the Drug Awareness Resistance Education (DARE) Program through the State Department of Public Safety to reimburse the salary of a law enforcement officer during a grant period of July 1, 1997 to June 30, 1998. Under the DARE program, the federal grant agreement specified the officer was to work 100% of his time on the DARE program. Due to the lack of adequate documentation regarding the hours worked on this program and the minimal amount of time spent according to the recent time sheets, we had included \$10,547 on our Schedule of Findings and Questioned Costs.

Recommendation:

Ensure the number of hours worked on the DARE program is in compliance with the grant agreement and require adequate documentation of hours worked be maintained to support reimbursement requests.

Status:

Not implemented. However, due to the record keeping requirements and the lack of personnel, the Sheriff discontinued the program after June 1998. No recommendation will be made in the current report.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

CALDWELL COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Caldwell County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 29, 2000. We also have audited the compliance of Caldwell County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 29, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Caldwell County, and of its compliance with the types of compliance requirements applicable to its major federal program, but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with



|   |
|---|
| <b>1.                      Budgetary Practices and Published Financial Statements</b> |
|---|

The County Clerk and County Commission are responsible for preparing and approving a county budget. Our review of Caldwell County's 1999 and 1998 budgets revealed the deficiencies as identified below:

- A. Formal budgets were not prepared for some county funds and budgets were not obtained from other county officials for some county funds held outside the county treasury for the years ended December 31, 1999 and 1998. In addition, a separate budget was not prepared for the Planning and Zoning Fund. Planning and Zoning funds were budgeted within the General Revenue Fund.

Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. Actual expenditures exceeded budgeted amounts as follows:

| <u>Fund</u>                    | <u>Year Ended December 31,</u> |             |
|--------------------------------|--------------------------------|-------------|
|                                | <u>1999</u>                    | <u>1998</u> |
| General Revenue                | \$ 43,418                      | \$ 60,107   |
| Special Road and Bridge        | 685,618                        | 358,959     |
| Assessment                     | 1,844                          | 4,388       |
| Law Enforcement Training       | N/A                            | 1,157       |
| Law Enforcement Sales Tax      | 42,126                         | 15,506      |
| Prosecuting Attorney Bad Check | 1,015                          | 280         |
| Prosecuting Attorney Training  | 211                            | N/A         |
| Domestic Violence              | N/A                            | 25          |
| Crime Victims Investigation    | N/A                            | 17,172      |
| Law Library                    | 3,596                          | 1,963       |
| Record Storage                 | 674                            | N/A         |
| Circuit Clerk Interest         | 383                            | N/A         |
| Planning and Zoning            | 11,125                         | N/A         |

Although the County Commission approved and budgeted Special Road and Bridge expenditures of \$514,750 and \$820,907 in 1999 and 1998, respectively, unanticipated federal grants for BRO and FEMA projects were received, resulting in significantly greater revenues and expenditures for both 1999 and 1998. The county apparently

failed to monitor such financial activities and did not amend the Special Road and Bridge budget.

It was ruled in State ex rel. Strong v. Cribb 364 Mo. 1122, 273 SW2d 46 (1954), that county officials are required to strictly comply with the county budget laws. If there are valid reasons which necessitate excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1999, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- C. Our review of the annual financial statement published by the county noted that the annual published financial statements did not include the financial activity of several funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds.

To adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county and the health department should be presented in the level of detail required by law and should be reconciled to the county's and health department's financial information.

Conditions similar to B and C were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure financial information for all county funds is included in the budgets and that separate budgets are prepared for each fund.
- B. Keep disbursements within budgetary limits. If additional funds are received which could not be estimated when the budget was adopted, the County Commission should amend the budget by following procedures required by state law.
- C. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is reconciled to the county's financial records and properly reported in the annual financial statements.

**AUDITEE'S RESPONSE**

- A. *We will ensure budgets are prepared for all county funds effective with the 2001 budget.*

- B. *We will work to keep actual expenditures within budgetary constraints and if amendments to budgeted amounts are necessary they will be done. We will determine if budget amendments are necessary for 2000, and amendments will be made by October 1, 2000, if necessary.*
- C. *We will ensure published financial statements include all required information for all county funds in accordance with state law for the 2000 financial statements.*

|  |
|--|
| <b>2. Township Collectors' Commissions</b> |
|--|

The County Clerk calculates the township collectors' commissions. Our review of these computations for the two years ended February 29, 2000, noted that using an incorrect unadjusted levy and a mathematical error resulted in the Hamilton township collector's commissions being misstated by approximately \$500.

Similar conditions were noted in our two prior reports.

**WE RECOMMEND** the County Clerk recalculate the township collectors' commissions, ensuring mathematical accuracy and that proper ratios are utilized when determining amounts to be withheld from school districts' tax collections.

**AUDITEE'S RESPONSE**

*I will recalculate those commissions, proper ratios will be used in the future and any necessary adjustments will be made in December 2000.*

|                                     |
|-------------------------------------|
| <b>3. Kidder Township Collector</b> |
|-------------------------------------|

The Kidder Township Collector is one of twelve township collectors who collect current real estate and personal property taxes in Caldwell County. Monthly statements and yearly settlements of property tax collections and distributions are filed with county officials. In the spring of 2000, county officials were notified that various political subdivisions in the county had not received some property tax distributions from the Kidder Township. Upon bringing this situation to our attention, we have identified the following problems.

- A. The Kidder township collector filed statements of collections and distributions for the months of November 1999 through February 2000. According to these statements, approximately \$257,000 in taxes, interest and penalties was collected and distributed to various political subdivisions, including the Kidder township collector as commissions. However, \$5869 of these distributions were not paid to the following political subdivisions.

| <u>Political Subdivision</u>       | <u>Amount</u>   |
|------------------------------------|-----------------|
| Hamilton R-2 School District       | \$ 2,238        |
| Cameron R-1 School District        | 2,030           |
| Kidder Township                    | 958             |
| KAW Fire District                  | 317             |
| Cameron Fire District              | 127             |
| Caldwell County Ambulance District | 199             |
| Total                              | <u>\$ 5,869</u> |

Tax collections were deposited and distributions were made from the Kidder Township collector bank account. Additionally, numerous personal disbursements were made from this account. As of April 5, 2000, only \$93 remained in the account and the amount of personal disbursements exceeded allowable commissions by more than \$5,200.

- B. A review of the delinquent tax list prepared by the Kidder township collector as of February 29, 2000, indicated approximately \$21,300 and \$13,500 of unpaid 1999 real estate and personal property taxes, respectively. However, one taxpayer included on these lists produced a canceled check and paid receipt showing \$1,030 had been paid. There was no evidence that these collections were ever distributed to the various political subdivisions, and as a result, this \$1,030 would appear to be due from the Kidder township collector. The county needs to review the yearly settlement as well as the unpaid amounts on the delinquent tax list and take the appropriate action.
- C. There was no bond in force for the Kidder township collector. Additionally, one other township collector was not bonded in accordance with state law. While a similar condition was noted in the prior audit report, Caldwell County officials have not corrected this situation and have allowed township collectors to handle significant amounts of taxpayer monies without having this safeguard in place.

Information pertaining to our audit work has been provided to the law enforcement authorities in Caldwell County.

**WE RECOMMEND:**

- A. The County Commission work with law enforcement authorities regarding any criminal prosecution and to obtain restitution for the political subdivisions.
- B. The County Commission work with the County Clerk and County Treasurer to review and reconcile the final settlement filed by the Kidder Township collector. Consideration should be given to sending notification to all taxpayers on the delinquent tax lists.

- C. The County Commission and County Clerk ensure that bonds are received for all township collectors in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *We are currently doing this.*
- B. *The County Clerk and County Treasurer will review the 1999 delinquent tax list submitted by Kidder Township prior to mailing the 2000 tax statements.*
- C. *We will ensure that bonds are received for all township collectors in accordance with state law by November 1, 2000.*

|   |
|---|
| <b>4. Personnel Policies and Procedures</b> |
|---|

Our review of the county's personnel policies and records revealed the following:

- A. Records of vacation and sick leave earned, taken, and accumulated for employees are maintained by each individual officeholder rather than by the County Clerk. In addition, time sheets for some employees do not indicate approval by a supervisor.

Properly approved time sheets and centralized records help ensure that employees' vacation and sick leave balances and hours worked are accurate, aid in determining final pay for employees leaving county employment and better document compliance with the Fair Labor Standards Act (FLSA).

- B. The county's personnel manual states that requests for leave must be made in advance, in writing, to the department head. County officials do not require written request or other documentation of leave taken.

Written leave requests will not only satisfy the requirements of the personnel policy, but will also provide support for leave balances and leave taken by employees.

Condition A was noted in our prior report.

**WE RECOMMEND:**

- A. The County Clerk maintain centralized payroll and leave records for all county employees and ensure time sheets are approved and signed by each employee's supervisor.
- B. County officials follow procedures established in the personnel manual which requires written documentation of leave.

## **AUDITEE'S RESPONSE**

*A&B. On November 6, 2000 the County Commission will meet with elected officials explaining new procedures regarding centralized payroll, leave records and personnel manual policies for documenting leave used. These recommendations will be implemented November 6, 2000.*

|  |
|--|
| <b>5. Tax Book Controls and Procedures</b> |
|--|

- A. The County Clerk does not maintain an account book with the Ex Officio Collector, nor does she review the delinquent tax book for accuracy.

The township collectors prepare monthly settlements of taxes paid, which the County Clerk uses to record paid taxes onto computerized records. They also prepare listings of delinquent taxes and file with the County Clerk. Independently, the Ex Officio Collector prepares a listing of delinquent taxes using the original tax book and paid tax receipts.

The delinquent tax book, which is charged to the Ex Officio Collector for collection, may include additions, abatements or protested amounts. When the County Clerk generates the delinquent tax book she does not reconcile it to the township listings of delinquent taxes or to the Ex Officio Collector's records.

An account book would summarize all taxes charged to the Ex Officio Collector, monthly collections, delinquent credits, abatements, additions and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited to the Ex Officio Collector each year is complete and accurate and can be used by the County Commission to verify the Ex Officio Collector's annual settlements.

Additionally, Section 51.150.2, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

- B. The County Commission does not review or approve the Ex Officio Collector's annual settlements as required by law. Review of the Ex Officio Collector's annual settlement would ensure that property tax collections and delinquent credits reconcile to taxes charged on the tax books.

Sections 54.280 and 54.290, RSMo 1994, requires the Ex Officio Collector, on the first Monday in March each year, to make a full and complete settlement of his accounts to the County Commission.

- C. Additions and abatements of property taxes are not approved or reviewed by the

County Commission. Blank abatement and addition forms are pre-signed by the Presiding Commissioner and the County Clerk and are kept on a desk in the County Clerk's office and are completed as needed.

Section 137.260, RSMo 1994, requires that the tax book only be changed by the Clerk of the County Commission under order of the County Commission. For the County Commission to properly monitor additions and abatements, each should be reviewed and approved before changes are made to the tax book information.

- D. The County Clerk is responsible for entering the townships' paid tax statement information into the computer system to update the records and provide information used for the preparation of the delinquent tax books. Although the County Clerk checks each township collector's monthly settlement, a comparison between the settlement amounts and taxes abstracted on the computer system is not done, which can result in the misstatement of the delinquent tax book.

**WE RECOMMEND:**

- A. The County Clerk establish and maintain an account book of the Ex Officio Collector's transactions, ensure accuracy of the delinquent tax book and the County Commission make use of this account book to verify the Ex Officio Collector's annual settlements.
- B. The County Commission review the Ex Officio Collector's annual settlements, reconciling tax collections and credits to taxes charged on the tax books, as required by law.
- C. The County Commission review and approve all additions and abatements, as they occur, prior to changes being made to the tax book information.
- D. Ensure paid tax statements are entered on the computer system timely and reconcile township collector settlements to the computer system monthly.

**AUDITEE'S RESPONSE**

- A. *This will be implemented in March 2001 for the delinquent 2000 taxes.*
- B. *This will be implemented effective February 28, 2001.*
- C. *This will be implemented immediately.*
- D. *This will be implemented in December 2000 with reconciliation effective in March 2001.*

**6.****County Expenditures**

- A. Caldwell County uses the warrant system to pay expenditures. Warrants are issued for payroll and payables of county funds, and the bank honors the warrants presented for payment as negotiable instruments. Approximately once a week, the County Treasurer redeems the warrants honored by the bank with a check on the county bank account. At December 31, 1999 and 1998, Caldwell County had issued warrants which exceeded the cash balances of the following funds by these amounts:

|                                | 1998           | 1999          |
|--------------------------------|----------------|---------------|
| General Revenue Fund           | \$ 95,441      | \$ 31,001     |
| Assessment Fund                | 25,575         | 6,212         |
| Law Enforcement Sales Tax Fund | 14,618         | 1,086         |
| Special Election Fund          | 13,757         | 0             |
| Special Road and Bridge Fund   | 0              | 15,375        |
| Total Deficit Spending         | <u>149,391</u> | <u>53,674</u> |

The balances of special revenue funds held by the county covered the deficit spending of the above funds, averting an overdraft of the bank account; however, special revenue funds are restricted by law to specific purposes. For example, Section 137.555, RSMo Cumulative Supp. 1999, restricts the Road and Bridge Fund monies to be used for road and bridge purposes only.

- B. Bids were not always solicited, nor was bid documentation always retained for several purchases made by the county during the audit period. Examples of items purchased for which bids were not solicited or adequate documentation could not be located are as follows:

| ITEM PURCHASE        | COST              |
|----------------------|-------------------|
| Building             | \$ 26,500         |
| 1998 Rock/gravel     | 180,730           |
| 1998 Chevrolet Truck | 19,036            |
| 1999 Ford Truck      | 20,513            |
| TOTAL                | <u>\$ 246,779</u> |

In addition, a request for proposal was not published for the purchase of the building, nor was an appraisal obtained to determine market value prior to purchase. Section 50.660, RSMo Cumulative Supp. 1999, requires the advertisement for bids for all purchases of \$4,500 or more, from any one person, firm or corporation during any period of ninety days.



Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when available, bids received, the basis and justification for awarding bids, and documentation of all discussions with vendors.

**WE RECOMMEND** the County Commission:

- A. Cease the practice of issuing warrants in excess of the fund balance on which the warrant is drawn.
- B. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.

**AUDITEE'S RESPONSE**

- A. *We will take this under advisement and make a decision on how to address this issue in January 2001.*
- B. *Bids will be solicited and documentation will be maintained in the future, effective immediately. Our understanding was that the two above mentioned trucks were purchased on state contract.*

|  |
|--|
| <b>7. Circuit Clerk and Ex Officio Recorder of Deeds Controls and Procedures</b> |
|--|

The Circuit Clerk collects court fees, bonds, board bills, child support and interest. The Ex Officio Recorder's office collects recording fees and interest. During our review we identified weaknesses in the clerk's fee account reconciliation process and depositing procedures of the recorder's monies:

- A. An open-items listing is not maintained for the fee account. At our request a listing was prepared as of May 31, 2000. The fee account cash balance was approximately \$53,618, which included \$782 of excess cash that could not be identified.

Monthly listings of open items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for

payment of all liabilities. Unidentified differences should be investigated and resolved.

- B. Recording receipts are not always deposited intact. Checks received in the mail which exceed the amount due are cashed rather than being deposited. The amount of the overpayment is then refunded in cash. The recording fee is recorded and the remaining cash is deposited the next day. To safeguard receipts and reduce the risk of loss, theft or misuse of funds, receipts should be deposited intact daily, and all refunds should be made by check.

**WE RECOMMEND** the Circuit Clerk:

- A. Prepare accurate monthly listings of liabilities and reconcile the listings to book and bank balances. In addition, the Circuit Clerk should determine the proper disposition of the unidentified monies or dispose of the monies in accordance with state law.
- B. Deposit all receipts intact daily, and issue refunds by check.

**AUDITEE'S RESPONSE**

- A. *We are doing this now and will continue maintaining open items listings.*

*Our excess cash balance is now \$677. As of December 31, 2000 any excess balance will be paid out in accordance with state law.*

- B. *We will deposit intact daily and refunds will be made by check, effective October 1, 2000.*

|  |
|--|
| <b>8. Sheriff's Records and Procedures</b> |
|--|

The Caldwell County jail does not house prisoners on a regular basis. Prisoners are booked at the Caldwell jail, then transported to neighboring county jails for incarceration. The only time prisoners are held in the Caldwell county jail is prior to arranging transport or when attending court.

Our review of the Sheriff's records revealed that documentation of prisoner attendance and the number of meals served are not maintained. It was noted that in 1999 and 1998, expenditures for local prisoner food totaled approximately \$4,000 and \$5,000, respectively.

Adequate, complete attendance records and records of prisoner meals served are necessary to ensure that county assets are not misused and that expenditures for prisoner meals are reasonable.

**WE RECOMMEND** the Sheriff maintain attendance records for all prisoners held in the county jail and explore alternative methods of providing meals to prisoners temporarily housed in the county jail.

**AUDITEE'S RESPONSE**

*We are now maintaining these records and are currently exploring alternative methods of providing meals.*

|   |
|---|
| <b>9. Prosecuting Attorney's Records and Procedures</b> |
|---|

The Prosecuting Attorney's office collects bad check and court ordered restitution. Our review of the Prosecuting Attorney's procedures revealed the following:

- A. Restitution receipts were not deposited timely. During our review, it was noted that deposits are made once or twice a month, and averaged over \$1100 per deposit. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when the cash on hand exceeds \$100.
- B. Open items listings were not prepared. At our request, an open items listing for the restitution account was prepared as of December 31, 1999, which showed an excess cash balance of approximately \$234 that could not be identified. Monthly listings of open items should be prepared and reconciled to the book balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Prosecuting Attorney should attempt to determine the proper disposition of the unidentified monies. If proper disposition cannot be determined these monies should be disposed of in accordance with state law.

Condition A was noted in our prior report.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Deposit all monies received intact daily or when cash on hand exceeds \$100.
- B. Prepare a listing of open items on a monthly basis and reconcile the listing to bank and book balances. In addition, the Prosecuting Attorney should determine the proper disposition of the unidentified monies and dispose of the monies in accordance with state law.

### **AUDITEE'S RESPONSE**

- A. *I agree in principle. We have implemented your recommendations in prior years and appreciate the concern to safeguard assets. I will implement procedures to ensure making deposits of receipts at least once a week, effective October 2000.*
- B. *I feel confident that this difference is related to undistributed interest.*

*I agree and reconciliations will be done monthly effective in October 2000.*

|   |
|---|
| <b>10. General Fixed Asset Records and Procedures</b> |
|---|

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. A review of the county's general fixed asset records revealed that procedures are not adequate to ensure fixed asset purchases are properly recorded in the general fixed asset records. We noted four items totaling \$35,250 purchased by the Sheriff's Department which did not appear on the general fixed asset listing.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo Cumulative Supp. 1999, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all general fixed assets should be tagged or identified as county-owned property.

### **AUDITEE'S RESPONSE**

*We will ensure this is implemented by November 6, 2000.*

|   |
|---|
| <b>11. County Clerk's Controls and Procedures</b> |
|---|

The County Clerk collects miscellaneous accountable fees amounting to approximately \$800 monthly. While receipt slips are not issued for some monies received, a log is maintained listing all monies collected and for what purpose. The method of payment received (cash, check, or money order) is not indicated on the receipt slips issued or on the log of receipts. To ensure receipts are accounted for properly, the method of payment should be indicated on all receipt slips and the log of receipts. The composition of the payments received should be reconciled to the composition of monies turned over to the County Treasurer.

This was noted in our prior report.

**WE RECOMMEND** the County Clerk indicate the method of payment on all receipt slips and reconcile receipts to turnovers made to the County Treasurer.

**AUDITEE'S RESPONSE**

*This will be implemented effective October 1, 2000.*

|                            |
|----------------------------|
| <b>12. Cash Management</b> |
|----------------------------|

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction Program. The county, in most instances, pays program costs as the liability is incurred or prior to the reimbursement; however, we noted several reimbursements which were held for various time periods prior to disbursement.

Two payments totaling \$44,248 were held for more than six days before disbursement. Additionally, two other payments totaling \$14,901 were held for longer than eighty-one days.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury - United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to the disbursement of those funds.

Caldwell County does not have procedures in place to track the invoices received, disbursements made, and the subsequent reimbursement billings to ensure that federal funds are disbursed timely. Non-compliance with the Cash Management Improvement Act with regard to timely disbursement of federal funds could result in future reductions of those funds.

A similar condition was noted in our prior report.

**WE RECOMMEND** the County Commission establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds.

**AUDITEE'S RESPONSE**

*We will establish procedures to ensure the timely disbursement of these funds, effective immediately.*

This report is intended for the information of the management of Caldwell County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## CALDWELL COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Caldwell County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997.

Finding number 2.B. is omitted since the related follow-up appears in an earlier section of this report.

The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Budgetary Practices and Published Financial Statements

- A. Actual expenditures exceeded budgeted expenditures for several county funds.
- B. The annual published financial statements of the county did not include the financial activity of some county funds as required.

#### Recommendation:

- A. Keep expenditures within the budgetary limits. Extenuating circumstances should be fully documented and budgets properly revised.
- B. Ensure the published financial statements include all county funds as required by state law.

#### Status:

A&B. Not implemented. See MAR 1.

### 2. Federal Financial Assistance

- A. The county had not established cash management procedures to ensure the minimum time elapsed between receipt of federal project monies and the disbursement of such monies to contractors.

#### Recommendation:

- A. The County Commission should establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.



Status:

- A. Not Implemented. See MAR 12.

3. Personnel Policies and Procedures

- A. Records of vacation and sick leave earned, taken, and accumulated for employees were maintained by each individual officeholder rather than by the County Clerk. In addition, time sheets for some employees did not indicate approval by a supervisor.
- B. Review of the personnel manual disclosed that the county has no policy addressing accumulated leave balances upon termination or change in employment.

Recommendation:

- A. The County Clerk maintain centralized payroll and leave records for all county employees and ensure time sheets are approved and signed by each employee's supervisor.
- B. The County Commission expand the county's leave policy to address the issue of accumulated leave balances and enforce or amend other current personnel policies as needed.

Status:

- A. Not implemented. See MAR 4.
- B. Implemented.

4. Township Collectors' Bonds and Commissions

- A. The bonds for some township collectors were insufficient by amounts ranging from approximately \$7,000 to \$39,000.
- B. Incorrect unadjusted levies for two school districts were used in calculating ratios used to adjust school tax collections subject to Proposition C, resulting in several townships withholding excess commissions.

Recommendation:

- A. Require all township collectors to file bonds in amounts necessary for compliance with Section 65.460, RSMo 1994.

- B. Ensure future commissions are adjusted for amounts over withheld and that the proper ratios are utilized when determining amounts to be withheld from school districts' tax collections.

Status:

- A. Not implemented. See MAR 3.
- B. Not implemented. See MAR 2.

5. Ex Officio County Collector's Controls and Procedures

Monies were not always deposited intact and the change fund was not maintained at a constant amount.

Recommendation:

The Ex Officio Collector deposit all monies received intact and maintain the change fund at a constant amount.

Status:

Partially implemented. Although the Ex Officio Collector now deposits monies received intact, the change fund is not maintained at a constant amount. The Ex Officio Collector adds personal monies to ensure that the change fund amount is sufficient. Although not repeated in our current MAR, our recommendation remains as stated above.

6. County Clerk's Controls and Procedures

- A. For the 1997 tax year, some paid tax statements were not recorded on the computer system. Those errors caused the delinquent tax books to be overstated by approximately \$21,000.
- B. The method of payment received (cash, check, or money order) was not indicated on receipt slips issued.

Recommendation:

- A. Ensure paid tax statements are entered on the computer system timely and reconcile township collector settlements to the computer system monthly.
- B. Indicate the method of payment on all receipt slips and reconcile receipts to turnovers made to the County Treasurer.

Status:

- A. Not implemented. See MAR 5.
- B. Not implemented. See MAR 11.

7. Prosecuting Attorney's Controls and Procedures

- A. Checks and money orders for bad check fees made out to the Prosecuting Attorney were not always restrictively endorsed immediately upon receipt.
- B. Bad check restitutions and fees were not transmitted to the merchants or the County Treasurer on a timely basis. In addition, deposits into the Prosecuting Attorney's bank account were not made timely.

Recommendation:

- A. Ensure all checks and money orders are restrictively endorsed immediately upon receipt.
- B. Transmit bad check fees and restitutions daily or when accumulated receipts exceed \$100.

Status:

- A. Implemented.
- B. Partially implemented. While transmittals to merchants and the County Treasurer are now made on a timely basis, deposits to the bank account were not made timely. See MAR 9.

8. Public Administrator's Annual Reports

- A. Supplementary reports filed by the Public Administrator show receipts and disbursements in total, which did not agree to amounts listed in estate records of receipts and disbursements.
- B. Several instances were noted where checks were missing from the numerical sequence of check numbers listed on the annual settlements.

Recommendation:

- A. Prepare accurate and complete reports of all receipts, disbursements and account balances as required by statute.

- B. List and account for all checks issued on the annual settlements.

Status:

A&B. Implemented.

9. Health Center

- A. The health center's general fixed asset records were not maintained in a manner which identified yearly additions, deletions, and year-end balances. Periodic physical inventories were not performed.
- B. Bookkeeping services and computer consulting services had been provided by the same contractors since 1991 and 1994, respectively. No efforts had been made to obtain bids or solicit proposals from other potential providers of these services.
- C. The employee responsible for maintaining the leave records accumulated a vacation leave balance during 1997 in excess of the maximum allowed by the health center's personnel policy.
- D. Health center employee time sheets were not formally reviewed or approved by the health center administrator.
- E. Actual health center expenditures exceeded budgeted amounts during the years ended December 31, 1997 and 1996 by \$16,706 and \$6,475, respectively.

Recommendation:

- A. Maintain complete asset records that include the cost of land and buildings in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances. Perform physical inventories on a periodic basis.
- B. Periodically solicit bids or proposals on all contracted services.
- C. Periodically review leave records to ensure that accumulated balances are not excessive.
- D. Require all time sheets to be reviewed and approved by the health center's administrator.
- E. Keep the expenditures within the budgetary limits. Extenuating circumstances should be fully documented and budgets properly revised.

Status:

- A. Partially implemented. Asset records still do not include enough detail to reconcile beginning balances, additions, and deletions to year-end balances, but physical inventories are now performed and documented.
- B-E. Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

CALDWELL COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1836, the county of Caldwell was named after Captain Matthew Caldwell. Caldwell County is a township-organized, third-class county and is part of the Forty-third Judicial Circuit. The county seat is Kingston.

Caldwell County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Caldwell County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |               | 1998      |               |
|---------------------------|--------------|---------------|-----------|---------------|
|                           | AMOUNT       | % OF<br>TOTAL | AMOUNT    | % OF<br>TOTAL |
| Property taxes            | \$ 211,981   | 11            | 185,730   | 13            |
| Sales taxes               | 312,589      | 16            | 252,625   | 17            |
| Federal and state aid     | 1,061,460    | 54            | 1,093,979 | 46            |
| Fees, interest, and other | 368,492      | 19            | 304,757   | 24            |
| Total                     | \$ 1,954,522 | 100           | 1,837,091 | 100           |

The following chart shows how Caldwell County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |               | 1998      |               |
|---------------------------|--------------|---------------|-----------|---------------|
|                           | AMOUNT       | % OF<br>TOTAL | AMOUNT    | % OF<br>TOTAL |
| General county government | \$ 547,987   | 27            | 540,087   | 27            |
| Public safety             | 290,403      | 14            | 291,379   | 14            |
| Highways and roads        | 1,200,368    | 59            | 1,179,866 | 59            |
| Total                     | \$ 2,038,758 | 100           | 2,011,332 | 100           |

In addition, Caldwell County has a Law Enforcement Sales Tax Fund, with receipts of approximately \$201,000 and \$173,000 in 1999 and 1998, respectively, for the purpose of public safety; and a Road and Bridge Sales Tax Fund, with receipts of approximately \$203,000 and \$174,000 in 1999 and 1998, respectively, for the purpose of road improvements.



The county maintains approximately 167 county bridges and 544 miles of county roads.

The county's population was 8,351 in 1970 and 8,380 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 42.6                    | 34.6 | 23.1  | 19.6   | 16.4   |
| Personal property      |    | 17.8                    | 17.5 | 6.3   | 6.0    | 4.6    |
| Railroad and utilities |    | 12.3                    | 12.1 | 14.6  | 7.7    | 6.0    |
| Total                  | \$ | 72.7                    | 64.2 | 44.0  | 33.3   | 27.0   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Caldwell County's property tax rates per \$100 of assessed valuations were as follows:

|                      |    | Year Ended December 31, |      |
|----------------------|----|-------------------------|------|
|                      |    | 1999                    | 1998 |
| General Revenue Fund | \$ | .25                     | .25  |
| Health Center Fund   |    | .14                     | .15  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

|                              |    | Year Ended February 28, |           |
|------------------------------|----|-------------------------|-----------|
|                              |    | 2000                    | 1999      |
| State of Missouri            | \$ | 21,143                  | 19,179    |
| General Revenue Fund         |    | 196,694                 | 178,940   |
| Special Road and Bridge Fund |    | 435,644                 | 421,117   |
| Assessment Fund              |    | 37,974                  | 36,880    |
| Health Center Fund           |    | 98,820                  | 96,271    |
| School districts             |    | 2,749,194               | 2,598,813 |
| Nursing home district        |    | 22,371                  | 21,952    |
| Ambulance districts          |    | 126,891                 | 121,911   |
| Fire districts               |    | 45,402                  | 41,055    |
| Townships                    |    | 66,295                  | 62,734    |
| Cities                       |    | 39,044                  | 51,882    |
| County Clerk                 |    | 2,009                   | 1,720     |
| County Employees' Retirement |    | 21,419                  | 16,955    |
| Commissions and fees:        |    |                         |           |
| General Revenue Fund         |    | 34,818                  | 33,343    |
| Townships                    |    | 31,192                  | 29,126    |
| Total                        | \$ | 3,928,910               | 3,731,878 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |        |
|------------------------|-------------------------|--------|
|                        | 2000                    | 1999   |
| Real estate            | 92.0 %                  | 94.3 % |
| Personal property      | 88.9                    | 83.3   |
| Railroad and utilities | 100.0                   | 99.8   |

Caldwell County also has the following sales and use taxes; rates are per \$1 of retail sales:

|                           | Rate     | Expiration Date | Required Property Tax Reduction |
|---------------------------|----------|-----------------|---------------------------------|
| General                   | \$ .0050 | None            | 50 %                            |
| Road and Bridge Sales Tax | .0050    | 2001            | None                            |
| Law Enforcement Sales Tax | .0050    | 2005            | None                            |
| Local Option              | .0150    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Dale Hartley, Presiding Commissioner   | \$     | 21,430 | 19,430 |
| Donald Raymond Cox, Associate Commissioner                                     |        | 19,429 | 19,430 |
| Earl Finch, Associate Commissioner   |        | 19,429 | 19,430 |
| Shari Lee, County Clerk  |        | 29,440 | 29,440 |
| Kim Brown, Prosecuting Attorney  |        | 35,880 | 35,880 |
| Wayne Adkison, Sheriff   |        | 34,960 | 34,960 |
| Gary Brown, County Coroner   |        | 5,390  | 5,390  |
| Bonnie L. Hill, Public Administrator *   |        | 19,527 | 15,417 |
| Laurel Miller, Treasurer and Ex Officio County Collector, year ended March 31, | 29,900 | 29,440 |        |
| Robert Dean Orr, County Assessor **, year ended August 31,                     |        | 31,360 | 29,878 |
| County Surveyor ***  |        |        |        |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

\*\*\* Compensation on a fee basis.

State-Paid Officials:

|  |        |        |
|--|--------|--------|
| Beverly Sue Graham, Circuit Clerk and Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Dan Chadwick, Associate Circuit Judge                              | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds * | 2                           | 1        |
| County Clerk **                                  | 3                           | 0        |
| County Coroner *                                 | 1                           | 0        |
| Prosecuting Attorney *                           | 2                           | 0        |
| Sheriff *  | 11                          | 0        |
| Treasurer and Ex Officio County Collector *      | 1                           | 0        |
| County Assessor **                               | 4                           | 0        |
| Associate Division *                             | 1                           | 1        |
| Probate Division                                 | 0                           | 1        |
| Road and Bridge *                                | 8                           | 0        |
| Health Center***                                 | 7                           | 0        |
| Total  | <u>40</u>                   | <u>3</u> |

\* Includes one part-time employee

\*\* Includes two part-time employees

\*\*\* Includes three part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Caldwell County's share of the Forty-third Judicial Circuit's expenses is 14.6 percent.

Caldwell County, in conjunction with Andrew County, Clinton County, Dekalb County, and the city of Cameron, formed the ACDD Regional Enhanced 911 System Board in November 1992 for the purpose of providing emergency telephone service. The governing body consists of two representatives from each county and one representative from the city of Cameron. Operations are financed primarily by an emergency telephone tax authorized by section 190.300, RSMo. and approved by voters in August 1992. DeKalb County currently holds the funds and maintains the accounting records for the ACCD Regional Enhanced 911 System Board.



LIVINGSTON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-106  
September 27, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Livingston, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Livingston County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county prepared a schedule of expenditures of federal awards for the years ended December 31, 1999 and 1998; however, the information presented for many of the programs did not agree with the county's expenditure records. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.
- The county has decentralized payroll procedures and the county's policies regarding overtime and compensatory time do not clearly support or describe current procedures. The County Clerk's office does not maintain records of vacation leave for any county employees and does not maintain records of compensatory time earned or subsequently taken by Sheriff's department employees. Payments, totaling approximately \$2,800, made to a Sheriff's department employee for accumulated compensatory time balances were made without sufficient review by the County Clerk's office and without adequate documentation to support the hours and amount.
- Numerous problems were noted regarding the Sheriff's accounting controls and procedures including; an inadequate segregation of duties; receipts not always being recorded or deposited intact in a timely manner; receipts slips not being issued for some inmate monies received; checks and money orders not being endorsed promptly, and, no reconciliation of the composition of receipt slips to the composition of bank deposits. In addition, bank reconciliations and

(over)

YELLOW SHEET

comparisons of reconciled cash balances to related liabilities had not been performed for the Sheriff's general and inmate bank accounts since March 1998 and February 1999, respectively. The Sheriff also needs to improve procedures related to monitoring and collecting unpaid incarceration costs.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Ex Officio County Collector, Juvenile Officer, and Public Administrator.

**Copies of this audit are available upon request.**

LIVINGSTON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Livingston County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Livingston County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Livingston County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Livingston County.

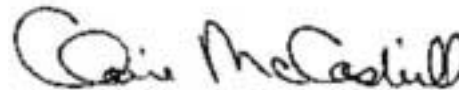
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Livingston County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 8, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Livingston County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

August 8, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Regina Pruitt, CPA    |
| In-Charge Auditor:  | Joel Abeln            |
| Audit Staff:        | Terese Summers, CPA   |
|                     | Christina Brown       |
|                     | Ayanna Merchant       |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Livingston County, Missouri

We have audited the special-purpose financial statements of various funds of Livingston County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

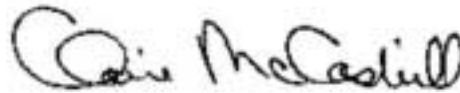
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Livingston County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Livingston County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Livingston County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 8, 2000 (fieldwork completion date)



## Financial Statements

Exhibit A-1

LIVINGSTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                           | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                | \$ 196,197         | 1,493,188 | 1,556,572     | 132,813              |
| Special Road and Bridge        | 107,879            | 1,046,790 | 1,056,471     | 98,198               |
| Assessment                     | 48                 | 144,597   | 144,604       | 41                   |
| Law Enforcement Training       | 2,403              | 7,716     | 8,382         | 1,737                |
| Prosecuting Attorney Training  | 42                 | 2,438     | 2,461         | 19                   |
| Recorder's User Fees           | 4,169              | 5,946     | 5,000         | 5,115                |
| Prosecuting Attorney Bad Check | 901                | 12,699    | 13,475        | 125                  |
| Child Abuse                    | 2,707              | 693       | 2,801         | 599                  |
| Local Emergency Planning       | 10,921             | 2,973     | 657           | 13,237               |
| 911                            | 69,228             | 344,335   | 367,401       | 46,162               |
| Health Center                  | 250,702            | 605,575   | 564,448       | 291,829              |
| Senate Bill 40 Board           | 97,125             | 141,231   | 178,148       | 60,208               |
| School Resource Officer (SRO)  | 4,826              | 73,165    | 62,421        | 15,570               |
| Planning and Zoning            | 15,521             | 223       | 15,702        | 42                   |
| Law Library                    | 737                | 4,640     | 5,092         | 285                  |
| Circuit Division Interest      | 11,173             | 4,364     | 1,352         | 14,185               |
| Soybean Processing Study       | 0                  | 16,000    | 16,000        | 0                    |
| Total                          | \$ 774,579         | 3,906,573 | 4,000,987     | 680,165              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LIVINGSTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                           | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                | \$ 340,716         | 1,399,296 | 1,543,815     | 196,197              |
| Special Road and Bridge        | 164,312            | 779,882   | 836,315       | 107,879              |
| Assessment                     | 4,493              | 170,671   | 175,116       | 48                   |
| Law Enforcement Training       | 4,779              | 6,769     | 9,145         | 2,403                |
| Prosecuting Attorney Training  | 1,139              | 2,542     | 3,639         | 42                   |
| Recorder's User Fees           | 2,513              | 6,656     | 5,000         | 4,169                |
| Prosecuting Attorney Bad Check | 3,754              | 10,015    | 12,868        | 901                  |
| Child Abuse                    | 2,014              | 693       | 0             | 2,707                |
| Local Emergency Planning       | 11,497             | 364       | 940           | 10,921               |
| 911                            | 39,879             | 160,452   | 131,103       | 69,228               |
| Health Center                  | 223,792            | 553,587   | 526,677       | 250,702              |
| Senate Bill 40 Board           | 88,492             | 137,706   | 129,073       | 97,125               |
| SRO                            | 0                  | 35,777    | 30,951        | 4,826                |
| Planning and Zoning            | 543                | 22,025    | 7,047         | 15,521               |
| Law Library                    | 82                 | 5,320     | 4,665         | 737                  |
| Circuit Division Interest      | 9,136              | 7,704     | 5,667         | 11,173               |
| Total                          | \$ 897,141         | 3,299,459 | 3,422,021     | 774,579              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

LIVINGSTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|   | Year Ended December 31, |           |  |           |           |  |
|---|-------------------------|-----------|--|-----------|-----------|--|
|   | 1999                    |           |  | 1998      |           |  |
|   | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS  |                         |           |  |           |           |  |
| Property taxes                                      | \$ 5,500                | 3,806     | (1,694)                                | 5,200     | 5,480     | 280                                    |
| Sales taxes   | 752,000                 | 745,342   | (6,658)                                | 775,000   | 723,372   | (51,628)                               |
| Intergovernmental                                   | 385,086                 | 403,250   | 18,164                                 | 330,095   | 360,759   | 30,664                                 |
| Charges for services                                | 227,400                 | 201,639   | (25,761)                               | 220,100   | 202,857   | (17,243)                               |
| Interest  | 11,000                  | 11,794    | 794                                    | 22,000    | 18,198    | (3,802)                                |
| Other   | 102,100                 | 97,357    | (4,743)                                | 114,400   | 88,630    | (25,770)                               |
| Transfers in  | 30,000                  | 30,000    | 0                                      | 0         | 0         | 0                                      |
| Total Receipts                                      | 1,513,086               | 1,493,188 | (19,898)                               | 1,466,795 | 1,399,296 | (67,499)                               |
| DISBURSEMENTS                                       |                         |           |  |           |           |  |
| County Commission                                   | 98,552                  | 86,399    | 12,153                                 | 80,622    | 60,748    | 19,874                                 |
| County Clerk  | 76,899                  | 74,161    | 2,738                                  | 74,206    | 69,378    | 4,828                                  |
| Elections   | 35,202                  | 33,090    | 2,112                                  | 68,327    | 60,394    | 7,933                                  |
| Buildings and grounds                               | 99,240                  | 74,262    | 24,978                                 | 109,117   | 89,961    | 19,156                                 |
| Employee fringe benefits                            | 224,037                 | 215,695   | 8,342                                  | 208,000   | 198,523   | 9,477                                  |
| County Treasurer and<br>Ex Officio County Collector | 52,944                  | 52,354    | 590                                    | 53,462    | 53,442    | 20                                     |
| Ex Officio Recorder of Deeds                        | 35,282                  | 33,902    | 1,380                                  | 43,750    | 36,042    | 7,708                                  |
| Circuit Clerk                                       | 17,705                  | 13,581    | 4,124                                  | 22,475    | 9,452     | 13,023                                 |
| Associate Circuit Court                             | 11,449                  | 10,269    | 1,180                                  | 17,299    | 10,952    | 6,347                                  |
| Probate Court                                       | 6,600                   | 2,745     | 3,855                                  | 6,400     | 4,365     | 2,035                                  |
| Court administration                                | 41,000                  | 7,084     | 33,916                                 | 40,600    | 4,146     | 36,454                                 |
| Public Administrator                                | 25,784                  | 25,995    | (211)                                  | 27,900    | 18,188    | 9,712                                  |
| Sheriff   | 292,848                 | 290,381   | 2,467                                  | 285,036   | 285,004   | 32                                     |
| Jail  | 377,614                 | 389,878   | (12,264)                               | 367,283   | 367,272   | 11                                     |
| Prosecuting Attorney                                | 72,010                  | 73,423    | (1,413)                                | 59,922    | 59,922    | 0                                      |
| Juvenile Officer                                    | 83,313                  | 56,992    | 26,321                                 | 82,687    | 61,700    | 20,987                                 |
| County Coroner                                      | 12,964                  | 16,107    | (3,143)                                | 8,964     | 8,964     | 0                                      |
| Other   | 87,155                  | 75,919    | 11,236                                 | 118,786   | 86,067    | 32,719                                 |
| Court Reporter                                      | 350                     | 348       | 2                                      | 375       | 193       | 182                                    |
| Public health and welfare services                  | 2,850                   | 1,304     | 1,546                                  | 2,850     | 0         | 2,850                                  |
| Transfers out                                       | 9,215                   | 11,791    | (2,576)                                | 30,674    | 25,755    | 4,919                                  |
| Emergency Fund                                      | 45,392                  | 10,892    | 34,500                                 | 98,776    | 33,347    | 65,429                                 |
| Total Disbursements                                 | 1,708,405               | 1,556,572 | 151,833                                | 1,807,511 | 1,543,815 | 263,696                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                 | (195,319)               | (63,384)  | 131,935                                | (340,716) | (144,519) | 196,197                                |
| CASH, JANUARY 1                                     | 196,197                 | 196,197   | 0                                      | 340,716   | 340,716   | 0                                      |
| CASH, DECEMBER 31                                   | \$ 878                  | 132,813   | 131,935                                | 0         | 196,197   | 196,197                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

LIVINGSTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |          |  |
|---------------------------------------|-------------------------|-----------|--|-----------|----------|--|
|                                       | 1999                    |           |  | 1998      |          |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |          |  |
| Property taxes                        | \$ 57,000               | 62,933    | 5,933                                  | 58,000    | 57,709   | (291)                                  |
| Intergovernmental                     | 1,518,500               | 973,497   | (545,003)                              | 894,500   | 708,858  | (185,642)                              |
| Interest                              | 6,000                   | 6,312     | 312                                    | 15,000    | 11,665   | (3,335)                                |
| Other                                 | 6,500                   | 4,048     | (2,452)                                | 1,500     | 1,650    | 150                                    |
| Total Receipts                        | 1,588,000               | 1,046,790 | (541,210)                              | 969,000   | 779,882  | (189,118)                              |
| DISBURSEMENTS                         |                         |           |  |           |          |  |
| Salaries                              | 61,915                  | 57,915    | 4,000                                  | 60,228    | 56,228   | 4,000                                  |
| Employee fringe benefits              | 16,600                  | 14,877    | 1,723                                  | 16,045    | 15,106   | 939                                    |
| Supplies                              | 15,750                  | 7,627     | 8,123                                  | 11,600    | 7,856    | 3,744                                  |
| Insurance                             | 10,000                  | 5,228     | 4,772                                  | 9,000     | 9,708    | (708)                                  |
| Road and bridge materials             | 100,000                 | 89,811    | 10,189                                 | 130,000   | 133,317  | (3,317)                                |
| Equipment repairs                     | 8,000                   | 3,691     | 4,309                                  | 12,000    | 13,239   | (1,239)                                |
| Rentals                               | 27,500                  | 21,354    | 6,146                                  | 18,000    | 40,317   | (22,317)                               |
| Equipment purchases                   | 35,000                  | 0         | 35,000                                 | 42,900    | 22,765   | 20,135                                 |
| Construction, repair, and maintenance | 1,383,400               | 849,716   | 533,684                                | 817,500   | 458,503  | 358,997                                |
| Other                                 | 13,750                  | 6,252     | 7,498                                  | 15,150    | 79,276   | (64,126)                               |
| Total Disbursements                   | 1,671,915               | 1,056,471 | 615,444                                | 1,132,423 | 836,315  | 296,108                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (83,915)                | (9,681)   | 74,234                                 | (163,423) | (56,433) | 106,990                                |
| CASH, JANUARY 1                       | 107,879                 | 107,879   | 0                                      | 164,312   | 164,312  | 0                                      |
| CASH, DECEMBER 31                     | \$ 23,964               | 98,198    | 74,234                                 | 889       | 107,879  | 106,990                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

LIVINGSTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         | 1998                                   |         |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Intergovernmental                   | \$ 137,976 | 131,690 | (6,286)                                | 141,500 | 142,513 | 1,013                                  |
| Charges for services                | 2,000      | 950     | (1,050)                                | 2,500   | 1,897   | (603)                                  |
| Interest                            | 500        | 531     | 31                                     | 750     | 506     | (244)                                  |
| Transfers in                        | 9,215      | 11,426  | 2,211                                  | 30,674  | 25,755  | (4,919)                                |
| Total Receipts                      | 149,691    | 144,597 | (5,094)                                | 175,424 | 170,671 | (4,753)                                |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Assessor                            | 149,691    | 144,604 | 5,087                                  | 179,917 | 175,116 | 4,801                                  |
| Total Disbursements                 | 149,691    | 144,604 | 5,087                                  | 179,917 | 175,116 | 4,801                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | (7)     | (7)                                    | (4,493) | (4,445) | 48                                     |
| CASH, JANUARY 1                     | 48         | 48      | 0                                      | 4,493   | 4,493   | 0                                      |
| CASH, DECEMBER 31                   | \$ 48      | 41      | (7)                                    | 0       | 48      | 48                                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

LIVINGSTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Charges for services                | \$ 5,997 | 7,430         | 5,000   | 6,624   | 1,624         |  |
| Interest                            | 100      | 51            | 100     | 80      | (20)          |  |
| Other                               | 1,500    | 235           | 0       | 65      | 65            |  |
| Total Receipts                      | 7,597    | 7,716         | 5,100   | 6,769   | 1,669         |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Sheriff                             | 10,000   | 8,382         | 9,879   | 9,145   | 734           |  |
| Total Disbursements                 | 10,000   | 8,382         | 9,879   | 9,145   | 734           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,403)  | (666)         | (4,779) | (2,376) | 2,403         |  |
| CASH, JANUARY 1                     | 2,403    | 2,403         | 4,779   | 4,779   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 1,737         | 0       | 2,403   | 2,403         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

LIVINGSTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Charges for services                | \$ 2,500 | 2,423         | 2,500   | 2,506   | 6             |  |
| Interest                            | 30       | 15            | 30      | 36      | 6             |  |
| Total Receipts                      | 2,530    | 2,438         | 2,530   | 2,542   | 12            |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Prosecuting Attorney                | 2,565    | 2,461         | 3,639   | 3,639   | 0             |  |
| Total Disbursements                 | 2,565    | 2,461         | 3,639   | 3,639   | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (35)     | (23)          | (1,109) | (1,097) | 12            |  |
| CASH, JANUARY 1                     | 42       | 42            | 1,139   | 1,139   | 0             |  |
| CASH, DECEMBER 31                   | \$ 7     | 19            | 30      | 42      | 12            |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit G

LIVINGSTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 6,500 | 5,700         | 5,900  | 6,461  | 561           |  |
| Interest                            | 200      | 246           | 100    | 195    | 95            |  |
| Total Receipts                      | 6,700    | 5,946         | 6,000  | 6,656  | 656           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Ex Officio Recorder of Deeds        | 5,000    | 5,000         | 5,000  | 5,000  | 0             |  |
| Total Disbursements                 | 5,000    | 5,000         | 5,000  | 5,000  | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,700    | 946           | 1,000  | 1,656  | 656           |  |
| CASH, JANUARY 1                     | 4,169    | 4,169         | 2,513  | 2,513  | 0             |  |
| CASH, DECEMBER 31                   | \$ 5,869 | 5,115         | 3,513  | 4,169  | 656           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

LIVINGSTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Charges for services                | \$ 12,593 | 12,308        | 9,000   | 9,935   | 935           |  |
| Interest                            | 80        | 26            | 80      | 80      | 0             |  |
| Transfers in                        | 0         | 365           | 0       | 0       | 0             |  |
| Total Receipts                      | 12,673    | 12,699        | 9,080   | 10,015  | 935           |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Prosecuting Attorney                | 13,574    | 13,475        | 12,834  | 12,868  | (34)          |  |
| Total Disbursements                 | 13,574    | 13,475        | 12,834  | 12,868  | (34)          |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (901)     | (776)         | (3,754) | (2,853) | 901           |  |
| CASH, JANUARY 1                     | 901       | 901           | 3,754   | 3,754   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0      | 125           | 0       | 901     | 901           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

LIVINGSTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILD ABUSE FUND

| Year Ended December 31,             |         |               |         |        |               |  |
|-------------------------------------|---------|---------------|---------|--------|---------------|--|
| 1999                                |         |               | 1998    |        |               |  |
|                                     |         | Variance      |         |        | Variance      |  |
|                                     |         | Favorable     |         |        | Favorable     |  |
|                                     |         | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |         |               |         |        |               |  |
| Charges for services                | \$ 675  | 650           | 750     | 615    | (135)         |  |
| Interest                            | 80      | 43            | 50      | 78     | 28            |  |
| Total Receipts                      | 755     | 693           | 800     | 693    | (107)         |  |
| DISBURSEMENTS                       |         |               |         |        |               |  |
| Green Hills Women's Shelter         | 3,400   | 2,801         | 2,813   | 0      | 2,813         |  |
| Total Disbursements                 | 3,400   | 2,801         | 2,813   | 0      | 2,813         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,645) | (2,108)       | (2,013) | 693    | 2,706         |  |
| CASH, JANUARY 1                     | 2,707   | 2,707         | 2,014   | 2,014  | 0             |  |
| CASH, DECEMBER 31                   | \$ 62   | 599           | 1       | 2,707  | 2,706         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

LIVINGSTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL EMERGENCY PLANNING FUND

|                                     | Year Ended December 31, |        |  |          |        |  |
|-------------------------------------|-------------------------|--------|--|----------|--------|--|
|                                     | 1999                    |        |  | 1998     |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |          |        |  |
| Intergovernmental                   | 0                       | 2,607  | 2,607                                  | 0        | 0      | 0                                      |
| Interest                            | 375                     | 366    | (9)                                    | 300      | 364    | 64                                     |
| Total Receipts                      | 375                     | 2,973  | 2,598                                  | 300      | 364    | 64                                     |
| DISBURSEMENTS                       |                         |        |  |          |        |  |
| Emergency planning                  | 11,000                  | 657    | 10,343                                 | 11,797   | 940    | 10,857                                 |
| Total Disbursements                 | 11,000                  | 657    | 10,343                                 | 11,797   | 940    | 10,857                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (10,625)                | 2,316  | 12,941                                 | (11,497) | (576)  | 10,921                                 |
| CASH, JANUARY 1                     | 10,921                  | 10,921 | 0                                      | 11,497   | 11,497 | 0                                      |
| CASH, DECEMBER 31                   | \$ 296                  | 13,237 | 12,941                                 | 0        | 10,921 | 10,921                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit K

LIVINGSTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 911 FUND

|                                     | Year Ended December 31, |          |  |         |         |  |
|-------------------------------------|-------------------------|----------|--|---------|---------|--|
|                                     | 1999                    |          |  | 1998    |         |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |         |         |  |
| Intergovernmental                   | \$ 0                    | 5,329    | 5,329                                  | 0       | 0       | 0                                      |
| Charges for services                | 160,000                 | 161,856  | 1,856                                  | 149,622 | 157,962 | 8,340                                  |
| Interest                            | 2,000                   | 2,150    | 150                                    | 5,588   | 2,490   | (3,098)                                |
| Loan proceeds                       | 165,000                 | 175,000  | 10,000                                 | 0       | 0       | 0                                      |
| Total Receipts                      | 327,000                 | 344,335  | 17,335                                 | 155,210 | 160,452 | 5,242                                  |
| DISBURSEMENTS                       |                         |          |  |         |         |  |
| Salaries                            | 52,983                  | 50,772   | 2,211                                  | 0       | 8,874   | (8,874)                                |
| Employee fringe benefits            | 8,792                   | 5,871    | 2,921                                  | 0       | 1,293   | (1,293)                                |
| Office expenditure                  | 2,409                   | 1,306    | 1,103                                  | 0       | 233     | (233)                                  |
| Equipment purchases                 | 255,407                 | 255,192  | 215                                    | 0       | 25,835  | (25,835)                               |
| Equipment repairs                   | 9,209                   | 4,048    | 5,161                                  | 0       | 0       | 0                                      |
| Contracted services                 | 7,944                   | 20,818   | (12,874)                               | 155,550 | 94,868  | 60,682                                 |
| Mileage and training                | 15,000                  | 9,697    | 5,303                                  | 0       | 0       | 0                                      |
| Telephone network charge            | 26,719                  | 19,697   | 7,022                                  | 0       | 0       | 0                                      |
| Total Disbursements                 | 378,463                 | 367,401  | 11,062                                 | 155,550 | 131,103 | 24,447                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (51,463)                | (23,066) | 28,397                                 | (340)   | 29,349  | 29,689                                 |
| CASH, JANUARY 1                     | 69,228                  | 69,228   | 0                                      | 39,879  | 39,879  | 0                                      |
| CASH, DECEMBER 31                   | \$ 17,765               | 46,162   | 28,397                                 | 39,539  | 69,228  | 29,689                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit L

LIVINGSTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 280,742              | 280,755 | 13                                     | 267,776 | 265,988 | (1,788)                                |
| Intergovernmental                   | 201,489                 | 263,707 | 62,218                                 | 207,240 | 199,139 | (8,101)                                |
| Charges for services                | 46,000                  | 45,318  | (682)                                  | 47,000  | 73,150  | 26,150                                 |
| Interest                            | 15,000                  | 14,593  | (407)                                  | 14,000  | 14,973  | 973                                    |
| Other                               | 0                       | 1,202   | 1,202                                  | 750     | 337     | (413)                                  |
| Total Receipts                      | 543,231                 | 605,575 | 62,344                                 | 536,766 | 553,587 | 16,821                                 |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 448,000                 | 446,399 | 1,601                                  | 412,949 | 412,442 | 507                                    |
| Office expenditures                 | 47,410                  | 42,924  | 4,486                                  | 46,490  | 45,419  | 1,071                                  |
| Equipment                           | 12,000                  | 8,856   | 3,144                                  | 12,000  | 14,865  | (2,865)                                |
| Mileage and training                | 10,200                  | 10,369  | (169)                                  | 10,000  | 8,628   | 1,372                                  |
| Insurance                           | 30,925                  | 30,876  | 49                                     | 27,000  | 27,309  | (309)                                  |
| Community health                    | 23,900                  | 20,785  | 3,115                                  | 16,900  | 14,437  | 2,463                                  |
| Other                               | 10,000                  | 4,239   | 5,761                                  | 10,000  | 3,577   | 6,423                                  |
| Total Disbursements                 | 582,435                 | 564,448 | 17,987                                 | 535,339 | 526,677 | 8,662                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (39,204)                | 41,127  | 80,331                                 | 1,427   | 26,910  | 25,483                                 |
| CASH, JANUARY 1                     | 250,662                 | 250,702 | 40                                     | 218,416 | 223,792 | 5,376                                  |
| CASH, DECEMBER 31                   | \$ 211,458              | 291,829 | 80,371                                 | 219,843 | 250,702 | 30,859                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

LIVINGSTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENATE BILL 40 BOARD FUND

| Year Ended December 31,             |            |          |  |         |         |  |
|-------------------------------------|------------|----------|--|---------|---------|--|
|                                     | 1999       |          |  | 1998    |         |  |
|                                     | Budget     | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |          |  |         |         |  |
| Property taxes                      | \$ 107,880 | 115,778  | 7,898                                  | 103,500 | 113,657 | 10,157                                 |
| Intergovernmental                   | 15,000     | 17,592   | 2,592                                  | 14,440  | 16,727  | 2,287                                  |
| Interest                            | 3,000      | 3,273    | 273                                    | 2,800   | 3,816   | 1,016                                  |
| Other                               | 2,940      | 4,588    | 1,648                                  | 2,350   | 3,506   | 1,156                                  |
| Total Receipts                      | 128,820    | 141,231  | 12,411                                 | 123,090 | 137,706 | 14,616                                 |
| DISBURSEMENTS                       |            |          |  |         |         |  |
| Salaries                            | 33,935     | 33,935   | 0                                      | 32,946  | 33,589  | (643)                                  |
| Employee fringe benefits            | 2,800      | 2,724    | 76                                     | 2,800   | 2,735   | 65                                     |
| Office expenditures                 | 8,171      | 9,755    | (1,584)                                | 8,135   | 10,699  | (2,564)                                |
| Purchase of services                | 120,052    | 131,734  | (11,682)                               | 78,622  | 73,950  | 4,672                                  |
| Capital outlay                      | 0          | 0        | 0                                      | 2,000   | 8,100   | (6,100)                                |
| Total Disbursements                 | 164,958    | 178,148  | (13,190)                               | 124,503 | 129,073 | (4,570)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (36,138)   | (36,917) | (779)                                  | (1,413) | 8,633   | 10,046                                 |
| CASH, JANUARY 1                     | 97,125     | 97,125   | 0                                      | 88,492  | 88,492  | 0                                      |
| CASH, DECEMBER 31                   | \$ 60,987  | 60,208   | (779)                                  | 87,079  | 97,125  | 10,046                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

LIVINGSTON COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SRO FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Intergovernmental                   | \$ 58,691               | 73,065 | 14,374                                 |
| Charges for services                | 0                       | 100    | 100                                    |
| Total Receipts                      | 58,691                  | 73,165 | 14,474                                 |
| DISBURSEMENTS                       |                         |        |  |
| Salaries                            | 26,750                  | 26,036 | 714                                    |
| Employee fringe benefits            | 6,767                   | 6,385  | 382                                    |
| Transfers out                       | 30,000                  | 30,000 | 0                                      |
| Total Disbursements                 | 63,517                  | 62,421 | 1,096                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,826)                 | 10,744 | 15,570                                 |
| CASH, JANUARY 1                     | 4,826                   | 4,826  | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 15,570 | 15,570                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit O

LIVINGSTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PLANNING AND ZONING FUND

| Year Ended December 31,                  |          |          |  |
|--|----------|----------|--|
| 1999                                     |          |          |  |
|  | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                                 |          |          |  |
| Interest                                 | \$ 50    | 223      | 173                                    |
| Processing Fees                          | 10,000   | 0        | (10,000)                               |
| Total Receipts                           | 10,050   | 223      | (9,827)                                |
| DISBURSEMENTS                            |          |          |  |
| Conditional use permit refunds and costs | 25,571   | 15,200   | 10,371                                 |
| Re-zoning costs                          | 0        | 502      | (502)                                  |
| Total Disbursements                      | 25,571   | 15,702   | 9,869                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS      | (15,521) | (15,479) | 42                                     |
| CASH, JANUARY 1                          | 15,521   | 15,521   | 0                                      |
| CASH, DECEMBER 31                        | \$ 0     | 42       | 42                                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

LIVINGSTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Charges for services                | 2,000                   | 4,640  | 2,640                                  |
| Total Receipts                      | 2,000                   | 4,640  | 2,640                                  |
| DISBURSEMENTS                       |                         |        |  |
| Office expenditures                 | 2,000                   | 5,092  | (3,092)                                |
| Total Disbursements                 | 2,000                   | 5,092  | (3,092)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (452)  | (452)                                  |
| CASH, JANUARY 1                     | 0                       | 737    | 737                                    |
| CASH, DECEMBER 31                   | \$ 0                    | 285    | 285                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

LIVINGSTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |          |        |               |
|-------------------------------------|----------|--------|---------------|
| 1999                                |          |        |               |
|                                     |          |        | Variance      |
|                                     | Budget   | Actual | Favorable     |
|                                     |          |        | (Unfavorable) |
| RECEIPTS                            |          |        |               |
| Interest                            | \$ 0     | 4,364  | 4,364         |
| Total Receipts                      | 0        | 4,364  | 4,364         |
| DISBURSEMENTS                       |          |        |               |
| Office expenditures                 | 11,202   | 1,352  | 9,850         |
| Total Disbursements                 | 11,202   | 1,352  | 9,850         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (11,202) | 3,012  | 14,214        |
| CASH, JANUARY 1                     | 11,202   | 11,173 | (29)          |
| CASH, DECEMBER 31                   | \$ 0     | 14,185 | 14,185        |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

LIVINGSTON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Livingston County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the SRO Fund, Planning and Zoning Fund, Law Library Fund, and Circuit Division Interest Fund for the year ended December 31, 1998, and Soybean Processing Study Fund for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the Prosecuting Attorney Bad Check Fund for the year ended December 31, 1998, the Law Library Fund for the year ended December 31, 1999, and the Senate Bill 40 Board Fund for the years ended December 31, 1999 and 1998. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 1998, did not include the Planning and Zoning Fund, the Law Library Fund, and the Circuit Division Interest Fund.

#### 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board's, and Senate Bill 40 Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's, Health Center Board's, or Senate Bill 40 Board's respective custodial bank in the county's, Health Center Board's, or Senate Bill 40 Board's name, respectively.

#### 3. Prior Period Adjustment

The Senate Bill 40 Board cash balance at January 1, 1998, as previously stated has been increased by \$14,278 to reflect a certificate of deposit balance not previously included.

## Supplementary Schedule

## Schedule 1

LIVINGSTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number   | Federal Grantor/Pass-Through Grantor/Program Title                              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|---|---|---|-------------------------|--------|
|   |   |   | Year Ended December 31, |        |
|   |   |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF AGRICULTURE                                     |   |   |                         |        |
| Passed through state:   |   |   |                         |        |
| Department of Health -  |   |   |                         |        |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children      | ER0045-9159                                     | \$ 47,130               | 43,518 |
| Office of Administration -  |   |   |                         |        |
| U.S. DEPARTMENT OF COMMERCE, ECONOMIC<br>DEVELOPMENT ADMINISTRATION |   |   |                         |        |
| Direct program -  |   |   |                         |        |
| 11.303  | Economic Development - Technical Assistance                                     |   | 16,000                  | 0      |
| U.S. DEPARTMENT OF JUSTICE  |   |   |                         |        |
| Direct programs:  |   |   |                         |        |
| 16.710  | Public Safety Partnership and Community Policing Grants                         | 97-UM-WX-0010                                   | 62,422                  | 30,951 |
| Missouri Sheriffs' Association -                                    |   |   |                         |        |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                               | N/A   | 1,335                   | 1,509  |
| U. S. DEPARTMENT OF TRANSPORTATION                                  |   |   |                         |        |
| Passed through state Highway and Transportation<br>Commission:      |   |   |                         |        |
| 20.205  | Highway Planning and Construction   | BRO-059 (9)                                     | 0                       | 68,669 |
|   |   | BRO-059 (12)                                    | 16,805                  | 0      |
|   |   | BRO-059 (13)                                    | 9,825                   | 0      |
|   |   | BRO-059 (14)                                    | 21,610                  | 0      |
|   | Program Total   |   | 48,240                  | 68,669 |
| 20.513  | Capital Assistance Program for Elderly Persons and<br>Persons with Disabilities | MO-16-0030                                      | 0                       | 25,704 |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                                 |   |   |                         |        |
| Passed through state Department of Public Safety:                   |   |   |                         |        |
| 83.544  | Emergency Management - Public Assistance Grants                                 | FEMA-1253-DR-MO                                 | 340,896                 | 22,185 |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES                       |   |   |                         |        |
| Direct program -  |   |   |                         |        |
| 93.268  | Immunization Grants   |   | 9,510                   | 344    |



## Schedule 1

LIVINGSTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number            | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--------------------------------------|---|---|-------------------------|---------|
|                                      |   |   | Year Ended December 31, |         |
|                                      |   |   | 1999                    | 1998    |
| Passed through state:                |   |   |                         |         |
| 93.268                               | Immunization Grants   | PG0064-9159                                     | 48,726                  | 30,344  |
| Department of Social Services -      |   |   |                         |         |
| 93.563                               | Child Support Enforcement                                       | N/A   | 3,824                   | 3,248   |
| Department of Health -               |   |   |                         |         |
| 93.575                               | Child Care and Development Block Grant                          | ER0146-9159                                     | 3,395                   | 4,668   |
| 93.991                               | Preventative Health and Health Services Block Grant             | N/A   | 557                     | 561     |
| 93.994                               | Maternal and Child Health Services<br>Block Grant to the States | ER0146-9159                                     | 19,231                  | 19,815  |
| Total Expenditures of Federal Awards |   |   | \$ 601,266              | 251,516 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

LIVINGSTON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Livingston County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of

Health and Human Services. Of the pass-through amounts for that program, \$46,746 and \$21,614 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$557 and \$561 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,783 and \$1,965 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Livingston County, Missouri

Compliance

We have audited the compliance of Livingston County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Livingston County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

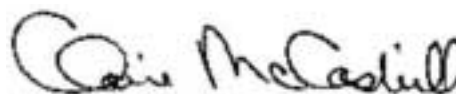
#### Internal Control Over Compliance

The management of Livingston County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Livingston County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

August 8, 2000 (fieldwork completion date)



Schedule

LIVINGSTON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major program(s):

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for  
major program(s): Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>   |
|---|--|
| 10.557  | Special Supplemental Nutrition Program for Women, Infants and Children |
| 83.544  | Emergency Management – Public Assistance Grants                        |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|   |
|---|
| <b>99-1.                      Schedule of Expenditures and Federal Awards</b> |
|---|

|  |  |
|--|--|
| Federal Grantor:                           | U.S. Department of Agriculture   |
| Pass-Through Grantor:                      | Department of Health   |
| Federal CFDA Number:                       | 10.557   |
| Program Title:                             | Special Supplemental Nutrition Program for Women,<br>Infants, and Children |
| Pass-Through Entity<br>Identifying Number: | ER0045-9159  |
| Award Years:                               | 1999 and 1998  |
| Questioned Costs:                          | Not Applicable   |

|  |   |
|--|---|
| Federal Grantor:                           | Federal Emergency Management Agency           |
| Pass-Through Grantor:                      | Department of Public Safety                   |
| Federal CFDA Number:                       | 83.544  |
| Program Title:                             | Emergency Management–Public Assistance Grants |
| Pass-Through Entity<br>Identifying Number: | FEMA-1253-DR-MO                               |
| Award Years:                               | 1999 and 1998                                 |
| Questioned Costs:                          | Not Applicable                                |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as part of the annual budget.

The county prepared a SEFA for each of the two years ended December 31, 1999. However, the information presented by the County Clerk for most of the programs did not agree with

the county's expenditure records. In addition, one program reported did not represent federal assistance monies. As a result, the county over reported expenditures on their SEFA schedule by approximately \$97,000 for 1999 and \$28,000 for 1998.

Without an accurate and complete SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*A continued effort will be made to obtain the appropriate federal grant information from all applicable county departments and prepare an accurate schedule of expenditures of federal awards to be included with the county's 2001 budget.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

LIVINGSTON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

LIVINGSTON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

LIVINGSTON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Livingston County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 8, 2000. We also have audited the compliance of Livingston County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 8, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Livingston County but do not meet the criteria for inclusion in the written reports on compliance and on internal control

over financial reporting or compliance that is required for audits performed in accordance with *Government Auditing Standards*.

|   |
|---|
| <b>1. Personnel Policies and Procedures</b> |
|---|

Although county employees are required to prepare and submit time sheets to the County Clerk, records of vacation leave earned or subsequently taken by county employees are not maintained. In addition, the County Clerk's office does not maintain records of compensatory time earned or subsequently taken by Sheriff's department employees. Rather, employees of the Sheriff's department are responsible for maintaining these records. We also noted that the county's policies regarding overtime and compensatory time are very general and do not clearly support or describe the county's current practices.

During 1999 and 1998, payments, totaling approximately \$2,800, were made by the county to a Sheriff's department employee for accumulated compensatory time balances. The County Clerk relied upon payroll vouchers prepared and approved by the Sheriff's department as support for these payroll expenditures. The Sheriff's department could not provide a detailed record to support the voucher hours and amount or show how the voucher information related to timesheets. In addition, there was no comparison of voucher information to previously submitted timesheets by the County Clerk's office.

It appears that unexplained discrepancies, errors, and inconsistencies are more likely to occur given the county's decentralized payroll procedures and vague overtime and compensatory time policies. Without centralized records, the County Commission cannot ensure that employees' vacation leave and compensatory time balances are accurate, leave taken is appropriate, and payments of accumulated compensatory time are accurate. Centralized records aid in determining final compensation and better document compliance with the Fair Labor Standards Act. The County Commission needs to establish more clear and comprehensive policies regarding overtime and compensatory time. Improved oversight of the payroll process by the County Clerk is necessary and could be better accomplished, at least in part, by establishing centralized vacation leave and compensatory time records.

A similar condition was noted in the prior two reports.

**WE RECOMMEND** the County Commission establish a comprehensive overtime and compensatory time policy. In addition, the County Commission should have the County Clerk maintain centralized records of vacation leave and compensatory time earned, taken, and paid for all county employees. Furthermore, the County Commission needs to ensure that there is a thorough review and adequate support for any future payments of accumulated compensatory time balances.

## **AUDITEE'S RESPONSE**

*The County Commission has adopted a new personnel policy which is currently in the final approval phase. A new timesheet has been developed which will better illustrate beginning balances, hours accrued, hours used, and ending balances for sick leave, vacation leave, and compensatory time. Effective January 1, 2001, this timesheet will be used by all county employees, except for Sheriff's department employees. The County Commission will be working with the Sheriff to adopt a formal overtime and compensatory time policy. In addition, beginning January 1, 2001, the County Clerk's office will attempt to calculate beginning balances, hours accrued, hours used, and ending balances for sick leave, vacation leave, and compensatory time for Sheriff's department employees.*

### **2. Ex Officio County Collector's Accounting Controls and Procedures**

The Ex Officio County Collector maintains two primary bank accounts. One is used for the deposit of surtax collections which are accumulated and distributed once a year. The other bank account is used for the deposit and distribution of all other tax collections. The Ex Officio County Collector accumulates interest in both bank accounts and distributes interest once a year.

Although differences have been noted and recommendations have been made in the prior two reports, the Ex Officio County Collector still does not adequately reconcile the cash balances to existing liabilities. The Ex Officio County Collector performs monthly reconciliations of his bank accounts. However, no check register balance or other book balance is maintained. As a result, the reconciled cash balance is not compared to any book balance or existing liabilities. The reconciled cash balance at February 29, 2000 exceeded the total identified liabilities by approximately \$300. Additionally, unidentified amounts fluctuated during various months of the audit period.

The maintenance of a book balance and adequate reconciliations are necessary to ensure receipts and disbursements are properly accounted for and cash balances can be properly identified to appropriate liabilities and other reconciling items.

**WE AGAIN RECOMMEND** the Ex Officio County Collector maintain a book balance and reconcile bank accounts to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations.

## **AUDITEE'S RESPONSE**

*The Ex Officio County Collector indicated a checkbook balance has been determined and will continue to be maintained. The bank account is being reconciled each month and compared to the checkbook balance, the receipt ledger balance, and liabilities. Any differences will be investigated and explained on the monthly bank reconciliation.*

### **3. Juvenile Officer's Accounting Control and Procedures**

During 1999 and 1998 the Juvenile Officer collected restitution monies totaling approximately \$5,800 and \$1,700, respectively. Our review of the Juvenile Officer's accounting controls and procedures revealed the following concerns:

- A. Receipts, which include cash, checks, and money orders, are not deposited on a timely basis. Restitution monies collected are frequently held for more than a month prior to being deposited. For example, we noted restitution receipts totaling \$1,382 received between November 7, 1999 and November 19, 1999 that were not deposited until December 20, 1999. In addition, the Deputy Juvenile Officer does not restrictively endorse checks and money orders until the deposit is prepared. To adequately safeguard monies and reduce the risk of loss or misuse of funds, checks, and money orders should be restrictively endorsed immediately upon receipt and deposits should be made daily or when daily accumulated receipts exceed \$100.
- B. Receipt slips issued by the Deputy Juvenile Officer are not prenumbered and do not indicate the method of payment (cash, check, money order). In addition, the composition of receipts is not reconciled to the composition of deposits. To ensure receipts are deposited intact, the method of payment should be recorded and reconciled to the composition of bank deposits.
- C. While the Juvenile Officer marks the checks and deposits in his cash control as they clear the bank, he does not prepare formal written bank reconciliations. In addition, monthly listings of open items (liabilities) are not prepared. Monthly bank reconciliations and the identification of month-end liabilities are necessary to ensure all receipts and disbursements are properly accounted for, that cash in the bank account is adequate to meet liabilities, and that errors are detected and corrected timely.

Similar conditions were noted in the prior two reports.

**WE AGAIN RECOMMEND** the Juvenile Officer:

- A. Restrictively endorse checks immediately upon receipt and deposit receipts daily or when accumulated receipts exceed \$100.
- B. Require the Deputy Juvenile Officer to utilize prenumbered receipt slips and record the method of payment for all monies received and reconcile cash, checks, and money orders received to the composition of bank deposits.
- C. Perform bank reconciliations and identify month-end liabilities, and reconcile to the

cash control balance on a monthly basis.

**AUDITEE'S RESPONSE**

- A. *Checks are now being endorsed upon receipt. Efforts will be made to deposit receipts more timely; however, it is unlikely we will have time to go to the bank daily.*
- B. *This recommendation has been implemented.*
- C. *The ledger book is balanced on a monthly basis. I think the current procedure is adequate and do not plan to implement changes at this time.*

|  |
|--|
| <b>4. Sheriff's Accounting Controls and Procedures</b> |
|--|

The Sheriff's department is responsible for collecting incarceration costs, civil and criminal process fees, garnishment payments and fees, gun permit fees, and cash bonds. These monies are deposited to and disbursed from the Sheriff's general account. The Sheriff also maintains a separate checking account to handle personal inmate monies and operate a commissary for inmates. A record is maintained for each inmate which reflects monies received on the inmate's behalf, purchases made from the commissary, and the available cash balance. When an inmate purchases commissary items, the purchase amount is deducted from that inmate's account balance. Invoices for the replenishment of commissary inventory are paid by the county and proceeds from the commissary sales are paid to the County Treasurer monthly for credit to the General Revenue Fund. Significant concerns were noted in our review of general account and inmate account records and procedures.

- A. Accounting duties are not adequately segregated. The Sheriff's office manager has primary responsibility for the general bank account, whereas another individual has primary responsibility for the inmate bank account. Their responsibilities include receipting and recording monies, preparing deposits, preparing and signing checks, and performing month-end reconciliations. The Sheriff's deputies and dispatchers may also receipt money. There is no independent review of the accounting records and reconciliations.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving, recording, disbursing, and reconciling cash. If the duties cannot be adequately segregated, at a minimum, there should be a supervisory review of reconciliations between receipts and deposits and an independent review of month-end reconciliations.

- B. Checks and money orders received are not restrictively endorsed immediately upon receipt. Endorsements are applied at the time deposits are prepared. To adequately

safeguard receipts, all check and money orders to be deposited should be restrictively endorsed immediately upon receipt.

- C. General account monies received are not always receipted or recorded in a timely manner. For example, a July 12, 2000, cash count identified monies on hand totaling \$710 for which receipt slips had not been issued, or the amounts recorded in the cash control ledger. As a result of such time lags the transaction dates recorded on the receipts slips and in the cash control ledger are not always accurate.

Receipt slips are not issued for some inmate account monies received. Currently, receipt slips are not issued for monies received through the mail, monies taken from an inmate when initially booked into jail, and monies collected from Sheriff's department employees for purchases of commissary goods.

To adequately account receipts, prenumbered receipt slips should be promptly issued for all monies received and the numerical sequence accounted for properly. In addition, information needs to be recorded in the cash control ledger in a timely manner. An immediate record of receipts is necessary to properly safeguard, document, and account for monies received.

- D. General account receipts are not always deposited timely or intact and information itemized on deposit slips is not always accurate. For example, we noted an instance where a check for \$600 was receipted on October 12, 1999, but not deposited until December 28, 1999, although other deposits had been made prior to December 28, 1999. In addition, we noted an instance in which a receipt slip number was noted on both the October 14, 1998, and October 23, 1998 deposit slips; however, the corresponding amounts differed. Other similar errors were also noted

Inmate account receipts are not deposited on a timely basis. Deposits are usually made once or twice a month and monies are not always deposited in the order received. For example, we noted inmate receipts totaling \$1,140 received between November 23, 1999 and November 29, 1999 that were not deposited until December 7, 1999. In addition, we noted one receipt issued in December 1999 and one receipt issued in December 1998 for \$10 and \$20 respectively, which do not appear to have been deposited into the inmate account. Several other deposits including receipts surrounding these were made during these time periods. The receipt records do not provide a summary of which receipts are included in deposits and the deposit slips do not list receipt numbers.

In addition, neither general nor inmate account monies received are held in a secure location prior to being recorded and deposited.

The various depositing problems and receipting concerns (discussed in part C), plus the fact that monies are not maintained in a secure location, greatly increase the



possibility that errors can be made and remain undetected. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100, and receipts should be stored in a secure location until deposited. Care needs to be taken to ensure deposit slip information is sufficiently detailed, accurate, and correctly represents transactions actually included in the deposit.

- E. While the method of payment is generally noted on general account receipt slips, it is not reconciled to the composition of bank deposits. Inmate account receipt slips do not always indicate the method of payment; therefore, the composition of receipts cannot be reconciled to the composition of deposits. To ensure all monies are deposited intact, and to reduce the potential for loss, theft, or misuse of funds, the method of payment should be noted on all receipt slips and the composition of receipt slips should be reconciled to the composition of bank deposits.
- F. Bank reconciliations have not been performed for the general account since March 1998. The Sheriff's office manager indicated she stopped performing bank reconciliations when the reconciled cash balance no longer equaled the open items balance. Consequently, there is less assurance that accounting records are in agreement with bank records, liabilities are not adequately reconciled with cash balances, and identifying reasons for differences becomes more difficult.

Only by preparing timely bank reconciliations and comparing the reconciled bank balance to identified open items can the Sheriff be assured that records are in balance and that sufficient cash is available for the payment of all liabilities.

- G. Bank reconciliations have not been performed on the inmate bank account since February 1999. Upon discussing this with the Sheriff's department, bank reconciliations were completed for each month through July 31, 2000. However, the total amount of monies in the inmate account was not reconciled to the individual inmate balances and the commissary sales for the month. We obtained a listing of individual inmate account balances as of August 7, 2000, and compared this information to the bank account balance at that date. After adjusting for amounts due to the County Treasurer for commissary purchases, the total of the inmate account balances exceeded the reconciled bank balance by approximately \$1,500. The office manager has identified a couple of instances where amounts were improperly disbursed twice from the inmate account and is continuing to search for reasons for the discrepancies.

To ensure proper accountability over inmate and commissary monies, and improve the likelihood of identifying and correcting errors in a timely manner, the individual inmate account balances and amounts due to the County Treasurer should be compared to the reconciled bank balance on a monthly basis. Any discrepancies should be followed up on and resolved.

- H. The Sheriff has not established formal procedures to ensure unpaid incarceration costs are adequately identified and followed up on. Summary records of amounts due from inmates who have been released are not maintained and monitoring procedures are not adequate. Other than informing inmates of amounts due upon their release, amounts due are not periodically determined and there is no follow up with individuals.

To adequately account for all incarceration billings due and to maximize county revenues, adequate summary records of amounts due should be maintained, and formal procedures for monitoring and billing delinquent incarceration amounts should be established. Such procedures should consist of generating periodic reports of billings with balances due and follow up on those for which payments have not been received.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate the accounting duties or, at a minimum, ensure that periodic independent reviews of the accounting records are performed and documented.
- B. Restrictively endorse checks and money orders immediately upon receipt.
- C. Issue prenumbered receipt slips promptly for all monies received and account for the numerical sequence of receipt slips issued. In addition, information should be recorded in the cash control ledger in a timely manner.
- D. Deposit all monies intact daily or when accumulated receipts exceed \$100, store monies in a secure location prior to deposit, and ensure deposit slips include complete and accurate information. In addition, the Sheriff needs to follow up further on amounts that do not appear to have been deposited and repay any undeposited amounts to his official bank account.
- E. Ensure the method of payment is recorded on receipt slips and reconcile the composition of receipt slips to the composition of bank deposits.
- F. Perform monthly bank reconciliations for the general account. In addition, prepare a monthly listing of open items and reconcile it to the reconciled bank balance.
- G. Perform monthly bank reconciliations for the inmate account. In addition, prepare a monthly listing of individual inmate account balances and the commissary sales for the month, and reconcile these amounts to the reconciled bank balance. Any differences identified need to be investigated and resolved in a timely manner.
- H. Maintain a complete and accurate listing of delinquent incarceration amounts. In

addition, formal procedures should be established and implemented for pursuing the collection of such delinquent amounts.

**AUDITEE'S RESPONSE**

- A. *I have begun reviewing the bank reconciliations and am signing them to document this review. The general and inmate account responsibilities are being assigned to two staff members. These individuals will perform some independent reviews of one another's records.*
- B. *We now request that all money orders and checks be made payable to the Livingston County Sheriff's Department. These will be endorsed upon receipt.*
- C. *All receipts issued are now prenumbered and these numbers will be accounted for. In addition, information is being recorded in the cash control ledger daily.*
- D. *We have begun making daily deposits and reconciling deposit details to receipt records. In addition, we are currently considering ways to better secure inmate monies received and will ensure general account monies are locked up when we are away from the office. Efforts are being made to follow up on monies which appear to be undeposited and how this might have occurred. Any amounts which remain unresolved after our follow up will be repaid to the official account.*
- E. *We are currently attempting to indicate the method of payment for all receipts and reconcile this information to the composition of bank deposits. In addition, one-write receipt ledgers have been ordered and they provide for the indication of method of payment.*
- F. *As time allows the general account will be reconciled back to April 1998. This process should be completed within the next six months.*
- G. *We are currently doing bank reconciliations for the inmate account. Beginning with the September 2000 bank reconciliation, we will reconcile the bank balance to commissary sales and individual inmate account balances.*
- H. *We will discuss this area with the courts and review current procedures, and then consider options for improving incarceration billing records and follow up on delinquent accounts. This process will start immediately.*

|   |
|---|
| <b>5. Public Administrator's Procedures</b> |
|---|

The Public Administrator acts as the court appointed guardian or personal representative for approximately 60 wards of the Probate Division. Our review of the Public Administrator's records and procedures disclosed some concerns.

Monthly bank reconciliations are not performed. In addition, a review of the check registers maintained for some cases indicated that they do not always represent a complete listing of receipt and disbursement activity and cash balances. Incomplete records may require more annual settlement preparation time, possibly resulting in increased costs to the various cases.

Periodic bank reconciliations are necessary to ensure the accounting records are in agreement with the bank and that any errors are identified and corrected on a timely basis. Furthermore, to provide an appropriate record of bank account activity and to facilitate the preparation of bank reconciliations and settlements, the Public Administrator should ensure check registers maintained for each case present all receipts, disbursements, and cash balances.

**WE RECOMMEND** the Public Administrator maintain a complete check register for each case and perform monthly bank reconciliations.

**AUDITEE'S RESPONSE**

*Beginning October 1, 2000, I will make sure my check registers are up-to-date and begin reconciling my bank accounts.*

This report is intended for the information of the management of Livingston County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## LIVINGSTON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Livingston County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. County Surveyor

The county paid the County Surveyor approximately \$4,200 for planning and zoning services without a written contract. Invoices submitted to the county by the Surveyor did not provide adequate information regarding the services performed. Because the county did not obtain information from other qualified individuals, this situation presented the appearance of a potential conflict of interest.

#### Recommendation:

The County Commission enter into a written agreement with the County Surveyor detailing the planning and zoning services to be performed and the amount of compensation to be paid. In addition, the County Commission should continue to work with the Prosecuting Attorney regarding any potential conflict of interest. Information from more than one qualified individual should be considered for any similar future arrangements.

#### Status:

Partially implemented. The County Commission contacted one other qualified individual, however, this individual declined to offer services to the county. The County Commission continues to pay the County Surveyor without a written agreement. Although not repeated in the current report, our recommendation remains as stated above.

### 2. Personnel Policies and Procedures

The County Clerk's office did not maintain records of county employees' vacation leave or records of Sheriff's department employees' compensatory time.

#### Recommendation:

The County Commission require the County Clerk to maintain centralized records of vacation leave and compensatory time earned, taken, and paid for all county employees.

Status:

Not implemented. See MAR No. 1.

3. Federal Financial Assistance

The county received \$11,489 of federal monies and held it approximately eleven weeks before disbursing it to the engineer. Section 6.2.2 of the Cash Management Improvement Act between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to disbursement of a payment.

Recommendation:

The County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

Status:

Implemented. The county's depository bank now notifies the County Treasurer when a direct deposit has been made into the county's bank account. The County Treasurer then notifies the County Clerk that funds are available for disbursement.

4. Ex Officio County Collector's Accounting Controls and Procedures

- A. The Ex Officio County Collector did not reconcile month-end cash balances to existing liabilities. At February 28, 1998, excess cash of approximately \$590 existed in the collector's bank accounts. A portion of the excess in the bank accounts was due to a failure to distribute \$152 to the Jackson Township.
- B. The Ex Officio County Collector collected a fee of \$25 on merchants' licenses issued. One-fifth of the amount collected was to be paid into the General Revenue Fund and four-fifths into the County Employees' Retirement Fund (CERF). During December 1996, \$700 was incorrectly distributed to CERF, rather than to the General Revenue Fund.
- C. Surtax collections for the years ended February 28, 1998 and 1997, were improperly allocated to the various political subdivisions. In addition, a mathematical error in the calculation made to distribute surtax collections for the year ended February 28, 1998, resulted in approximately \$4,400 more to one school district and \$4,400 less to the various other political subdivisions.

Recommendation:

The Ex Officio County Collector:

- A. Reconcile bank accounts to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations. In addition, the Ex Officio County Collector should distribute the \$152 to the Jackson Township and determine the disposition of the remaining unidentified amounts in his bank accounts.
- B. Withhold \$700 from future distributions to the CERF and distribute this amount to the General Revenue Fund.
- C. Calculate the percentages which should have been used for each of the two years ended February 28, 1998, and apply these percentages to the respective surtax collections. The newly calculated distributions should be compared to the actual distributions for material variances. Future distributions of surtax collections should be made in accordance with state law. In addition, the Ex Officio County Collector should review surtax distributions for accuracy and reasonableness.

Status:

- A. Partially implemented. The \$152 was distributed to the Jackson Township on July 23, 1998. However, the Ex Officio County Collector still does not reconcile bank accounts to related liabilities and other reconciling items on a monthly basis. See MAR No. 2.

B&C. Implemented.

5. Associate Circuit Division's Accounting Controls and Procedures

- A. Receipts were not deposited on a timely basis.
- B. The method of payment was not always accurately indicated on the one-write ledger. In addition, when fines and costs were paid by someone other than the defendant, that information was not consistently indicated on the one-write ledger.

Recommendation:

The Associate Circuit Division Judge:

- A. Require monies be deposited daily or when daily accumulated receipts exceed \$100.
- B. Require the method of payment and the name of the payor be indicated for all receipts and reconcile total cash, checks, and money orders to bank deposits.



Status:

- A. Implemented.
- B. Partially implemented. The Associate Circuit Division Clerk currently indicates the name of the payor for all receipts; however, the method of payment is not always indicated on the one-write receipt ledger. Although not repeated in the current report, our recommendation remains as stated above.

6. Prosecuting Attorney's Accounting Controls and Procedures

- A. Receipt slips were not issued for money orders and cashier's checks made payable directly to the merchant or the County Treasurer.
- B. Restitution payments made payable to the Prosecuting Attorney were not deposited on a timely basis. In addition, money orders and cashier's checks were not restrictively endorsed immediately upon receipt.
- C. Monthly listings of liabilities (open items) for the bank account were not prepared. In addition, some restitution amounts had been held for more than two years.

Recommendation:

The Prosecuting Attorney:

- A. Issue prenumbered receipt slips for all monies received.
- B. Deposit restitution monies daily or when daily accumulated receipts exceed \$100. In addition, the Prosecuting Attorney should restrictively endorse money orders and cashier's checks immediately upon receipt.
- C. Prepare a monthly listing of liabilities and reconcile it to the cash balance. Any differences should be investigated and explained on the reconciliations. In addition, procedures should be adopted to routinely follow-up on liabilities remaining over a period of time to determine the proper disposition.

Status:

- A,B,  
&C. Implemented.

7. Juvenile Officer's Accounting Controls and Procedures

- A. Receipts were not deposited on a timely basis. In addition, checks and money orders were not restrictively endorsed until the deposit was prepared.

- B. Receipt slips issued by the Deputy Juvenile Officer did not indicate the method of payment.
- C. Bank balances were not reconciled with the accounting records on a monthly basis.
- D. Problems related to the Chief Deputy Juvenile Officer's 1997 expense reimbursement reports were found. The concerns included unusual mileage amounts, invoice dates differing from expense report entries, meal expenses claimed on days for which no travel was indicated, and a failure to document the purpose for the travel. There was no documented review by the Juvenile Officer.

Recommendation:

The Juvenile Officer:

- A. Restrictively endorse checks immediately upon receipt and deposit receipts daily or when daily accumulated receipts exceed \$100.
- B. Require the Deputy Juvenile Officer to record the method of payment for all monies received and reconcile cash, checks, and money orders received to the composition of bank deposits.
- C. Perform bank reconciliations and reconcile to the cash control balance on a monthly basis.
- D. Perform documented reviews of all expense reports, ensure the purpose of travel and other necessary details are indicated on expense reports, and follow up on all unusual items.

Status:

- A,B,  
&C. Not implemented. See MAR No 3.
- D. Implemented.

8. Sheriff's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Bank reconciliations for the general account were not prepared since prior to May 1997.
- C.1. Receipt slips were not issued when inmate monies were received.

2. Monies held in the commissary checking account were not reconciled to the individual inmate balances and the commissary sales for the month.
3. No inventory records were maintained to account for the items purchased and sold through the commissary.
4. The Sheriff's department did not establish official inventory prices for commissary goods. The jail administrator determined the price upon each sale.

Recommendation:

The Sheriff:

- A. Adequately segregate the record keeping duties or perform periodic reviews of the accounting records.
- B. Perform bank reconciliations and reconcile to related open items on a monthly basis. Any differences should be investigated and explained on the reconciliations. In addition, the Sheriff should distribute the \$204 garnishment to the appropriate party.
- C.1. Issues prenumbered receipt slips for all inmate monies received.
  2. Prepare a monthly listing of the individual inmate balances and the commissary sales for the month, and reconcile it to the cash balance in the account.
  3. Maintain perpetual inventory records for all commissary inventory items and ensure a physical count of inventory is performed periodically by an employee independent of daily commissary operations. The results of the physical count should be compared to the perpetual inventory records and discrepancies should be investigated in a timely manner.
  4. Establish a price list and a policy to regulate the mark up of commissary inventory. In addition, the Sheriff's department should monitor the commissary revenues and cost of goods sold to ensure an adequate profit is received from the operations of the commissary.

Status:

- A,B,  
C.1  
&C.2. Not implemented. See MAR No 4.  
  
C.3  
&C.4. Implemented.

9. Senate Bill 40 Board

- A. Monies in the Senate Bill 40 Board's bank accounts were not adequately covered by collateral securities.
- B. The Senate Bill 40 Board did not adequately monitor the use of monies provided to various organizations.

Recommendation:

The Senate Bill 40 Board:

- A. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- B. Ensure various NFP organizations submit information documenting how funding has been used and the number of developmentally disabled individuals receiving services.

Status:

A&B. Implemented

10. Health Center

Monies in the Health Center's bank accounts were not adequately covered by collateral securities.

Recommendation:

The Health Center Board of Trustees ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# LIVINGSTON COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1837, the county of Livingston was named after Edward Livingston, Secretary of State. Livingston County is a township-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Chillicothe.

Livingston County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Livingston County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 66,739    | 3          | 63,189    | 3          |
| Sales taxes               | 745,342      | 29         | 723,372   | 33         |
| Federal and state aid     | 1,406,747    | 55         | 1,069,617 | 49         |
| Fees, interest, and other | 321,150      | 13         | 323,000   | 15         |
| Total                     | \$ 2,539,978 | 100        | 2,179,178 | 100        |

The following chart shows how Livingston County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 729,791   | 28         | 760,953   | 32         |
| Public safety             | 826,781      | 32         | 782,862   | 33         |
| Highways and roads        | 1,056,471    | 40         | 836,315   | 35         |
| Total                     | \$ 2,613,043 | 100        | 2,380,130 | 100        |

The county maintains approximately 160 county bridges and 612 miles of county roads.

The county's population was 15,368 in 1970 and 14,592 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |       |       |        |        |
|------------------------|----|-------------------------|-------|-------|--------|--------|
|                        |    | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |       |       |        |        |
| Real estate            | \$ | 77.6                    | 75.1  | 61.2  | 36.8   | 24.1   |
| Personal property      |    | 33.7                    | 31.3  | 12.8  | 11.4   | 7.3    |
| Railroad and utilities |    | 10.6                    | 10.0  | 8.9   | 7.7    | 7.0    |
| Total                  | \$ | 121.9                   | 116.4 | 82.9  | 55.9   | 38.4   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Livingston County's property tax rates per \$100 of assessed valuations were as follows:

|                           |    | Year Ended December 31, |      |
|---------------------------|----|-------------------------|------|
|                           |    | 1999                    | 1998 |
| Health Center Fund        | \$ | 0.24                    | 0.24 |
| Senate Bill 40 Board Fund |    | 0.10                    | 0.10 |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:



|                                | Year Ended February 28(29), |           |
|--------------------------------|-----------------------------|-----------|
|                                | 2000                        | 1999      |
| State of Missouri              | \$ 37,110                   | 35,872    |
| General Revenue Fund           | 7,382                       | 6,784     |
| Special Road and Bridge Fund   | 60,936                      | 58,202    |
| Assessment Fund                | 65,765                      | 63,914    |
| Health Center Fund             | 289,136                     | 280,005   |
| Senate Bill 40 Board Fund      | 119,068                     | 115,604   |
| School districts               | 4,383,052                   | 4,237,923 |
| Library district               | 316,287                     | 306,016   |
| Ambulance district             | 238,305                     | 231,576   |
| Nursing Home District          | 183,590                     | 177,247   |
| North Central Missouri College | 350                         | 431       |
| Watershed District             | 1,256                       | 1,246     |
| Fire Districts                 | 22,119                      | 22,813    |
| Townships                      | 578,895                     | 560,435   |
| Cities                         | 48,426                      | 54,631    |
| County Clerk                   | 1,813                       | 2,704     |
| County Employees' Retirement   | 23,706                      | 23,627    |
| Other                          | 1,597                       | 1,446     |
| Commissions and fees:          |                             |           |
| Township Collectors            | 50,850                      | 49,337    |
| General Revenue Fund           | 44,623                      | 44,331    |
| Total                          | \$ 6,474,266                | 6,274,144 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28 (29), |        |
|------------------------|------------------------------|--------|
|                        | 2000                         | 1999   |
| Real estate            | 94.2 %                       | 95.2 % |
| Personal property      | 91.4                         | 91.5   |
| Railroad and utilities | 100.0                        | 99.0   |

Livingston County also has the following sales taxes; rates are per \$1 of retail sales:

|         | Rate     | Expiration Date | Required Property Tax Reduction |
|---------|----------|-----------------|---------------------------------|
| General | \$ .0050 | None            | 50 %                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| Eva Danner, Presiding Commissioner  | \$     | 26,077 | 18,000 |
| Max Smith, Associate Commissioner   |        | 22,000 | 18,000 |
| Kenneth E. Lauhoff, Associate Commissioner                                    |        | 22,000 | 18,000 |
| Kelly Christopher, County Clerk   |        | 36,480 | 30,500 |
| Douglas S. Roberts, Prosecuting Attorney                                      |        | 43,200 | 35,000 |
| Gary D. Calvert, Sheriff  |        | 38,782 | 38,782 |
| J. Scott Lindley, County Coroner  |        | 6,464  | 6,464  |
| Joyce E. Laurence, Public Administrator *                                     |        | 25,480 | 15,354 |
| Gordon Smith, Treasurer and Ex Officio County Collector, year ended March 31, | 31,336 | 31,247 |        |
| Cindy Ireland, County Assessor, year ended August 31,**                       |        | 37,380 | 37,380 |
| Joe J. Shy Jr., County Surveyor ***   |        | 2,285  | 2,048  |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

\*\*\* Compensation on a fee basis. In addition, \$2,285, and \$2,048 was paid by the county for planning and zoning services for the years ended December 31, 1999 and 1998, respectively.

State-Paid Officials:

|  |        |        |
|--|--------|--------|
| Brenda Timmons, Circuit Clerk and Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Barbara Lane, Associate Circuit Judge                          | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| County Commission                              | 3                           | 0        |
| Circuit Clerk and Ex Officio Recorder of Deeds | 2 *                         | 4 *      |
| County Clerk                                   | 4                           | 0        |
| Prosecuting Attorney                           | 3                           | 0        |
| Sheriff  | 20                          | 0        |
| Treasurer and Ex Officio County Collector      | 2                           | 0        |
| County Assessor                                | 5 *                         | 0        |
| Associate Division                             | 0                           | 2        |
| Probate Division                               | 0                           | 1        |
| Road and Bridge                                | 2                           | 0        |
| Health Center                                  | 20 **                       | 0        |
| Senate Bill 40                                 | 1                           | 0        |
| Total  | <u>62</u>                   | <u>7</u> |

\* Includes 1 part time employee

\*\* Includes 12 part time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Livingston County's share of the Forty-Third Judicial Circuit's expenses is 25.42 percent.



ANDREW COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-105  
September 27, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Andrew, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Andrew County was a financial and compliance audit of various county operating funds.

- The county does not have a procedure in place to adequately track federal awards for preparation of the schedule of expenditures of federal awards. The county prepared a schedule for the years ended December 31, 1999 and 1998; however, the information presented for many of the programs did not agree to county expenditure records. Without an accurate schedule of expenditures of federal awards, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

ANDREW COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Andrew County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Andrew County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

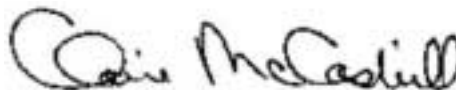
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Andrew County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Andrew County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Andrew County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 16, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 16, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Todd M. Schuler, CPA  |
| In-Charge Auditor:  | Tiffany Blew          |
| Audit Staff:        | Renee Alvarez         |
|                     | Casey Henry           |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Andrew County, Missouri

We have audited the special-purpose financial statements of various funds of Andrew County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

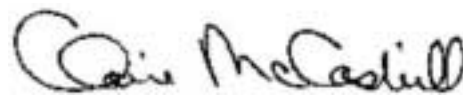
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Andrew County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Andrew County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Andrew County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 16, 2000 (fieldwork completion date)



## Financial Statements

Exhibit A-1

ANDREW COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 1,115,592       | 1,124,138 | 974,732       | 1,264,998            |
| Special Road and Bridge             | 430,635            | 1,868,141 | 1,672,882     | 625,894              |
| Assessment                          | 5,140              | 214,794   | 204,256       | 15,678               |
| Law Enforcement Training            | 9,081              | 5,150     | 2,686         | 11,545               |
| Prosecuting Attorney Training       | 2,067              | 1,330     | 1,130         | 2,267                |
| Law Enforcement Sales Tax           | 269,195            | 465,503   | 401,698       | 333,000              |
| Capital Improvements Sales Tax      | 223,204            | 96,326    | 93,915        | 225,615              |
| Johnson Grass                       | 112,374            | 46,378    | 78,119        | 80,633               |
| Recorder's User Fees                | 15,075             | 9,282     | 3,249         | 21,108               |
| Prosecuting Attorney Bad Check      | 2,233              | 6,239     | 3,538         | 4,934                |
| Local Emergency Planning Commission | 9,507              | 3,552     | 2,754         | 10,305               |
| FEMA                                | 34,248             | 3,606     | 30,100        | 7,754                |
| Abuse Shelter                       | 0                  | 2,144     | 2,144         | 0                    |
| Associate Circuit Division Interest | 3,657              | 1,615     | 1,059         | 4,213                |
| Circuit Clerk Interest              | 7,380              | 2,443     | 3,396         | 6,427                |
| Law Library                         | 3,916              | 6,491     | 1,990         | 8,417                |
| Reserve Deputy                      | 6,177              | 3,872     | 2,569         | 7,480                |
| Sheriff's Civil Fees                | 42,667             | 42,737    | 40,156        | 45,248               |
| Health Center                       | 170,492            | 334,011   | 274,104       | 230,399              |
| Senate Bill 40                      | 136,809            | 125,579   | 89,437        | 172,951              |
| Ford Farm                           | 100,750            | 7,961     | 3,804         | 104,907              |
| Cemetery Trust                      | 511,204            | 70,129    | 64,311        | 517,022              |
| Total                               | \$ 3,211,403       | 4,441,421 | 3,952,029     | 3,700,795            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

ANDREW COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 845,610         | 1,097,799 | 827,817       | 1,115,592            |
| Special Road and Bridge             | 518,073            | 1,903,327 | 1,990,765     | 430,635              |
| Assessment                          | 770                | 174,300   | 169,930       | 5,140                |
| Law Enforcement Training            | 7,787              | 4,067     | 2,773         | 9,081                |
| Prosecuting Attorney Training       | 2,887              | 1,287     | 2,107         | 2,067                |
| Law Enforcement Sales Tax           | 213,656            | 430,176   | 374,637       | 269,195              |
| Capital Improvements Sales Tax      | 153,849            | 93,330    | 23,975        | 223,204              |
| Johnson Grass                       | 89,781             | 40,618    | 18,025        | 112,374              |
| Recorder's User Fees                | 12,115             | 9,005     | 6,045         | 15,075               |
| Prosecuting Attorney Bad Check      | 5,429              | 6,210     | 9,406         | 2,233                |
| Local Emergency Planning Commission | 6,405              | 6,890     | 3,788         | 9,507                |
| FEMA                                | 0                  | 58,370    | 24,122        | 34,248               |
| Abuse Shelter                       | 0                  | 2,260     | 2,260         | 0                    |
| Associate Circuit Division Interest | 3,210              | 1,736     | 1,289         | 3,657                |
| Circuit Clerk Interest              | 4,293              | 5,505     | 2,418         | 7,380                |
| Law Library                         | 1,823              | 6,241     | 4,148         | 3,916                |
| Reserve Deputy                      | 6,078              | 2,559     | 2,460         | 6,177                |
| Sheriff's Civil Fees                | 16,405             | 40,572    | 14,310        | 42,667               |
| Health Center                       | 132,077            | 306,919   | 268,504       | 170,492              |
| Senate Bill 40                      | 70,568             | 110,098   | 43,857        | 136,809              |
| Ford Farm                           | 95,517             | 7,809     | 2,576         | 100,750              |
| Cemetery Trust                      | 520,654            | 227,934   | 237,384       | 511,204              |
| Total                               | \$ 2,706,987       | 4,537,012 | 4,032,596     | 3,211,403            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

ANDREW COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Property taxes                      | \$ 232,500              | 268,971   | 36,471                                 | 222,500   | 233,649   | 11,149                                 |
| Sales taxes                         | 350,000                 | 385,302   | 35,302                                 | 335,000   | 372,553   | 37,553                                 |
| Intergovernmental                   | 57,050                  | 53,160    | (3,890)                                | 125,500   | 68,243    | (57,257)                               |
| Charges for services                | 271,688                 | 265,782   | (5,906)                                | 189,560   | 287,962   | 98,402                                 |
| Interest                            | 65,000                  | 71,624    | 6,624                                  | 57,000    | 75,078    | 18,078                                 |
| Other                               | 56,930                  | 79,299    | 22,369                                 | 58,180    | 60,314    | 2,134                                  |
| Total Receipts                      | 1,033,168               | 1,124,138 | 90,970                                 | 987,740   | 1,097,799 | 110,059                                |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| County Commission                   | 88,740                  | 87,420    | 1,320                                  | 67,500    | 59,134    | 8,366                                  |
| County Clerk                        | 136,160                 | 96,107    | 40,053                                 | 105,120   | 88,357    | 16,763                                 |
| Elections                           | 53,500                  | 16,879    | 36,621                                 | 47,600    | 34,614    | 12,986                                 |
| Buildings and grounds               | 48,000                  | 36,686    | 11,314                                 | 46,000    | 32,872    | 13,128                                 |
| Employee fringe benefits            | 139,450                 | 112,791   | 26,659                                 | 174,000   | 89,288    | 84,712                                 |
| County Treasurer                    | 38,120                  | 30,115    | 8,005                                  | 28,460    | 24,397    | 4,063                                  |
| County Collector                    | 102,200                 | 80,272    | 21,928                                 | 93,000    | 72,570    | 20,430                                 |
| Ex Officio Recorder of Deeds        | 21,500                  | 2,805     | 18,695                                 | 21,600    | 1,712     | 19,888                                 |
| Circuit Clerk                       | 73,078                  | 19,186    | 53,892                                 | 69,884    | 35,579    | 34,305                                 |
| Associate Circuit (Probate)         | 18,615                  | 7,922     | 10,693                                 | 16,700    | 8,159     | 8,541                                  |
| Court administration                | 9,840                   | 14,056    | (4,216)                                | 9,840     | 12,862    | (3,022)                                |
| Public Administrator                | 19,400                  | 20,028    | (628)                                  | 19,400    | 16,060    | 3,340                                  |
| Prosecuting Attorney                | 110,970                 | 75,102    | 35,868                                 | 76,500    | 62,733    | 13,767                                 |
| Juvenile Officer                    | 32,503                  | 26,954    | 5,549                                  | 32,595    | 21,217    | 11,378                                 |
| County Coroner                      | 17,200                  | 12,802    | 4,398                                  | 11,800    | 8,906     | 2,894                                  |
| Commission II                       | 185,500                 | 107,205   | 78,295                                 | 165,000   | 129,824   | 35,176                                 |
| Other                               | 194,565                 | 133,375   | 61,190                                 | 271,200   | 84,845    | 186,355                                |
| Public health and welfare services  | 7,308                   | 6,027     | 1,281                                  | 6,500     | 9,688     | (3,188)                                |
| Transfers out                       | 128,676                 | 89,000    | 39,676                                 | 88,859    | 35,000    | 53,859                                 |
| Emergency Fund                      | 30,995                  | 0         | 30,995                                 | 29,632    | 0         | 29,632                                 |
| Total Disbursements                 | 1,456,320               | 974,732   | 481,588                                | 1,381,190 | 827,817   | 553,373                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (423,152)               | 149,406   | 572,558                                | (393,450) | 269,982   | 663,432                                |
| CASH, JANUARY 1                     | 1,115,592               | 1,115,592 | 0                                      | 845,610   | 845,610   | 0                                      |
| CASH, DECEMBER 31                   | \$ 692,440              | 1,264,998 | 572,558                                | 452,160   | 1,115,592 | 663,432                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

ANDREW COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 598,500              | 721,609   | 123,109                                | 595,000   | 598,897   | 3,897                                  |
| Sales taxes                           | 260,000                 | 288,977   | 28,977                                 | 251,000   | 279,415   | 28,415                                 |
| Intergovernmental                     | 973,640                 | 788,265   | (185,375)                              | 1,083,939 | 968,691   | (115,248)                              |
| Interest                              | 30,000                  | 30,343    | 343                                    | 23,000    | 31,032    | 8,032                                  |
| Other                                 | 25,000                  | 38,947    | 13,947                                 | 18,000    | 25,292    | 7,292                                  |
| Transfers in                          | 30,000                  | 0         | (30,000)                               | 30,000    | 0         | (30,000)                               |
| Total Receipts                        | 1,917,140               | 1,868,141 | (48,999)                               | 2,000,939 | 1,903,327 | (97,612)                               |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 430,000                 | 409,959   | 20,041                                 | 405,000   | 386,878   | 18,122                                 |
| Employee fringe benefits              | 148,961                 | 138,417   | 10,544                                 | 144,500   | 136,085   | 8,415                                  |
| Supplies                              | 132,000                 | 106,930   | 25,070                                 | 130,000   | 111,801   | 18,199                                 |
| Road and bridge materials             | 92,000                  | 97,894    | (5,894)                                | 100,000   | 93,657    | 6,343                                  |
| Equipment repairs                     | 65,000                  | 88,578    | (23,578)                               | 60,000    | 63,655    | (3,655)                                |
| Rentals                               | 15,000                  | 21,222    | (6,222)                                | 15,000    | 9,053     | 5,947                                  |
| Equipment purchases                   | 150,000                 | 137,981   | 12,019                                 | 275,000   | 179,608   | 95,392                                 |
| Construction, repair, and maintenance | 885,000                 | 560,039   | 324,961                                | 1,081,368 | 877,283   | 204,085                                |
| Debt service                          | 35,000                  | 86,695    | (51,695)                               | 100,000   | 63,405    | 36,595                                 |
| Other                                 | 77,420                  | 25,167    | 52,253                                 | 111,682   | 69,340    | 42,342                                 |
| Total Disbursements                   | 2,030,381               | 1,672,882 | 357,499                                | 2,422,550 | 1,990,765 | 431,785                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (113,241)               | 195,259   | 308,500                                | (421,611) | (87,438)  | 334,173                                |
| CASH, JANUARY 1                       | 430,635                 | 430,635   | 0                                      | 518,073   | 518,073   | 0                                      |
| CASH, DECEMBER 31                     | \$ 317,394              | 625,894   | 308,500                                | 96,462    | 430,635   | 334,173                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Intergovernmental                   | \$ 130,456 | 134,347       | 129,061 | 137,846 | 8,785         |  |
| Charges for services                | 0          | 528           | 0       | 427     | 427           |  |
| Interest                            | 0          | 628           | 0       | 903     | 903           |  |
| Other                               | 10,000     | 291           | 35,060  | 124     | (34,936)      |  |
| Transfers in                        | 63,676     | 79,000        | 33,859  | 35,000  | 1,141         |  |
| Total Receipts                      | 204,132    | 214,794       | 197,980 | 174,300 | (23,680)      |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Assessor                            | 204,132    | 204,256       | 196,840 | 169,930 | 26,910        |  |
| Total Disbursements                 | 204,132    | 204,256       | 196,840 | 169,930 | 26,910        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 10,538        | 1,140   | 4,370   | 3,230         |  |
| CASH, JANUARY 1                     | 5,140      | 5,140         | 770     | 770     | 0             |  |
| CASH, DECEMBER 31                   | \$ 5,140   | 15,678        | 1,910   | 5,140   | 3,230         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit E

ANDREW COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |        |  |         |        |  |
|-------------------------------------|----------|--------|--|---------|--------|--|
| 1999                                |          |        | 1998                                   |         |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |         |        |  |
| Charges for services                | \$ 3,600 | 2,471  | (1,129)                                | 3,600   | 2,205  | (1,395)                                |
| Intergovernmental                   | 0        | 2,288  | 2,288                                  | 0       | 1,456  | 1,456                                  |
| Interest                            | 300      | 391    | 91                                     | 300     | 406    | 106                                    |
| Total Receipts                      | 3,900    | 5,150  | 1,250                                  | 3,900   | 4,067  | 167                                    |
| DISBURSEMENTS                       |          |        |  |         |        |  |
| Sheriff                             | 7,500    | 2,551  | 4,949                                  | 4,500   | 2,745  | 1,755                                  |
| Equipment                           | 1,500    | 106    | 1,394                                  | 1,500   | 0      | 1,500                                  |
| Other                               | 1,500    | 29     | 1,471                                  | 1,500   | 28     | 1,472                                  |
| Total Disbursements                 | 10,500   | 2,686  | 7,814                                  | 7,500   | 2,773  | 4,727                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,600)  | 2,464  | 9,064                                  | (3,600) | 1,294  | 4,894                                  |
| CASH, JANUARY 1                     | 9,081    | 9,081  | 0                                      | 7,787   | 7,787  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,481 | 11,545 | 9,064                                  | 4,187   | 9,081  | 4,894                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit F

ANDREW COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY TRAINING FUND

|                                     | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|-------------------------|--------|--|---------|--------|--|
|                                     | 1999                    |        |  | 1998    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |        |  |
| Charges for services                | \$ 2,300                | 102    | (2,198)                                | 1,900   | 418    | (1,482)                                |
| Interest                            | 200                     | 118    | (82)                                   | 100     | 144    | 44                                     |
| Other                               | 0                       | 1,110  | 1,110                                  | 0       | 725    | 725                                    |
| Total Receipts                      | 2,500                   | 1,330  | (1,170)                                | 2,000   | 1,287  | (713)                                  |
| DISBURSEMENTS                       |                         |        |  |         |        |  |
| Prosecuting Attorney                | 2,500                   | 1,130  | 1,370                                  | 2,150   | 2,107  | 43                                     |
| Transfer to State of Mo             | 0                       | 0      | 0                                      | 1,000   | 0      | 1,000                                  |
| Total Disbursements                 | 2,500                   | 1,130  | 1,370                                  | 3,150   | 2,107  | 1,043                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 200    | 200                                    | (1,150) | (820)  | 330                                    |
| CASH, JANUARY 1                     | 2,067                   | 2,067  | 0                                      | 2,887   | 2,887  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,067                | 2,267  | 200                                    | 1,737   | 2,067  | 330                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit G

ANDREW COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT SALES TAX FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Sales taxes                         | \$ 350,000              | 385,456 | 35,456                                 | 335,000  | 372,543 | 37,543                                 |
| Intergovernmental                   | 50,000                  | 52,790  | 2,790                                  | 72,600   | 50,547  | (22,053)                               |
| Interest                            | 0                       | 11,703  | 11,703                                 | 0        | 0       | 0                                      |
| Other                               | 10,000                  | 5,554   | (4,446)                                | 0        | 7,086   | 7,086                                  |
| Transfer In                         | 0                       | 10,000  | 10,000                                 | 0        | 0       | 0                                      |
| Total Receipts                      | 410,000                 | 465,503 | 55,503                                 | 407,600  | 430,176 | 22,576                                 |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Salaries                            | 270,000                 | 263,030 | 6,970                                  | 255,070  | 238,401 | 16,669                                 |
| Fringe Benefits                     | 70,185                  | 62,307  | 7,878                                  | 35,505   | 40,653  | (5,148)                                |
| Office expenditures                 | 6,000                   | 3,341   | 2,659                                  | 6,000    | 3,386   | 2,614                                  |
| Equipment expenditures              | 50,500                  | 24,357  | 26,143                                 | 48,500   | 44,836  | 3,664                                  |
| Mileage and training                | 4,300                   | 4,132   | 168                                    | 3,500    | 2,042   | 1,458                                  |
| Other                               | 99,500                  | 44,531  | 54,969                                 | 152,412  | 45,319  | 107,093                                |
| Total Disbursements                 | 500,485                 | 401,698 | 98,787                                 | 500,987  | 374,637 | 126,350                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (90,485)                | 63,805  | 154,290                                | (93,387) | 55,539  | 148,926                                |
| CASH, JANUARY 1                     | 269,195                 | 269,195 | 0                                      | 213,656  | 213,656 | 0                                      |
| CASH, DECEMBER 31                   | \$ 178,710              | 333,000 | 154,290                                | 120,269  | 269,195 | 148,926                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

## ANDREW COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENTS SALES TAX FUND

| Year Ended December 31,             |            |         |  |          |         |  |
|-------------------------------------|------------|---------|--|----------|---------|--|
| 1999                                |            |         | 1998                                   |          |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |         |  |
| Sales taxes                         | \$ 87,500  | 96,326  | 8,826                                  | 83,000   | 93,138  | 10,138                                 |
| Other                               | 0          | 0       | 0                                      | 0        | 192     | 192                                    |
| Total Receipts                      | 87,500     | 96,326  | 8,826                                  | 83,000   | 93,330  | 10,330                                 |
| DISBURSEMENTS                       |            |         |  |          |         |  |
| Salaries                            | 10,000     | 3,415   | 6,585                                  | 10,000   | 2,395   | 7,605                                  |
| Fringe benefits                     | 1,815      | 451     | 1,364                                  | 2,000    | 416     | 1,584                                  |
| Capital improvements                | 150,000    | 86,103  | 63,897                                 | 150,000  | 16,410  | 133,590                                |
| Other                               | 11,474     | 3,946   | 7,528                                  | 16,277   | 4,754   | 11,523                                 |
| Total Disbursements                 | 173,289    | 93,915  | 79,374                                 | 178,277  | 23,975  | 154,302                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (85,789)   | 2,411   | 88,200                                 | (95,277) | 69,355  | 164,632                                |
| CASH, JANUARY 1                     | 223,204    | 223,204 | 0                                      | 153,849  | 153,849 | 0                                      |
| CASH, DECEMBER 31                   | \$ 137,415 | 225,615 | 88,200                                 | 58,572   | 223,204 | 164,632                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
JOHNSON GRASS FUND

| Year Ended December 31,             |           |          |  |         |         |  |
|-------------------------------------|-----------|----------|--|---------|---------|--|
| 1999                                |           |          | 1998                                   |         |         |  |
|                                     | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |          |  |         |         |  |
| Property taxes                      | \$ 35,522 | 41,885   | 6,363                                  | 30,000  | 34,952  | 4,952                                  |
| Intergovernmental                   | 300       | 253      | (47)                                   | 300     | 576     | 276                                    |
| Interest                            | 5,000     | 4,238    | (762)                                  | 4,000   | 5,078   | 1,078                                  |
| Other                               | 0         | 2        | 2                                      | 0       | 12      | 12                                     |
| Total Receipts                      | 40,822    | 46,378   | 5,556                                  | 34,300  | 40,618  | 6,318                                  |
| DISBURSEMENTS                       |           |          |  |         |         |  |
| Salaries                            | 26,500    | 20,029   | 6,471                                  | 10,600  | 11,051  | (451)                                  |
| Office expenditures                 | 1,850     | 2,371    | (521)                                  | 1,075   | 1,106   | (31)                                   |
| Equipment                           | 71,200    | 53,479   | 17,721                                 | 2,100   | 4,098   | (1,998)                                |
| Mileage and training                | 640       | 450      | 190                                    | 650     | 675     | (25)                                   |
| Other                               | 3,000     | 1,790    | 1,210                                  | 2,500   | 1,095   | 1,405                                  |
| Total Disbursements                 | 103,190   | 78,119   | 25,071                                 | 16,925  | 18,025  | (1,100)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (62,368)  | (31,741) | 30,627                                 | 17,375  | 22,593  | 5,218                                  |
| CASH, JANUARY 1                     | 112,374   | 112,374  | 0                                      | 89,781  | 89,781  | 0                                      |
| CASH, DECEMBER 31                   | \$ 50,006 | 80,633   | 30,627                                 | 107,156 | 112,374 | 5,218                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |          |               |          |        |               |  |
|-------------------------------------|----------|---------------|----------|--------|---------------|--|
| 1999                                |          |               | 1998     |        |               |  |
|                                     |          | Variance      |          |        | Variance      |  |
|                                     |          | Favorable     |          |        | Favorable     |  |
|                                     |          | (Unfavorable) |          |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget   | Actual |               |  |
| RECEIPTS                            |          |               |          |        |               |  |
| Charges for services                | \$ 8,400 | 8,454         | 7,500    | 7,578  | 78            |  |
| Interest                            | 600      | 828           | 400      | 1,427  | 1,027         |  |
| Total Receipts                      | 9,000    | 9,282         | 7,900    | 9,005  | 1,105         |  |
| DISBURSEMENTS                       |          |               |          |        |               |  |
| Recorder of Deeds                   | 17,850   | 3,249         | 18,740   | 6,045  | 12,695        |  |
| Total Disbursements                 | 17,850   | 3,249         | 18,740   | 6,045  | 12,695        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (8,850)  | 6,033         | (10,840) | 2,960  | 13,800        |  |
| CASH, JANUARY 1                     | 15,075   | 15,075        | 12,115   | 12,115 | 0             |  |
| CASH, DECEMBER 31                   | \$ 6,225 | 21,108        | 1,275    | 15,075 | 13,800        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |          |               |        |         |               |  |
|-------------------------------------|----------|---------------|--------|---------|---------------|--|
| 1999                                |          |               | 1998   |         |               |  |
|                                     |          | Variance      |        |         | Variance      |  |
|                                     |          | Favorable     |        |         | Favorable     |  |
|                                     |          | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |          |               |        |         |               |  |
| Charges for services                | \$ 6,500 | 6,060         | 11,929 | 6,112   | (5,817)       |  |
| Interest                            | 97       | 179           | 71     | 98      | 27            |  |
| Total Receipts                      | 6,597    | 6,239         | 12,000 | 6,210   | (5,790)       |  |
| DISBURSEMENTS                       |          |               |        |         |               |  |
| Prosecuting Attorney                | 8,830    | 3,538         | 12,000 | 9,406   | 2,594         |  |
| Total Disbursements                 | 8,830    | 3,538         | 12,000 | 9,406   | 2,594         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,233)  | 2,701         | 0      | (3,196) | (3,196)       |  |
| CASH, JANUARY 1                     | 2,233    | 2,233         | 5,429  | 5,429   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 4,934         | 5,429  | 2,233   | (3,196)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit L

ANDREW COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LOCAL EMERGENCY PLANNING COMMISSION FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        |  | 1998   |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 3,654 | 3,260  | (394)                                  | 0      | 6,720  | 6,720                                  |
| Interest                            | 150      | 292    | 142                                    | 0      | 170    | 170                                    |
| Other                               | 3,654    | 0      | (3,654)                                | 4,482  | 0      | (4,482)                                |
| Total Receipts                      | 7,458    | 3,552  | (3,906)                                | 4,482  | 6,890  | 2,408                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Emergency planning                  | 6,875    | 2,301  | 4,574                                  | 3,382  | 2,907  | 475                                    |
| Other                               | 252      | 453    | (201)                                  | 1,100  | 881    | 219                                    |
| Total Disbursements                 | 7,127    | 2,754  | 4,373                                  | 4,482  | 3,788  | 694                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 331      | 798    | 467                                    | 0      | 3,102  | 3,102                                  |
| CASH, JANUARY 1                     | 9,507    | 9,507  | 0                                      | 6,405  | 6,405  | 0                                      |
| CASH, DECEMBER 31                   | \$ 9,838 | 10,305 | 467                                    | 6,405  | 9,507  | 3,102                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FEMA FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Intergovernmental                   | \$ 72,000 | 3,606         | 58,370 | 58,370 | 0             |  |
| Total Receipts                      | 72,000    | 3,606         | 58,370 | 58,370 | 0             |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| FEMA                                | 72,000    | 30,100        | 58,370 | 24,122 | 34,248        |  |
| Total Disbursements                 | 72,000    | 30,100        | 58,370 | 24,122 | 34,248        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | (26,494)      | 0      | 34,248 | 34,248        |  |
| CASH, JANUARY 1                     | 34,248    | 34,248        | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 34,248 | 7,754         | 0      | 34,248 | 34,248        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ABUSE SHELTER FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,300 | 2,144         | 2,500  | 2,260  | (240)         |  |
| Total Receipts                      | 2,300    | 2,144         | 2,500  | 2,260  | (240)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Abuse shelter                       | 2,300    | 2,144         | 2,500  | 2,260  | 240           |  |
| Total Disbursements                 | 2,300    | 2,144         | 2,500  | 2,260  | 240           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 0             | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0        | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 0             | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit O

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

| Year Ended December 31,             |          |        |  |         |        |  |
|-------------------------------------|----------|--------|--|---------|--------|--|
| 1999                                |          |        | 1998                                   |         |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |         |        |  |
| Interest                            | \$ 1,500 | 1,615  | 115                                    | 1,500   | 1,736  | 236                                    |
| Total Receipts                      | 1,500    | 1,615  | 115                                    | 1,500   | 1,736  | 236                                    |
| DISBURSEMENTS                       |          |        |  |         |        |  |
| Associate Circuit Clerk             | 4,000    | 1,059  | 2,941                                  | 3,000   | 1,289  | 1,711                                  |
| Total Disbursements                 | 4,000    | 1,059  | 2,941                                  | 3,000   | 1,289  | 1,711                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,500)  | 556    | 3,056                                  | (1,500) | 447    | 1,947                                  |
| CASH, JANUARY 1                     | 3,657    | 3,657  | 0                                      | 3,210   | 3,210  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,157 | 4,213  | 3,056                                  | 1,710   | 3,657  | 1,947                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |    |               |        |         |               |  |
|-------------------------------------|----|---------------|--------|---------|---------------|--|
| 1999                                |    |               | 1998   |         |               |  |
|                                     |    | Variance      |        |         | Variance      |  |
|                                     |    | Favorable     |        |         | Favorable     |  |
|                                     |    | (Unfavorable) |        |         | (Unfavorable) |  |
| Budget                              |    | Actual        | Budget |         | Actual        |  |
| RECEIPTS                            |    |               |        |         |               |  |
| Interest                            | \$ | 2,250         | 2,443  | 193     |               |  |
| Total Receipts                      |    | 2,250         | 2,443  | 193     |               |  |
| DISBURSEMENTS                       |    |               |        |         |               |  |
| Office expenditures                 |    | 3,950         | 2,396  | 1,554   |               |  |
| Equipment expenditures              |    | 0             | 1,000  | (1,000) |               |  |
| Total Disbursements                 |    | 3,950         | 3,396  | 554     |               |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (1,700)       | (953)  | 747     |               |  |
| CASH, JANUARY 1                     |    | 7,380         | 7,380  | 0       |               |  |
| CASH, DECEMBER 31                   | \$ | 5,680         | 6,427  | 747     |               |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 6,500 | 6,270         | 4,200   | 6,130  | 1,930         |  |
| Interest                            | 100      | 221           | 0       | 111    | 111           |  |
| Total Receipts                      | 6,600    | 6,491         | 4,200   | 6,241  | 2,041         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Law library                         | 800      | 0             | 2,600   | 2,275  | 325           |  |
| Subscriptions                       | 2,800    | 1,990         | 2,600   | 1,873  | 727           |  |
| Total Disbursements                 | 3,600    | 1,990         | 5,200   | 4,148  | 1,052         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 3,000    | 4,501         | (1,000) | 2,093  | 3,093         |  |
| CASH, JANUARY 1                     | 3,916    | 3,916         | 1,823   | 1,823  | 0             |  |
| CASH, DECEMBER 31                   | \$ 6,916 | 8,417         | 823     | 3,916  | 3,093         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

ANDREW COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RESERVE DEPUTY FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 3,000 | 3,872         | 3,000  | 2,559  | (441)         |  |
| Total Receipts                      | 3,000    | 3,872         | 3,000  | 2,559  | (441)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff equipment                   | 4,000    | 2,569         | 2,500  | 2,460  | 40            |  |
| Total Disbursements                 | 4,000    | 2,569         | 2,500  | 2,460  | 40            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,000)  | 1,303         | 500    | 99     | (401)         |  |
| CASH, JANUARY 1                     | 6,177    | 6,177         | 6,078  | 6,078  | 0             |  |
| CASH, DECEMBER 31                   | \$ 5,177 | 7,480         | 6,578  | 6,177  | (401)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

ANDREW COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S CIVIL FEES FUND

| Year Ended December 31,             |           |        |  |
|-------------------------------------|-----------|--------|--|
| 1999                                |           |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |
| Charges for services                | \$ 15,000 | 42,737 | 27,737                                 |
| Total Receipts                      | 15,000    | 42,737 | 27,737                                 |
| DISBURSEMENTS                       |           |        |  |
| Sheriff equipment                   | 26,500    | 40,156 | (13,656)                               |
| Total Disbursements                 | 26,500    | 40,156 | (13,656)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (11,500)  | 2,581  | 14,081                                 |
| CASH, JANUARY 1                     | 42,667    | 42,667 | 0                                      |
| CASH, DECEMBER 31                   | \$ 31,167 | 45,248 | 14,081                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit T

ANDREW COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 117,387              | 140,147 | 22,760                                 | 115,704 | 117,960 | 2,256                                  |
| Intergovernmental                   | 145,120                 | 162,825 | 17,705                                 | 158,990 | 164,250 | 5,260                                  |
| Charges for services                | 10,000                  | 9,737   | (263)                                  | 5,500   | 8,216   | 2,716                                  |
| Interest                            | 4,300                   | 8,086   | 3,786                                  | 0       | 4,194   | 4,194                                  |
| Other                               | 12,000                  | 13,216  | 1,216                                  | 0       | 12,301  | 12,301                                 |
| Total Receipts                      | 288,807                 | 334,011 | 45,204                                 | 280,194 | 306,919 | 26,725                                 |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 192,025                 | 175,677 | 16,348                                 | 192,025 | 183,273 | 8,752                                  |
| Supplies/Services                   | 66,055                  | 59,271  | 6,784                                  | 64,970  | 60,937  | 4,033                                  |
| Equipment                           | 1,500                   | 2,029   | (529)                                  | 2,500   | 2,207   | 293                                    |
| Mileage & Training                  | 6,700                   | 7,571   | (871)                                  | 6,000   | 6,021   | (21)                                   |
| Contract Services                   | 9,800                   | 8,863   | 937                                    | 0       | 5,577   | (5,577)                                |
| Other                               | 15,089                  | 20,693  | (5,604)                                | 3,000   | 10,488  | (7,488)                                |
| Total Disbursements                 | 291,169                 | 274,104 | 17,065                                 | 268,495 | 268,504 | (9)                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,362)                 | 59,907  | 62,269                                 | 11,699  | 38,415  | 26,716                                 |
| CASH, JANUARY 1                     | 170,492                 | 170,492 | 0                                      | 132,077 | 132,077 | 0                                      |
| CASH, DECEMBER 31                   | \$ 168,130              | 230,399 | 62,269                                 | 143,776 | 170,492 | 26,716                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit U

## ANDREW COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

## SENATE BILL 40 FUND

| Year Ended December 31,             |            |         |  |          |         |  |
|-------------------------------------|------------|---------|--|----------|---------|--|
| 1999                                |            |         |  | 1998     |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |         |  |
| Property taxes                      | \$ 100,000 | 116,514 | 16,514                                 | 90,000   | 105,019 | 15,019                                 |
| Interest                            | 0          | 8,877   | 8,877                                  | 0        | 3,888   | 3,888                                  |
| Intergovernmental                   | 0          | 188     | 188                                    | 0        | 1,191   | 1,191                                  |
| Total Receipts                      | 100,000    | 125,579 | 25,579                                 | 90,000   | 110,098 | 20,098                                 |
| DISBURSEMENTS                       |            |         |  |          |         |  |
| Funding for services                | 185,000    | 81,632  | 103,368                                | 94,000   | 41,500  | 52,500                                 |
| Office expenditures                 | 17,250     | 7,145   | 10,105                                 | 4,000    | 2,059   | 1,941                                  |
| Mileage and training                | 2,000      | 660     | 1,340                                  | 2,000    | 298     | 1,702                                  |
| Total Disbursements                 | 204,250    | 89,437  | 114,813                                | 100,000  | 43,857  | 56,143                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (104,250)  | 36,142  | 140,392                                | (10,000) | 66,241  | 76,241                                 |
| CASH, JANUARY 1                     | 136,809    | 136,809 | 0                                      | 70,568   | 70,568  | 0                                      |
| CASH, DECEMBER 31                   | \$ 32,559  | 172,951 | 140,392                                | 60,568   | 136,809 | 76,241                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



ANDREW COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Andrew County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Johnson Grass Board, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>               | <u>Years Ended December 31,</u> |
|---------------------------|---------------------------------|
| Cemetery Trust Fund       | 1999 and 1998                   |
| Ford Farm Fund            | 1999 and 1998                   |
| Sheriff's Civil Fees Fund | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>               | <u>Years Ended December 31,</u> |
|---------------------------|---------------------------------|
| Assessment Fund           | 1999                            |
| Johnson Grass Fund        | 1998                            |
| Sheriff's Civil Fees Fund | 1999                            |
| Health Center Fund        | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                      | <u>Years Ended December 31,</u> |
|----------------------------------|---------------------------------|
| Circuit Division Interest Fund   | 1999 and 1998                   |
| Associate Division Interest Fund | 1999 and 1998                   |
| Senate Bill 40 Board Fund        | 1999 and 1998                   |
| Law Library Fund                 | 1999                            |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*,

disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

### Deposits

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's and Senate Bill 40 Board's deposits at December 31, 1999 and 1998 were entirely covered by federal depositary insurance.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

### Investments

The various funds' investments are composed of the following:

|  | December 31,       |               |                    |               |
|--|--------------------|---------------|--------------------|---------------|
|  | 1999               |               | 1998               |               |
|  | Reported<br>Amount | Fair<br>Value | Reported<br>Amount | Fair<br>Value |
| U.S. Government Bonds                              | \$ 48,425          | 48,425        | 47,425             | 47,425        |
| American Telephone and<br>Telegraph Debenture Bond | 0                  | 0             | 3,000              | 3,000         |
| Stocks   | 6,048              | 475,412       | 6,048              | 444,555       |
| Total  | \$ 54,473          | 523,837       | 56,473             | 494,980       |

These investments were held by the County Clerk in the county's name.

## Supplementary Schedule

# Schedule

ANDREW COUNTY, MISSOURI

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                       | Federal Grantor/Pass-Through Grantor/Program Title                  | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|---|---|-------------------------|---------|
|   |   |   | Year Ended December 31, |         |
|   |   |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                                 |   |   |                         |         |
| Passed through state:   |   |   |                         |         |
| Department of Social Services -                                 |   |   |                         |         |
| 10.6  | Food Distribution   | N/A   | \$ 0                    | 2       |
| Department of Health -  |   |   |                         |         |
| 10.6  | Special Supplemental Nutrition Program                              | ER0045-91                                       | 33,088                  | 0       |
|   | for Women, Infants, and Children                                    | ER0045-81                                       | 0                       | 28,540  |
|   | Program Total   |   | 33,088                  | 28,540  |
| U.S. DEPARTMENT OF JUSTICE                                      |   |   |                         |         |
| Direct programs:  |   |   |                         |         |
| 16.7  | Public Safety Partnership and<br>Community Policing ("Cops") Grants | 97-VMWX-0637                                    | 30,072                  | 20,370  |
| U. S. DEPARTMENT OF TRANSPORTATION                              |   |   |                         |         |
| Passed through state Highway and<br>Transportation Commission - |   |   |                         |         |
| 20.2  | Highway Planning and Construction                                   | BRO-002 (20)                                    | 538                     | 183,878 |
|   |   | BRO-002 (23)                                    | 26,008                  | 111,678 |
|   |   | BRO-002 (24)                                    | 0                       | 11,317  |
|   |   | BRO-002 (26)                                    | 30,064                  | 52,191  |
|   |   | BRO-002 (25)                                    | 9,050                   | 0       |
|   |   | BRO-002 (27)                                    | 6,657                   | 0       |
|   | Program Total   |   | 72,317                  | 359,064 |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                             |   |   |                         |         |
| Passed through state Department of Public Safety:               |   |   |                         |         |
| 83.5  | Emergency Management - State and Local Assistance                   | EMK-99-PA0074                                   | 30,100                  | 0       |

|   |   |                |                   |                |
|---|---|----------------|-------------------|----------------|
|   |   | EMK-98-PA0074  | <u>0</u>          | <u>24,122</u>  |
|   | Program Total                                     |                | <u>30,100</u>     | <u>24,122</u>  |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |                |                   |                |
| Passed through state:                         |   |                |                   |                |
| Department of Health -                        |   |                |                   |                |
| 93.3  | Immunization Grants                               | N/A            | 5,638             | 4,169          |
|   |   | PG0064-9101    | 2,060             | 0              |
|   |   | PG0064-8101    | <u>0</u>          | <u>8,195</u>   |
|   | Program Total                                     |                | <u>7,698</u>      | <u>12,364</u>  |
| ::  |   |                |                   |                |
| Department of Health -                        |   |                |                   |                |
| 94.0  | Preventive Health and Health Services Block Grant | N/A            | 67                | 108            |
|   |   | N/A            | <u>13,397</u>     | <u>14,278</u>  |
|   | Program Total                                     |                | <u>13,464</u>     | <u>14,386</u>  |
| 94.0  | Maternal and Child Health Services                | N/A            | 336               | 379            |
|   |   | ER0146-9101MCH | 23,855            | 0              |
|   |   | ER0146-8101MCH | 0                 | 9,118          |
|   |   | ER0175-9101FP  | 19,800            | 0              |
|   |   | ER0175-8101FP  | <u>0</u>          | <u>36,450</u>  |
|   | Program Total                                     |                | <u>43,991</u>     | <u>45,947</u>  |
|   | Total Expenditures of Federal Awards              |                | <u>\$ 230,730</u> | <u>504,795</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

ANDREW COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Andrew County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$5,638 and \$4,169 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control, but distributed to the Health Center through the State Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$67 and



\$108 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$336 and \$379 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Andrew County, Missouri

Compliance

We have audited the compliance of Andrew County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Andrew County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

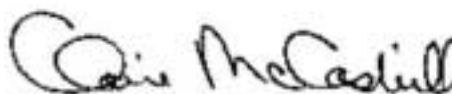
#### Internal Control Over Compliance

The management of Andrew County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Andrew County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

May 16, 2000 (fieldwork completion date)

Schedule

ANDREW COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 and 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major program:

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major program:

|  |                                   |
|--|-----------------------------------|
| CFDA or<br>Other Identifying<br>Number | <u>Program Title</u>              |
| 20.205                                 | Highway Planning and Construction |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes      x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|              |   |
|--------------|---|
| <b>99-1.</b> | <b>Schedule Of Expenditures Of Federal Awards</b> |
|--------------|---|

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Transportation            |
| Pass-Through Grantor: | Highway and Transportation Commission        |
| Federal CFDA Number:  | 20.205                                       |
| Program Title:        | Highway Planning and Construction            |
| Pass-Through Entity   |  |
| Identifying Number:   | BRO-002(20), BRO-002(23) through BRO-002(27) |
| Award Year:           | 1999 and 1998                                |
| Questioned Costs:     | N/A  |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have a procedure in place to adequately track federal awards for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 1999 and 1998; however, the information presented for many of the programs did not agree to county's expenditure records.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.



**WE RECOMMEND** the County Clerk prepares a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

**AUDITEE'S RESPONSE**

*We will ensure this is done during the preparation of the year 2000 SEFA schedule prepared in January 2001.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

ANDREW COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

ANDREW COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## SECTION ON OTHER MATTERS

ANDREW COUNTY, MISSOURI  
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Andrew County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 16, 2000. We also have audited the compliance of Andrew County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 16, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Andrew County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1.     County Budgets

Budgets were not prepared for some county funds and budgeted amounts for some funds were unreasonable. In addition, expenditures exceeded budgeted disbursements for some county funds.

2.     Collector's Annual Settlement

The annual settlements prepared for the years ended February 28 (29), 2000 and 1999 were not accurate and various errors were noted in amounts presented. Additionally, while a copy of the Collector's annual settlement is filed with the County Clerk, it is not reviewed or approved by the County Commission and thus, the errors went undetected.

This Letter on Other Matters is intended for the information of the management of Andrew County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



LINN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-104  
September 26, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Linn, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

---

This audit of Linn County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Linn County has no county jail. Therefore, the Sheriff's Department must board its prisoners in surrounding jails. In February 1999, Linn County entered into a contract with Livingston County to provide accommodations for up to seven prisoners for a daily rate of \$210. The boarding rate is \$35 per day for each prisoner in excess of seven. A review of the February 1999 through July 2000 monthly board bills determined there were less than seven prisoners at the Livingston County jail 436 days out of the possible 547 days with an average of less than five prisoners per day. During this time period prisoners were also boarded in other counties. The county would have spent approximately \$23,500 less had it paid only for prisoners actually boarded in Livingston County at the normal daily boarding rate of \$35. A formal cost-benefit analysis was not performed to determine the best and most economical means of obtaining prisoner boarding services prior to entering into this contract. Additionally, the contract with Livingston County was renewed for 2000 with no changes in contract terms and the county could provide no documentation to demonstrate they had further reviewed the contract arrangement and related costs.
- As noted in the prior audit, budgets were not prepared for various county funds for the years ended December 31, 1999 and 1998. The lack of budgetary information for these funds is a significant omission from the county's financial statements. Receipts which were not budgeted totaled more than \$195,000 and \$280,000 in 1999 and 1998, respectively. Disbursements which were not budgeted totaled more than \$198,000 and \$274,000 in 1999 and 1998, respectively.

(over)

YELLOW SHEET

- The county does not have a procedure in place to track federal financial assistance for the preparation of the schedule of expenditures of federal awards. The county's schedule contained numerous errors and omissions. An accurate schedule of expenditures of federal awards is necessary to ensure federal financial activity is audited and reported in accordance with federal audit requirements.

Also included in the audit are recommendations to improve the county's expenditure procedures, computer controls, and property tax system records. Additionally, it was noted that the Sheriff's department deputies and reserve deputies maintain a checking account outside the county treasury to handle donations and fundraising proceeds, and sponsor programs for area youth. The audit found that some monies deposited into this account represent county monies and should have been deposited into the county treasury.

**Copies of the audit are available upon request.**

# LINN COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Linn County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Linn County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Linn County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Linn County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling \$195,175 and \$280,766 in receipts and \$198,080 and \$274,213 in disbursements for the years ended December 31, 1999 and 1998, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive

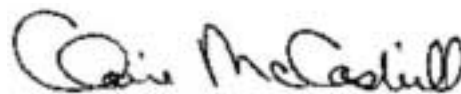
basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Linn County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 19, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Linn County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

July 19, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Regina Pruitt, CPA    |
| In-Charge Auditor:  | Lori Bryant           |
| Audit Staff:        | Brian Benter          |
|                     | David Gregg           |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Linn County, Missouri

We have audited the special-purpose financial statements of various funds of Linn County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Linn County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

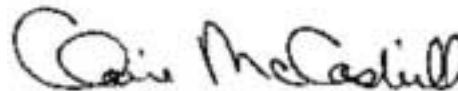
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Linn County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial

reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 99-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Linn County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 19, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

LINN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                  | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                       | \$ 316,903         | 1,060,044 | 1,011,164     | 365,783              |
| Special Road and Bridge               | 221,085            | 1,610,957 | 1,402,224     | 429,818              |
| Assessment                            | 663                | 142,295   | 142,789       | 169                  |
| Law Enforcement Training              | 4,376              | 3,011     | 3,835         | 3,552                |
| Prosecuting Attorney Training         | 5,642              | 512       | 50            | 6,104                |
| 911                                   | (11,020)           | 116,429   | 94,955        | 10,454               |
| Recorder's User Fees                  | 8,699              | 6,495     | 0             | 15,194               |
| Prosecuting Attorney Bad Check        | 21,510             | 9,922     | 5,731         | 25,701               |
| Domestic Violence                     | 450                | 425       | 420           | 455                  |
| Juvenile Office Grant                 | (6,051)            | 23,775    | 23,838        | (6,114)              |
| Sheriff Civil Fee                     | 6,646              | 0         | 6,646         | 0                    |
| Grant                                 | 0                  | 13,954    | 13,954        | 0                    |
| DFS Grant                             | 0                  | 6,659     | 11,860        | (5,201)              |
| CDBG - Linn County PWSD #1            | 0                  | 146,219   | 146,219       | 0                    |
| CDBG - Linn/Livingston Rural Water #3 | 0                  | 24,000    | 24,000        | 0                    |
| Health Center                         | 475,693            | 593,454   | 520,747       | 548,400              |
| Law Library                           | 5,206              | 2,884     | 1,396         | 6,694                |
| Probate Division Interest             | 56                 | 1         | 57            | 0                    |
| Associate Division Interest           | 2,401              | 328       | 218           | 2,511                |
| Circuit Clerk's Interest              | 1,638              | 1,130     | 376           | 2,392                |
| Total                                 | \$ 1,053,897       | 3,762,494 | 3,410,479     | 1,405,912            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LINN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                           | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                | \$ 215,702         | 1,144,677 | 1,043,476     | 316,903              |
| Special Road and Bridge        | 410,599            | 1,336,459 | 1,525,973     | 221,085              |
| Assessment                     | 14,597             | 121,767   | 135,701       | 663                  |
| Law Enforcement Training       | 4,037              | 3,965     | 3,626         | 4,376                |
| Prosecuting Attorney Training  | 5,613              | 556       | 527           | 5,642                |
| 911                            | (8,694)            | 112,423   | 114,749       | (11,020)             |
| Recorder's User Fees           | 12,085             | 6,450     | 9,836         | 8,699                |
| Prosecuting Attorney Bad Check | 17,041             | 7,897     | 3,428         | 21,510               |
| Domestic Violence              | 1,000              | 420       | 970           | 450                  |
| Use Tax                        | 189,423            | 0         | 189,423       | 0                    |
| Juvenile Office Grant          | (3,742)            | 13,269    | 15,578        | (6,051)              |
| Sheriff Civil Fee              | 0                  | 6,646     | 0             | 6,646                |
| Microfilm Grant                | (1,792)            | 1,792     | 0             | 0                    |
| CDBG - Linn County PWSD #1     | 0                  | 269,781   | 269,781       | 0                    |
| Health Center                  | 384,083            | 588,972   | 497,362       | 475,693              |
| Law Library                    | 4,188              | 2,771     | 1,753         | 5,206                |
| Probate Division Interest      | 55                 | 1         | 0             | 56                   |
| Associate Division Interest    | 2,027              | 431       | 57            | 2,401                |
| Circuit Clerk's Interest       | 3,124              | 1,136     | 2,622         | 1,638                |
| Total                          | \$ 1,249,346       | 3,619,413 | 3,814,862     | 1,053,897            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|   | Year Ended December 31, |           |  |           |           |  |
|---|-------------------------|-----------|--|-----------|-----------|--|
|   | 1999                    |           |  | 1998      |           |  |
|   | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                           |                         |           |  |           |           |  |
| Property taxes                            | \$ 88,500               | 94,208    | 5,708                                  | 84,000    | 91,984    | 7,984                                  |
| Sales and use taxes                       | 560,000                 | 589,258   | 29,258                                 | 504,000   | 581,876   | 77,876                                 |
| Intergovernmental                         | 150,023                 | 120,042   | (29,981)                               | 121,000   | 124,872   | 3,872                                  |
| Charges for services                      | 163,100                 | 172,747   | 9,647                                  | 136,000   | 171,987   | 35,987                                 |
| Interest                                  | 22,000                  | 21,200    | (800)                                  | 20,000    | 23,649    | 3,649                                  |
| Other                                     | 27,915                  | 28,847    | 932                                    | 26,950    | 30,497    | 3,547                                  |
| Transfers in                              | 35,980                  | 33,742    | (2,238)                                | 110,419   | 119,812   | 9,393                                  |
| Total Receipts                            | 1,047,518               | 1,060,044 | 12,526                                 | 1,002,369 | 1,144,677 | 142,308                                |
| <b>DISBURSEMENTS</b>                      |                         |           |  |           |           |  |
| County Commission                         | 63,907                  | 63,424    | 483                                    | 58,029    | 57,480    | 549                                    |
| County Clerk                              | 70,718                  | 65,336    | 5,382                                  | 80,511    | 73,017    | 7,494                                  |
| Elections                                 | 35,200                  | 22,848    | 12,352                                 | 60,850    | 53,473    | 7,377                                  |
| Buildings and grounds                     | 104,769                 | 59,112    | 45,657                                 | 66,029    | 55,296    | 10,733                                 |
| Employee fringe benefits                  | 103,000                 | 74,996    | 28,004                                 | 88,000    | 65,086    | 22,914                                 |
| County Treasurer and Ex Officio Collector | 63,515                  | 60,991    | 2,524                                  | 61,772    | 56,458    | 5,314                                  |
| Ex Officio Recorder of Deeds              | 37,475                  | 33,513    | 3,962                                  | 46,100    | 44,032    | 2,068                                  |
| Circuit Clerk                             | 20,020                  | 13,712    | 6,308                                  | 21,286    | 19,099    | 2,187                                  |
| Associate Circuit and Probate Court       | 17,150                  | 10,654    | 6,496                                  | 18,000    | 14,809    | 3,191                                  |
| Court administration                      | 14,500                  | 15,169    | (669)                                  | 22,780    | 18,514    | 4,266                                  |
| Public Administrator                      | 16,200                  | 18,098    | (1,898)                                | 15,245    | 21,802    | (6,557)                                |
| Sheriff                                   | 235,436                 | 229,581   | 5,855                                  | 201,828   | 223,295   | (21,467)                               |
| Board of prisoners and prisoner care      | 130,000                 | 113,786   | 16,214                                 | 130,000   | 77,858    | 52,142                                 |
| Prosecuting Attorney                      | 62,648                  | 67,898    | (5,250)                                | 62,425    | 59,250    | 3,175                                  |
| Juvenile Officer                          | 63,932                  | 55,860    | 8,072                                  | 86,678    | 78,940    | 7,738                                  |
| County Coroner                            | 12,220                  | 8,090     | 4,130                                  | 11,165    | 10,613    | 552                                    |
| Insurance                                 | 23,500                  | 20,950    | 2,550                                  | 20,000    | 22,215    | (2,215)                                |
| University Extension                      | 18,500                  | 18,500    | 0                                      | 17,500    | 17,500    | 0                                      |
| Copy Machines                             | 11,500                  | 10,900    | 600                                    | 12,000    | 10,610    | 1,390                                  |
| Legal Fees                                | 60,000                  | 10,456    | 49,544                                 | 72,939    | 53,117    | 19,822                                 |
| Planning and Zoning                       | 5,000                   | 0         | 5,000                                  | 5,000     | 0         | 5,000                                  |
| Public health and welfare services        | 800                     | 800       | 0                                      | 300       | 300       | 0                                      |
| Other                                     | 19,519                  | 20,575    | (1,056)                                | 16,965    | 10,712    | 6,253                                  |
| Transfers out                             | 27,400                  | 15,915    | 11,485                                 | 0         | 0         | 0                                      |
| Emergency Fund                            | 70,000                  | 0         | 70,000                                 | 40,000    | 0         | 40,000                                 |
| Total Disbursements                       | 1,286,909               | 1,011,164 | 275,745                                | 1,215,402 | 1,043,476 | 171,926                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS       | (239,391)               | 48,880    | 288,271                                | (213,033) | 101,201   | 314,234                                |
| CASH, JANUARY 1                           | 316,903                 | 316,903   | 0                                      | 215,702   | 215,702   | 0                                      |
| CASH, DECEMBER 31                         | \$ 77,512               | 365,783   | 288,271                                | 2,669     | 316,903   | 314,234                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit C

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                       |                         |           |  |           |           |  |
| Property taxes                        | \$ 43,000               | 43,390    | 390                                    | 36,000    | 42,306    | 6,306                                  |
| Sales taxes                           | 475,000                 | 535,582   | 60,582                                 | 474,000   | 490,341   | 16,341                                 |
| Intergovernmental                     | 1,862,200               | 999,256   | (862,944)                              | 1,192,408 | 761,869   | (430,539)                              |
| Interest                              | 28,000                  | 25,025    | (2,975)                                | 37,500    | 30,350    | (7,150)                                |
| Other                                 | 1,000                   | 7,704     | 6,704                                  | 0         | 3,231     | 3,231                                  |
| Transfers in                          | 0                       | 0         | 0                                      | 8,362     | 8,362     | 0                                      |
| Total Receipts                        | 2,409,200               | 1,610,957 | (798,243)                              | 1,748,270 | 1,336,459 | (411,811)                              |
| <b>DISBURSEMENTS</b>                  |                         |           |  |           |           |  |
| Salaries                              | 140,000                 | 106,941   | 33,059                                 | 140,000   | 120,567   | 19,433                                 |
| Employee fringe benefits              | 47,000                  | 28,648    | 18,352                                 | 45,000    | 23,674    | 21,326                                 |
| Supplies                              | 5,000                   | 2,711     | 2,289                                  | 3,200     | 2,957     | 243                                    |
| Insurance                             | 2,000                   | 2,013     | (13)                                   | 2,000     | 960       | 1,040                                  |
| Road and bridge materials             | 205,000                 | 187,968   | 17,032                                 | 190,000   | 261,806   | (71,806)                               |
| Equipment purchases                   | 54,000                  | 55,718    | (1,718)                                | 29,000    | 18,941    | 10,059                                 |
| Construction, repair, and maintenance | 1,441,750               | 225,326   | 1,216,424                              | 976,000   | 389,161   | 586,839                                |
| Distributions to townships:           |                         |           |  |           |           |  |
| Sales taxes                           | 470,000                 | 471,937   | (1,937)                                | 470,000   | 416,051   | 53,949                                 |
| County aid road trust monies          | 121,298                 | 121,787   | (489)                                  | 161,730   | 161,730   | 0                                      |
| Federal emergency management monies   | 0                       | 172,079   | (172,079)                              | 0         | 0         | 0                                      |
| Capital Improvements                  | 50,000                  | 0         | 50,000                                 | 33,002    | 102,509   | (69,507)                               |
| Transfers out                         | 32,000                  | 27,096    | 4,904                                  | 20,000    | 27,617    | (7,617)                                |
| Total Disbursements                   | 2,568,048               | 1,402,224 | 1,165,824                              | 2,069,932 | 1,525,973 | 543,959                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (158,848)               | 208,733   | 367,581                                | (321,662) | (189,514) | 132,148                                |
| CASH, JANUARY 1                       | 221,085                 | 221,085   | 0                                      | 410,599   | 410,599   | 0                                      |
| CASH, DECEMBER 31                     | \$ 62,237               | 429,818   | 367,581                                | 88,937    | 221,085   | 132,148                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |          |          |  |
|-------------------------------------|------------|---------|--|----------|----------|--|
| 1999                                |            |         | 1998                                   |          |          |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |          |  |
| Intergovernmental                   | \$ 128,429 | 129,216 | 787                                    | 121,020  | 118,858  | (2,162)                                |
| Interest                            | 1,800      | 834     | (966)                                  | 1,200    | 2,350    | 1,150                                  |
| Other                               | 200        | 145     | (55)                                   | 100      | 559      | 459                                    |
| Transfers in                        | 17,400     | 12,100  | (5,300)                                | 0        | 0        | 0                                      |
| Total Receipts                      | 147,829    | 142,295 | (5,534)                                | 122,320  | 121,767  | (553)                                  |
| DISBURSEMENTS                       |            |         |  |          |          |  |
| Assessor                            | 147,799    | 142,789 | 5,010                                  | 136,873  | 135,701  | 1,172                                  |
| Total Disbursements                 | 147,799    | 142,789 | 5,010                                  | 136,873  | 135,701  | 1,172                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 30         | (494)   | (524)                                  | (14,553) | (13,934) | 619                                    |
| CASH, JANUARY 1                     | 663        | 663     | 0                                      | 14,597   | 14,597   | 0                                      |
| CASH, DECEMBER 31                   | \$ 693     | 169     | (524)                                  | 44       | 663      | 619                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|----|-------------------------|--------|--|---------|--------|--|
|                                     |    | 1999                    |        |  | 1998    |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |         |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget  | Actual |  |
| RECEIPTS                            |    |                         |        |  |         |        |  |
| Intergovernmental                   | \$ | 0                       | 965    | 965                                    | 0       | 1,733  | 1,733                                  |
| Charges for services                |    | 4,000                   | 2,046  | (1,954)                                | 1,700   | 2,232  | 532                                    |
| Total Receipts                      |    | 4,000                   | 3,011  | (989)                                  | 1,700   | 3,965  | 2,265                                  |
| DISBURSEMENTS                       |    |                         |        |  |         |        |  |
| Sheriff                             |    | 4,300                   | 3,835  | 465                                    | 4,368   | 3,626  | 742                                    |
| Total Disbursements                 |    | 4,300                   | 3,835  | 465                                    | 4,368   | 3,626  | 742                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (300)                   | (824)  | (524)                                  | (2,668) | 339    | 3,007                                  |
| CASH, JANUARY 1                     |    | 4,376                   | 4,376  | 0                                      | 4,037   | 4,037  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 4,076                   | 3,552  | (524)                                  | 1,369   | 4,376  | 3,007                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 550                     | 512    | (38)                                   | 1,500  | 556    | (944)                                  |
| Total Receipts                      |    | 550                     | 512    | (38)                                   | 1,500  | 556    | (944)                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 1,000                   | 50     | 950                                    | 1,700  | 527    | 1,173                                  |
| Transfers out                       |    | 2,500                   | 0      | 2,500                                  | 0      | 0      | 0                                      |
| Total Disbursements                 |    | 3,500                   | 50     | 3,450                                  | 1,700  | 527    | 1,173                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (2,950)                 | 462    | 3,412                                  | (200)  | 29     | 229                                    |
| CASH, JANUARY 1                     |    | 5,642                   | 5,642  | 0                                      | 5,613  | 5,613  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 2,692                   | 6,104  | 3,412                                  | 5,413  | 5,642  | 229                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

LINN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
911 FUND

| Year Ended December 31,             |            |          |  |         |          |  |
|-------------------------------------|------------|----------|--|---------|----------|--|
| 1999                                |            |          | 1998                                   |         |          |  |
|                                     | Budget     | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |          |  |         |          |  |
| Charges for services                | \$ 115,423 | 116,300  | 877                                    | 113,160 | 112,423  | (737)                                  |
| Interest                            | 0          | 129      | 129                                    | 0       | 0        | 0                                      |
| Total Receipts                      | 115,423    | 116,429  | 1,006                                  | 113,160 | 112,423  | (737)                                  |
| DISBURSEMENTS                       |            |          |  |         |          |  |
| Personal services                   | 31,329     | 31,328   | 1                                      | 38,588  | 47,776   | (9,188)                                |
| Contractual services                | 66,436     | 63,597   | 2,839                                  | 68,436  | 66,973   | 1,463                                  |
| Office supplies                     | 100        | 30       | 70                                     | 50      | 0        | 50                                     |
| Training and education              | 1,000      | 0        | 1,000                                  | 850     | 0        | 850                                    |
| Total Disbursements                 | 98,865     | 94,955   | 3,910                                  | 107,924 | 114,749  | (6,825)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 16,558     | 21,474   | 4,916                                  | 5,236   | (2,326)  | (7,562)                                |
| CASH, JANUARY 1                     | (11,020)   | (11,020) | 0                                      | (8,694) | (8,694)  | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,538   | 10,454   | 4,916                                  | (3,458) | (11,020) | (7,562)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 RECORDER'S USER FEES FUND

|                                     | Year Ended December 31, |        |  |        |         |  |
|-------------------------------------|-------------------------|--------|--|--------|---------|--|
|                                     | 1999                    |        |  | 1998   |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |         |  |
| Charges for services                | \$ 5,700                | 6,078  | 378                                    | 5,500  | 5,862   | 362                                    |
| Interest                            | 0                       | 417    | 417                                    | 600    | 588     | (12)                                   |
| Total Receipts                      | 5,700                   | 6,495  | 795                                    | 6,100  | 6,450   | 350                                    |
| DISBURSEMENTS                       |                         |        |  |        |         |  |
| Software Support & Printer          | 8,000                   | 0      | 8,000                                  | 0      | 0       | 0                                      |
| Maintenance                         | 1,200                   | 0      | 1,200                                  | 800    | 1,029   | (229)                                  |
| Bookbinding                         | 4,000                   | 0      | 4,000                                  | 5,000  | 8,807   | (3,807)                                |
| Total Disbursements                 | 13,200                  | 0      | 13,200                                 | 5,800  | 9,836   | (4,036)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,500)                 | 6,495  | 13,995                                 | 300    | (3,386) | (3,686)                                |
| CASH, JANUARY 1                     | 8,699                   | 8,699  | 0                                      | 12,085 | 12,085  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,199                | 15,194 | 13,995                                 | 12,385 | 8,699   | (3,686)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK FUND

|                                     | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|-------------------------|--------|--|--------|--------|--|
|                                     | 1999                    |        |  | 1998   |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |        |  |
| Charges for services                | \$ 7,200                | 8,902  | 1,702                                  | 5,000  | 7,090  | 2,090                                  |
| Interest                            | 0                       | 1,020  | 1,020                                  | 0      | 807    | 807                                    |
| Total Receipts                      | 7,200                   | 9,922  | 2,722                                  | 5,000  | 7,897  | 2,897                                  |
| DISBURSEMENTS                       |                         |        |  |        |        |  |
| Part-time help                      | 1,000                   | 0      | 1,000                                  | 300    | 0      | 300                                    |
| Office expense                      | 450                     | 249    | 201                                    | 0      | 138    | (138)                                  |
| Equipment                           | 1,000                   | 821    | 179                                    | 2,000  | 1,034  | 966                                    |
| Case expense                        | 0                       | 4,161  | (4,161)                                | 0      | 0      | 0                                      |
| Other                               | 500                     | 500    | 0                                      | 1,000  | 500    | 500                                    |
| Transfers out                       | 1,500                   | 0      | 1,500                                  | 1,500  | 1,756  | (256)                                  |
| Total Disbursements                 | 4,450                   | 5,731  | (1,281)                                | 4,800  | 3,428  | 1,372                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,750                   | 4,191  | 1,441                                  | 200    | 4,469  | 4,269                                  |
| CASH, JANUARY 1                     | 21,510                  | 21,510 | 0                                      | 17,041 | 17,041 | 0                                      |
| CASH, DECEMBER 31                   | \$ 24,260               | 25,701 | 1,441                                  | 17,241 | 21,510 | 4,269                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

LINN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 420 | 425           | 500    | 420    | (80)          |  |
| Total Receipts                      | 420    | 425           | 500    | 420    | (80)          |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Other                               | 420    | 420           | 970    | 970    | 0             |  |
| Total Disbursements                 | 420    | 420           | 970    | 970    | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 5             | (470)  | (550)  | (80)          |  |
| CASH, JANUARY 1                     | 450    | 450           | 1,000  | 1,000  | 0             |  |
| CASH, DECEMBER 31                   | \$ 450 | 455           | 530    | 450    | (80)          |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit K

LINN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
USE TAX FUND

| Year Ended December 31,             |           |           |  |
|-------------------------------------|-----------|-----------|--|
| 1998                                |           |           |  |
|                                     | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |           |  |
| Use taxes                           | \$ 0      | 0         | 0                                      |
| Total Receipts                      | 0         | 0         | 0                                      |
| DISBURSEMENTS                       |           |           |  |
| Repayment of use tax                | 90,622    | 90,622    | 0                                      |
| Transfers out                       | 98,801    | 98,801    | 0                                      |
| Total Disbursements                 | 189,423   | 189,423   | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (189,423) | (189,423) | 0                                      |
| CASH, JANUARY 1                     | 189,423   | 189,423   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0      | 0         | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 JUVENILE OFFICE GRANT FUND

|  |    | Year Ended December 31, |         |  |         |         |  |
|--|----|-------------------------|---------|--|---------|---------|--|
|  |    | 1999                    |         |  | 1998    |         |  |
|  |    |                         |         | Variance<br>Favorable<br>(Unfavorable) |         |         | Variance<br>Favorable<br>(Unfavorable) |
|  |    | Budget                  | Actual  |  | Budget  | Actual  |  |
| RECEIPTS                                 |    |                         |         |  |         |         |  |
| Intergovernmental                        | \$ | 22,000                  | 23,775  | 1,775                                  | 18,000  | 13,269  | (4,731)                                |
| Total Receipts                           |    | 22,000                  | 23,775  | 1,775                                  | 18,000  | 13,269  | (4,731)                                |
| DISBURSEMENTS                            |    |                         |         |  |         |         |  |
| Salaries                                 |    | 22,000                  | 18,295  | 3,705                                  | 22,707  | 15,502  | 7,205                                  |
| Office and computer equipment and repair |    | 0                       | 5,543   | (5,543)                                | 0       | 76      | (76)                                   |
| Total Disbursements                      |    | 22,000                  | 23,838  | (1,838)                                | 22,707  | 15,578  | 7,129                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS      |    | 0                       | (63)    | (63)                                   | (4,707) | (2,309) | 2,398                                  |
| CASH, JANUARY 1                          |    | (6,051)                 | (6,051) | 0                                      | (3,742) | (3,742) | 0                                      |
| CASH, DECEMBER 31                        | \$ | (6,051)                 | (6,114) | (63)                                   | (8,449) | (6,051) | 2,398                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

LINN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FEE FUND

| Year Ended December 31,             |         |         |               |
|-------------------------------------|---------|---------|---------------|
| 1999                                |         |         |               |
|                                     |         |         | Variance      |
|                                     | Budget  | Actual  | Favorable     |
|                                     |         |         | (Unfavorable) |
| RECEIPTS                            |         |         |               |
| Charges for services                | \$ 0    | 0       | 0             |
| Total Receipts                      | 0       | 0       | 0             |
| DISBURSEMENTS                       |         |         |               |
| Transfers out                       | 6,646   | 6,646   | 0             |
| Total Disbursements                 | 6,646   | 6,646   | 0             |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,646) | (6,646) | 0             |
| CASH, JANUARY 1                     | 6,646   | 6,646   | 0             |
| CASH, DECEMBER 31                   | \$ 0    | 0       | 0             |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

LINN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MICROFILM GRANT

| Year Ended December 31,             |          |         |  |
|-------------------------------------|----------|---------|--|
| 1998                                |          |         |  |
|                                     | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |         |  |
| Intergovernmental                   | \$ 1,792 | 1,792   | 0                                      |
| Total Receipts                      | 1,792    | 1,792   | 0                                      |
| DISBURSEMENTS                       |          |         |  |
| Other                               | 0        | 0       | 0                                      |
| Total Disbursements                 | 0        | 0       | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,792    | 1,792   | 0                                      |
| CASH, JANUARY 1                     | (1,792)  | (1,792) | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 0       | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit O

LINN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Property taxes                      | \$ 223,000              | 226,338 | 3,338                                  | 180,000  | 196,986 | 16,986                                 |
| Intergovernmental                   | 191,000                 | 216,059 | 25,059                                 | 194,000  | 233,744 | 39,744                                 |
| Charges for services                | 120,000                 | 103,742 | (16,258)                               | 85,000   | 116,890 | 31,890                                 |
| Interest                            | 28,000                  | 30,609  | 2,609                                  | 22,000   | 26,365  | 4,365                                  |
| Other                               | 16,000                  | 16,706  | 706                                    | 14,000   | 14,987  | 987                                    |
| Total Receipts                      | 578,000                 | 593,454 | 15,454                                 | 495,000  | 588,972 | 93,972                                 |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Salaries                            | 479,000                 | 450,825 | 28,175                                 | 476,000  | 433,622 | 42,378                                 |
| Office expenditures                 | 37,000                  | 35,247  | 1,753                                  | 39,000   | 34,051  | 4,949                                  |
| Equipment                           | 32,000                  | 19,022  | 12,978                                 | 16,000   | 15,051  | 949                                    |
| Mileage and training                | 16,000                  | 15,653  | 347                                    | 13,000   | 14,638  | (1,638)                                |
| Capital expenditures                | 50,000                  | 0       | 50,000                                 | 0        | 0       | 0                                      |
| Total Disbursements                 | 614,000                 | 520,747 | 93,253                                 | 544,000  | 497,362 | 46,638                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (36,000)                | 72,707  | 108,707                                | (49,000) | 91,610  | 140,610                                |
| CASH, JANUARY 1                     | 475,693                 | 475,693 | 0                                      | 384,083  | 384,083 | 0                                      |
| CASH, DECEMBER 31                   | \$ 439,693              | 548,400 | 108,707                                | 335,083  | 475,693 | 140,610                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

LINN COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Linn County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                                | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Sheriff Civil Fee Fund                     | 1998                            |
| Grant Fund                                 | 1999                            |
| DFS Grant Fund                             | 1999                            |
| CDBG - Linn County PWSD #1 Fund            | 1999 and 1998                   |
| CDBG - Linn/Livingston Rural Water #3 Fund | 1999                            |
| Law Library Fund                           | 1999 and 1998                   |
| Probate Division Interest Fund             | 1999 and 1998                   |
| Associate Division Interest Fund           | 1999 and 1998                   |
| Circuit Clerk's Interest Fund              | 1999 and 1998                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| 911 Fund                            | 1998                            |
| Recorder's User Fees Fund           | 1998                            |
| Prosecuting Attorney Bad Check Fund | 1999                            |
| Juvenile Office Grant Fund          | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, deficit balances were budgeted in the 911 Fund for the year ended December 31, 1998 and in the Juvenile Office Grant Fund for the years ended December 31, 1999 and 1998.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:



| <u>Fund</u>                                | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| CDBG - Linn County PWSD #1 Fund            | 1999 and 1998                   |
| CDBG - Linn/Livingston Rural Water #3 Fund | 1999                            |
| Health Center Fund                         | 1999 and 1998                   |
| Law Library Fund                           | 1999 and 1998                   |
| Probate Division Interest Fund             | 1999 and 1998                   |
| Associate Division Interest Fund           | 1999 and 1998                   |
| Circuit Clerk's Interest Fund              | 1999 and 1998                   |

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

### Deposits

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Of the Health Center Board's bank balance at December 31, 1999, \$100,000 was covered by federal depository insurance and \$460,843 was covered by collateral pledged by one bank and held in the health center's name by the safekeeping department of an affiliate of the same bank holding company.

The Health Center Board's deposits at December 31, 1998, were entirely covered by federal depositary insurance or by collateral securities held by health center's custodial bank in the health center's name.

### Investments

The only investment of the various funds at December 31, 1998, was a repurchase agreement with a carrying amount of \$450,000 (which approximated market). This amount represents uninsured and unregistered investments for which the securities were held by the dealer bank's trust department or agent in the health center's name.

## Supplementary Schedule

## Schedule

LINN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                           | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                     |  |   |                         |         |
|   | Passed through state:  |   |                         |         |
|   | Department of Health -   |   |                         |         |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-9158                                     | \$ 34,806               | 35,102  |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT |  |   |                         |         |
|   | Passed through state:  |   |                         |         |
|   | Department of Economic Development -                                       |   |                         |         |
| 14.228  | Community Development Block Grants/State's<br>Program                      | 96-PF-22  | 146,219                 | 269,781 |
|   |  | 97-PF-840                                       | 24,000                  | 0       |
|   | Program Total  |   | 170,219                 | 269,781 |
| U.S. DEPARTMENT OF JUSTICE                          |  |   |                         |         |
|   | Direct programs:   |   |                         |         |
| 16.710  | Public Safety Partnership and Community Policing Grants                    | 97UMWX1366                                      | 6,546                   | 4,369   |
|   | Passed through:  |   |                         |         |
|   | State Department of Public Safety -  |   |                         |         |
| 16.592  | Local Law Enforcement Block Grants Program                                 | 98-LGB-054                                      | 8,599                   | 0       |
|   | Missouri Sheriffs' Association -   |   |                         |         |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 1,378                   | 1,041   |
| U. S. DEPARTMENT OF TRANSPORTATION                  |  |   |                         |         |
|   | Passed through state Highway and Transportation<br>Commission:             |   |                         |         |
| 20.205  | Highway Planning and Construction  | BRO-058-(27)                                    | 71,726                  | 239,179 |
| GENERAL SERVICES ADMINISTRATION                     |  |   |                         |         |
|   | Passed through state Office of Administration -                            |   |                         |         |
| 39.003  | Donation of Federal Surplus Personal Property                              | N/A   | 0                       | 148     |

## Schedule

LINN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                         | Federal Grantor/Pass-Through Grantor/Program Title                   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|---|--|---|-------------------------|--------|
|   |  |   | Year Ended December 31, |        |
|   |  |   | 1999                    | 1998   |
| FEDERAL EMERGENCY MANAGEMENT AGENCY               |  |   |                         |        |
| Passed through state Department of Public Safety: |  |   |                         |        |
| 83.544  | Public Assistance Grants   | 1253-DR-MO                                      | 186,378                 | 20,430 |
| U. S. DEPARTMENT OF EDUCATION                     |  |   |                         |        |
| Passed through:                                   |  |   |                         |        |
| State Department of Health -                      |  |   |                         |        |
| 84.126  | Rehabilitation Services - Vocational Rehabilitation Grants to States | N/A   | 94                      | 87     |
| Missouri Association of Community Task Forces -   |  |   |                         |        |
| 84.186  | Safe and Drug-Free Schools and Communities                           | N/A   | 2,250                   | 2,093  |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES     |  |   |                         |        |
| Direct program -                                  |  |   |                         |        |
| 93.268  | Immunization Grants  | N/A   | 6,020                   | 6,536  |
| Passed through state:                             |  |   |                         |        |
| Department of Health -                            |  |   |                         |        |
| 93.268  | Immunization Grants  | PG0064-9158IAP                                  | 2,385                   | 11,190 |
|   |  |   | 31,510                  | 23,570 |
|   | Program Total  |   | 33,895                  | 34,760 |
| Department of Social Services -                   |  |   |                         |        |
| 93.563  | Child Support Enforcement  | N/A   | 2,336                   | 3,446  |
| Department of Health -                            |  |   |                         |        |
| 93.575  | Child Care and Development Block Grant                               | PGA067-9158S                                    | 330                     | 1,018  |
|   |  | ER0146-9158CCH&SSC                              | 1,420                   | 1,310  |
|   | Program Total  |   | 1,750                   | 2,328  |
| Department of Social Services -                   |  |   |                         |        |
| 93.667  | Social Services Block Grant  | ER0172028                                       | 18,883                  | 7,529  |
| Department of Health -                            |  |   |                         |        |
| 93.940  | HIV Prevention   | N/A   | 27                      | 0      |

## Schedule

LINN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---------------------------|---|---|-------------------------|---------|
|                           |   |   | Year Ended December 31, |         |
|                           |   |   | 1999                    | 1998    |
| 93.991                    | Preventive Health and Health Services Block Grant               | AOC9000114                                      | 19,379                  | 16,625  |
|                           |   |   | 375                     | 612     |
|                           | Program Total   |   | 19,754                  | 17,237  |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States | ER0146-9158MCH                                  | 21,310                  | 13,096  |
|                           |   |   | 1,876                   | 2,143   |
|                           | Program Total   |   | 23,186                  | 15,239  |
|                           | Total Expenditures of Federal Awards                            |   | \$ 587,847              | 659,305 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

LINN COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Linn County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.



The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$31,510 and \$23,570 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$375 and \$612 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,876 and \$2,143 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$170,219 and \$269,781 to subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Linn County, Missouri

Compliance

We have audited the compliance of Linn County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Linn County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an

instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-2.

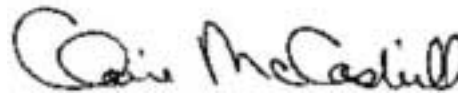
#### Internal Control Over Compliance

The management of Linn County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Linn County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 19, 2000 (fieldwork completion date)

Schedule

LINN COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weaknesses identified?

  x   yes             no

Reportable conditions identified that are  
not considered to be material weaknesses?

       yes        x   none reported

Noncompliance material to the financial statements  
noted?

  x   yes             no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

       yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses?

  x   yes             none reported

Type of auditor's report issued on compliance for  
major programs:

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?

  x   yes             no

Identification of major programs:

CFDA or  
Other Identifying  
Number

Program Title

14.228

Community Development Block Grant/State's Program

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|                               |
|-------------------------------|
| <b>99-1. Budget Omissions</b> |
|-------------------------------|

The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the years ended December 31, 1999 and 1998. The lack of budgetary information for these funds is a significant omission from the county's financial statements. Receipts which were not budgeted totaled \$195,175 and \$280,766 in 1999 and 1998, respectively. Disbursements which were not budgeted totaled \$198,080 and \$274,213 in 1999 and 1998, respectively.

Chapter 50, RSMo 1994 and RSMo Cumulative Supp. 1999, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials and boards would be able to more efficiently evaluate all county financial resources.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the County Commission and other applicable officials implement procedures to ensure budgets are prepared for all county funds as required by state law.

### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*We will continue our efforts to obtain budgets from other county officials and will budget all county grant funds held by the County Treasurer in 2001.*

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



**99-2.****Schedule of Expenditures of Federal Awards**

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Housing and Urban Development   |
| Pass-Through Grantor: | Department of Economic Development                 |
| Federal CFDA Number:  | 14.228   |
| Program Title:        | Community Development Block Grants/State's Program |
| Pass-Through Entity   |  |
| Identifying Numbers:  | 96-PF-22 and 97-PF-840                             |
| Award Years:          | 1999 and 1998                                      |
| Questioned Costs:     | Not Applicable                                     |

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Numbers:  | BRO-058-27                                  |
| Award Years:          | 1999 and 1998                               |
| Questioned Costs:     | Not Applicable                              |

Section .310(b) of Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The county does not have a procedure in place to track federal financial assistance for the preparation of the SEFA. The county's Schedule of Federal Awards contained numerous errors and omissions. For example, expenditures of some federal grants pertaining to drug eradication, child support enforcement, and juvenile office activities were omitted. In addition, some federal grant expenditures were overstated as a result of the county including matching funds in the expenditure totals. The County Clerk relies on the Health Center to provide information regarding the federal grants it receives. However, the information provided by the Health Center did not include vaccines distributed by the state Department of Health and some 1999 block grant expenditures.

Without an accurate and timely SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards. In addition, the Health Center should provide complete federal grant information to the County Clerk.

### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Clerk provided the following response:*

*I will attempt to prepare a complete and accurate schedule to be included with the county's 2001 budget and will continue to contact other county officials and departments to obtain information regarding federal grants they handle.*

*The Health Center Administrator provided the following response:*

*Our intent has always been to provide complete information to the county. Vaccine information has not been provided because vials of vaccines were furnished, rather than monies to purchase the vaccines. Now that we know it is needed, we will attempt to determine the value of the vaccines and include it on our report to the county, beginning with the report pertaining to 2000 federal program receipts and disbursements.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

LINN COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

LINN COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings



LINN COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Linn County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 19, 2000. We also have audited the compliance of Linn County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 19, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Senate Bill 40 Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers for the years ended September 30, 1999 and 1998.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes

findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Linn County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

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| <b>1. Board of Prisoner Contract</b> |
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Because Linn County has no county jail, the Sheriff's Department must board its prisoners in surrounding jails. In February 1999, Linn County entered into a contract with Livingston County for the boarding of prisoners. According to the contract terms, Livingston County provides accommodations for up to seven prisoners per day at a rate of \$210 (\$30 per prisoner). This \$210 rate applies regardless of the actual number of prisoners boarded so long as the number does not exceed seven. Should Livingston County board more than seven prisoners, the boarding rate per prisoner is \$35 per day for each prisoner in excess of seven. While prisoners are also boarded in other counties, the county does not have written agreements with those counties detailing the services to be provided or the daily charges. The other counties most regularly used for boarding prisoners bill Linn County \$30 per prisoner per day.

We reviewed the monthly board bills from Livingston County and found that Linn County had less than seven prisoners at the Livingston County jail 436 days out of the possible 547 days from February 1999 through July 2000, or approximately 80 percent of the time. For many of those same days, the Sheriff's Department was also boarding prisoners at jails in counties other than Livingston.

Because the number of prisoners boarded in Livingston County has averaged less than five prisoners per day, the county has not been able to benefit from the discounted daily rate provided for in the contract. Had the county paid only for prisoners actually boarded in Livingston County during the period February 1999 through July 2000, at the normal daily boarding rate of \$35, the county would have paid approximately \$23,500 less.

The Sheriff indicated that reasons for initially entering into this contract included an increasing difficulty in obtaining prisoner space in nearby counties, the need to reduce deputies travel time and costs for transporting prisoners, and an expected decrease in the cost of providing medical care for prisoners. However, a formal cost-benefit analysis was not performed to determine the best and most economical means of obtaining boarding of prisoner services. Additionally, the county provided no documentation to demonstrate they had further reviewed the contract and related costs to determine if the expected costs and time savings were being met. The contract with Livingston County was renewed for 2000 with no changes in the contract terms. The March 14, 2000, Linn County Commission minutes document that the County Commission has requested the Sheriff attempt to fully utilize Livingston County prior to boarding prisoners in other jails whenever possible.

**WE RECOMMEND** the County Commission review the board of prisoner contract with Livingston County for reasonableness and possibly modify the terms to allow for a better matching of number of prisoners spaces to the average number of prisoners generally housed in Livingston County. A cost-benefit analysis should be performed and other options considered prior to renewing this contract in the future.

### **AUDITEE'S RESPONSE**

*We entered into the board of prisoner contract based upon the Sheriff's recommendation. Various issues including space availability, transportation costs, medical costs, and deputy time spent out of the county were considered when making the decision. We have been and are presently monitoring the arrangement. Costs and other factors will be considered prior to renewing the contract again.*

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| <b>2. Controls Over County Expenditures</b> |
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- A. A review of expenditures indicated that while the county generally made efforts to seek competitive prices for major purchases, the methods utilized did not always comply with statutory provisions. For example, advertisement of bids was not always performed as required. Rather, bids were often solicited through mailings to vendors, telephone calls or personal contact. Documentation regarding these efforts was generally insufficient and usually consisted of the bidder name, date, and price quote. No information regarding the specifications of the equipment or services being offered was documented.

Section 50.660, RSMo Cumulative Supp. 1999, requires advertisement of bids for all purchases of \$4,500 or more. Bidding procedures for major purchases provide a framework for economical management of county resources and help ensure the county it receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence that the county's established purchasing procedures as well as statutory requirements are followed.

- B. The County Commission approved some payments for road and bridge work where the invoices submitted did not indicate what work was done, the work site, or the number of hours charged to the job. In addition, the County Commission approved road and bridge payments to vendors without requiring acknowledgement of receipt of goods or services to be documented on the invoices. The County Clerk indicated verbal acknowledgement is obtained from the road and bridge supervisor prior to submitting invoices for County Commissioner approval.

To ensure the validity and propriety of expenditures, adequate supporting documentation, including acknowledgment that the specific goods and/or services were in fact received, should be maintained for all payments to vendors.

**WE RECOMMEND** the County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained. If bids are not obtained and/or sole source procurement is necessary, the County Commission minutes should thoroughly reflect the circumstances.
- B. Ensure that the invoices adequately document the items and/or services for which payment is being requested and the documented acknowledgment of receipt of goods and/or services prior to approving payment.

**AUDITEE'S RESPONSE**

- A. *We are currently making efforts to ensure bids are obtained in accordance with state law and that all bids are properly and thoroughly documented.*
- B. *This recommendation has been implemented.*

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| <b>3. Computer Controls and Property Tax System</b> |
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The county's assessment lists and tax books are maintained on a computerized property tax system. During our review of controls related to the property tax system, we noted the following concerns:

- A. The county does not have a formal contingency plan for the computer system. As a result, the county has not made a formal arrangement for backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on data processing, the need for contingency planning is evident.

- B. No security system is in place to detect and stop incorrect log-on attempts after a certain number of tries. An unauthorized individual could try an infinite number of times to log on the system and if successful, have unrestricted access to program and data files.

To help protect computer files, a security system should be implemented to stop incorrect log on attempts after a certain number of tries. Such a system should

produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

- C. The computer program does not generate property tax book page or control totals, but only a summary total at the end of each tax book. Without page and control totals, the ability to verify the accuracy of the tax books is limited.
- D. The County Clerk does not maintain an account book with the Ex Officio County Collector. An account book would summarize all taxes charged to the Ex Officio County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Additionally, Section 51.150(2), RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book can also be used by the County Commission to verify the accuracy of the Ex Officio County Collector's annual settlements.

Conditions similar to A-C were noted in the prior report.

**WE RECOMMEND:**

- A. The County Commission seek arrangements of alternate data processing equipment for use during emergency situations.
- B. The County Commission establish a security system to stop and report incorrect log-on attempts after a certain number of tries.
- C. The County Commission authorize programming changes to print future tax books with the appropriate control totals. This would include page totals, a summary page of all page totals, and a grand total for each tax book.
- D. The County Clerk establish and maintain an account book with the Ex Officio County Collector for the County Commission to use to verify the accuracy of the Ex Officio County Collector's annual settlements.

**AUDITEE'S RESPONSE**

- A. *This has been discussed and we will be contacting our computer system provider and another county using the same system to try to develop a contingency plan. We hope to accomplish this within the next year.*
- B&C. *Consideration will be given to these recommendations and a determination made as to whether these are practical and cost-effective for the county.*

- D. *The County Clerk indicated she is working on developing a record system to provide the necessary information to verify annual settlement information. This system will be in place by March 2001.*

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| <b>4. Sheriff Civil Fee Fund</b> |
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In 1998, the county established a separate fund for the deposit of Sheriff's civil fees as required by Section 57.280, RSMo Cumulative Supp. 1999. The statute requires counties to account for these fees separately as of July 1, 1997, and to ensure that the proceeds are spent on law enforcement purposes.

Sheriff's civil fees were credited to the new fund for part of 1998, however this was stopped and the fees were again credited to the General Revenue Fund. The new fund was closed in 1999 and the balance was transferred to the General Revenue Fund. The County Commission minutes do not document the reasons for the fund being closed.

**WE RECOMMEND** the County Commission have the County Treasurer reestablish the Sheriff Civil Fee Fund as required by state law, and start crediting sheriff civil fees to this fund. In addition, the County Sheriff should prepare an annual budget outlining his plans for this fund.

**AUDITEE'S RESPONSE**

*Based upon discussions with the Sheriff, there are no current plans to reestablish this fund.*

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| <b>5. Prosecuting Attorney Accounting Controls and Procedures</b> |
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The Prosecuting Attorney collects court-ordered restitution, bad check restitution, and related fees. These receipts totaled approximately \$30,000 and \$32,000 for the years ended December 31, 1999 and 1998, respectively. The following weaknesses were identified in the Prosecuting Attorney's accounting controls and procedures.

- A. Accounting duties are not adequately segregated. Currently, the clerk is responsible for receiving and recording monies, preparing deposits, preparing checks, and reconciling bank statements. The Prosecuting Attorney does sign all the checks; however, this is his only review of the work performed by the clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. This could be achieved by segregating the functions of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent

comparison of recorded receipts and bank deposits and an independent review of bank reconciliations.

- B. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as subsequent disposition of these bad checks has not been established.

To ensure all bad checks turned over to the Prosecuting Attorney are properly handled and accounted for, a sequential number should be assigned to each bad check received and a log should be maintained listing each bad check and its disposition. The log should contain information such as the assigned number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date payment was received and disbursed to the merchant, the criminal case in which charges were filed, or other disposition.

- C. Receipts are not deposited intact on a timely basis or kept in a secure location prior to being deposited. In addition, checks and money orders are not being restrictively endorsed until the deposit is prepared. From January 1998 to March 2000, receipts were often deposited only two or three times a month. In April 2000, the clerk discovered a \$40 cash receipt from February 2000 which could not be traced to a subsequent deposit. In addition, we noted two instances where money orders had been held in the case files for extended periods. One involved \$200 that was held from August 1999 until deposited in March 2000. The other was a series of money orders received from September 1999 to December 1999 totaling \$595 which were not deposited until January 2000.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

- D. Receipt slips were not issued for some monies received. During the period September 1, 1998 to March 31, 2000, 48 receipts totaling \$11,211 were deposited, for which receipts slips had not been issued. We also noted three instances in which monies had been receipted twice.

Failure to issue receipt slips for all monies received increases the risk that loss or misappropriation of funds will not be detected in a timely manner. Receipt slips should be reconciled to deposits and the numerical sequence accounted for.

- E. Monthly listings of open items are no longer being prepared. The last monthly listing prepared was for July 1998 and agreed to the reconciled cash balance. The total reconciled bank balance of the restitution and fee accounts was approximately \$10,800 at March 31, 2000.

We prepared a listing of liabilities as of each year end of the audit period and as of March 31, 2000. We found three cases in which the total amount due of \$561 had

been received between February 1999 and August 1999 but monies had not been distributed as of April 2000. In addition, we noted instances in which partial payments totaling \$784 were being held in eight cases that had no activity in over a year. It appears that many of these cases have balances which could be distributed to the victims. Finally, numerous errors from January 1999 to February 2000 were also found in amounts paid over to the County Treasurer for fees resulting in \$225 currently being held in the Prosecuting Attorney's bank account.

Monthly listings of liabilities are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of any differences. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the individual due the restitution of the use of those monies.

- F. Adequate records of payments received and disbursements made are not being maintained in case files. Four instances, totaling \$153, were noted in which more monies were paid out in restitution and fees than had been received. Three of these errors had not been identified prior to our audit. Currently, the clerk is working on preparing case balance records on index cards; however, this has not been done for all open cases.

To provide for timely monitoring of balances owed on restitution cases and to strengthen internal controls, the case balance records should indicate the original amount of restitution owed, all payments received, and a balance of the amount currently owed. In addition, the Prosecuting Attorney's disbursement of the restitution to the victim should be noted. These case balance records should periodically be reviewed by the Prosecuting Attorney to ensure the payments are being handled properly and in a timely manner.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Provide for segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed.
- B. Maintain a log to adequately account for all bad checks filed with the Prosecuting Attorney's office and their ultimate disposition. A bad check log would provide a record of all bad checks filed with the Prosecuting Attorney and provide more assurance that all receipts and disbursements related to these cases are properly handled.
- C. Restrictively endorse money orders immediately upon receipt, maintain receipts in a secure location until deposited, and deposit receipts intact daily or when accumulated receipts exceed \$100. In addition, the Prosecuting Attorney should repay any undeposited amounts to his official bank account.



- D. Immediately issue receipt slips for all monies received and reconcile receipts to deposits.
- E. Prepare accurate monthly listings of open items and reconcile such listings to the cash balance, and require that any differences be investigated and resolved. For cases where the total amount due has been received the balances should be distributed and monies held in inactive cases should be prorated and distributed. In addition, the Prosecuting Attorney should remit the \$225 in fees to the County Treasurer.
- F. Indicate the original amount of restitution owed, all payments received, and a balance of the amount currently owed on the case balance records along with disbursements of restitution to the victim. These case balance records should periodically be reviewed by the Prosecuting Attorney to ensure the payments are being handled properly and in a timely manner.

#### **AUDITEE'S RESPONSE**

*The Prosecuting Attorney indicated that all of these recommendations will be implemented within one month.*

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| <b>6. Sheriff's Reserve Deputy Association Bank Account</b> |
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Sheriff's department deputies and reserve deputies maintain a checking account outside the county treasury, designated as the "Sheriff's Reserve Deputy Association", into which calendar commissions, donations from businesses and the public, and fundraising proceeds are deposited. According to the Sheriff and deputies monies in this account are utilized to help fund programs for area youth.

Bank statements for January 1998 through May 2000 showed the account had deposits totaling \$14,424. Our review found that calendar commissions of \$2,394 and a \$1,041 reimbursement related to a federal grant program were deposited into this account. As of May 2000, the balance in this account was approximately \$2,300.

Because the calendar commissions are earned in the Sheriff's official capacity and the federal grant reimbursement relates to a program for which the county was the designated grantee, these accountable fees should have been deposited into the county treasury. The Sheriff indicated the remaining receipts represent monies raised through various fund raising activities which the reserve deputies handle.

The State Auditor's Office requested records for this account, but the Sheriff and the deputies denied access to any records beyond the bank statements noted above. As a result, the purpose or appropriateness of account disbursements which totaled \$15,227 from January 1998 through May 2000 was not reviewed. There is also no assurance that the remaining receipts amounts do not contain additional accountable monies.

The Sheriff is authorized by statute to receive and distribute various fees and monies. However, Attorney General's Opinion No. 45-92 to Henderson states sheriffs of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. Accountable fees should be turned over to the County Treasurer and disbursed only as authorized by a warrant approved by the County Commission and signed by the County Clerk. Section 50.550, RSMo 1994, authorizes the County Commission to establish separate funds as necessary.

**WE RECOMMEND** the Sheriff meet with the Prosecuting Attorney and County Commission regarding this account and the appropriate handling of the various types of receipts. In addition, the Sheriff needs to ensure that all accountable monies be transmitted to the County Treasurer in the future.

### **AUDITEE'S RESPONSE**

*The Sheriff provided the following response:*

*The calendars will be stopped and the bank account will be closed. The children of this county will no longer benefit from monies raised and handled through this bank account.*

### **AUDITOR'S COMMENT**

The Sheriff's decision to cease these operations is unfortunate. The recommendation is simply to improve accountability over public funds.

This report is intended for the information of the management of Linn County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## LINN COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Linn County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Assessment Procedures and Controls

- A. The Assessor was allowed continued access to the master computerized property tax record files and made changes throughout the year. An abatement was noted that was initiated by the Ex Officio Collector based on information provided by a property owner that incorrectly suggested the taxes had already been paid.
- B. A tax payment had not been processed by the Ex Officio Collector. Rather, the \$207 check was listed on a deposit slip into the County Assessor's personal account.

### Recommendations:

The County Commission:

- A. Establish control procedures to remove the Assessor's system access, and change policy to shift the responsibility for records changes made after the May 31 cutoff date, and ensure all changes to the master property tax records after this date are made by the county clerk's office. Additionally, a corrected property tax record should be printed by the County Clerk and sent to the appropriate township collector, and/or the Ex Officio Collector, so the tax books could be updated. Abatements should only be initiated in appropriate circumstances.
- B. Work with the Assessor and the Ex Officio Collector to ensure that all payments for taxes are payable to the township collector or Ex Officio Collector and all such payments are processed through official bank accounts.

In addition, the County Assessor should reimburse the \$207 to the Ex Officio Collector, and work with law enforcement officials to resolve this matter.

### Status:

- A. Partially implemented. The current Assessor is allowed access to the system until September when the current tax records are turned over to the County Clerk's Office. The County Clerk's office reconciles September property tax records to the May 31

data. Although not repeated in the current report, our recommendation remains as stated above.

- B. Implemented. No problems were noted during the current audit. The former Assessor reimbursed the \$207 to the Ex Officio Collector.

## 2. Computer Operations and Controls

The county's computer system had been in use since 1991, and a review of the controls noted several concerns. The system password controls did not adequately limit users to access and use of appropriate and authorized programs and data files. Periodic reports of changes were not generated and reviewed for appropriateness. The capability of periodically producing a usage log for the various record systems had not been used. The system was incapable of generating page totals for the tax books. The system had no security system to detect and stop incorrect log-on attempts. The county had not developed a disaster recovery plan for use in the event a fire or other major disaster were to disable the county's EDP system.

### Recommendation:

The County Commission ensure that all the above weaknesses are corrected as a part of the establishment of the new computer systems.

### Status:

Partially implemented. The new system's password controls do limit access and use of programs and data files. See MAR No. 3.

## 3. County Financial Statement Procedures and Expenditures Documentation

- A. The county's published financial statements did not include the financial activity of some county funds, and information regarding payment for election and jury services was not presented in the required form.
- B. Adequate supporting documentation was not required for reimbursement claims submitted by the Circuit Judge for various office expenses.

### Recommendations:

The County Commission:

- A. Include all county funds in the published financial statements as required by state law.
- B. Require adequate supporting documentation prior to approving expenditures for payment.

Status:

- A. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- B. Implemented.

4. Budgetary Procedures and Monitoring

- A. Formal budgets were not prepared for various county funds.
- B. Actual expenditures exceeded budgeted amounts for various funds.
- C.1. The County Commission approved expenditures in excess of available monies for some funds.
  - 2. For the year ended December 31, 1997, budgeted expenditures in the 911 Fund exceeded budgeted revenues plus beginning balances resulting in a budgeted deficit.

Recommendations:

The County Commission:

- A. Prepare or obtain budgets for all county funds as required by state law.
- B. Monitor budgeted to actual disbursements on a timely basis and not authorize disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's Office.
- C.1.
  - &2. Refrain from approving expenditures in excess of available monies.

Status:

- A. Not implemented. See MAR No. 99-1.
- B. Not implemented. Actual expenditures exceeded budgets by small amounts for the Prosecuting Attorney Bad Check Fund and the Juvenile Office Grant Fund in 1999 and the 911 Fund and the Recorder's Users Fees Fund in 1998. Although not repeated in the current report, our recommendation remains as stated above.
- C.1. Not implemented. The Juvenile Office Grant Fund and the DFS Grant Fund had negative cash balances as of December 31, 1999. These funds operate on a

reimbursement basis and the only revenues have been reimbursements from the state which are received after actual expenditures are made. As a result, these funds continue to have negative cash balances. Although not repeated in the current report, our recommendation remains as stated above.

C.2. Implemented. No deficit balances were budgeted in the county's 2000 budget.

5. Collateral Securities

The amount of collateral securities pledged by the county's depositary bank in January 1997, and January 1996, were insufficient to cover monies in the custody of the Ex Officio Collector.

Recommendation:

The Ex Officio Collector ensure collateral securities pledged by the depositary bank are sufficient to protect county monies at all times.

Status:

Implemented.

6. Sheriff's Procedures

- A. Receipts were not always deposited on a timely basis. In addition, prenumbered receipt slips had not been issued for any of the monies.
- B. Accounting duties were not adequately segregated.
- C. At December 31, 1997, the Sheriff's bank account contained approximately \$289 in unidentified monies and a small check which had been outstanding for over two years.

Recommendations:

The Sheriff:

- A. Issue receipts for all monies received, restrictively endorse checks immediately upon receipt, and deposit receipts daily or when accumulated receipts exceed \$100.
- B. Adequately segregate the record keeping duties or perform and document periodic reviews of the accounting records.

- C. Attempt to locate the payees for any old outstanding checks and reissue the checks, if possible. Any remaining unclaimed amounts should be turned over to the county treasurer for eventual distribution in accordance with state law.

Status:

A-C. Implemented.

7. Prosecuting Attorney Procedures

Receipts were not posted to the cash control record in a timely manner, and receipt slip or money order numbers were not posted to the record.

Recommendation:

The Prosecuting Attorney post receipts to the cash control record in a timely manner and record receipt slip or money order numbers to the cash control record for all monies received.

Status:

Not implemented. See MAR No. 5.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# LINN COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1837, the county of Linn was named after Lewis F. Linn, a U.S. Senator. Linn County is a township-organized, third-class county and is part of the Ninth Judicial Circuit. The county seat is Linneus.

Linn County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Linn County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 137,598   | 5          | 134,290   | 5          |
| Sales taxes               | 1,124,840    | 42         | 1,072,217 | 43         |
| Federal and state aid     | 1,119,298    | 42         | 886,741   | 36         |
| Fees, interest, and other | 289,265      | 11         | 387,888   | 16         |
| Total                     | \$ 2,671,001 | 100        | 2,481,136 | 100        |

The following chart shows how Linn County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 535,949   | 22         | 593,520   | 23         |
| Public safety             | 475,215      | 20         | 449,956   | 18         |
| Highways and roads        | 1,402,224    | 58         | 1,525,973 | 59         |
| Total                     | \$ 2,413,388 | 100        | 2,569,449 | 100        |

The county maintains approximately 400 county bridges and 800 miles of county roads.

The county's population was 15,125 in 1970 and 13,885 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 54.3                    | 51.8 | 48.6  | 26.9   | 21.8   |
| Personal property      |    | 32.0                    | 29.9 | 15.2  | 11.0   | 7.7    |
| Railroad and utilities |    | 15.5                    | 15.0 | 12.6  | 7.8    | 7.3    |
| Total                  | \$ | 101.8                   | 96.7 | 76.4  | 45.7   | 36.8   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Linn County's property tax rates per \$100 of assessed valuations were as follows:

|                           |    | Year Ended December 31, |      |
|---------------------------|----|-------------------------|------|
|                           |    | 1999                    | 1998 |
| General Revenue Fund      | \$ | .09                     | .08  |
| Health Center Fund        |    | .19                     | .23  |
| Senate Bill 40 Board Fund |    | .20                     | .19  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

|                               | Year Ended February 28 (29), |           |
|-------------------------------|------------------------------|-----------|
|                               | 2000                         | 1999      |
| State of Missouri             | \$ 32,455                    | 29,817    |
| General Revenue Fund          | 114,341                      | 96,518    |
| Special Road and Bridge Fund  | 48,344                       | 43,390    |
| Assessment Fund               | 67,511                       | 63,962    |
| Health Center Fund            | 203,339                      | 223,673   |
| Senate Bill 40 Board Fund     | 206,550                      | 184,043   |
| School districts              | 3,863,826                    | 3,544,466 |
| Special road districts        | 61,009                       | 67,189    |
| Township Road and Bridge Fund | 486,509                      | 432,865   |
| Townships                     | 108,375                      | 96,667    |
| Fire districts                | 33,740                       | 32,840    |
| Township Bond Fund            | 76,153                       | 49,331    |
| Ambulance district            | 305,391                      | 276,003   |
| Yellow Creek Watershed        | 74                           | 1,699     |
| Cities                        | 105,460                      | 104,553   |
| County Clerk                  | 251                          | 233       |
| County Employees' Retirement  | 21,186                       | 18,381    |
| Investment interest           | 10,000                       | 6,705     |
| Commissions and fees:         |                              |           |
| General Revenue Fund          | 65,489                       | 59,487    |
| Township Collectors           | 47,101                       | 44,012    |
| Total                         | \$ 5,857,104                 | 5,375,834 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28 (29), |        |
|------------------------|------------------------------|--------|
|                        | 2000                         | 1999   |
| Real estate            | 92.2 %                       | 90.8 % |
| Personal property      | 91.8                         | 89.1   |
| Railroad and utilities | 100.0                        | 96.0   |

Linn County also has the following sales taxes; rates are per \$1 of retail sales:

|                                     | Rate     | Expiration Date | Required Property Tax Reduction |
|-------------------------------------|----------|-----------------|---------------------------------|
| General                             | \$ .0050 | None            | 50 %                            |
| Capital improvements, Road & Bridge | .0050    | 2004            | None                            |
| Use                                 | .0010    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| Rick Solomon, Presiding Commissioner  | \$     | 21,483 |        |
| Charles Farrenkoph, Presiding Commissioner  |        |        | 17,500 |
| Becky Thudium, Associate Commissioner   |        | 17,500 | 17,500 |
| Jim Libby, Associate Commissioner   |        | 17,500 | 17,500 |
| Loretta Brookshier, Recorder of Deeds (1)   |        |        | 27,000 |
| Peggy Ward, County Clerk (2)  |        | 29,520 | 24,583 |
| Kathleen Jones, County Clerk (3)  |        |        | 4,917  |
| John Casey, Prosecuting Attorney  |        | 35,260 |        |
| William DeVoy, Prosecuting Attorney   |        |        | 34,000 |
| Tom Parks, Sheriff  |        | 35,000 | 35,000 |
| Wesley Rhodes, County Coroner   |        | 6,000  | 6,000  |
| Leroy Duncan, Public Administrator *  |        | 15,497 | 19,469 |
| Pamela Reed, Treasurer and Ex Officio County<br>Collector, year ended March 31, (4)           | 32,742 | 630    |        |
| David Long, Treasurer and Ex Officio County<br>Collector, April 1, 1998 to March 25, 1999 (5) |        | 32,112 |        |
| David Long, County Assessor **, March 25, 1999 to<br>August 31, 1999 (5)                      |        | 15,270 |        |
| Patty Rushton, County Assessor ***, year ended<br>August 31, (6)                              |        | 17,450 | 34,900 |

- (1) The separate position of Recorder of Deeds was abolished in January 1999 when the office was combined with the Circuit Clerk.
- (2) Appointed March 3, 1998.
- (3) Resigned effective February 28, 1998.
- (4) Appointed March 25, 1999.
- (5) Served as Treasurer and Ex Officio Collector from April 1, 1998 to March 25, 1999. He resigned when appointed Assessor by Governor on March 25, 1999.
- (6) Resigned effective February 23, 1999.

\* Includes fees received from probate cases.

\*\* Includes \$450 annual compensation received from the state.

\*\*\* Includes \$450 and \$900 annual compensation received from the state, respectively.

State-Paid Officials:

|  |  |        |        |
|--|--|--------|--------|
| Elaine Clough, Circuit Clerk and<br>Ex Officio Recorder of Deeds |  | 44,292 | 42,183 |
| James Williams, Associate Circuit Judge                          |  | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 2                           | 2        |
| County Clerk                                   | 3                           | 0        |
| Prosecuting Attorney                           | 1                           | 0        |
| Sheriff  | 5                           | 0        |
| Treasurer and Ex Officio County Collector      | 1                           | 0        |
| County Assessor                                | 4                           | 0        |
| Associate Division                             | 0                           | 1        |
| Probate Division                               | 0                           | 1        |
| Road and Bridge                                | 6                           | 0        |
| Health Center                                  | 12                          | 0        |
| Other  | 2                           | 0        |
| Total  | <u>36</u>                   | <u>4</u> |

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Linn County's share of the Ninth Judicial Circuit's expenses is 47.21 percent.



ATCHISON COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-103  
September 26, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Atchison, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Atchison County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

# ATCHISON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Atchison County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Atchison County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

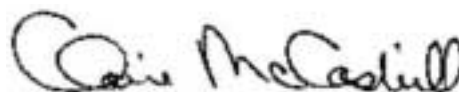
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Atchison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Atchison County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Atchison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 3, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 3, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Todd M. Schuler, CPA  |
| In-Charge Auditor:  | Todd Stoll            |
| Audit Staff:        | Tiffany Blew          |
|                     | Renee' Alvarez        |
|                     | Casey Henry           |
|                     | Mark Heater           |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Atchison County, Missouri

We have audited the special-purpose financial statements of various funds of Atchison County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

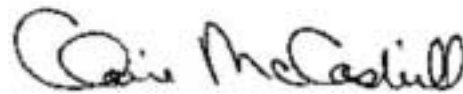
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Atchison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Atchison County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Atchison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 3, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

ATCHISON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 392,701         | 896,469   | 958,149       | 331,021              |
| Special Road and Bridge             | 290,688            | 665,353   | 956,450       | (409)                |
| Assessment                          | 9,779              | 109,547   | 116,076       | 3,250                |
| Law Enforcement Training            | 919                | 7,048     | 5,011         | 2,956                |
| Prosecuting Attorney Training       | 10,181             | 1,831     | 227           | 11,785               |
| Landfill                            | 65,908             | 3,856     | 3,696         | 66,068               |
| CART                                | 709,295            | 629,618   | 385,592       | 953,321              |
| Emergency Preparedness              | 7,915              | 55,528    | 53,028        | 10,415               |
| Crime Investigation                 | 605                | 1,408     | 818           | 1,195                |
| Local Emergency Planning Commission | 6,390              | 2,472     | 3,059         | 5,803                |
| County Road Rock                    | 287,220            | 220,478   | 229,010       | 278,688              |
| Off Highway Systems                 | 0                  | 560,638   | 536,097       | 24,541               |
| Rest Home Improvement               | 128,658            | 27,714    | 405           | 155,967              |
| Donations                           | 516                | 18,964    | 2,964         | 16,516               |
| Rest Home Bond                      | 174,084            | 114,958   | 96,064        | 192,978              |
| Domestic Violence                   | 4,050              | 530       | 0             | 4,580                |
| Circuit Clerk Interest              | 1,088              | 926       | 1,046         | 968                  |
| Recorder's Users Fee                | 2,901              | 3,069     | 1,480         | 4,490                |
| Associate Circuit Division Interest | 826                | 937       | 681           | 1,082                |
| Prosecuting Attorney Bad Check      | 4,196              | 3,189     | 4,075         | 3,310                |
| 911                                 | 0                  | 44,998    | 37,470        | 7,528                |
| Sheriff's Civil Fees                | 8,531              | 4,763     | 5,165         | 8,129                |
| Senate Bill 40                      | 26,478             | 73,271    | 87,000        | 12,749               |
| Health Center                       | 174,213            | 190,932   | 196,548       | 168,597              |
| Law Library                         | 715                | 1,273     | 1,918         | 70                   |
| Total                               | \$ 2,307,857       | 3,639,770 | 3,682,029     | 2,265,598            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

ATCHISON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 416,515         | 941,034   | 964,848       | 392,701              |
| Special Road and Bridge             | 86,578             | 1,165,127 | 961,017       | 290,688              |
| Assessment                          | 2,013              | 107,777   | 100,011       | 9,779                |
| Law Enforcement Training            | 1,081              | 4,719     | 4,881         | 919                  |
| Prosecuting Attorney Training       | 9,034              | 1,919     | 772           | 10,181               |
| Landfill                            | 65,345             | 3,289     | 2,726         | 65,908               |
| CART                                | 1,008,435          | 632,137   | 931,277       | 709,295              |
| Emergency Preparedness              | 25,504             | 35,859    | 53,448        | 7,915                |
| Crime Investigation                 | 21,408             | 10,377    | 31,180        | 605                  |
| Local Emergency Planning Commission | 5,556              | 2,439     | 1,605         | 6,390                |
| County Road Rock                    | 296,405            | 235,802   | 244,987       | 287,220              |
| Off Highway Systems                 | (618)              | 603,696   | 603,078       | 0                    |
| Rest Home Improvement               | 121,405            | 43,358    | 36,105        | 128,658              |
| Donations                           | 130                | 386       | 0             | 516                  |
| Rest Home Bond                      | 150,327            | 114,596   | 90,839        | 174,084              |
| Domestic Violence                   | 3,493              | 557       | 0             | 4,050                |
| Circuit Clerk Interest              | 619                | 570       | 101           | 1,088                |
| Recorder's Users Fee                | 656                | 3,048     | 803           | 2,901                |
| Associate Circuit Division Interest | 104                | 801       | 79            | 826                  |
| Prosecuting Attorney Bad Check      | 1,966              | 3,654     | 1,424         | 4,196                |
| Sheriff's Civil Fees                | 2,096              | 6,435     | 0             | 8,531                |
| Senate Bill 40                      | 18,643             | 74,835    | 67,000        | 26,478               |
| Health Center                       | 152,809            | 236,174   | 214,770       | 174,213              |
| Law Library                         | 332                | 2,105     | 1,722         | 715                  |
| Total                               | \$ 2,389,836       | 4,230,694 | 4,312,673     | 2,307,857            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |          |  |           |          |  |
|-------------------------------------|-------------------------|----------|--|-----------|----------|--|
|                                     | 1999                    |          |  | 1998      |          |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |           |          |  |
| Property taxes                      | \$ 387,575              | 346,300  | (41,275)                               | 328,340   | 347,695  | 19,355                                 |
| Sales taxes                         | 219,000                 | 204,815  | (14,185)                               | 220,000   | 217,858  | (2,142)                                |
| Intergovernmental                   | 102,081                 | 109,383  | 7,302                                  | 102,813   | 97,679   | (5,134)                                |
| Charges for services                | 184,900                 | 173,402  | (11,498)                               | 161,384   | 191,387  | 30,003                                 |
| Interest                            | 25,000                  | 23,083   | (1,917)                                | 25,000    | 26,387   | 1,387                                  |
| Other                               | 26,550                  | 39,486   | 12,936                                 | 29,125    | 31,338   | 2,213                                  |
| Transfers in                        | 9,000                   | 0        | (9,000)                                | 29,200    | 28,690   | (510)                                  |
| Total Receipts                      | 954,106                 | 896,469  | (57,637)                               | 895,862   | 941,034  | 45,172                                 |
| DISBURSEMENTS                       |                         |          |  |           |          |  |
| County Commission                   | 79,370                  | 75,855   | 3,515                                  | 56,960    | 56,726   | 234                                    |
| County Clerk                        | 87,300                  | 74,389   | 12,911                                 | 70,832    | 63,073   | 7,759                                  |
| Elections                           | 6,300                   | 6,119    | 181                                    | 25,000    | 13,531   | 11,469                                 |
| Buildings and Grounds               | 204,571                 | 45,382   | 159,189                                | 205,291   | 63,488   | 141,803                                |
| Employee fringe benefits            | 142,000                 | 132,192  | 9,808                                  | 134,200   | 124,784  | 9,416                                  |
| County Treasurer                    | 27,012                  | 26,623   | 389                                    | 21,638    | 21,144   | 494                                    |
| County Collector                    | 53,945                  | 53,132   | 813                                    | 50,936    | 51,067   | (131)                                  |
| Recorder of Deeds                   | 12,738                  | 12,529   | 209                                    | 12,255    | 11,580   | 675                                    |
| Circuit Clerk                       | 4,310                   | 5,287    | (977)                                  | 4,065     | 3,508    | 557                                    |
| Associate Circuit Court             | 7,910                   | 6,220    | 1,690                                  | 7,151     | 7,546    | (395)                                  |
| Court Administration                | 4,696                   | 3,348    | 1,348                                  | 4,596     | 2,594    | 2,002                                  |
| Public Administrator                | 16,975                  | 14,357   | 2,618                                  | 17,575    | 12,734   | 4,841                                  |
| Sheriff                             | 176,974                 | 154,968  | 22,006                                 | 211,436   | 203,293  | 8,143                                  |
| Jail                                | 101,000                 | 92,551   | 8,449                                  | 93,626    | 93,805   | (179)                                  |
| Prosecuting Attorney                | 140,795                 | 130,666  | 10,129                                 | 129,758   | 120,083  | 9,675                                  |
| Juvenile Officer                    | 17,393                  | 14,647   | 2,746                                  | 23,072    | 21,995   | 1,077                                  |
| County Coroner                      | 13,050                  | 10,559   | 2,491                                  | 16,100    | 10,894   | 5,206                                  |
| Other                               | 65,800                  | 72,325   | (6,525)                                | 63,923    | 61,003   | 2,920                                  |
| Public Health and Welfare           | 4,000                   | 2,000    | 2,000                                  | 8,000     | 2,000    | 6,000                                  |
| Transfers out                       | 30,000                  | 25,000   | 5,000                                  | 37,100    | 20,000   | 17,100                                 |
| Emergency Fund                      | 28,623                  | 0        | 28,623                                 | 26,876    | 0        | 26,876                                 |
| Total Disbursements                 | 1,224,762               | 958,149  | 266,613                                | 1,220,390 | 964,848  | 255,542                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (270,656)               | (61,680) | 208,976                                | (324,528) | (23,814) | 300,714                                |
| CASH, JANUARY 1                     | 392,701                 | 392,701  | 0                                      | 416,515   | 416,515  | 0                                      |
| CASH, DECEMBER 31                   | \$ 122,045              | 331,021  | 208,976                                | 91,987    | 392,701  | 300,714                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit C

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Property taxes                      | \$ 383,582              | 401,298   | 17,716                                 | 400,242   | 405,187   | 4,945                                  |
| Charges for services                | 18,000                  | 22,040    | 4,040                                  | 0         | 21,516    | 21,516                                 |
| Interest                            | 4,500                   | 11,547    | 7,047                                  | 8,350     | 5,347     | (3,003)                                |
| Other                               | 8,500                   | 30,468    | 21,968                                 | 12,700    | 58,455    | 45,755                                 |
| Transfers in                        | 532,000                 | 200,000   | (332,000)                              | 650,000   | 674,622   | 24,622                                 |
| Total Receipts                      | 946,582                 | 665,353   | (281,229)                              | 1,071,292 | 1,165,127 | 93,835                                 |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| Salaries                            | 300,000                 | 294,723   | 5,277                                  | 297,940   | 288,139   | 9,801                                  |
| Employee fringe benefits            | 77,400                  | 75,878    | 1,522                                  | 83,000    | 74,621    | 8,379                                  |
| Supplies                            | 98,450                  | 75,912    | 22,538                                 | 100,060   | 95,147    | 4,913                                  |
| Insurance                           | 13,000                  | 9,113     | 3,887                                  | 12,000    | 11,991    | 9                                      |
| Road and bridge materials           | 178,000                 | 133,249   | 44,751                                 | 186,200   | 196,422   | (10,222)                               |
| Equipment repairs                   | 120,000                 | 122,086   | (2,086)                                | 95,000    | 106,592   | (11,592)                               |
| Rentals                             | 71,067                  | 71,067    | 0                                      | 102,000   | 108,495   | (6,495)                                |
| Equipment purchases                 | 179,500                 | 135,528   | 43,972                                 | 66,500    | 35,910    | 30,590                                 |
| Other                               | 4,100                   | 38,894    | (34,794)                               | 5,100     | 43,700    | (38,600)                               |
| Total Disbursements                 | 1,041,517               | 956,450   | 85,067                                 | 947,800   | 961,017   | (13,217)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (94,935)                | (291,097) | (196,162)                              | 123,492   | 204,110   | 80,618                                 |
| CASH, JANUARY 1                     | 290,688                 | 290,688   | 0                                      | 86,578    | 86,578    | 0                                      |
| CASH, DECEMBER 31                   | \$ 195,753              | (409)     | (196,162)                              | 210,070   | 290,688   | 80,618                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |         |  |         |         |  |
|-------------------------------------|-----------|---------|--|---------|---------|--|
| 1999                                |           |         | 1998                                   |         |         |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |         |  |
| Intergovernmental                   | \$ 81,900 | 82,692  | 792                                    | 80,823  | 85,654  | 4,831                                  |
| Interest                            | 700       | 480     | (220)                                  | 0       | 685     | 685                                    |
| Other                               | 1,300     | 1,375   | 75                                     | 0       | 1,438   | 1,438                                  |
| Transfers in                        | 17,000    | 25,000  | 8,000                                  | 37,100  | 20,000  | (17,100)                               |
| Total Receipts                      | 100,900   | 109,547 | 8,647                                  | 117,923 | 107,777 | (10,146)                               |
| DISBURSEMENTS                       |           |         |  |         |         |  |
| Assessor                            | 110,673   | 116,076 | (5,403)                                | 119,650 | 100,011 | 19,639                                 |
| Total Disbursements                 | 110,673   | 116,076 | (5,403)                                | 119,650 | 100,011 | 19,639                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (9,773)   | (6,529) | 3,244                                  | (1,727) | 7,766   | 9,493                                  |
| CASH, JANUARY 1                     | 9,779     | 9,779   | 0                                      | 2,013   | 2,013   | 0                                      |
| CASH, DECEMBER 31                   | \$ 6      | 3,250   | 3,244                                  | 286     | 9,779   | 9,493                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

ATCHISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | 1,800    | 2,937  | 1,137                                  | 0      | 1,054  | 1,054                                  |
| Charges for services                | \$ 3,500 | 3,767  | 267                                    | 3,560  | 3,602  | 42                                     |
| Interest                            | 60       | 38     | (22)                                   | 0      | 63     | 63                                     |
| Other                               | 0        | 306    | 306                                    | 0      | 0      | 0                                      |
| Total Receipts                      | 5,360    | 7,048  | 1,688                                  | 3,560  | 4,719  | 1,159                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Mileage and training                | 5,600    | 5,011  | 589                                    | 4,100  | 4,881  | (781)                                  |
| Total Disbursements                 | 5,600    | 5,011  | 589                                    | 4,100  | 4,881  | (781)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (240)    | 2,037  | 2,277                                  | (540)  | (162)  | 378                                    |
| CASH, JANUARY 1                     | 919      | 919    | 0                                      | 1,081  | 1,081  | 0                                      |
| CASH, DECEMBER 31                   | \$ 679   | 2,956  | 2,277                                  | 541    | 919    | 378                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

ATCHISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 1,500                   | 1,354  | (146)                                  | 2,000  | 1,459  | (541)                                  |
| Interest                            |    | 400                     | 477    | 77                                     | 400    | 460    | 60                                     |
| Total Receipts                      |    | 1,900                   | 1,831  | (69)                                   | 2,400  | 1,919  | (481)                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Mileage and training                |    | 2,500                   | 227    | 2,273                                  | 2,300  | 772    | 1,528                                  |
| Total Disbursements                 |    | 2,500                   | 227    | 2,273                                  | 2,300  | 772    | 1,528                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (600)                   | 1,604  | 2,204                                  | 100    | 1,147  | 1,047                                  |
| CASH, JANUARY 1                     |    | 10,181                  | 10,181 | 0                                      | 9,034  | 9,034  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 9,581                   | 11,785 | 2,204                                  | 9,134  | 10,181 | 1,047                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LANDFILL FUND

| Year Ended December 31,             |           |        |  |         |        |  |
|-------------------------------------|-----------|--------|--|---------|--------|--|
| 1999                                |           |        | 1998                                   |         |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |         |        |  |
| Property taxes                      | \$ 0      | 900    | 900                                    | 0       | 119    | 119                                    |
| Intergovernmental                   | 35        | 35     | 0                                      | 30      | 35     | 5                                      |
| Interest                            | 3,000     | 2,921  | (79)                                   | 3,000   | 3,135  | 135                                    |
| Other                               | 0         | 0      | 0                                      | 25      | 0      | (25)                                   |
| Total Receipts                      | 3,035     | 3,856  | 821                                    | 3,055   | 3,289  | 234                                    |
| DISBURSEMENTS                       |           |        |  |         |        |  |
| Equipment                           | 600       | 0      | 600                                    | 500     | 0      | 500                                    |
| Other                               | 3,475     | 3,696  | (221)                                  | 9,100   | 2,726  | 6,374                                  |
| Total Disbursements                 | 4,075     | 3,696  | 379                                    | 9,600   | 2,726  | 6,874                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,040)   | 160    | 1,200                                  | (6,545) | 563    | 7,108                                  |
| CASH, JANUARY 1                     | 65,908    | 65,908 | 0                                      | 65,345  | 65,345 | 0                                      |
| CASH, DECEMBER 31                   | \$ 64,868 | 66,068 | 1,200                                  | 58,800  | 65,908 | 7,108                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CART FUND

| Year Ended December 31,             |            |         |  |           |           |  |
|-------------------------------------|------------|---------|--|-----------|-----------|--|
| 1999                                |            |         | 1998                                   |           |           |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |           |           |  |
| Intergovernmental                   | \$ 580,000 | 591,740 | 11,740                                 | 571,000   | 581,076   | 10,076                                 |
| Interest                            | 48,000     | 37,878  | (10,122)                               | 49,000    | 48,582    | (418)                                  |
| Other                               | 0          | 0       | 0                                      | 0         | 2,479     | 2,479                                  |
| Total Receipts                      | 628,000    | 629,618 | 1,618                                  | 620,000   | 632,137   | 12,137                                 |
| DISBURSEMENTS                       |            |         |  |           |           |  |
| Salaries                            | 85,754     | 90,997  | (5,243)                                | 80,000    | 85,754    | (5,754)                                |
| Supplies                            | 275        | 732     | (457)                                  | 250       | 231       | 19                                     |
| Operating expenses                  | 51,500     | 49,722  | 1,778                                  | 92,529    | 92,058    | 471                                    |
| Equipment                           | 0          | 0       | 0                                      | 78,553    | 78,553    | 0                                      |
| Other                               | 30,000     | 13,141  | 16,859                                 | 30,000    | 24,681    | 5,319                                  |
| Transfers out                       | 500,000    | 231,000 | 269,000                                | 650,000   | 650,000   | 0                                      |
| Total Disbursements                 | 667,529    | 385,592 | 281,937                                | 931,332   | 931,277   | 55                                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (39,529)   | 244,026 | 283,555                                | (311,332) | (299,140) | 12,192                                 |
| CASH, JANUARY 1                     | 709,295    | 709,295 | 0                                      | 1,008,435 | 1,008,435 | 0                                      |
| CASH, DECEMBER 31                   | \$ 669,766 | 953,321 | 283,555                                | 697,103   | 709,295   | 12,192                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY PREPAREDNESS FUND

| Year Ended December 31,             |          |        |  |          |          |  |
|-------------------------------------|----------|--------|--|----------|----------|--|
| 1999                                |          |        | 1998                                   |          |          |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |          |          |  |
| Intergovernmental                   | \$ 5,000 | 6,410  | 1,410                                  | 5,275    | 5,275    | 0                                      |
| Charges for services                | 50,100   | 48,228 | (1,872)                                | 40,250   | 29,666   | (10,584)                               |
| Interest                            | 900      | 890    | (10)                                   | 1,700    | 918      | (782)                                  |
| Total Receipts                      | 56,000   | 55,528 | (472)                                  | 47,225   | 35,859   | (11,366)                               |
| DISBURSEMENTS                       |          |        |  |          |          |  |
| Salaries                            | 31,157   | 31,229 | (72)                                   | 29,045   | 29,158   | (113)                                  |
| Supplies                            | 5,100    | 3,102  | 1,998                                  | 3,700    | 4,353    | (653)                                  |
| Equipment                           | 0        | 0      | 0                                      | 12,500   | 0        | 12,500                                 |
| Mileage and training                | 2,000    | 808    | 1,192                                  | 2,000    | 1,457    | 543                                    |
| Other                               | 19,000   | 17,889 | 1,111                                  | 18,400   | 18,480   | (80)                                   |
| Total Disbursements                 | 57,257   | 53,028 | 4,229                                  | 65,645   | 53,448   | 12,197                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,257)  | 2,500  | 3,757                                  | (18,420) | (17,589) | 831                                    |
| CASH, JANUARY 1                     | 7,915    | 7,915  | 0                                      | 25,504   | 25,504   | 0                                      |
| CASH, DECEMBER 31                   | \$ 6,658 | 10,415 | 3,757                                  | 7,084    | 7,915    | 831                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CRIME INVESTIGATION FUND

|                                     |    | Year Ended December 31, |        |  |          |          |  |
|-------------------------------------|----|-------------------------|--------|--|----------|----------|--|
|                                     |    | 1999                    |        |  | 1998     |          |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |          |          |  |
| Charges for services                | \$ | 9,000                   | 1,358  | (7,642)                                | 12,000   | 9,244    | (2,756)                                |
| Interest                            |    | 1,000                   | 50     | (950)                                  | 1,000    | 1,133    | 133                                    |
| Total Receipts                      |    | 10,000                  | 1,408  | (8,592)                                | 13,000   | 10,377   | (2,623)                                |
| DISBURSEMENTS                       |    |                         |        |  |          |          |  |
| County DARE program                 |    | 1,500                   | 226    | 1,274                                  | 1,500    | 1,456    | 44                                     |
| Equipment                           |    | 0                       | 0      | 0                                      | 2,500    | 441      | 2,059                                  |
| Other                               |    | 500                     | 592    | (92)                                   | 500      | 593      | (93)                                   |
| Transfers out                       |    | 7,000                   | 0      | 7,000                                  | 28,200   | 28,690   | (490)                                  |
| Total Disbursements                 |    | 9,000                   | 818    | 8,182                                  | 32,700   | 31,180   | 1,520                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 1,000                   | 590    | (410)                                  | (19,700) | (20,803) | (1,103)                                |
| CASH, JANUARY 1                     |    | 605                     | 605    | 0                                      | 21,408   | 21,408   | 0                                      |
| CASH, DECEMBER 31                   | \$ | 1,605                   | 1,195  | (410)                                  | 1,708    | 605      | (1,103)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit K

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LOCAL EMERGENCY PLANNING COMMISSION FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        |  | 1998   |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 2,000 | 2,193  | 193                                    | 3,000  | 2,184  | (816)                                  |
| Interest                            | 200      | 279    | 79                                     | 100    | 255    | 155                                    |
| Total Receipts                      | 2,200    | 2,472  | 272                                    | 3,100  | 2,439  | (661)                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Supplies                            | 200      | 0      | 200                                    | 200    | 164    | 36                                     |
| Equipment                           | 2,000    | 2,918  | (918)                                  | 2,300  | 1,200  | 1,100                                  |
| Training                            | 4,000    | 141    | 3,859                                  | 500    | 241    | 259                                    |
| Total Disbursements                 | 6,200    | 3,059  | 3,141                                  | 3,000  | 1,605  | 1,395                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,000)  | (587)  | 3,413                                  | 100    | 834    | 734                                    |
| CASH, JANUARY 1                     | 6,390    | 6,390  | 0                                      | 5,556  | 5,556  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,390 | 5,803  | 3,413                                  | 5,656  | 6,390  | 734                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COUNTY ROAD ROCK FUND

|                                     |    | Year Ended December 31, |         |               |         |         |               |
|-------------------------------------|----|-------------------------|---------|---------------|---------|---------|---------------|
|                                     |    | 1999                    |         |               | 1998    |         |               |
|                                     |    |                         |         | Variance      |         |         | Variance      |
|                                     |    |                         |         | Favorable     |         |         | Favorable     |
|                                     |    | Budget                  | Actual  | (Unfavorable) | Budget  | Actual  | (Unfavorable) |
| RECEIPTS                            |    |                         |         |               |         |         |               |
| Sales taxes                         | \$ | 219,000                 | 204,733 | (14,267)      | 228,000 | 217,792 | (10,208)      |
| Interest                            |    | 17,000                  | 13,157  | (3,843)       | 14,000  | 17,089  | 3,089         |
| Other                               |    | 0                       | 2,588   | 2,588         | 0       | 921     | 921           |
| Total Receipts                      |    | 236,000                 | 220,478 | (15,522)      | 242,000 | 235,802 | (6,198)       |
| DISBURSEMENTS                       |    |                         |         |               |         |         |               |
| Road and bridge materials           |    | 235,000                 | 229,010 | 5,990         | 215,000 | 244,987 | (29,987)      |
| Total Disbursements                 |    | 235,000                 | 229,010 | 5,990         | 215,000 | 244,987 | (29,987)      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 1,000                   | (8,532) | (21,512)      | 27,000  | (9,185) | (36,185)      |
| CASH, JANUARY 1                     |    | 287,220                 | 287,220 | 0             | 296,405 | 296,405 | 0             |
| CASH, DECEMBER 31                   |    | \$ 288,220              | 278,688 | (21,512)      | 323,405 | 287,220 | (36,185)      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
OFF HIGHWAY SYSTEM FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Intergovernmental                   | \$ 714,949 | 560,638       | 661,379 | 603,696 | (57,683)      |  |
| Total Receipts                      | 714,949    | 560,638       | 661,379 | 603,696 | (57,683)      |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Construction                        | 681,349    | 536,097       | 629,740 | 578,456 | 51,284        |  |
| Transfers out                       | 33,600     | 0             | 0       | 24,622  | (24,622)      |  |
| Total Disbursements                 | 714,949    | 536,097       | 629,740 | 603,078 | 26,662        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 24,541        | 31,639  | 618     | (31,021)      |  |
| CASH, JANUARY 1                     | 0          | 0             | (618)   | (618)   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0       | 24,541        | 31,021  | 0       | (31,021)      |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 REST HOME IMPROVEMENT FUND

|                                     |    | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|----|-------------------------|---------|--|----------|---------|--|
|                                     |    | 1999                    |         |  | 1998     |         |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |  |          |         |  |
| Interest                            | \$ | 3,000                   | 6,114   | 3,114                                  | 4,500    | 6,016   | 1,516                                  |
| Lease                               |    | 21,600                  | 21,600  | 0                                      | 21,600   | 21,600  | 0                                      |
| Other                               |    | 0                       | 0       | 0                                      | 0        | 15,742  | 15,742                                 |
| Total Receipts                      |    | 24,600                  | 27,714  | 3,114                                  | 26,100   | 43,358  | 17,258                                 |
| DISBURSEMENTS                       |    |                         |         |  |          |         |  |
| Maintenance                         |    | 125,000                 | 405     | 124,595                                | 65,000   | 36,105  | 28,895                                 |
| Total Disbursements                 |    | 125,000                 | 405     | 124,595                                | 65,000   | 36,105  | 28,895                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (100,400)               | 27,309  | 127,709                                | (38,900) | 7,253   | 46,153                                 |
| CASH, JANUARY 1                     |    | 128,658                 | 128,658 | 0                                      | 121,405  | 121,405 | 0                                      |
| CASH, DECEMBER 31                   | \$ | 28,258                  | 155,967 | 127,709                                | 82,505   | 128,658 | 46,153                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DONATIONS FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Donations                           | \$ 7,500 | 18,964        | 0      | 386    | 386           |  |
| Total Receipts                      | 7,500    | 18,964        | 0      | 386    | 386           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Other                               | 8,000    | 2,964         | 130    | 0      | 130           |  |
| Total Disbursements                 | 8,000    | 2,964         | 130    | 0      | 130           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (500)    | 16,000        | (130)  | 386    | 516           |  |
| CASH, JANUARY 1                     | 516      | 516           | 130    | 130    | 0             |  |
| CASH, DECEMBER 31                   | \$ 16    | 16,516        | 0      | 516    | 516           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
REST HOME BOND FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Interest                            | \$ 8,500   | 9,333         | 8,000   | 8,996   | 996           |  |
| Lease                               | 105,600    | 105,625       | 105,600 | 105,600 | 0             |  |
| Total Receipts                      | 114,100    | 114,958       | 113,600 | 114,596 | 996           |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Debt service                        | 96,275     | 96,064        | 90,200  | 90,839  | (639)         |  |
| Total Disbursements                 | 96,275     | 96,064        | 90,200  | 90,839  | (639)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 17,825     | 18,894        | 23,400  | 23,757  | 357           |  |
| CASH, JANUARY 1                     | 174,084    | 174,084       | 150,327 | 150,327 | 0             |  |
| CASH, DECEMBER 31                   | \$ 191,909 | 192,978       | 173,727 | 174,084 | 357           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

|                                     |    | Year Ended December 31, |        |                            |         |        |                            |
|-------------------------------------|----|-------------------------|--------|----------------------------|---------|--------|----------------------------|
|                                     |    | 1999                    |        |                            | 1998    |        |                            |
|                                     |    |                         |        | Variance                   |         |        | Variance                   |
|                                     |    | Budget                  | Actual | Favorable<br>(Unfavorable) | Budget  | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |                            |         |        |                            |
| Charges for service                 | \$ | 400                     | 345    | (55)                       | 400     | 382    | (18)                       |
| Interest                            |    | 180                     | 185    | 5                          | 125     | 175    | 50                         |
| Total Receipts                      |    | 580                     | 530    | (50)                       | 525     | 557    | 32                         |
| DISBURSEMENTS                       |    |                         |        |                            |         |        |                            |
| Transfers out                       |    | 4,050                   | 0      | 4,050                      | 4,018   | 0      | 4,018                      |
| Total Disbursements                 |    | 4,050                   | 0      | 4,050                      | 4,018   | 0      | 4,018                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (3,470)                 | 530    | 4,000                      | (3,493) | 557    | 4,050                      |
| CASH, JANUARY 1                     |    | 4,050                   | 4,050  | 0                          | 3,493   | 3,493  | 0                          |
| CASH, DECEMBER 31                   | \$ | 580                     | 4,580  | 4,000                      | 0       | 4,050  | 4,050                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |         |               |     |        |        |               |
|-------------------------------------|---------|---------------|-----|--------|--------|---------------|
| 1999                                |         |               |     | 1998   |        |               |
|                                     |         | Variance      |     |        |        | Variance      |
|                                     |         | Favorable     |     |        |        | Favorable     |
|                                     |         | (Unfavorable) |     |        |        | (Unfavorable) |
|                                     | Budget  | Actual        |     | Budget | Actual |               |
| RECEIPTS                            |         |               |     |        |        |               |
| Interest                            | \$ 500  | 926           | 426 | 650    | 570    | (80)          |
| Total Receipts                      | 500     | 926           | 426 | 650    | 570    | (80)          |
| DISBURSEMENTS                       |         |               |     |        |        |               |
| Office supplies                     | 1,500   | 1,046         | 454 | 500    | 101    | 399           |
| Total Disbursements                 | 1,500   | 1,046         | 454 | 500    | 101    | 399           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,000) | (120)         | 880 | 150    | 469    | 319           |
| CASH, JANUARY 1                     | 1,088   | 1,088         | 0   | 619    | 619    | 0             |
| CASH, DECEMBER 31                   | \$ 88   | 968           | 880 | 769    | 1,088  | 319           |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit S

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDERS USERS FEE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,900 | 2,918         | 4,000  | 2,974  | (1,026)       |  |
| Interest                            | 0        | 151           | 0      | 74     | 74            |  |
| Total Receipts                      | 2,900    | 3,069         | 4,000  | 3,048  | (952)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Office supplies                     | 3,000    | 1,480         | 1,520  | 803    | 717           |  |
| Total Disbursements                 | 3,000    | 1,480         | 1,520  | 803    | 717           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (100)    | 1,589         | 2,480  | 2,245  | (235)         |  |
| CASH, JANUARY 1                     | 2,901    | 2,901         | 656    | 656    | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,801 | 4,490         | 3,136  | 2,901  | (235)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Interest                            | \$ 850 | 937           | 800    | 801    | 1             |  |
| Total Receipts                      | 850    | 937           | 800    | 801    | 1             |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Office supplies                     | 1,600  | 681           | 782    | 79     | 703           |  |
| Total Disbursements                 | 1,600  | 681           | 782    | 79     | 703           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (750)  | 256           | 18     | 722    | 704           |  |
| CASH, JANUARY 1                     | 826    | 826           | 104    | 104    | 0             |  |
| CASH, DECEMBER 31                   | \$ 76  | 1,082         | 122    | 826    | 704           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 3,500 | 3,189         | 1,500  | 3,654  | 2,154         |  |
| Total Receipts                      | 3,500    | 3,189         | 1,500  | 3,654  | 2,154         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Office equipment                    | 3,100    | 1,280         | 1,600  | 1,424  | 176           |  |
| Other                               | 2,650    | 2,795         | 0      | 0      | 0             |  |
| Total Disbursements                 | 5,750    | 4,075         | 1,600  | 1,424  | 176           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,250)  | (886)         | (100)  | 2,230  | 2,330         |  |
| CASH, JANUARY 1                     | 4,196    | 4,196         | 1,966  | 1,966  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,946 | 3,310         | 1,866  | 4,196  | 2,330         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit V

ATHCISON COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 911 FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Sales taxes                         | \$ 48,000               | 13,789 | (34,211)                               |
| Interest                            | 350                     | 209    | (141)                                  |
| Transfers in                        | 0                       | 31,000 | 31,000                                 |
| Total Receipts                      | 48,350                  | 44,998 | (3,352)                                |
| DISBURSEMENTS                       |                         |        |  |
| Salaries                            | 15,206                  | 0      | 15,206                                 |
| Office expenditures                 | 100                     | 0      | 100                                    |
| Equipment                           | 40,000                  | 0      | 40,000                                 |
| Consulting fee                      | 30,000                  | 37,470 | (7,470)                                |
| Total Disbursements                 | 85,306                  | 37,470 | 47,836                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (36,956)                | 7,528  | 44,484                                 |
| CASH, JANUARY 1                     | 0                       | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ (36,956)             | 7,528  | 44,484                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S CIVIL FEES

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for service                 | \$ 650   | 4,347         | 8,600  | 6,435  | (2,165)       |  |
| Interest                            | 0        | 416           | 0      | 0      | 0             |  |
| Total Receipts                      | 650      | 4,763         | 8,600  | 6,435  | (2,165)       |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 6,900    | 5,165         | 6,960  | 0      | 6,960         |  |
| Total Disbursements                 | 6,900    | 5,165         | 6,960  | 0      | 6,960         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,250)  | (402)         | 1,640  | 6,435  | 4,795         |  |
| CASH, JANUARY 1                     | 8,531    | 8,531         | 2,096  | 2,096  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,281 | 8,129         | 3,736  | 8,531  | 4,795         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

ATHCISON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENATE BILL 40 FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Property taxes                      | \$ 73,300 | 72,007        | 61,750  | 72,040 | 10,290        |  |
| Interest                            | 2,000     | 857           | 2,400   | 2,054  | (346)         |  |
| Other                               | 700       | 407           | 700     | 741    | 41            |  |
| Total Receipts                      | 76,000    | 73,271        | 64,850  | 74,835 | 9,985         |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Contract services                   | 70,000    | 87,000        | 68,000  | 67,000 | 1,000         |  |
| Total Disbursements                 | 70,000    | 87,000        | 68,000  | 67,000 | 1,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 6,000     | (13,729)      | (3,150) | 7,835  | 10,985        |  |
| CASH, JANUARY 1                     | 26,478    | 26,478        | 18,643  | 18,643 | 0             |  |
| CASH, DECEMBER 31                   | \$ 32,478 | 12,749        | 15,493  | 26,478 | 10,985        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit Y

ATHCISON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 36,000               | 36,040  | 40                                     | 31,000  | 36,414  | 5,414                                  |
| Intergovernmental                   | 149,000                 | 133,816 | (15,184)                               | 163,500 | 180,037 | 16,537                                 |
| Charges for services                | 20,000                  | 11,524  | (8,476)                                | 19,000  | 11,182  | (7,818)                                |
| Interest                            | 8,000                   | 8,671   | 671                                    | 6,000   | 7,607   | 1,607                                  |
| Other                               | 1,000                   | 881     | (119)                                  | 1,000   | 934     | (66)                                   |
| Total Receipts                      | 214,000                 | 190,932 | (23,068)                               | 220,500 | 236,174 | 15,674                                 |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salary                              | 136,000                 | 129,168 | 6,832                                  | 108,098 | 120,302 | (12,204)                               |
| Office expense                      | 15,000                  | 13,240  | 1,760                                  | 10,000  | 13,449  | (3,449)                                |
| Equipment and building              | 7,000                   | 4,024   | 2,976                                  | 7,000   | 6,111   | 889                                    |
| Mileage and training                | 2,500                   | 2,910   | (410)                                  | 2,000   | 1,915   | 85                                     |
| Other professional services         | 32,500                  | 19,089  | 13,411                                 | 60,000  | 36,143  | 23,857                                 |
| Medical supplies                    | 14,000                  | 21,509  | (7,509)                                | 26,000  | 27,788  | (1,788)                                |
| Other                               | 7,000                   | 6,608   | 392                                    | 4,500   | 9,062   | (4,562)                                |
| Total Disbursements                 | 214,000                 | 196,548 | 17,452                                 | 217,598 | 214,770 | 2,828                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (5,616) | (5,616)                                | 2,902   | 21,404  | 18,502                                 |
| CASH, JANUARY 1                     | 174,213                 | 174,213 | 0                                      | 152,809 | 152,809 | 0                                      |
| CASH, DECEMBER 31                   | \$ 174,213              | 168,597 | (5,616)                                | 155,711 | 174,213 | 18,502                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



ATCHISON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Atchison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senate Bill 40 Board, or Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Law Library Fund for the years ended December 31, 1999 and 1998.

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                   | <u>Years Ended December 31,</u> |
|-------------------------------|---------------------------------|
| Special Road and Bridge Fund  | 1998                            |
| Assessment Fund               | 1999                            |
| Law Enforcement Training Fund | 1998                            |
| County Road Rock Fund         | 1998                            |
| Rest Home Bond Fund           | 1998                            |
| Senate Bill 40 Fund           | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the 911 Fund for the year ended December 31, 1999.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1999 and 1998, did not include the Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial

institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board, and Senate Bill 40 Board deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's, Health Center Board's, or Senate Bill 40 Board's custodial bank in the county's, Health Center Board's, or Senate Bill 40 Board's name.

## Supplementary Schedule

## Schedule

ATCHISON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--|--|---|-------------------------|---------|
|  |  |   | Year Ended December 31, |         |
|  |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |         |
| Direct Program:  |  |   |                         |         |
| 10.069   | Conservation Reserve Program   | N/A   | 8,414                   | 7,868   |
| Passed through state:  |  |   |                         |         |
| Department of Health -   |  |   |                         |         |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-9102                                     | 18,317                  | 0       |
|  | Program Total  | ER0045-8102                                     | 0                       | 22,726  |
|  |  |   | 18,317                  | 22,726  |
| U.S. DEPARTMENT OF DEFENSE                                     |  |   |                         |         |
| Passed through state:  |  |   |                         |         |
| Office of Administration -                                     |  |   |                         |         |
| 12.112   | Payments to States in Lieu of Real Estate Taxes                            | N/A   | 2,925                   | 10,895  |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |         |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |         |
| 20.205   | Highway Planning and Construction  | BRO-003 (12)                                    | 0                       | 329,970 |
|  |  | BRO-003 (13)                                    | 231,383                 | 12,886  |
|  |  | BRO-003 (14)                                    | 0                       | 248,645 |
|  |  | BRO-003 (16)                                    | 21,022                  | 0       |
|  |  | BRO-003 (17)                                    | 283,692                 | 11,577  |
|  | Program Total  |   | 536,097                 | 603,078 |
| GENERAL SERVICES ADMINISTRATION                                |  |   |                         |         |
| Passed through state Office of Administration -                |  |   |                         |         |
| 39.003   | Donation of Federal Surplus Personal Property                              | N/A   | 1,250                   | 1,832   |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                            |  |   |                         |         |
| Passed through state Department of Public Safety:              |  |   |                         |         |
| 83.534   | Emergency Management - State and Local Assistance                          | N/A   | 6,410                   | 5,275   |

## Schedule

ATCHISON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |         |
| Passed through state:                         |  |   |                         |         |
| Department of Health -                        |  |   |                         |         |
| 93.268  | Immunization Grants  | N/A   | 9,128                   | 12,374  |
|   |  | PG0064-9102IAP                                  | 730                     | 0       |
|   |  | PG0064-8102IAP                                  | 0                       | 4,025   |
|   | Program Total  |   | 9,858                   | 16,399  |
| 93.919  | Cooperative Agreements for State-Based<br>Comprehensive Breast and Cervical Cancer<br>Early Detection Programs | ERS161-00020                                    | 9,898                   | 12,189  |
| 93.991  | Preventive Health and Health Services Block Grant  | N/A   | 109                     | 321     |
|   |  | N/A   | 0                       | 19,709  |
|   | Program Total  |   | 109                     | 20,030  |
| 93.994  | Maternal and Child Health Services<br>Block Grant to the States  | N/A   | 543                     | 1,125   |
|   |  | ER0146-9102MCH                                  | 15,353                  | 0       |
|   |  | ER0146-8102MCH                                  | 0                       | 12,374  |
|   |  | ER0175-9213FP                                   | 4,390                   | 0       |
|   |  | ER0175-8213FP                                   | 0                       | 16,434  |
|   | Program Total  |   | 20,286                  | 29,933  |
|   | Total Expenditures of Federal Awards   |   | \$ 613,564              | 730,225 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

ATCHISON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Atchison County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.



Of the amounts for Immunization Grants (CFDA number 93.268), \$9,128 and \$12,374 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$109 and \$321 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$543 and \$1,125 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Atchison County, Missouri

Compliance

We have audited the compliance of Atchison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

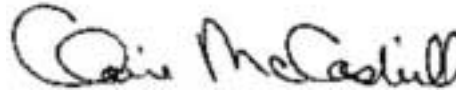
In our opinion, Atchison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998.

## Internal Control Over Compliance

The management of Atchison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Atchison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

August 3, 2000 (fieldwork completion date)

Schedule

ATCHISON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 and 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major program:

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?        yes   x   none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?        yes   x   no

Identification of major program:

|  |                                   |
|--|-----------------------------------|
| CFDA or<br>Other Identifying<br>Number | <u>Program Title</u>              |
| 20.205                                 | Highway Planning and Construction |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

ATCHISON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

ATCHISON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## SECTION ON OTHER MATTERS

## ATCHISON COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Atchison County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 3, 2000. We also have audited the compliance of Atchison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 3, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Atchison County and of its compliance with the types of compliance requirements applicable to its major federal program but does not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Schedule of Expenditures of Federal Awards

For the two years ended December 31, 1999 and 1998, the county reported revenues but failed to report expenditures on the Schedule of Expenditures of Federal Awards.

### 2. Budgeting

At December 31, 1999, the Special Road and Bridge Fund had a negative cash balance of \$409. In addition, a deficit balance was budgeted for the 911 Fund in 1999 and disbursements were made in excess of approved budgets for some other funds.

### 3. Health Center Controls and Procedures

Accounting and bookkeeping duties were not adequately segregated and supervisory review of accounting duties was not performed. Numerous bookkeeping errors were noted during our review, including items not being posted accurately to the cash receipt ledger and misclassifications of revenues and expenditures.

Deposits were not made on a timely basis. The Health Center Administrator indicated deposits were made one time per week.

Voided receipt slips and checks were not always maintained and the numerical sequence of receipt slips was not accounted for.

Budgets prepared by the Health Center were inaccurate. Cash reconciliations in the budget were inaccurate and cash amounts did not reconcile to the book balances maintained by the Health Center.

The Health Center did not adequately monitor expenditures and track program costs of the Comprehensive Family Planning Program, resulting in non-compliance with the program contract.

During the two years ended December 31, 1999 and 1998, the Health Center Administrator was paid \$3,058 for annual leave earned but not taken. During this period the Health Center Administrator used 31.5 days of sick leave, while only using 5 days of annual leave. The Board's personnel policy does not authorize payment of accrued annual leave.

The Health Center Board does not review or approve the timesheets or leave records of the Health Center Administrator.

This Letter on Other Matters is intended for the information of the management of Atchison County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



OREGON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-102  
September 26, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Oregon, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Oregon County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Budgets were not prepared for several county funds. Actual disbursements exceeded budgeted amounts for some funds. It appears the county's procedures and reports are not resulting in effective monitoring of some budgets.
- The county did not enter into a formal written agreement with the Oregon County Recycling Association. According to the County Commission, the county verbally agreed to pay the Association \$22,800 per year for its services. However, this agreement was not discussed in the County Commission minutes and there was no documentation to support the amount paid.
- County employees include the lunch hour when reporting a 40 hour work week on their time sheets. As a result, some employees were compensated for overtime even though they may have actually worked less than 40 hours. This method is contradictory to the county personnel manual.

The county did not report some payments made to employees as income and did not withhold any payroll taxes. The county should review such payments with the IRS and take appropriate action.

(over)

YELLOW SHEET

- The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards. The county prepared a schedule for the years ended December 31, 1999 and 1998; however, the schedules did not include a majority of the programs the county was involved in. Without an accurate schedule of expenditures of federal awards, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds to the county.
- Two forfeiture cases where funds were distributed to the county did not appear to be handled in accordance with state forfeiture laws.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Sheriff, Health Center, and Senior Citizens' Board. Several of these issues have been noted in prior audits.

**Copies of the audit are available upon request.**

OREGON COUNTY, MISSOURI

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OREGON COUNTY, MISSOURI

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## FINANCIAL SECTION



## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Oregon County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Oregon County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Oregon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Oregon County.

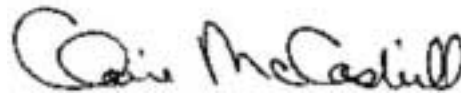
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Oregon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 27, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Oregon County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 27, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | David Holtmann, CPA   |
| In-Charge Auditor:  | Robert Showers        |
| Audit Staff:        | Mark Rodabaugh        |
|                     | Jennifer Roderick     |
|                     | Roy Sundermeyer       |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Oregon County, Missouri

We have audited the special-purpose financial statements of various funds of Oregon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

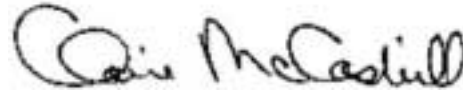
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Oregon County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Oregon County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to the management of the county in the accompanying Management Advisory Report.

This report is intended for the information of the management of Oregon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

July 27, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

OREGON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 648,975         | 988,517   | 1,013,114     | 624,378              |
| Special Road and Bridge             | 320,210            | 636,638   | 560,152       | 396,696              |
| Assessment                          | 0                  | 103,512   | 103,512       | 0                    |
| Law Enforcement Training            | 2,994              | 3,384     | 3,023         | 3,355                |
| Prosecuting Attorney Training       | 267                | 938       | 1,107         | 98                   |
| River Patrol                        | 0                  | 18,764    | 18,764        | 0                    |
| Federal Law Enforcement Forfeiture  | 7,960              | 11,801    | 5,000         | 14,761               |
| Recorder's User Fees                | 37,900             | 8,511     | 0             | 46,411               |
| Operation Cash Crop                 | 8                  | 989       | 943           | 54                   |
| Law Enforcement Donations           | 10,576             | 20,316    | 15,474        | 15,418               |
| Prosecuting Attorney Bad Check      | 37                 | 6,026     | 4,740         | 1,323                |
| Prosecuting Attorney Special        | 66                 | 488       | 0             | 554                  |
| Children's Trust                    | 420                | 405       | 420           | 405                  |
| Health Center                       | 55,132             | 328,524   | 343,186       | 40,470               |
| Senate Bill 40 Board                | 75,874             | 61,210    | 78,000        | 59,084               |
| Senior Citizens' Board              | 4,587              | 29,216    | 27,847        | 5,956                |
| Associate Circuit Division Interest | 935                | 797       | 357           | 1,375                |
| Circuit Clerk Interest              | 6,507              | 3,908     | 2,829         | 7,586                |
| Law Library                         | 4,144              | 519       | 1,143         | 3,520                |
| Total                               | \$ 1,176,592       | 2,224,463 | 2,179,611     | 1,221,444            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OREGON COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 644,429         | 1,035,613 | 1,031,067     | 648,975              |
| Special Road and Bridge             | 190,343            | 607,822   | 477,955       | 320,210              |
| Assessment                          | 0                  | 98,305    | 98,305        | 0                    |
| Law Enforcement Training            | 1,636              | 3,725     | 2,367         | 2,994                |
| Prosecuting Attorney Training       | 381                | 710       | 824           | 267                  |
| River Patrol                        | 0                  | 20,641    | 20,641        | 0                    |
| Federal Law Enforcement Forfeiture  | 12,687             | 273       | 5,000         | 7,960                |
| Recorder's User Fees                | 32,359             | 6,150     | 609           | 37,900               |
| Operation Cash Crop                 | 8                  | 0         | 0             | 8                    |
| Law Enforcement Donations           | 13,089             | 27,208    | 29,721        | 10,576               |
| Prosecuting Attorney Bad Check      | 41                 | 6,734     | 6,738         | 37                   |
| Prosecuting Attorney Special        | 36                 | 30        | 0             | 66                   |
| Children's Trust                    | 355                | 420       | 355           | 420                  |
| Health Center                       | 65,988             | 322,357   | 333,213       | 55,132               |
| Senate Bill 40 Board                | 56,951             | 55,023    | 36,100        | 75,874               |
| Senior Citizens' Board              | 5,192              | 28,819    | 29,424        | 4,587                |
| Associate Circuit Division Interest | 544                | 678       | 287           | 935                  |
| Circuit Clerk Interest              | 4,951              | 1,556     | 0             | 6,507                |
| Law Library                         | 5,256              | 613       | 1,725         | 4,144                |
| Total                               | \$ 1,034,246       | 2,216,677 | 2,074,331     | 1,176,592            |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit B

OREGON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 38,950               | 39,924    | 974                                    | 26,768    | 30,574    | 3,806                                  |
| Sales taxes                         | 650,000                 | 630,468   | (19,532)                               | 584,272   | 634,866   | 50,594                                 |
| Intergovernmental                   | 152,635                 | 158,004   | 5,369                                  | 132,094   | 193,739   | 61,645                                 |
| Charges for services                | 107,200                 | 106,979   | (221)                                  | 99,400    | 105,109   | 5,709                                  |
| Interest                            | 28,615                  | 19,270    | (9,345)                                | 26,063    | 27,115    | 1,052                                  |
| Other                               | 28,860                  | 28,580    | (280)                                  | 31,060    | 33,935    | 2,875                                  |
| Transfers in                        | 4,000                   | 5,292     | 1,292                                  | 8,000     | 10,275    | 2,275                                  |
| Total Receipts                      | 1,010,260               | 988,517   | (21,743)                               | 907,657   | 1,035,613 | 127,956                                |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 74,010                  | 70,101    | 3,909                                  | 60,050    | 54,951    | 5,099                                  |
| County Clerk                        | 84,318                  | 79,175    | 5,143                                  | 70,025    | 66,678    | 3,347                                  |
| Elections                           | 17,500                  | 11,822    | 5,678                                  | 35,190    | 29,225    | 5,965                                  |
| Buildings and grounds               | 37,656                  | 29,250    | 8,406                                  | 38,956    | 29,606    | 9,350                                  |
| Employee fringe benefits            | 125,000                 | 103,769   | 21,231                                 | 107,500   | 103,648   | 3,852                                  |
| County Treasurer                    | 28,443                  | 28,103    | 340                                    | 20,675    | 20,551    | 124                                    |
| County Collector                    | 71,220                  | 68,622    | 2,598                                  | 56,778    | 54,468    | 2,310                                  |
| Ex Officio Recorder of Deeds        | 30,378                  | 23,365    | 7,013                                  | 28,750    | 26,258    | 2,492                                  |
| Circuit Clerk                       | 15,500                  | 14,471    | 1,029                                  | 14,700    | 9,424     | 5,276                                  |
| Associate Circuit Court             | 9,950                   | 6,344     | 3,606                                  | 9,750     | 6,271     | 3,479                                  |
| Court administration                | 1,406                   | 781       | 625                                    | 1,375     | 1,182     | 193                                    |
| Public Administrator                | 17,625                  | 17,116    | 509                                    | 17,575    | 17,426    | 149                                    |
| Sheriff                             | 221,375                 | 227,765   | (6,390)                                | 218,810   | 214,680   | 4,130                                  |
| Jail                                | 60,649                  | 54,578    | 6,071                                  | 22,699    | 41,742    | (19,043)                               |
| Prosecuting Attorney                | 84,594                  | 73,695    | 10,899                                 | 70,348    | 67,685    | 2,663                                  |
| Juvenile Officer                    | 51,265                  | 48,133    | 3,132                                  | 54,204    | 53,778    | 426                                    |
| County Coroner                      | 6,700                   | 6,288     | 412                                    | 6,770     | 5,901     | 869                                    |
| Court Reporter                      | 456                     | 174       | 282                                    | 456       | 261       | 195                                    |
| Other                               | 167,556                 | 116,613   | 50,943                                 | 153,981   | 197,456   | (43,475)                               |
| Public health and welfare services  | 500                     | 0         | 500                                    | 500       | 0         | 500                                    |
| Transfers out                       | 45,001                  | 32,949    | 12,052                                 | 46,061    | 29,876    | 16,185                                 |
| Emergency Fund                      | 30,308                  | 0         | 30,308                                 | 35,000    | 0         | 35,000                                 |
| Total Disbursements                 | 1,181,410               | 1,013,114 | 168,296                                | 1,070,153 | 1,031,067 | 39,086                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (171,150)               | (24,597)  | 146,553                                | (162,496) | 4,546     | 167,042                                |
| CASH, JANUARY 1                     | 648,975                 | 648,975   | 0                                      | 644,429   | 644,429   | 0                                      |
| CASH, DECEMBER 31                   | \$ 477,825              | 624,378   | 146,553                                | 481,933   | 648,975   | 167,042                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

OREGON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |         |  |          |         |  |
|---------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                       | 1999                    |         |  | 1998     |         |  |
|                                       | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |         |  |          |         |  |
| Property taxes                        | \$ 88,000               | 88,017  | 17                                     | 80,700   | 83,428  | 2,728                                  |
| Intergovernmental                     | 637,150                 | 519,588 | (117,562)                              | 615,800  | 501,907 | (113,893)                              |
| Interest                              | 3,500                   | 11,234  | 7,734                                  | 4,500    | 7,085   | 2,585                                  |
| Other                                 | 5,900                   | 7,871   | 1,971                                  | 1,650    | 5,959   | 4,309                                  |
| Transfers in                          | 9,750                   | 9,928   | 178                                    | 9,000    | 9,443   | 443                                    |
| Total Receipts                        | 744,300                 | 636,638 | (107,662)                              | 711,650  | 607,822 | (103,828)                              |
| DISBURSEMENTS                         |                         |         |  |          |         |  |
| Salaries                              | 185,000                 | 171,309 | 13,691                                 | 175,000  | 159,860 | 15,140                                 |
| Employee fringe benefits              | 54,520                  | 43,927  | 10,593                                 | 47,110   | 42,010  | 5,100                                  |
| Supplies                              | 58,000                  | 52,903  | 5,097                                  | 64,650   | 47,710  | 16,940                                 |
| Insurance                             | 7,500                   | 5,800   | 1,700                                  | 10,000   | 5,872   | 4,128                                  |
| Road and bridge materials             | 213,000                 | 66,657  | 146,343                                | 217,500  | 66,244  | 151,256                                |
| Equipment repairs                     | 25,000                  | 16,731  | 8,269                                  | 25,000   | 18,202  | 6,798                                  |
| Rentals                               | 1,000                   | 1,200   | (200)                                  | 1,000    | 384     | 616                                    |
| Equipment purchases                   | 125,000                 | 104,798 | 20,202                                 | 100,000  | 41,963  | 58,037                                 |
| Construction, repair, and maintenance | 81,500                  | 81,976  | (476)                                  | 78,000   | 80,415  | (2,415)                                |
| Other                                 | 19,275                  | 14,851  | 4,424                                  | 21,700   | 15,295  | 6,405                                  |
| Total Disbursements                   | 769,795                 | 560,152 | 209,643                                | 739,960  | 477,955 | 262,005                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (25,495)                | 76,486  | 101,981                                | (28,310) | 129,867 | 158,177                                |
| CASH, JANUARY 1                       | 320,210                 | 320,210 | 0                                      | 190,343  | 190,343 | 0                                      |
| CASH, DECEMBER 31                     | \$ 294,715              | 396,696 | 101,981                                | 162,033  | 320,210 | 158,177                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

OREGON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

|                                     | Year Ended December 31, |         |  |         |        |  |
|-------------------------------------|-------------------------|---------|--|---------|--------|--|
|                                     | 1999                    |         |  | 1998    |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |        |  |
| Intergovernmental                   | \$ 88,851               | 69,451  | (19,400)                               | 71,476  | 68,524 | (2,952)                                |
| Charges for services                | 1,000                   | 1,000   | 0                                      | 1,000   | 1,000  | 0                                      |
| Interest                            | 100                     | 97      | (3)                                    | 200     | 137    | (63)                                   |
| Other                               | 750                     | 1,779   | 1,029                                  | 767     | 1,793  | 1,026                                  |
| Transfers in                        | 43,000                  | 31,185  | (11,815)                               | 46,061  | 26,851 | (19,210)                               |
| Total Receipts                      | 133,701                 | 103,512 | (30,189)                               | 119,504 | 98,305 | (21,199)                               |
| DISBURSEMENTS                       |                         |         |  |         |        |  |
| Assessor                            | 129,701                 | 103,512 | 26,189                                 | 115,504 | 94,305 | 21,199                                 |
| Transfers out                       | 4,000                   | 0       | 4,000                                  | 4,000   | 4,000  | 0                                      |
| Total Disbursements                 | 133,701                 | 103,512 | 30,189                                 | 119,504 | 98,305 | 21,199                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 0       | 0                                      | 0       | 0      | 0                                      |
| CASH, JANUARY 1                     | 0                       | 0       | 0                                      | 0       | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 0       | 0                                      | 0       | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 800   | 1,047  | 247                                    | 400    | 897    | 497                                    |
| Charges for services                | 2,525    | 2,277  | (248)                                  | 2,600  | 2,778  | 178                                    |
| Interest                            | 45       | 60     | 15                                     | 0      | 50     | 50                                     |
| Total Receipts                      | 3,370    | 3,384  | 14                                     | 3,000  | 3,725  | 725                                    |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Sheriff                             | 3,600    | 3,023  | 577                                    | 3,100  | 2,367  | 733                                    |
| Total Disbursements                 | 3,600    | 3,023  | 577                                    | 3,100  | 2,367  | 733                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (230)    | 361    | 591                                    | (100)  | 1,358  | 1,458                                  |
| CASH, JANUARY 1                     | 2,994    | 2,994  | 0                                      | 1,636  | 1,636  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,764 | 3,355  | 591                                    | 1,536  | 2,994  | 1,458                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,150 | 938           | 1,150  | 710    | (440)         |  |
| Total Receipts                      | 1,150    | 938           | 1,150  | 710    | (440)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 1,317    | 1,107         | 1,531  | 824    | 707           |  |
| Total Disbursements                 | 1,317    | 1,107         | 1,531  | 824    | 707           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (167)    | (169)         | (381)  | (114)  | 267           |  |
| CASH, JANUARY 1                     | 267      | 267           | 381    | 381    | 0             |  |
| CASH, DECEMBER 31                   | \$ 100   | 98            | 0      | 267    | 267           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RIVER PATROL FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Intergovernmental                   | \$ 11,000 | 17,000        | 10,600 | 17,617 | 7,017         |  |
| Transfer in                         | 2,000     | 1,764         | 0      | 3,024  | 3,024         |  |
| Total Receipts                      | 13,000    | 18,764        | 10,600 | 20,641 | 10,041        |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Salaries                            | 5,000     | 6,724         | 4,635  | 7,183  | (2,548)       |  |
| Mileage                             | 6,000     | 408           | 1,915  | 6,134  | (4,219)       |  |
| Miscellaneous                       | 460       | 6,340         | 409    | 1,049  | (640)         |  |
| Transfer out                        | 1,540     | 5,292         | 3,641  | 6,275  | (2,634)       |  |
| Total Disbursements                 | 13,000    | 18,764        | 10,600 | 20,641 | (10,041)      |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 0             | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0         | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0      | 0             | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FEDERAL LAW ENFORCEMENT FORFEITURE FUND

| Year Ended December 31,             |          |        |  |        |         |  |
|-------------------------------------|----------|--------|--|--------|---------|--|
| 1999                                |          |        | 1998                                   |        |         |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |         |  |
| Intergovernmental                   | \$ 0     | 11,485 | 11,485                                 | 10,000 | 0       | (10,000)                               |
| Interest                            | 250      | 316    | 66                                     | 200    | 273     | 73                                     |
| Total Receipts                      | 250      | 11,801 | 11,551                                 | 10,200 | 273     | (9,927)                                |
| DISBURSEMENTS                       |          |        |  |        |         |  |
| Equipment                           | 7,000    | 5,000  | 2,000                                  | 5,000  | 5,000   | 0                                      |
| Total Disbursements                 | 7,000    | 5,000  | 2,000                                  | 5,000  | 5,000   | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,750)  | 6,801  | 13,551                                 | 5,200  | (4,727) | (9,927)                                |
| CASH, JANUARY 1                     | 7,960    | 7,960  | 0                                      | 12,687 | 12,687  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,210 | 14,761 | 13,551                                 | 17,887 | 7,960   | (9,927)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

OREGON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 RECORDER'S USER FEES FUND

|                                     |    | Year Ended December 31, |        |                       |          |        |                       |
|-------------------------------------|----|-------------------------|--------|-----------------------|----------|--------|-----------------------|
|                                     |    | 1999                    |        |                       | 1998     |        |                       |
|                                     |    |                         |        | Variance<br>Favorable |          |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual | (Unfavorable)         | Budget   | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |        |                       |          |        |                       |
| Intergovernmental                   | \$ | 0                       | 2,633  | 2,633                 | 0        | 0      | 0                     |
| Charges for services                |    | 6,000                   | 4,984  | (1,016)               | 5,000    | 5,338  | 338                   |
| Interest                            |    | 750                     | 894    | 144                   | 750      | 812    | 62                    |
| Total Receipts                      |    | 6,750                   | 8,511  | 1,761                 | 5,750    | 6,150  | 400                   |
| DISBURSEMENTS                       |    |                         |        |                       |          |        |                       |
| Ex Officio Recorder of Deeds        |    | 10,600                  | 0      | 10,600                | 19,500   | 609    | 18,891                |
| Total Disbursements                 |    | 10,600                  | 0      | 10,600                | 19,500   | 609    | 18,891                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (3,850)                 | 8,511  | 12,361                | (13,750) | 5,541  | 19,291                |
| CASH, JANUARY 1                     |    | 37,900                  | 37,900 | 0                     | 32,359   | 32,359 | 0                     |
| CASH, DECEMBER 31                   |    | \$ 34,050               | 46,411 | 12,361                | 18,609   | 37,900 | 19,291                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit J

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
OPERATION CASH CROP FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | \$ 1,000 | 989           | 1,000  | 0      | (1,000)       |  |
| Total Receipts                      | 1,000    | 989           | 1,000  | 0      | (1,000)       |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 1,000    | 943           | 1,000  | 0      | 1,000         |  |
| Total Disbursements                 | 1,000    | 943           | 1,000  | 0      | 1,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 46            | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 8        | 8             | 8      | 8      | 0             |  |
| CASH, DECEMBER 31                   | \$ 8     | 54            | 8      | 8      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT DONATIONS FUND

|                                     |    | Year Ended December 31, |        |                            |        |        |                            |
|-------------------------------------|----|-------------------------|--------|----------------------------|--------|--------|----------------------------|
|                                     |    | 1999                    |        |                            | 1998   |        |                            |
|                                     |    |                         |        | Variance                   |        |        | Variance                   |
|                                     |    | Budget                  | Actual | Favorable<br>(Unfavorable) | Budget | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |                            |        |        |                            |
| Interest                            | \$ | 250                     | 245    | (5)                        | 600    | 248    | (352)                      |
| Other                               |    | 25,000                  | 20,071 | (4,929)                    | 30,000 | 26,960 | (3,040)                    |
| Total Receipts                      |    | 25,250                  | 20,316 | (4,934)                    | 30,600 | 27,208 | (3,392)                    |
| DISBURSEMENTS                       |    |                         |        |                            |        |        |                            |
| Sheriff                             |    | 22,912                  | 15,474 | 7,438                      | 20,541 | 29,721 | (9,180)                    |
| Total Disbursements                 |    | 22,912                  | 15,474 | 7,438                      | 20,541 | 29,721 | (9,180)                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |                         |        |                            |        |        |                            |
| CASH, JANUARY 1                     |    | 10,576                  | 10,576 | 0                          | 13,089 | 13,089 | 0                          |
| CASH, DECEMBER 31                   | \$ | 12,914                  | 15,418 | 2,504                      | 23,148 | 10,576 | (12,572)                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 7,500 | 6,026         | 7,000  | 6,734  | (266)         |  |
| Total Receipts                      | 7,500    | 6,026         | 7,000  | 6,734  | (266)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 7,537    | 4,740         | 7,000  | 6,738  | 262           |  |
| Total Disbursements                 | 7,537    | 4,740         | 7,000  | 6,738  | 262           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (37)     | 1,286         | 0      | (4)    | (4)           |  |
| CASH, JANUARY 1                     | 37       | 37            | 41     | 41     | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 1,323         | 41     | 37     | (4)           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY SPECIAL FUND

| Year Ended December 31,             |        |               |     |        |        |               |
|-------------------------------------|--------|---------------|-----|--------|--------|---------------|
| 1999                                |        |               |     | 1998   |        |               |
|                                     |        | Variance      |     |        |        | Variance      |
|                                     |        | Favorable     |     |        |        | Favorable     |
|                                     |        | (Unfavorable) |     |        |        | (Unfavorable) |
|                                     | Budget | Actual        |     | Budget | Actual |               |
| RECEIPTS                            |        |               |     |        |        |               |
| Intergovernmental                   | \$ 200 | 488           | 288 | 367    | 30     | (337)         |
| Total Receipts                      | 200    | 488           | 288 | 367    | 30     | (337)         |
| DISBURSEMENTS                       |        |               |     |        |        |               |
| Prosecuting Attorney                | 266    | 0             | 266 | 367    | 0      | 367           |
| Total Disbursements                 | 266    | 0             | 266 | 367    | 0      | 367           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (66)   | 488           | 554 | 0      | 30     | 30            |
| CASH, JANUARY 1                     | 66     | 66            | 0   | 36     | 36     | 0             |
| CASH, DECEMBER 31                   | \$ 0   | 554           | 554 | 36     | 66     | 30            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

OREGON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILDREN'S TRUST FUND

|                                     | Year Ended December 31,1999 |        |                            |
|-------------------------------------|-----------------------------|--------|----------------------------|
|                                     | Budget                      | Actual | Variance                   |
|                                     |                             |        | Favorable<br>(Unfavorable) |
| RECEIPTS                            |                             |        |                            |
| Charges for services                | \$ 450                      | 405    | (45)                       |
| Total Receipts                      | 450                         | 405    | (45)                       |
| DISBURSEMENTS                       |                             |        |                            |
| Payments to shelters                | 420                         | 420    | 0                          |
| Total Disbursements                 | 420                         | 420    | 0                          |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 30                          | (15)   | (45)                       |
| CASH, JANUARY 1                     | 420                         | 420    | 0                          |
| CASH, DECEMBER 31                   | \$ 450                      | 405    | (45)                       |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit O

OREGON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     |    | Year Ended December 31, |          |  |          |          |  |
|-------------------------------------|----|-------------------------|----------|--|----------|----------|--|
|                                     |    | 1999                    |          |  | 1998     |          |  |
|                                     |    | Revised<br>Budget       | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |          |  |          |          |  |
| Property taxes                      | \$ | 54,000                  | 58,476   | 4,476                                  | 49,000   | 52,591   | 3,591                                  |
| Intergovernmental                   |    | 193,220                 | 199,358  | 6,138                                  | 174,100  | 169,651  | (4,449)                                |
| Charges for services                |    | 66,900                  | 56,237   | (10,663)                               | 85,000   | 83,103   | (1,897)                                |
| Interest                            |    | 3,000                   | 2,245    | (755)                                  | 3,800    | 3,262    | (538)                                  |
| Other                               |    | 1,700                   | 12,208   | 10,508                                 | 12,584   | 13,750   | 1,166                                  |
| Total Receipts                      |    | 318,820                 | 328,524  | 9,704                                  | 324,484  | 322,357  | (2,127)                                |
| DISBURSEMENTS                       |    |                         |          |  |          |          |  |
| Salaries                            |    | 235,755                 | 242,910  | (7,155)                                | 250,415  | 241,792  | 8,623                                  |
| Office expenditures                 |    | 20,355                  | 32,727   | (12,372)                               | 26,500   | 24,031   | 2,469                                  |
| Mileage and training                |    | 8,868                   | 10,955   | (2,087)                                | 13,200   | 14,177   | (977)                                  |
| Clinic                              |    | 46,206                  | 39,359   | 6,847                                  | 33,700   | 35,133   | (1,433)                                |
| Other                               |    | 7,636                   | 17,235   | (9,599)                                | 14,400   | 18,080   | (3,680)                                |
| Total Disbursements                 |    | 318,820                 | 343,186  | (24,366)                               | 338,215  | 333,213  | 5,002                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | (14,662) | (14,662)                               | (13,731) | (10,856) | 2,875                                  |
| CASH, JANUARY 1                     |    | 55,132                  | 55,132   | 0                                      | 65,988   | 65,988   | 0                                      |
| CASH, DECEMBER 31                   | \$ | 55,132                  | 40,470   | (14,662)                               | 52,257   | 55,132   | 2,875                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENATE BILL 40 BOARD FUND

| Year Ended December 31,             |                   |          |  |        |        |  |
|-------------------------------------|-------------------|----------|--|--------|--------|--|
|                                     | 1999              |          |  | 1998   |        |  |
|                                     | Amended<br>Budget | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                   |          |  |        |        |  |
| Property taxes                      | \$ 52,000         | 57,311   | 5,311                                  | 49,667 | 51,399 | 1,732                                  |
| Interest                            | 3,500             | 3,899    | 399                                    | 1,900  | 3,624  | 1,724                                  |
| Total Receipts                      | 55,500            | 61,210   | 5,710                                  | 51,567 | 55,023 | 3,456                                  |
| DISBURSEMENTS                       |                   |          |  |        |        |  |
| Payments to Sheltered Workshop      | 12,000            | 12,000   | 0                                      | 48,000 | 36,000 | 12,000                                 |
| Building and grounds                | 106,700           | 65,900   | 40,800                                 | 0      | 0      | 0                                      |
| Other                               | 100               | 100      | 0                                      | 150    | 100    | 50                                     |
| Total Disbursements                 | 118,800           | 78,000   | 40,800                                 | 48,150 | 36,100 | 12,050                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (63,300)          | (16,790) | 46,510                                 | 3,417  | 18,923 | 15,506                                 |
| CASH, JANUARY 1                     | 78,874            | 75,874   | (3,000)                                | 56,951 | 56,951 | 0                                      |
| CASH, DECEMBER 31                   | \$ 15,574         | 59,084   | 43,510                                 | 60,368 | 75,874 | 15,506                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

OREGON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENIOR CITIZENS' BOARD FUND

|                                     |    | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|----|-------------------------|--------|--|---------|--------|--|
|                                     |    | 1999                    |        |  | 1998    |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |         |        |  |
| Property taxes                      | \$ | 30,000                  | 28,716 | (1,284)                                | 28,000  | 28,043 | 43                                     |
| Intergovernmental                   |    | 0                       | 500    | 500                                    | 0       | 776    | 776                                    |
| Total Receipts                      |    | 30,000                  | 29,216 | (784)                                  | 28,000  | 28,819 | 819                                    |
| DISBURSEMENTS                       |    |                         |        |  |         |        |  |
| Payments for senior services        |    | 31,000                  | 27,200 | 3,800                                  | 31,000  | 28,500 | 2,500                                  |
| Pass through grant monies           |    | 0                       | 500    | (500)                                  | 0       | 776    | (776)                                  |
| Other                               |    | 0                       | 147    | (147)                                  | 0       | 148    | (148)                                  |
| Total Disbursements                 |    | 31,000                  | 27,847 | 3,153                                  | 31,000  | 29,424 | 1,576                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (1,000)                 | 1,369  | 2,369                                  | (3,000) | (605)  | 2,395                                  |
| CASH, JANUARY 1                     |    | 4,553                   | 4,587  | 34                                     | 4,491   | 5,192  | 701                                    |
| CASH, DECEMBER 31                   | \$ | 3,553                   | 5,956  | 2,403                                  | 1,491   | 4,587  | 3,096                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Notes to the Financial Statements

OREGON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Oregon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board or the Senior Citizens' Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Children's Trust Fund                    | 1998                            |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                   | <u>Years Ended December 31,</u> |
|-------------------------------|---------------------------------|
| River Patrol Fund             | 1999 and 1998                   |
| Law Enforcement Donation Fund | 1998                            |
| Health Center Fund            | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Children's Trust Fund                    | 1999 and 1998                   |
| Health Center Fund                       | 1999 and 1998                   |
| Senate Bill 40 Board Fund                | 1999 and 1998                   |
| Senior Citizens' Board Fund              | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |

#### 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$389,777 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$2,028,000 was covered by collateral held by the pledging (or depositary) bank's trust department or agent in the county's name.

Of the county's bank balance at December 31, 1998, \$405,366 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$1,865,577 was covered by collateral held by the pledging (or depositary) bank's trust department or agent in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of the county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center Board's, Senate Bill 40 Board's, and the Senior Citizens' Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance.

## Supplementary Schedule

## Schedule

OREGON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                           | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                     |  |   |                         |         |
| Passed through state:                               |  |   |                         |         |
| Department of Health -                              |  |   |                         |         |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER 00450175 \$                                  | 61,070                  | 66,261  |
| 10.572  | Farmers' Market Nutrition Program  | N/A   | 7,963                   | 0       |
| Office of Administration -                          |  |   |                         |         |
| 10.665  | Schools and Roads - Grants to<br>States                                    | N/A   | 164,317                 | 141,316 |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT |  |   |                         |         |
| Passed through state:                               |  |   |                         |         |
| Department of Social Services -                     |  |   |                         |         |
| 14.231  | Emergency Shelter Grants Program   | N/A   | 5,000                   | 10,000  |
| U.S. DEPARTMENT OF JUSTICE                          |  |   |                         |         |
| Direct programs:                                    |  |   |                         |         |
| 16.unknown  | Equitable Sharing of Seized and Forfeited Property                         | N/A   | 5,000                   | 5,000   |
| Passed through:                                     |  |   |                         |         |
| Missouri Sheriffs' Association -                    |  |   |                         |         |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 943                     | 0       |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                 |  |   |                         |         |
| Passed through state Department of Public Safety:   |  |   |                         |         |
| 83.534  | Emergency Management - State and Local Assistance                          | N/A   | 2,803                   | 2,917   |

## Schedule

OREGON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |         |
| Direct program -                              |  |   |                         |         |
| 93.268  | Immunization Grants  | N/A   | 698                     | 344     |
| Passed through state:                         |  |   |                         |         |
| Department of Health -                        |  |   |                         |         |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | N/A   | 9                       | 0       |
| 93.268  | Immunization Grants  | 514-PG00649175                                  | 20,420                  | 26,849  |
| Department of Social Services -               |  |   |                         |         |
| 93.563  | Child Support Enforcement  | N/A   | 2,205                   | 1,218   |
| Department of Health -                        |  |   |                         |         |
| 93.575  | Child Care and Development Block Grant   | PGA067-0175C                                    | 4,114                   | 2,535   |
| Department of Health -                        |  |   |                         |         |
| 93.919  | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs   | ER 0161-90082                                   | 24,493                  | 15,231  |
| 93.940  | HIV Prevention   | N/A   | 0                       | 5       |
| 93.945  | Special Project on Physical Activity and Nutrition   | 906265001                                       | 1,063                   | 0       |
| 93.991  | Preventive Health and Health Services Block Grant  | 906077001                                       | 15,921                  | 592     |
| 93.994  | Maternal and Child Health Services Block Grant to the States   | ERS 146-0175M                                   | 27,629                  | 22,343  |
| Total Expenditures of Federal Awards          |  |   | \$ 343,648              | 294,611 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule



OREGON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Oregon County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$19,135

and \$22,804 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$228 and \$592 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grants to the states (CFDA number 93.994), \$1,139 and \$2,073 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the State represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Oregon County, Missouri

Compliance

We have audited the compliance of Oregon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Oregon County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an

instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

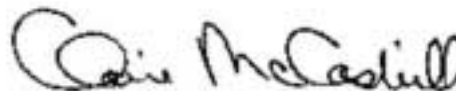
#### Internal Control Over Compliance

The management of Oregon County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Oregon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

July 27, 2000 (fieldwork completion date)

Schedule

OREGON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?   x   yes        none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>   |
|---|--|
| 10.557  | Special Supplemental Nutrition Program for Women, Infants, and<br>Children |
| 10.665  | Schools and Roads – Grants to States                                       |



Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

**99-1**

### Schedule of Expenditures of Federal Awards

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Agriculture  |
| Pass-Through Grantor: | Missouri Department of Health   |
| Federal CFDA Number:  | 10.557  |
| Program Title:        | Special Supplemental Nutrition Program for Women, Infants, and Children |
| Pass-Through Entity   |   |
| Identifying Number:   | ER 00450175   |
| Award Year:           | 1999 and 1998   |
| Questioned Costs:     | Not Applicable  |

|                       |                                      |
|-----------------------|--------------------------------------|
| Federal Grantor:      | U.S. Department of Agriculture       |
| Pass-Through Grantor: | Missouri Office of Administration    |
| Federal CFDA Number:  | 10.665                               |
| Program Title:        | Schools and Roads – Grants to States |
| Pass-Through Entity   |                                      |
| Identifying Number:   | Not applicable                       |
| Award Year:           | 1999 and 1998                        |
| Questioned Costs:     | Not Applicable                       |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. The county prepared a SEFA for the years ended December 31,

1999 and 1998; however, the schedule did not include twelve of the sixteen programs the county was involved in during 1999, and nine of the thirteen programs the county was involved in during 1998. Four of the programs omitted were handled by the Oregon County Health Department. In addition, the information presented by the County Clerk for several of the programs presented did not agree with the county's expenditure records.

For the federal financial schedules to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal expenditures be properly reported. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds to the county.

**WE RECOMMEND** the County Clerk work with Oregon County Health Department to prepare and complete an accurate schedule of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

**AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN**

*The County Clerk provided the following response:*

*I agree with the recommendation and have already started to work with the Oregon County Health Department to ensure all programs are included.*

*The Health Center Administrator provided the following response:*

*We agree with the recommendation and will ensure the County Clerk receives the appropriate information.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

OREGON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior report issued for the two years ended December 31, 1997, included no audit findings that Government Auditing Standards requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

OREGON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings



OREGON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Oregon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 27, 2000. We also have audited the compliance of Oregon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 27, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Oregon County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|   |
|---|
| <b>1. Budgets, Financial Statements and Written Agreement</b> |
|---|

- A. Actual disbursements exceeded budgeted amounts by \$9,180 for the Law Enforcement Donations Fund for the year ended December 31, 1998, and the River Patrol Fund by \$5,764 and \$10,041 for the years ended December 31, 1999 and 1998, respectively. Budget progress reports are generated periodically and provided to the various county officials. However, it appears the county's procedures and reports are not resulting in effective monitoring of some budgets.

It was ruled in State Ex. Rel. Strong v. Cribb, 364 Mo.1122, 273 SW 2d (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1999, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- B. Budgets were not prepared for several county funds during the years ended December 31, 1999 and 1998.

Chapter 50, RSMo 1994 and RSMo Cum. Supp. 1999, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission is able to more efficiently evaluate all county financial resources.

- C. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.
- D. The county did not enter into a formal written agreement with the Oregon County Recycling Association. According to the County Commission, the county verbally agreed to pay the Association \$22,800 per year for its services. However, this agreement was not discussed in the County Commission minutes and there was no documentation to support the amount paid.

Written agreements provide the framework necessary to detail the services to be provided and the compensation to be paid. In addition, Section 432.070, RSMo 1994, prohibits a county from making a contract unless it is in writing. In

addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party and should establish performance criteria which must be met prior to payment for work completed. Commission minutes should document approval of all agreements.

Conditions similar to A and B were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Not authorize disbursements in excess of budgeted amounts.
- B. Ensure budgets are prepared or obtained for all county funds.
- C. Ensure financial information for all county funds is properly reported in the published financial statements.
- D. Enter into written agreements for all services. The written agreement should detail all duties to be performed and the compensation to be paid under the agreement.

**AUDITEE'S RESPONSE**

- A. *We agree. We discussed the additional funds with the applicable officials and will ensure budget revisions are made in the future.*
- B. *This will be done with the next budget process.*
- C. *We will require a financial statement from each board or official to be included with the county's published financial statement each year.*
- D. *This will be implemented by January, 2001.*

|  |
|--|
| <b>2. Payroll and Personnel Procedures</b> |
|--|

- A. County employees include the lunch hour when reporting a 40 hour workweek on their time sheets. As a result, we noted that some employees were compensated for overtime even though they may have actually worked less than 40 hours. This method is contradictory to the county personnel manual which states, "Overtime will be compensated only after 40 hours have been exceeded in one workweek."
- B. The county paid an employee \$1,926 and \$1,709 during the years ended December 31, 1999 and 1998, respectively, in lieu of county paid health insurance benefits. The county did not report the payments as income to the employee and did not withhold any payroll taxes from the payments. Since health insurance is provided to county employees as a non-taxable fringe benefit, it is unclear how

these payments in lieu of county paid health insurance should be handled. The county should review these payments with the IRS and take appropriate action.

- C. During the year ended December 31, 1998, the county paid additional compensation of \$2,528 to a deputy sheriff from the Law Enforcement Donations Fund. The county failed to include these compensation payments in the amount reported on the applicable employee's W-2 form or to withhold any payroll taxes from the payments.

The IRS requires employers to properly report all income on an employee's W-2 form and to withhold the required payroll taxes.

A condition similar to Part A was noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure overtime is only compensated in accordance with the county personnel manual.
- B. Review the payments in lieu of county paid health insurance with the IRS and take appropriate action.
- C. Ensure all applicable employee payroll taxes are properly withheld, reported on employee W-2 forms, and paid to the applicable authorities for all compensation paid.

### **AUDITEE'S RESPONSE**

- A. *We will amend our personnel policy by January, 2001.*
- B. *We will discuss this issue with the IRS by January, 2001.*
- C. *We agree.*

|  |
|--|
| <b>3. Distribution of Forfeited Property</b> |
|--|

During our review of the transactions of the Federal Law Enforcement Forfeiture Fund, we noted a receipt of \$2,275 from the Missouri Highway Patrol. A further review of this receipt revealed the following:

The \$2,275 represented cash seized in connection with a drug related arrest which had been incorrectly deposited into the Federal Law Enforcement Forfeiture Fund. A state forfeiture proceeding was initiated in the court to attempt to forfeit the money under state law. The forfeiture case was dismissed when the defendant, as part of a plea agreement, plead guilty to a felony drug charge and agreed to pay the \$2,275 to the Oregon County Law Enforcement Donations Fund. This agreement does not appear to be in accordance

with Section 513.617, RSMo 1994, which states “seized property shall not be used in bargaining to defer prosecution of criminal charges, obtain a guilty plea or affect sentencing recommendations.”

We also noted a second forfeiture case in which the forfeited property did not appear to be distributed in accordance with state statute. A forfeiture proceeding was initiated to attempt forfeiture under state law. The money seized (\$454) was ordered by the court to be paid to the Oregon County Sheriff’s Department. This money is currently being held by the sheriff’s department in their evidence room. The distribution of forfeited property to the county Sheriff does not appear to be supported by Section 513.623, RSMo 1994, which requires the clear proceeds of any sale or disposition (of forfeited money) be distributed pursuant to Article IX, Section 7, of the Missouri Constitution. Prior to August 31, 1998, this section required forfeiture proceeds be distributed to the schools of the county. Effective August 31, 1998, Section 166.300, RSMo, Cumulative Supp. 1999 requires all civil forfeitures to be transmitted to the state for deposit into the School Building Revolving Fund.

**WE RECOMMEND** the Prosecuting Attorney ensure funds forfeited under state law are distributed and handled in accordance with state forfeiture laws.

#### **AUDITEE’S RESPONSE**

*I will review the applicable statutes in conjunction with your recommendation on any future forfeitures.*

|  |
|--|
| <b>4. Sheriff’s Accounting Controls and Procedures</b> |
|--|

Our review of the Sheriff’s accounting controls and procedures noted the following concerns:

- A. The duties of cash custody and record keeping have not been adequately segregated. One deputy clerk is primarily responsible for collecting, recording, depositing, and disbursing all monies received. The deputy clerk also performs monthly bank reconciliation and prepares the monthly report of fees. We noted no documented reviews by the Sheriff of cash activities. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps provide this assurance. If adequate segregation is not possible, there should be a documented review made by the Sheriff.
- B. The Sheriff’s office accepts cash, checks, and money orders. The method of payment is not always indicated on the receipt slips or the receipts ledger. To ensure receipts are deposited intact, the method of all payments should be indicated on the receipt slips. In addition, the composition (cash, check, and

money orders) noted on receipt slips should be reconciled to the composition of bank deposits.

- C. Receipts are not deposited intact on a timely basis. To adequately safeguard monies and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

Similar conditions were noted in our prior report.

**WE AGAIN RECOMMEND** the Sheriff:

- A. Ensure accounting and receipting duties are segregated to the best extent possible. At a minimum, the Sheriff should perform documented reviews of the work performed.
- B. Ensure the method of payments is indicated on all receipt slips and reconcile total cash, check, and money orders to bank deposits.
- C. Ensure receipts are deposited intact daily or when accumulated receipts exceed \$100.

**AUDITEE'S RESPONSE**

- A. *I agree. I plan on reviewing the work and documenting my review on a quarterly basis.*
- B. *This has been implemented.*
- C. *I agree. We are making every effort to deposit on a timely basis.*

|                                       |
|---------------------------------------|
| <b>5. Oregon County Health Center</b> |
|---------------------------------------|

- A. Prenumbered receipt slips are not issued for some monies received by the Health Center. Prenumbered receipt slips should be issued for all monies received to ensure receipts are accounted for properly.
- B. The Health Center accepts cash, checks, and money orders. The method of payment is not always indicated on the receipt slips or the cash control. To ensure receipts are deposited intact, the method of all payments should be indicated on the receipt slips or the cash control. In addition, the composition (cash, checks, and money orders) noted on receipt slips or the cash control should be reconciled to the composition of bank deposits.
- C. While it appears the Health Center Board monitors the financial activity throughout the year, the board approved disbursements in excess of budgeted amounts by \$24,366 for the year ended December 31, 1999.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1999, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- D. The Health Center Board does not maintain property control records to account for property owned. Without adequate records the Health Center cannot adequately monitor the property for which it is responsible and may not be sure of all the property it owns.

Adequate property records are necessary to meet statutory requirements, secure better internal control over health center property, and provide a basis for determining proper insurance coverage required on health center property.

Similar conditions were noted in our prior report and the health center officials responded that they would implement these recommendations; however, little or no corrective action has been taken.

**WE AGAIN RECOMMEND** the Health Center Board:

- A. Require prenumbered receipt slips be issued for all monies received.
- B. Require the method of payment be indicated on all receipt slips or the cash control and require total cash, checks, and money orders be reconciled to bank deposits.
- C. Not authorize disbursements in excess of budgeted amounts. If valid reasons necessitate additional disbursements, the original budget should be formally amended and reasons thoroughly documented.
- D. Require property records to be maintained on a current basis with the following information for each item:
  - 1) Identification number;
  - 2) Description of the item to include name, make, model, and serial number where appropriate;
  - 3) Physical location in sufficient detail to readily locate the item;
  - 4) Date of acquisition;
  - 5) Original cost and current market value;
  - 6) Source of acquisition by fund; and
  - 7) Date and method of disposition.

## **AUDITEE'S RESPONSE**

*The Health Center Administrator provided the following responses:*

- A. We have been working to ensure that all monies have been recorded since the latter part of 1999. We will review the procedures for the flu clinic and take appropriate actions.*
- B. This has been implemented.*
- C. This will be done in the future.*
- D. We have recently conducted an inventory and prepared a record identifying all items over \$500. Items are identified by their specific location.*

|  |
|--|
| <b>6. Oregon County Senior Citizens' Board</b> |
|--|

In 1999 and 1998, the Senior Citizens' Board (SCB) paid a total of \$27,200 and \$28,500, respectively, to several not-for-profit (NFP) corporations to provide services for senior citizens. Our review of the SCB's association with the NFP corporation disclosed the following concerns:

- A. Pursuant to Section 432.070 RSMo 1994, the essential terms of a government contract are required to be in writing; however, the SCB has not entered into written contracts with each NFP corporation. Each contract should state the amount to be paid to the NFP corporation, the amount of services to be provided by the NFP corporation, and the time period of the contract. The contract should be signed by both parties.
- B. Currently, one member of the SCB also serves as the secretary of one of the NFP boards. In addition, this member's husband serves on the same NFP board. Because the SCB and the respective NFP corporation transact business with each other, this situation presents a potential conflict of interest.

To provide greater assurance the SCB is acting independently and in the best interest of the county, there should be no administrative or financial ties between members of the county board and the group(s) with which it transacts business.

- C. The SCB prepared only budgeted information for each of the two years ended December 31, 1999. The budgets did not include prior year actual revenues or expenditures. Additionally, beginning cash balances were inaccurate and detailed information did not agree to accounting records. Chapter 50, RSMo. Cum. Supp. 1999, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year.

Similar conditions were noted in our prior report.



**WE AGAIN RECOMMEND:**

- A. The SCB enter into a written contract with each NFP to specify the amount to be paid to the NFP corporation, the amount of services to be provided by the NFP corporation, and the time period of the contract. In addition, the contract should be signed by both parties.
- B. The County Commission, in the future, appoint persons to the SCB who are not administratively or financially involved in groups with which the county board conducts transactions.
- C. The SCB prepare budgets as required by state law.

**AUDITEES RESPONSE**

*The Board Treasurer provided the following responses:*

- A. *This is currently being done for all new requests.*
- B. *The County Commission is responsible for appointing the SCB members.*
- C. *This will be done for the 2001 budget.*

*The County Commission provided the following response:*

- B. *We will review this in our future appointments.*

This report is intended for the information of the management of Oregon County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## OREGON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Oregon County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997.

The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Budgetary Practices

- A. Disbursements were issued in excess of approved budgeted disbursements in several funds.
- B. Formal budgets were not prepared for various county funds for the years ended December 31, 1997 and 1996.

#### Recommendation:

The County Commission:

- A. Not authorize disbursements in excess of budgeted amounts.
- B. Ensure budgets are prepared or obtained for all county funds.

#### Status:

A&B. Not Implemented. See MAR No. 1.

### 2. Payroll and Personnel Procedures

- A. The Prosecuting Attorney was overpaid \$1,000 for the year ended December 31, 1997.
- B. Some employees were compensated for overtime even though they may have worked less than 40 hours. This method of compensating overtime was contradictory to the county personnel manual.

#### Recommendation:

The County Commission:

- A. Seek reimbursement of \$1,000 from the Prosecuting Attorney.

- B. Ensure overtime is only compensated in accordance with the county personnel manual.

Status:

- A. Not implemented. Upon further review the County Commission decided to allow the Prosecuting Attorney to keep the \$1,000 overpayment due to the many extra hours spent on a complex case. Although not repeated in the current report, our recommendation remains as stated above.
- B. Not implemented. See MAR No. 2.

3. Federal Financial Assistance

The Oregon County Health Department prepared and submitted duplicate reimbursement claims resulting in overpayment of \$134 by the Department of Health through the Dental Sealants grant program.

Recommendation:

The Health Center work with the Department of Health to resolve the \$134 overpayment.

Status:

Implemented.

4. Assessor's Accounting Controls and Procedures

- A. Prenumbered receipt slips were not issued for some monies received and other receipt slips issued did not always indicate the method of payment received.
- B. Some receipt slips were not posted to the receipt ledger.

Recommendation:

The Assessor:

- A. Issue prenumbered receipt slips for all monies received, indicate the method of payment on all receipt slips, and reconcile the composition of receipt slips to the composition of transmittals to the County Treasurer.
- B. Ensure all receipt slips are posted to the receipt ledger.

Status:

- A. Partially implemented. Receipt slips are issued for all monies received, the method of payment is indicated on the receipt slips; however, the receipt slips are

not prenumbered. Although not repeated in the current report, our recommendation remains as stated above.

B. Implemented.

5. Circuit Clerk's Accounting Controls and Procedures

A. At December 31, 1997, an unidentified cash balance of \$8,706 existed in the checking account.

B. Outstanding checks from November 1995 totaling \$2,465 remained in the Circuit Clerk's checking account.

Recommendation:

The Circuit Clerk:

A. Work with the Circuit Judge to determine a fair method of disbursing the unidentified difference to the county's Unclaimed Fees Fund and the state's Unclaimed Property Section.

B. Attempt to identify and/or disburse all old outstanding checks through the applicable statutory provisions.

Status:

A. Not implemented. The current Circuit Clerk has an unidentified cash balance of \$8,402 at December 31, 1999. Although not repeated in the current report, our recommendation remains as stated above.

B. Partially implemented. The current Circuit Clerk has reissued a majority of the old outstanding checks. Although not repeated in the current report, our recommendation remains as stated above.

6. Sheriff's Accounting Controls and Procedures

A. The duties of cash custody and record-keeping were not adequately segregated.

B. Prenumbered receipt slips were not issued for some monies received by the Sheriff's office.

C. The method of payment was not always indicated on the receipt slips or the cash control.

D. Receipts were not deposited intact on a timely basis.

Recommendation:

The Sheriff:

- A. Ensure accounting and receipting duties are segregated to the best extent possible. At a minimum, the Sheriff should perform documented reviews of the work performed.
- B. Ensure prenumbered receipt slips are issued for all monies received immediately upon receipt.
- C. Ensure the method of payment is indicated on all receipt slips and reconcile total cash, checks, and money orders to bank deposits.
- D. Ensure receipts are deposited intact daily or when accumulated receipts exceed \$100.

Status:

A,C  
& D. Not implemented. See MAR No. 4.

B. Implemented.

7. Oregon County Health Center

- A. Prenumbered receipt slips were not issued for some monies received by the Health Center.
- B. The method of payment was not always indicated on the receipt slips or the cash control.
- C. The Health Center Board approved disbursements in excess of budgeted amounts by \$28,038 for the year ended December 31, 1997.
- D. The Health Center board did not maintain property control records to account for property owned.

Recommendation:

The Health Center Board:

- A. Require prenumbered receipt slips be issued for all monies received.
- B. Require the method of payment be indicated on all receipt slips or the cash control and require total cash, checks, and money orders be reconciled to bank deposits.

- C. Not authorize disbursements in excess of budgeted amounts. If valid reasons necessitate additional disbursements, the original budget should be formally amended and reasons thoroughly documented.
- D. Require property records to be maintained on a current basis with the following information for each item:
  - 1) Identification number;
  - 2) Description of the item to include name, make, model, and serial number where appropriate;
  - 3) Physical location in sufficient detail to readily locate the item;
  - 4) Date of acquisition;
  - 5) Original cost and current market value;
  - 6) Source of acquisition by fund; and
  - 7) Date and method of disposition.

Status:

A-D. Not implemented. See MAR No. 5.

8. Oregon County Senate Bill 40 Board

- A. The Senate Bill 40 Board had not entered into a written contract with a NFP corporation.
- B. The Senate Bill 40 Board secretary's husband served as president of the NFP board. Because these two entities transact business with each other this situation may have presented a conflict of interest.
- C. The Senate Bill 40 Board approved disbursements in excess of budgeted amounts by \$985 for the year ended December 31, 1997.

Recommendation:

- A. The Senate Bill 40 Board enter into a written contract with the NFP corporation to specify the amount to be paid to the NFP corporation, the amount of services to be provided by the NFP corporation, and the time period of the contract. In addition, the contract should be signed by both parties.
- B. The County Commission, in the future, appoint persons to the Senate Bill 40 Board who are not administratively or financially involved in groups with which the county board conducts transactions.
- C. The Senate Bill 40 Board not authorize disbursements in excess of budgeted amounts. If valid reasons necessitate additional disbursements, the original budget should be formally amended and reasons thoroughly documented.

Status:

- A. The Senate Bill 40 Board began operating the sheltered workshop (the NFP noted above) in January 1999.

B&C. Implemented.

9. Oregon County Senior Citizens' Board

- A. The board had not entered into written contracts with the NFP's.
- B. One member of the SCB also served as the secretary of one of the NFP boards. In addition, this member's husband served on the same NFP board. Because the SCB and the respective NFP corporation transacted business with each other, this situation presented a potential conflict of interest.
- C. The SCB approved disbursements in excess of budgeted amounts by \$3,282 and \$3,561 for the years ended December 31, 1997 and 1996, respectively.
- D. The SCB prepared budgets which were incomplete for each of the two years ended December 31, 1997.

Recommendation:

- A. The SCB enter into a written contract with each NFP to specify the amount to be paid to the NFP corporation, the amount of services to be provided by the NFP corporation, and the time period of the contract. In addition, the contract should be signed by both parties.
- B. The County Commission, in the future, appoint persons to the SCB who are not administratively or financially involved in groups with which the county board conducts transactions.
- C. The SCB not authorize disbursements in excess of budgeted amounts. If valid reasons necessitate additional disbursements, the original budget should be formally amended and reasons thoroughly documented.
- D. The SCB prepare budgets as required by state law.

Status:

- A,B  
& D. Not implemented. See MAR No. 6.
- C. Implemented.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# OREGON COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1845, the county of Oregon was named after Territory of Oregon. Oregon County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Alton.

Oregon County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Oregon County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 127,941   | 8          | 114,002   | 7          |
| Sales taxes               | 630,468      | 39         | 634,866   | 39         |
| Federal and state aid     | 677,592      | 41         | 695,646   | 42         |
| Fees, interest, and other | 189,154      | 12         | 198,921   | 12         |
| Total                     | \$ 1,625,155 | 100        | 1,643,435 | 100        |

The following chart shows how Oregon County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 602,655   | 38         | 647,281   | 43         |
| Public safety             | 410,459      | 26         | 383,786   | 25         |
| Highways and roads        | 560,152      | 36         | 477,955   | 32         |
| Total                     | \$ 1,573,266 | 100        | 1,509,022 | 100        |

The county maintains approximately 27 county bridges and 467 miles of county roads.

The county's population was 9,180 in 1970 and 9,470 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 37.1                    | 36.1 | 27.2  | 11.0   | 7.9    |
| Personal property      |    | 16.2                    | 15.6 | 7.2   | 4.9    | 3.2    |
| Railroad and utilities |    | 6.4                     | 5.3  | 3.8   | 3.3    | 1.9    |
| Total                  | \$ | 59.7                    | 57.0 | 38.2  | 19.2   | 13.0   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Oregon County's property tax rates per \$100 of assessed valuations were as follows:

|                               |    | Year Ended December 31, |      |
|-------------------------------|----|-------------------------|------|
|                               |    | 1999                    | 1998 |
| General Revenue Fund          | \$ | .06                     | .06  |
| Special Road and Bridge Fund* |    | .25                     | .25  |
| Health Center Fund            |    | .10                     | .10  |
| Senate Bill 40 Board Fund     |    | .10                     | .10  |
| Senior Citizens' Board Fund   |    | .05                     | .05  |

\* The county retains all tax proceeds from areas not within road districts. The county has one road district that receive(s) four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

| Year Ended February 28 (29), |              |           |
|------------------------------|--------------|-----------|
|                              | 2000         | 1999      |
| State of Missouri            | \$ 18,928    | 17,193    |
| General Revenue Fund         | 45,045       | 39,083    |
| Special Road and Bridge Fund | 93,048       | 87,126    |
| Thayer Special Road District | 54,662       | 47,010    |
| Assessment Fund              | 25,857       | 22,663    |
| Health Center Fund           | 62,347       | 56,308    |
| Senate Bill 40 Board Fund    | 60,893       | 55,216    |
| Senior Citizens' Board Fund  | 30,497       | 27,817    |
| School districts             | 1,771,778    | 1,538,598 |
| Library district             | 117,297      | 96,041    |
| Ambulance district           | 87,389       | 78,658    |
| Cities                       | 37,496       | 30,297    |
| Overplus                     | 311          | 2,843     |
| Advertising                  | 0            | 338       |
| County Clerk                 | 145          | 149       |
| County Employees' Retirement | 16,593       | 15,605    |
| Commissions and fees:        |              |           |
| General Revenue Fund         | 40,750       | 35,379    |
| Total                        | \$ 2,463,038 | 2,150,323 |

Percentages of current taxes collected were as follows:

| Year Ended February 28 (29), |        |        |
|------------------------------|--------|--------|
|                              | 2000   | 1999   |
| Real estate                  | 90.1 % | 89.5 % |
| Personal property            | 86.8   | 86.6   |
| Railroad and utilities       | 99.0   | 76.4   |

Oregon County also has the following sales taxes; rates are per \$1 of retail sales:

|         | Rate     | Expiration Date | Required Property Tax Reduction |
|---------|----------|-----------------|---------------------------------|
| General | \$ .0050 | None            | 50%                             |
| General | .0050    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Leo Warren, Presiding Commissioner   | \$     | 23,120 | 17,000 |
| Johnny D. Wrenfrow, Associate Commissioner                                   |        | 21,120 | 17,000 |
| Buddy Wright, Associate Commissioner   |        | 21,120 | 17,000 |
| Gary Hensley, County Clerk   |        | 32,000 | 28,500 |
| Ray Lee Caskey, Prosecuting Attorney   |        | 40,029 | 33,000 |
| Tim Ward, Sheriff  |        | 34,000 | 33,000 |
| Laurel Johnson, County Treasurer   |        | 23,680 | 18,710 |
| John Q. Clary, County Coroner  |        | 5,500  | 5,500  |
| Mike Crawford, Public Administrator *  |        | 22,056 | 17,174 |
| L.J. (Jerry) Richardson, County Collector**,<br>year ended February 28 (29), | 33,457 | 28,781 |        |
| Charles Alford, County Assessor ***, year ended<br>August 31,                |        | 32,900 | 32,900 |

\* Includes fees received from probate cases.

\*\* Includes \$1,457 and \$1,281, respectively of commissions earned for collecting city property taxes.

\*\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

|   |  |        |        |
|---|--|--------|--------|
| Janice Andrews, Circuit Clerk and<br>Ex Officio Recorder of Deeds |  | 44,292 |        |
| Noel Johnson, Circuit Clerk and<br>Ex Officio Recorder of Deeds   |  |        | 42,183 |
| William R. Hass, Associate Circuit Judge                          |  | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds (1) | 2                           | 1        |
| County Clerk                                       | 3                           | 0        |
| Prosecuting Attorney                               | 2                           | 0        |
| Sheriff (2)  | 13                          | 0        |
| County Collector (3)                               | 2                           | 0        |
| County Assessor                                    | 2                           | 0        |
| Associate/Probate Division                         | 0                           | 3        |
| Road and Bridge                                    | 10                          | 0        |
| Health Center                                      | 12                          | 0        |
| Total  | <u>46</u>                   | <u>4</u> |

(1) Includes one employee paid half by the state and half by the county.

(2) Includes five part-time employees.

(3) Includes one part-time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Oregon County's share of the Thirty-Seventh Judicial Circuit's expenses is 17.52 percent.



IRON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-101  
September 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Iron, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Iron County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

IRON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Iron County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Iron County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

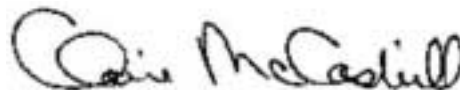
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Iron County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Iron County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Iron County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 12, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 12, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Debra S. Lewis, CPA   |
| In-Charge Auditor:  | Darrick A. Fulton     |
| Audit Staff:        | Douglas P. Robinson   |
|                     | Norma L. Payne        |





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Iron County, Missouri

We have audited the special-purpose financial statements of various funds of Iron County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

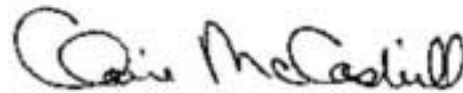
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Iron County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Iron County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Iron County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 12, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

IRON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund   | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                                | \$ 304,562         | 1,220,961 | 1,161,542     | 363,981              |
| Special Road and Bridge                        | 395,426            | 973,153   | 967,539       | 401,040              |
| Assessment                                     | 2,067              | 136,339   | 138,327       | 79                   |
| Law Enforcement Training                       | 343                | 850       | 748           | 445                  |
| Prosecuting Attorney Training                  | 1,358              | 442       | 0             | 1,800                |
| Special Law Enforcement                        | 5,647              | 3,861     | 6,000         | 3,508                |
| Sheriff's Civil Fund                           | 7,836              | 9,795     | 4,144         | 13,487               |
| Record Preservation Fund                       | 14,379             | 11,866    | 5,751         | 20,494               |
| Iron County Industrial Development Association | 10                 | 35,178    | 34,499        | 689                  |
| Marriage Fund                                  | 542                | 534       | 0             | 1,076                |
| Health Center                                  | 347,394            | 319,994   | 306,093       | 361,295              |
| Board for the Developmentally Disabled         | 74,653             | 158,231   | 143,149       | 89,735               |
| Prosecuting Attorney Delinquent Tax            | 462                | 23        | 0             | 485                  |
| Prosecuting Attorney Bad Checks                | 7,321              | 11,005    | 6,812         | 11,514               |
| Circuit Clerk Interest                         | 7,429              | 1,060     | 0             | 8,489                |
| Associate Circuit Division Interest            | 1,596              | 370       | 0             | 1,966                |
| Law Library                                    | 888                | 3,668     | 4,097         | 459                  |
| Sheriff's Commissions                          | 593                | 3,501     | 1,353         | 2,741                |
| Total  | \$ 1,172,506       | 2,890,831 | 2,780,054     | 1,283,283            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

IRON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund   | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                                | \$ 254,955         | 1,180,850 | 1,131,243     | 304,562              |
| Special Road and Bridge                        | 385,587            | 896,254   | 886,415       | 395,426              |
| Assessment                                     | 97                 | 127,170   | 125,200       | 2,067                |
| Law Enforcement Training                       | 1,326              | 806       | 1,789         | 343                  |
| Prosecuting Attorney Training                  | 922                | 436       | 0             | 1,358                |
| Special Law Enforcement                        | 3,026              | 15,445    | 12,824        | 5,647                |
| Sheriff's Civil Fund                           | 0                  | 10,105    | 2,269         | 7,836                |
| Record Preservation Fund                       | 17,011             | 5,655     | 8,287         | 14,379               |
| Iron County Industrial Development Association | 8,865              | 26,162    | 35,017        | 10                   |
| Marriage Fund                                  | 1,158              | 584       | 1,200         | 542                  |
| Health Center                                  | 301,163            | 313,989   | 267,758       | 347,394              |
| Board for the Developmentally Disabled         | 45,720             | 156,002   | 127,069       | 74,653               |
| Prosecuting Attorney Delinquent Tax            | 440                | 22        | 0             | 462                  |
| Prosecuting Attorney Bad Checks                | 7,896              | 8,758     | 9,333         | 7,321                |
| Circuit Clerk Interest                         | 6,412              | 1,017     | 0             | 7,429                |
| Associate Circuit Division Interest            | 953                | 643       | 0             | 1,596                |
| Law Library                                    | 1                  | 4,012     | 3,125         | 888                  |
| Sheriff's Commissions                          | 920                | 3,728     | 4,055         | 593                  |
| Local Use Tax                                  | 62,204             | 996       | 63,200        | 0                    |
| Total  | \$ 1,098,656       | 2,752,634 | 2,678,784     | 1,172,506            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

IRON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 409,000              | 435,586   | 26,586                                 | 369,000   | 379,071   | 10,071                                 |
| Sales taxes                         | 310,000                 | 300,953   | (9,047)                                | 308,000   | 309,555   | 1,555                                  |
| Intergovernmental                   | 245,550                 | 222,273   | (23,277)                               | 218,065   | 199,530   | (18,535)                               |
| Charges for services                | 195,500                 | 195,537   | 37                                     | 180,500   | 198,475   | 17,975                                 |
| Interest                            | 24,000                  | 26,377    | 2,377                                  | 18,000    | 22,722    | 4,722                                  |
| Other                               | 3,100                   | 4,091     | 991                                    | 1,800     | 39,497    | 37,697                                 |
| Transfers in                        | 43,250                  | 36,144    | (7,106)                                | 32,000    | 32,000    | 0                                      |
| Total Receipts                      | 1,230,400               | 1,220,961 | (9,439)                                | 1,127,365 | 1,180,850 | 53,485                                 |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 77,424                  | 74,536    | 2,888                                  | 51,066    | 49,066    | 2,000                                  |
| County Clerk                        | 82,277                  | 80,532    | 1,745                                  | 63,013    | 62,512    | 501                                    |
| Elections                           | 800                     | 488       | 312                                    | 37,328    | 31,448    | 5,880                                  |
| Buildings and grounds               | 64,600                  | 51,480    | 13,120                                 | 78,504    | 63,768    | 14,736                                 |
| Employee fringe benefits            | 121,300                 | 126,815   | (5,515)                                | 102,300   | 104,405   | (2,105)                                |
| County Treasurer                    | 35,690                  | 34,107    | 1,583                                  | 23,276    | 21,028    | 2,248                                  |
| County Collector                    | 68,898                  | 64,999    | 3,899                                  | 63,699    | 61,707    | 1,992                                  |
| Circuit Clerk                       | 25,172                  | 23,150    | 2,022                                  | 19,972    | 22,667    | (2,695)                                |
| Associate Circuit Court             | 19,665                  | 19,257    | 408                                    | 17,625    | 16,577    | 1,048                                  |
| Court administration                | 10,400                  | 8,275     | 2,125                                  | 13,597    | 8,718     | 4,879                                  |
| Public Administrator                | 12,500                  | 11,430    | 1,070                                  | 8,350     | 22,029    | (13,679)                               |
| Sheriff                             | 396,745                 | 387,404   | 9,341                                  | 329,015   | 297,484   | 31,531                                 |
| Jail                                | 52,000                  | 56,914    | (4,914)                                | 53,944    | 48,991    | 4,953                                  |
| Prosecuting Attorney                | 80,742                  | 79,318    | 1,424                                  | 70,208    | 65,929    | 4,279                                  |
| Juvenile Officer                    | 39,900                  | 28,820    | 11,080                                 | 42,640    | 42,640    | 0                                      |
| County Coroner                      | 7,288                   | 6,912     | 376                                    | 7,185     | 6,836     | 349                                    |
| Other                               | 94,189                  | 97,105    | (2,916)                                | 145,469   | 200,438   | (54,969)                               |
| Transfers out                       | 10,000                  | 10,000    | 0                                      | 5,000     | 5,000     | 0                                      |
| Emergency Fund                      | 30,000                  | 0         | 30,000                                 | 30,000    | 0         | 30,000                                 |
| Total Disbursements                 | 1,229,590               | 1,161,542 | 68,048                                 | 1,162,191 | 1,131,243 | 30,948                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 810                     | 59,419    | 58,609                                 | (34,826)  | 49,607    | 84,433                                 |
| CASH, JANUARY 1                     | 304,562                 | 304,562   | 0                                      | 254,955   | 254,955   | 0                                      |
| CASH, DECEMBER 31                   | \$ 305,372              | 363,981   | 58,609                                 | 220,129   | 304,562   | 84,433                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

IRON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |         |  |          |         |  |
|---------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                       | 1999                    |         |  | 1998     |         |  |
|                                       | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |         |  |          |         |  |
| Property taxes                        | \$ 393,000              | 387,510 | (5,490)                                | 339,000  | 380,717 | 41,717                                 |
| Intergovernmental                     | 726,500                 | 509,066 | (217,434)                              | 512,900  | 487,416 | (25,484)                               |
| Interest                              | 24,000                  | 27,903  | 3,903                                  | 19,000   | 24,072  | 5,072                                  |
| Other                                 | 49,500                  | 48,674  | (826)                                  | 56,000   | 4,049   | (51,951)                               |
| Total Receipts                        | 1,193,000               | 973,153 | (219,847)                              | 926,900  | 896,254 | (30,646)                               |
| DISBURSEMENTS                         |                         |         |  |          |         |  |
| Salaries                              | 321,000                 | 309,332 | 11,668                                 | 290,000  | 285,314 | 4,686                                  |
| Employee fringe benefits              | 83,500                  | 80,731  | 2,769                                  | 83,000   | 70,902  | 12,098                                 |
| Supplies                              | 79,700                  | 71,448  | 8,252                                  | 84,600   | 79,963  | 4,637                                  |
| Insurance                             | 18,000                  | 20,295  | (2,295)                                | 15,000   | 16,891  | (1,891)                                |
| Road and bridge materials             | 176,000                 | 207,396 | (31,396)                               | 170,000  | 124,846 | 45,154                                 |
| Equipment repairs                     | 50,800                  | 45,908  | 4,892                                  | 65,800   | 64,146  | 1,654                                  |
| Rentals                               | 500                     | 1,189   | (689)                                  | 500      | 15      | 485                                    |
| Equipment purchases                   | 167,500                 | 168,907 | (1,407)                                | 147,500  | 175,177 | (27,677)                               |
| Construction, repair, and maintenance | 267,000                 | 300     | 266,700                                | 49,000   | 0       | 49,000                                 |
| Other                                 | 18,500                  | 21,033  | (2,533)                                | 33,000   | 29,161  | 3,839                                  |
| Transfers out                         | 41,000                  | 41,000  | 0                                      | 40,000   | 40,000  | 0                                      |
| Total Disbursements                   | 1,223,500               | 967,539 | 255,961                                | 978,400  | 886,415 | 91,985                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (30,500)                | 5,614   | 36,114                                 | (51,500) | 9,839   | 61,339                                 |
| CASH, JANUARY 1                       | 395,426                 | 395,426 | 0                                      | 385,587  | 385,587 | 0                                      |
| CASH, DECEMBER 31                     | \$ 364,926              | 401,040 | 36,114                                 | 334,087  | 395,426 | 61,339                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

IRON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Intergovernmental                   | \$ 135,830 | 132,383       | 128,500 | 126,124 | (2,376)       |  |
| Interest                            | 0          | 1,043         | 1,000   | 1,011   | 11            |  |
| Other                               | 5,067      | 2,913         | 3,000   | 35      | (2,965)       |  |
| Transfers in                        | 9,023      | 0             | 9,000   | 0       | (9,000)       |  |
| Total Receipts                      | 149,920    | 136,339       | 141,500 | 127,170 | (14,330)      |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Assessor                            | 149,920    | 138,327       | 139,265 | 125,200 | 14,065        |  |
| Total Disbursements                 | 149,920    | 138,327       | 139,265 | 125,200 | 14,065        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | (1,988)       | 2,235   | 1,970   | (265)         |  |
| CASH, JANUARY 1                     | 2,067      | 2,067         | 97      | 97      | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,067   | 79            | 2,332   | 2,067   | (265)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit E

IRON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,000 | 838           | 1,500  | 782    | (718)         |  |
| Interest                            | 50       | 12            | 60     | 24     | (36)          |  |
| Total Receipts                      | 1,050    | 850           | 1,560  | 806    | (754)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 1,300    | 748           | 2,000  | 1,789  | 211           |  |
| Total Disbursements                 | 1,300    | 748           | 2,000  | 1,789  | 211           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (250)    | 102           | (440)  | (983)  | (543)         |  |
| CASH, JANUARY 1                     | 343      | 343           | 1,326  | 1,326  | 0             |  |
| CASH, DECEMBER 31                   | \$ 93    | 445           | 886    | 343    | (543)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

IRON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 400   | 364           | 400    | 381    | (19)          |  |
| Interest                            | 50       | 78            | 30     | 55     | 25            |  |
| Total Receipts                      | 450      | 442           | 430    | 436    | 6             |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 450      | 0             | 450    | 0      | 450           |  |
| Total Disbursements                 | 450      | 0             | 450    | 0      | 450           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 442           | (20)   | 436    | 456           |  |
| CASH, JANUARY 1                     | 1,358    | 1,358         | 922    | 922    | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,358 | 1,800         | 902    | 1,358  | 456           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

IRON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL LAW ENFORCEMENT FUND

| Year Ended December 31,             |         |         |  |         |        |  |
|-------------------------------------|---------|---------|--|---------|--------|--|
| 1999                                |         |         | 1998                                   |         |        |  |
|                                     | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |         |         |  |         |        |  |
| Charges for services                | \$ 0    | 3,599   | 3,599                                  | 17,000  | 15,231 | (1,769)                                |
| Interest                            | 0       | 262     | 262                                    | 200     | 214    | 14                                     |
| Total Receipts                      | 0       | 3,861   | 3,861                                  | 17,200  | 15,445 | (1,755)                                |
| DISBURSEMENTS                       |         |         |  |         |        |  |
| Salaries                            | 0       | 0       | 0                                      | 6,000   | 4,882  | 1,118                                  |
| Equipment                           | 0       | 0       | 0                                      | 5,000   | 0      | 5,000                                  |
| Mileage and training                | 0       | 0       | 0                                      | 1,500   | 281    | 1,219                                  |
| Other                               | 0       | 1,000   | (1,000)                                | 2,100   | 2,661  | (561)                                  |
| Transfers out                       | 5,000   | 5,000   | 0                                      | 5,000   | 5,000  | 0                                      |
| Total Disbursements                 | 5,000   | 6,000   | (1,000)                                | 19,600  | 12,824 | 6,776                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5,000) | (2,139) | 2,861                                  | (2,400) | 2,621  | 5,021                                  |
| CASH, JANUARY 1                     | 5,647   | 5,647   | 0                                      | 3,026   | 3,026  | 0                                      |
| CASH, DECEMBER 31                   | \$ 647  | 3,508   | 2,861                                  | 626     | 5,647  | 5,021                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

IRON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S CIVIL FUND

|                                     | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|-------------------------|--------|--|--------|--------|--|
|                                     | 1999                    |        |  | 1998   |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |        |  |
| Charges for services                | \$ 15,000               | 9,172  | (5,828)                                | 10,000 | 9,900  | (100)                                  |
| Interest                            | 0                       | 623    | 623                                    | 500    | 205    | (295)                                  |
| Total Receipts                      | 15,000                  | 9,795  | (5,205)                                | 10,500 | 10,105 | (395)                                  |
| DISBURSEMENTS                       |                         |        |  |        |        |  |
| Salaries                            | 0                       | 0      | 0                                      | 10,000 | 0      | 10,000                                 |
| Equipment                           | 0                       | 0      | 0                                      | 0      | 2,269  | (2,269)                                |
| Transfer Out                        | 11,250                  | 4,144  | 7,106                                  | 0      | 0      | 0                                      |
| Total Disbursements                 | 11,250                  | 4,144  | 7,106                                  | 10,000 | 2,269  | 7,731                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 3,750                   | 5,651  | 1,901                                  | 500    | 7,836  | 7,336                                  |
| CASH, JANUARY 1                     | 8,258                   | 7,836  | (422)                                  | 0      | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 12,008               | 13,487 | 1,479                                  | 500    | 7,836  | 7,336                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

IRON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORD PRESERVATION FUND

|                                     |    | Year Ended December 31, |        |  |        |         |  |
|-------------------------------------|----|-------------------------|--------|--|--------|---------|--|
|                                     |    | 1999                    |        |  | 1998   |         |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |         |  |
| Intergovernmental                   | \$ | 0                       | 6,281  | 6,281                                  | 0      | 0       | 0                                      |
| Charges for services                |    | 4,000                   | 4,780  | 780                                    | 4,000  | 4,842   | 842                                    |
| Interest                            |    | 900                     | 805    | (95)                                   | 900    | 813     | (87)                                   |
| Total Receipts                      |    | 4,900                   | 11,866 | 6,966                                  | 4,900  | 5,655   | 755                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |         |  |
| Equipment                           |    | 10,000                  | 5,751  | 4,249                                  | 4,300  | 8,287   | (3,987)                                |
| Total Disbursements                 |    | 10,000                  | 5,751  | 4,249                                  | 4,300  | 8,287   | (3,987)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (5,100)                 | 6,115  | 11,215                                 | 600    | (2,632) | (3,232)                                |
| CASH, JANUARY 1                     |    | 14,379                  | 14,379 | 0                                      | 17,011 | 17,011  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 9,279                   | 20,494 | 11,215                                 | 17,611 | 14,379  | (3,232)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

IRON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 IRON COUNTY INDUSTRIAL DEVELOPMENT ASSOCIATION FUND

|                                     | Year Ended December 31, |        |  |         |         |  |
|-------------------------------------|-------------------------|--------|--|---------|---------|--|
|                                     | 1999                    |        |  | 1998    |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |         |  |
| Intergovernmental                   | \$ 10,000               | 10,750 | 750                                    | 10,000  | 7,826   | (2,174)                                |
| Interest                            | 0                       | 428    | 428                                    | 300     | 336     | 36                                     |
| Transfers in                        | 24,000                  | 24,000 | 0                                      | 17,780  | 18,000  | 220                                    |
| Total Receipts                      | 34,000                  | 35,178 | 1,178                                  | 28,080  | 26,162  | (1,918)                                |
| DISBURSEMENTS                       |                         |        |  |         |         |  |
| Salaries                            | 29,203                  | 29,644 | (441)                                  | 29,170  | 28,883  | 287                                    |
| Office expenditures                 | 1,200                   | 1,623  | (423)                                  | 2,000   | 1,885   | 115                                    |
| Equipment                           | 800                     | 0      | 800                                    | 1,150   | 440     | 710                                    |
| Mileage and training                | 1,300                   | 2,009  | (709)                                  | 1,600   | 2,624   | (1,024)                                |
| Other                               | 700                     | 1,223  | (523)                                  | 3,000   | 1,185   | 1,815                                  |
| Total Disbursements                 | 33,203                  | 34,499 | (1,296)                                | 36,920  | 35,017  | 1,903                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 797                     | 679    | (118)                                  | (8,840) | (8,855) | (15)                                   |
| CASH, JANUARY 1                     | 10                      | 10     | 0                                      | 8,865   | 8,865   | 0                                      |
| CASH, DECEMBER 31                   | \$ 807                  | 689    | (118)                                  | 25      | 10      | (15)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

IRON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MARRIAGE FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Charges for services                | \$ 500 | 495    | (5)                                    |
| Interest                            | 30     | 39     | 9                                      |
| Total Receipts                      | 530    | 534    | 4                                      |
| DISBURSEMENTS                       |        |        |  |
| Contract services                   | 450    | 0      | 450                                    |
| Total Disbursements                 | 450    | 0      | 450                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 80     | 534    | 454                                    |
| CASH, JANUARY 1                     | 542    | 542    | 0                                      |
| CASH, DECEMBER 31                   | \$ 622 | 1,076  | 454                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit L

IRON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

| Year Ended December 31,             |            |         |  |           |         |  |
|-------------------------------------|------------|---------|--|-----------|---------|--|
| 1999                                |            |         | 1998                                   |           |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |           |         |  |
| Property taxes                      | \$ 151,045 | 153,889 | 2,844                                  | 148,200   | 152,288 | 4,088                                  |
| Intergovernmental                   | 105,736    | 103,524 | (2,212)                                | 107,028   | 108,393 | 1,365                                  |
| Charges for services                | 31,000     | 38,208  | 7,208                                  | 32,000    | 31,943  | (57)                                   |
| Interest                            | 12,000     | 17,982  | 5,982                                  | 10,000    | 17,468  | 7,468                                  |
| Other                               | 2,100      | 6,391   | 4,291                                  | 1,754     | 3,897   | 2,143                                  |
| Total Receipts                      | 301,881    | 319,994 | 18,113                                 | 298,982   | 313,989 | 15,007                                 |
| DISBURSEMENTS                       |            |         |  |           |         |  |
| Salaries                            | 218,000    | 214,568 | 3,432                                  | 204,700   | 203,157 | 1,543                                  |
| Office expenditures                 | 18,000     | 16,317  | 1,683                                  | 16,500    | 14,073  | 2,427                                  |
| Equipment                           | 25,000     | 7,529   | 17,471                                 | 25,000    | 6,093   | 18,907                                 |
| Mileage and training                | 6,800      | 5,227   | 1,573                                  | 6,300     | 5,488   | 812                                    |
| Building and property               | 200,000    | 0       | 200,000                                | 200,000   | 0       | 200,000                                |
| Other                               | 181,475    | 62,452  | 119,023                                | 147,645   | 38,947  | 108,698                                |
| Total Disbursements                 | 649,275    | 306,093 | 343,182                                | 600,145   | 267,758 | 332,387                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (347,394)  | 13,901  | 361,295                                | (301,163) | 46,231  | 347,394                                |
| CASH, JANUARY 1                     | 347,394    | 347,394 | 0                                      | 301,163   | 301,163 | 0                                      |
| CASH, DECEMBER 31                   | \$ 0       | 361,295 | 361,295                                | 0         | 347,394 | 347,394                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit M

IRON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
BOARD FOR THE DEVELOPMENTALLY DISABLED FUND

|                                     |    | Year Ended December 31, |         |                       |          |         |                       |
|-------------------------------------|----|-------------------------|---------|-----------------------|----------|---------|-----------------------|
|                                     |    | 1999                    |         |                       | 1998     |         |                       |
|                                     |    |                         |         | Variance<br>Favorable |          |         | Variance<br>Favorable |
|                                     |    | Budget                  | Actual  | (Unfavorable)         | Budget   | Actual  | (Unfavorable)         |
| RECEIPTS                            |    |                         |         |                       |          |         |                       |
| Property taxes                      | \$ | 145,000                 | 149,556 | 4,556                 | 135,000  | 147,573 | 12,573                |
| Interest                            |    | 2,600                   | 4,475   | 1,875                 | 2,000    | 3,690   | 1,690                 |
| Other                               |    | 4,200                   | 4,200   | 0                     | 2,450    | 4,739   | 2,289                 |
| Total Receipts                      |    | 151,800                 | 158,231 | 6,431                 | 139,450  | 156,002 | 16,552                |
| DISBURSEMENTS                       |    |                         |         |                       |          |         |                       |
| Health and Welfare                  |    | 149,228                 | 143,149 | 6,079                 | 150,579  | 127,069 | 23,510                |
| Total Disbursements                 |    | 149,228                 | 143,149 | 6,079                 | 150,579  | 127,069 | 23,510                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 2,572                   | 15,082  | 12,510                | (11,129) | 28,933  | 40,062                |
| CASH, JANUARY 1                     |    | 74,653                  | 74,653  | 0                     | 45,980   | 45,720  | (260)                 |
| CASH, DECEMBER 31                   |    | \$ 77,225               | 89,735  | 12,510                | 34,851   | 74,653  | 39,802                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

IRON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Iron County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, Health Center Board or the Board for the Developmentally Disabled. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Marriage Fund                            | 1998                            |
| Prosecuting Attorney Bad Checks Fund     | 1999 and 1998                   |
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |
| Sheriff's Commissions Fund               | 1999 and 1998                   |
| Local Use Tax Fund                       | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>  | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Special Law Enforcement Training Fund                    | 1999                            |
| Record Preservation Fund                                 | 1998                            |
| Iron County Industrial Developmental<br>Association Fund | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Sheriff's Commissions Fund               | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, health center's, and the Board for the Developmentally Disabled's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's, health center's, and Board for the Developmentally Disabled's custodial banks in the county's, health center's, or the board's names.

However, because of significantly higher bank balances in the Health Center Fund at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of health center deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure health center deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

IRON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--|--|---|-------------------------|---------|
|  |  |   | Year Ended December 31, |         |
|  |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |         |
| Direct program -   |  |   |                         |         |
| 10.670   | National Forest - Dependent Rural Communities                              | NA-96-0354                                      | \$ 0                    | 2,596   |
|  |  | NA-96-0355                                      | 0                       | 2,700   |
|  |  | NA-97-0227                                      | 0                       | 217     |
|  |  | NA-98-376                                       | 2,000                   | 0       |
|  |  | NA-97-322                                       | 0                       | 11,000  |
|  |  | NA-97-374                                       | 0                       | 6,000   |
|  |  | NA-98-374                                       | 200                     | 0       |
|  |  | NA-98-375                                       | 7,000                   | 0       |
|  | Program Total  |   | 9,200                   | 22,513  |
| Passed through state:  |  |   |                         |         |
| Department of Health -   |  |   |                         |         |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-9146                                     | 41,399                  | 0       |
|  | Program Total  | ER0045-8146                                     | 0                       | 44,059  |
|  |  |   | 41,399                  | 44,059  |
| Office of Administration -                                     |  |   |                         |         |
| 10.665   | Schools and Roads - Grants to States                                       | N/A   | 147,060                 | 126,786 |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |         |
| Direct program -   |  |   |                         |         |
| 16.710   | Public Safety Partnership and Community Policing Grants                    | 1999UMX3035                                     | 23,488                  | 0       |
| Passed through Missouri Sheriff's Association -                |  |   |                         |         |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 1,176                   | 802     |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |         |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |         |
| 20.205   | Highway Planning and Construction  | BRO-047(05)                                     | 0                       | 19,394  |
|  |  | STP-21-2(35)                                    | 0                       | 33,909  |
|  | Program Total  |   | 0                       | 53,303  |
| GENERAL SERVICES ADMINISTRATION                                |  |   |                         |         |
| Passed through state Office of Administration -                |  |   |                         |         |
| 39.003   | Donation of Federal Surplus Personal Property                              | N/A   | 0                       | 24      |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                            |  |   |                         |         |
| Passed through state Department of Public Safety -             |  |   |                         |         |
| 83.534   | Emergency Management - State and Local Assistance                          | N/A   | 2,357                   | 2,189   |

## Schedule

IRON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures            |         |
|---|--|---|---------------------------------|---------|
|   |  |   | Year Ended December 31,<br>1999 | 1998    |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                                 |         |
| Direct program -                              |  |   |                                 |         |
| 93.268  | Immunization Grants  | N/A   | 3,541                           | 1,720   |
| Passed through:                               |  |   |                                 |         |
| Southeast Missouri Area Agency on Aging -     |  |   |                                 |         |
| 93.043  | Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services  | N/A   | 1,900                           | 1,554   |
| State Department of Health -                  |  |   |                                 |         |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ER0146-9146                                     | 511                             | 69      |
| 93.268  | Immunization Grants  | PG0064-8146                                     | 2,005                           | 5,925   |
|   |  | N/A   | 25,408                          | 23,857  |
|   | Program Total  |   | 27,413                          | 29,782  |
| State Department of Social Services -         |  |   |                                 |         |
| 93.563  | Child Support Enforcement  | N/A   | 2,280                           | 0       |
| State Department of Health -                  |  |   |                                 |         |
| 93.575  | Child Care and Development Block Grant   | ER0146-9146                                     | 1,000                           | 0       |
|   |  | ER0146-8146                                     | 0                               | 1,084   |
|   | Program Total  |   | 1,000                           | 1,084   |
| 93.919  | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs   | ER0146-9146                                     | 1,379                           | 0       |
|   |  | ER0146-8146                                     | 0                               | 875     |
|   |  | ER0045-9146                                     | 1,194                           | 0       |
|   |  | ER0045-8146                                     | 0                               | 1,064   |
|   | Program Total  |   | 2,573                           | 1,939   |
| 93.991  | Preventive Health and Health Services Block Grant  | N/A   | 302                             | 620     |
| 93.994  | Maternal and Child Health Services   | ER0146-9146                                     | 16,663                          | 0       |
|   | Block Grant to the State   | ER0146-8146                                     | 0                               | 17,214  |
|   |  | N/A   | 1,512                           | 2,169   |
|   | Program Total  |   | 18,175                          | 19,383  |
|   | Total Expenditures of Federal Awards   | \$  | 282,375                         | 305,827 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



## Notes to the Supplementary Schedule

IRON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Iron County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to

the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$25,408 and \$23,857 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$302 and \$620 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,512 and \$2,169 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$2,357 and \$2,189 to a subrecipient under the Emergency Management - State and Local Assistance (CFDA number 83.534) during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Iron County, Missouri

Compliance

We have audited the compliance of Iron County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

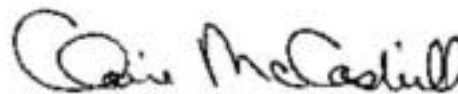
In our opinion, Iron County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998.

### Internal Control Over Compliance

The management of Iron County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Iron County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

July 12, 2000 (fieldwork completion date)

Schedule



IRON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Noncompliance material to the financial statements  
noted? \_\_\_\_\_ yes        x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133? \_\_\_\_\_ yes        x   no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>                 |
|---|--------------------------------------|
| 10.665  | Schools and Roads – Grants to States |
| 20.205  | Highway Planning and Construction    |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

IRON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

IRON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## SECTION ON OTHER MATTERS

## IRON COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Iron County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 12, 2000. We also have audited the compliance of Iron County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 12, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Iron County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Special Road and Bridge Fund Administrative Fee

Section 50.515, RSMo 1994, allows for a maximum three percent administrative service fee to be paid from the Special Road and Bridge Fund to the General Revenue Fund for road and bridge related administrative expenditures made from General Revenue. The county believes that a transfer from the Special Road and Bridge Fund for an administrative service that does not constitute an expense incurred by a county General Revenue Fund would not be subject to the three percent rule established in Section 50.515, and that the statute does not require that all administrative expenses for the county Special Road and Bridge Fund be incurred by the county General Revenue Fund.

The county transferred \$14,000 and \$13,000 in 1999 and 1998, respectively, from the Special Road and Bridge Fund to the Iron County Industrial Development Association Fund. In addition, the county transferred \$27,000 from the Special Road and Bridge Fund to the General Revenue fund in both 1999 and 1998.

The transfer of funds from the Special Road and Bridge Fund to both the General Revenue Fund and the ICIDA Fund appears to exceed the maximum three percent administrative service fee allowed by state law.

### 2. Iron County Board for the Developmentally Disabled

The Iron County Board for the Developmentally Disabled (ICBDD) provides funding to Ozark Crafts, a not-for-profit organization that operates the local sheltered



workshop which provides rehabilitation and education of handicapped persons. The ICBDD has not established procedures to review Ozark Crafts financial records. During the two years ended December 31, 1999, the Board did not obtain a copy of Ozark Crafts annual audit nor did they ensure progress reports were submitted quarterly as required by the contract. Reviewing information contained in the quarterly progress reports and an independent audit would provide the board with some assurance that the sheltered workshop is operating effectively and utilizing county tax dollars appropriately.

3. Sheriff Department Compensatory Time

While overtime worked is included on Sheriff's Department employees' time sheets, a balance of compensatory time earned, taken, or paid is not maintained. Compensatory balances should be maintained to ensure employees are properly compensated for compensatory time accumulated in excess of the maximum allowed by the Fair Labor Standards Act (FLSA).

4. Health Center Budgetary Procedures

The approved budgeted expenditures for the years ended December 31, 1999 and 1998 were significantly overestimated resulting in the fund balance being much less than actual. The practice of overestimating expenditures results in an inaccurate statement of the health center's financial position. For the budgets to be of maximum assistance to the Health Center Board of Trustees and the general public, accurate amounts should be shown for expenditures and fund balances.

This Letter on Other Matters is intended for the information of the management of Iron County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



DOUGLAS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-100  
September 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Douglas, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Douglas County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

- The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards. The county's schedule contained numerous errors and omissions. In 1999 the county reported expenditures for only two of its 19 federal programs, resulting in a significant understatement. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.
- In July 1997, the county was awarded \$54,040 in federal assistance from the U.S. Department of Justice under the COPS Universal Hiring program, and in April 1998, they were awarded another \$54,040 as part of a supplemental award.

The Sheriff's department was responsible for filing requests for payment under this grant program, and as of August 2000, had made only one request. The County received \$21,133 in grant funds in June 1998. As a result, \$52,607 in available grant funds through June 30, 2000 has been expended, but has not been requested or received by the county.

The failure to submit requests for payment on a timely basis places an unnecessary financial burden on the county and could result in the loss of grant funds.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

DOUGLAS COUNTY, MISSOURI

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## FINANCIAL SECTION



## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Douglas County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Douglas County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

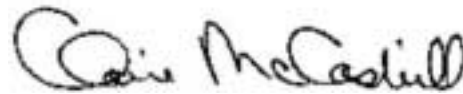
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Douglas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Douglas County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Douglas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 7, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

August 7, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Donna Christian, CPA  |
| In-Charge Auditor:  | April McHaffie, CPA   |
| Audit Staff:        | Ted Fugitt, CPA       |
|                     | Jody Vernon, CPA      |
|                     | Bryan Meadows         |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission  
and  
Officeholders of Douglas County, Missouri

We have audited the special-purpose financial statements of various funds of Douglas County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

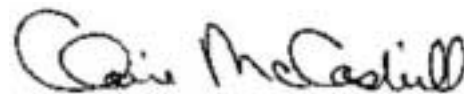
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Douglas County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Douglas County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Douglas County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 7, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

DOUGLAS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 430,490         | 1,064,582 | 1,129,511     | 365,561              |
| Special Road and Bridge             | 110,919            | 885,341   | 931,834       | 64,426               |
| Assessment                          | 11,245             | 118,134   | 107,528       | 21,851               |
| Law Enforcement Training            | 790                | 1,152     | 1,397         | 545                  |
| Prosecuting Attorney Training       | 456                | 471       | 779           | 148                  |
| Prosecuting Attorney Bad Check      | 1,627              | 7,263     | 4,278         | 4,612                |
| Law Enforcement                     | 835                | 1,059     | 1,883         | 11                   |
| Recorder User Fee                   | 7,026              | 6,133     | 6,433         | 6,726                |
| Local Emergency Planning Commission | 2,288              | 1,711     | 1,687         | 2,312                |
| Victims of Domestic Violence        | 119                | 548       | 592           | 75                   |
| Sheriff Civil Fee                   | 2,426              | 4,990     | 5,940         | 1,476                |
| Combined Enforcement Team           | 1,512              | 23        | 1,463         | 72                   |
| Sheriff Equipment                   | 639                | 8,322     | 4,848         | 4,113                |
| Family Access                       | 25                 | 127       | 0             | 152                  |
| Health Center                       | 128,883            | 682,222   | 648,032       | 163,073              |
| Support the Handicapped Board       | 175,676            | 75,477    | 49,378        | 201,775              |
| Prosecuting Attorney Delinquent Tax | 826                | 887       | 164           | 1,549                |
| County Bridges                      | 0                  | 24,453    | 24,453        | 0                    |
| Sheriff's Equitable Sharing         | 0                  | 51,416    | 50,589        | 827                  |
| Circuit Clerk Interest              | 4,505              | 1,443     | 87            | 5,861                |
| Law Library                         | 10,063             | 2,993     | 7,403         | 5,653                |
| Associate Circuit Division Interest | 2,907              | 733       | 247           | 3,393                |
| Total                               | \$ 893,257         | 2,939,480 | 2,978,526     | 854,211              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DOUGLAS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 419,471         | 1,041,260 | 1,030,241     | 430,490              |
| Special Road and Bridge             | 116,353            | 826,593   | 832,027       | 110,919              |
| Assessment                          | 6,294              | 122,703   | 117,752       | 11,245               |
| Law Enforcement Training            | 558                | 1,138     | 906           | 790                  |
| Prosecuting Attorney Training       | 440                | 538       | 522           | 456                  |
| Prosecuting Attorney Bad Check      | 1,521              | 6,983     | 6,877         | 1,627                |
| Law Enforcement                     | 3,780              | 2,585     | 5,530         | 835                  |
| Recorder User Fee                   | 6,894              | 6,195     | 6,063         | 7,026                |
| Local Emergency Planning Commission | 3,313              | 1,699     | 2,724         | 2,288                |
| Victims of Domestic Violence        | 621                | 598       | 1,100         | 119                  |
| Sheriff Civil Fee                   | 2,585              | 6,526     | 6,685         | 2,426                |
| Combined Enforcement Team           | 3,106              | 29        | 1,623         | 1,512                |
| Sheriff Equipment                   | 630                | 9         | 0             | 639                  |
| Family Access                       | 0                  | 25        | 0             | 25                   |
| Health Center                       | 180,494            | 667,425   | 719,036       | 128,883              |
| Support the Handicapped Board       | 148,882            | 57,306    | 30,512        | 175,676              |
| Prosecuting Attorney Delinquent Tax | 559                | 267       | 0             | 826                  |
| County Bridges                      | 0                  | 76,251    | 76,251        | 0                    |
| Circuit Clerk Interest              | 3,314              | 1,245     | 54            | 4,505                |
| Law Library                         | 7,817              | 2,619     | 373           | 10,063               |
| Associate Circuit Division Interest | 2,220              | 1,496     | 809           | 2,907                |
| Total                               | \$ 908,852         | 2,823,490 | 2,839,085     | 893,257              |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit B

DOUGLAS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 70,000               | 82,209    | 12,209                                 | 63,000    | 72,426    | 9,426                                  |
| Sales taxes                         | 580,000                 | 617,265   | 37,265                                 | 565,000   | 579,563   | 14,563                                 |
| Intergovernmental                   | 165,197                 | 175,111   | 9,914                                  | 90,500    | 167,731   | 77,231                                 |
| Charges for services                | 154,958                 | 148,476   | (6,482)                                | 119,666   | 159,567   | 39,901                                 |
| Interest                            | 9,000                   | 14,984    | 5,984                                  | 10,000    | 17,794    | 7,794                                  |
| Other                               | 13,000                  | 12,364    | (636)                                  | 14,142    | 23,660    | 9,518                                  |
| Interfund loans                     | 0                       | 10,000    | 10,000                                 | 0         | 13,642    | 13,642                                 |
| Transfers in                        | 6,900                   | 4,173     | (2,727)                                | 6,000     | 6,877     | 877                                    |
| Total Receipts                      | 999,055                 | 1,064,582 | 65,527                                 | 868,308   | 1,041,260 | 172,952                                |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 67,238                  | 65,936    | 1,302                                  | 41,535    | 41,491    | 44                                     |
| County Clerk                        | 61,738                  | 60,466    | 1,272                                  | 58,424    | 57,652    | 772                                    |
| Elections                           | 2,400                   | 1,459     | 941                                    | 36,286    | 37,138    | (852)                                  |
| Buildings and grounds               | 66,244                  | 65,806    | 438                                    | 63,649    | 49,672    | 13,977                                 |
| Employee fringe benefits            | 123,000                 | 124,626   | (1,626)                                | 93,000    | 94,433    | (1,433)                                |
| County Treasurer                    | 35,319                  | 34,508    | 811                                    | 27,115    | 26,453    | 662                                    |
| County Collector                    | 68,646                  | 68,391    | 255                                    | 64,119    | 65,759    | (1,640)                                |
| Circuit Clerk                       | 25,047                  | 22,508    | 2,539                                  | 26,492    | 21,190    | 5,302                                  |
| Associate Circuit Court             | 8,500                   | 5,851     | 2,649                                  | 7,500     | 7,025     | 475                                    |
| Court administration                | 23,372                  | 12,291    | 11,081                                 | 23,441    | 26,908    | (3,467)                                |
| Public Administrator                | 9,275                   | 22,819    | (13,544)                               | 8,650     | 32,200    | (23,550)                               |
| Sheriff                             | 257,951                 | 256,994   | 957                                    | 214,204   | 212,581   | 1,623                                  |
| Jail                                | 82,000                  | 81,086    | 914                                    | 48,000    | 54,865    | (6,865)                                |
| Prosecuting Attorney                | 109,954                 | 110,069   | (115)                                  | 91,502    | 98,933    | (7,431)                                |
| Juvenile Officer                    | 34,363                  | 30,568    | 3,795                                  | 44,919    | 43,830    | 1,089                                  |
| County Coroner                      | 7,100                   | 6,818     | 282                                    | 7,500     | 7,434     | 66                                     |
| Other                               | 119,784                 | 96,275    | 23,509                                 | 104,999   | 104,536   | 463                                    |
| Interfund loans                     | 0                       | 10,000    | (10,000)                               | 0         | 0         | 0                                      |
| Transfers out                       | 53,040                  | 53,040    | 0                                      | 35,252    | 35,252    | 0                                      |
| Emergency Fund                      | 30,000                  | 0         | 30,000                                 | 31,000    | 12,889    | 18,111                                 |
| Total Disbursements                 | 1,184,971               | 1,129,511 | 55,460                                 | 1,027,587 | 1,030,241 | (2,654)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (185,916)               | (64,929)  | 120,987                                | (159,279) | 11,019    | 170,298                                |
| CASH, JANUARY 1                     | 430,490                 | 430,490   | 0                                      | 419,471   | 419,471   | 0                                      |
| CASH, DECEMBER 31                   | \$ 244,574              | 365,561   | 120,987                                | 260,192   | 430,490   | 170,298                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

DOUGLAS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |          |  |          |         |  |
|---------------------------------------|-------------------------|----------|--|----------|---------|--|
|                                       | 1999                    |          |  | 1998     |         |  |
|                                       | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |          |  |          |         |  |
| Property taxes                        | \$ 140,000              | 176,085  | 36,085                                 | 155,000  | 140,925 | (14,075)                               |
| Intergovernmental                     | 653,870                 | 670,839  | 16,969                                 | 615,483  | 654,713 | 39,230                                 |
| Charges for services                  | 8,500                   | 5,938    | (2,562)                                | 5,000    | 9,752   | 4,752                                  |
| Interest                              | 5,000                   | 4,479    | (521)                                  | 4,000    | 4,870   | 870                                    |
| Other                                 | 0                       | 0        | 0                                      | 0        | 16,333  | 16,333                                 |
| Interfund loans                       | 0                       | 10,000   | 10,000                                 | 0        | 0       | 0                                      |
| Transfers in                          | 18,000                  | 18,000   | 0                                      | 0        | 0       | 0                                      |
| Total Receipts                        | 825,370                 | 885,341  | 59,971                                 | 779,483  | 826,593 | 47,110                                 |
| DISBURSEMENTS                         |                         |          |  |          |         |  |
| Salaries                              | 282,556                 | 302,783  | (20,227)                               | 270,000  | 267,550 | 2,450                                  |
| Employee fringe benefits              | 80,500                  | 84,191   | (3,691)                                | 72,000   | 61,321  | 10,679                                 |
| Supplies                              | 73,000                  | 76,676   | (3,676)                                | 80,000   | 63,037  | 16,963                                 |
| Insurance                             | 15,000                  | 15,283   | (283)                                  | 15,000   | 12,500  | 2,500                                  |
| Road and bridge materials             | 123,000                 | 155,537  | (32,537)                               | 106,000  | 98,648  | 7,352                                  |
| Equipment repairs                     | 90,000                  | 101,528  | (11,528)                               | 72,000   | 87,955  | (15,955)                               |
| Equipment purchases                   | 201,821                 | 144,876  | 56,945                                 | 207,015  | 222,465 | (15,450)                               |
| Construction, repair, and maintenance | 40,000                  | 0        | 40,000                                 | 0        | 0       | 0                                      |
| Other                                 | 24,500                  | 40,960   | (16,460)                               | 21,800   | 18,551  | 3,249                                  |
| Interfund loans                       | 0                       | 10,000   | (10,000)                               | 0        | 0       | 0                                      |
| Total Disbursements                   | 930,377                 | 931,834  | (1,457)                                | 843,815  | 832,027 | 11,788                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (105,007)               | (46,493) | 58,514                                 | (64,332) | (5,434) | 58,898                                 |
| CASH, JANUARY 1                       | 110,919                 | 110,919  | 0                                      | 116,353  | 116,353 | 0                                      |
| CASH, DECEMBER 31                     | \$ 5,912                | 64,426   | 58,514                                 | 52,021   | 110,919 | 58,898                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Intergovernmental                   | \$ 81,316 | 82,173        | 91,878  | 86,805  | (5,073)       |  |
| Interest                            | 500       | 921           | 0       | 646     | 646           |  |
| Other                               | 0         | 0             | 18,887  | 0       | (18,887)      |  |
| Transfers in                        | 35,040    | 35,040        | 35,252  | 35,252  | 0             |  |
| Total Receipts                      | 116,856   | 118,134       | 146,017 | 122,703 | (23,314)      |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Assessor                            | 116,856   | 107,528       | 127,130 | 104,110 | 23,020        |  |
| Interfund loans                     | 0         | 0             | 13,642  | 13,642  | 0             |  |
| Total Disbursements                 | 116,856   | 107,528       | 140,772 | 117,752 | 23,020        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 10,606        | 5,245   | 4,951   | (294)         |  |
| CASH, JANUARY 1                     | 11,245    | 11,245        | 6,294   | 6,294   | 0             |  |
| CASH, DECEMBER 31                   | \$ 11,245 | 21,851        | 11,539  | 11,245  | (294)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,121 | 1,138         | 2,480  | 1,121  | (1,359)       |  |
| Interest                            | 16       | 14            | 23     | 17     | (6)           |  |
| Total Receipts                      | 1,137    | 1,152         | 2,503  | 1,138  | (1,365)       |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 1,300    | 1,397         | 2,700  | 906    | 1,794         |  |
| Total Disbursements                 | 1,300    | 1,397         | 2,700  | 906    | 1,794         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (163)    | (245)         | (197)  | 232    | 429           |  |
| CASH, JANUARY 1                     | 790      | 790           | 558    | 558    | 0             |  |
| CASH, DECEMBER 31                   | \$ 627   | 545           | 361    | 790    | 429           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 750 | 464           | 1,100  | 523    | (577)         |  |
| Interest                            | 0      | 7             | 0      | 15     | 15            |  |
| Total Receipts                      | 750    | 471           | 1,100  | 538    | (562)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 550    | 779           | 725    | 522    | 203           |  |
| Total Disbursements                 | 550    | 779           | 725    | 522    | 203           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 200    | (308)         | 375    | 16     | (359)         |  |
| CASH, JANUARY 1                     | 456    | 456           | 440    | 440    | 0             |  |
| CASH, DECEMBER 31                   | \$ 656 | 148           | 815    | 456    | (359)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

DOUGLAS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 7,000                   | 7,170  | 170                                    | 6,500  | 6,935  | 435                                    |
| Interest                            |    | 0                       | 93     | 93                                     | 0      | 48     | 48                                     |
| Total Receipts                      |    | 7,000                   | 7,263  | 263                                    | 6,500  | 6,983  | 483                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 0                       | 105    | (105)                                  | 500    | 0      | 500                                    |
| Transfers out                       |    | 6,900                   | 4,173  | 2,727                                  | 6,000  | 6,877  | (877)                                  |
| Total Disbursements                 |    | 6,900                   | 4,278  | 2,622                                  | 6,500  | 6,877  | (377)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 100                     | 2,985  | 2,885                                  | 0      | 106    | 106                                    |
| CASH, JANUARY 1                     |    | 1,627                   | 1,627  | 0                                      | 1,521  | 1,521  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 1,727                   | 4,612  | 2,885                                  | 1,521  | 1,627  | 106                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

DOUGLAS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT FUND

| Year Ended December 31,             |        |        |  |        |         |  |
|-------------------------------------|--------|--------|--|--------|---------|--|
| 1999                                |        |        | 1998                                   |        |         |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |        |         |  |
| Intergovernmental                   | 1,250  | 928    | (322)                                  | 2,970  | 1,265   | (1,705)                                |
| Charges for services                | \$ 820 | 92     | (728)                                  | 1,014  | 828     | (186)                                  |
| Interest                            | 60     | 19     | (41)                                   | 60     | 67      | 7                                      |
| Other                               | 400    | 20     | (380)                                  | 1,179  | 425     | (754)                                  |
| Total Receipts                      | 2,530  | 1,059  | (1,471)                                | 5,223  | 2,585   | (2,638)                                |
| DISBURSEMENTS                       |        |        |  |        |         |  |
| Sheriff                             | 3,200  | 1,883  | 1,317                                  | 3,000  | 5,530   | (2,530)                                |
| Total Disbursements                 | 3,200  | 1,883  | 1,317                                  | 3,000  | 5,530   | (2,530)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (670)  | (824)  | (154)                                  | 2,223  | (2,945) | (5,168)                                |
| CASH, JANUARY 1                     | 835    | 835    | 0                                      | 3,780  | 3,780   | 0                                      |
| CASH, DECEMBER 31                   | \$ 165 | 11     | (154)                                  | 6,003  | 835     | (5,168)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER USER FEE FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 6,500 | 5,950         | 5,000   | 6,026  | 1,026         |  |
| Interest                            | 175      | 183           | 200     | 169    | (31)          |  |
| Total Receipts                      | 6,675    | 6,133         | 5,200   | 6,195  | 995           |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Ex Officio Recorder of Deeds        | 6,063    | 6,433         | 8,000   | 6,063  | 1,937         |  |
| Total Disbursements                 | 6,063    | 6,433         | 8,000   | 6,063  | 1,937         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 612      | (300)         | (2,800) | 132    | 2,932         |  |
| CASH, JANUARY 1                     | 7,026    | 7,026         | 6,894   | 6,894  | 0             |  |
| CASH, DECEMBER 31                   | \$ 7,638 | 6,726         | 4,094   | 7,026  | 2,932         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit J

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL EMERGENCY PLANNING COMMISSION FUND

|                                     | Year Ended December 31, |        |  |         |         |  |
|-------------------------------------|-------------------------|--------|--|---------|---------|--|
|                                     | 1999                    |        |  | 1998    |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |         |  |
| Intergovernmental                   | 1,600                   | 1,711  | 111                                    | 2,600   | 1,699   | (901)                                  |
| Total Receipts                      | 1,600                   | 1,711  | 111                                    | 2,600   | 1,699   | (901)                                  |
| DISBURSEMENTS                       |                         |        |  |         |         |  |
| Emergency planning                  | 2,400                   | 1,687  | 713                                    | 3,630   | 2,724   | 906                                    |
| Total Disbursements                 | 2,400                   | 1,687  | 713                                    | 3,630   | 2,724   | 906                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (800)                   | 24     | 824                                    | (1,030) | (1,025) | 5                                      |
| CASH, JANUARY 1                     | 2,288                   | 2,288  | 0                                      | 3,313   | 3,313   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,488                | 2,312  | 824                                    | 2,283   | 2,288   | 5                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
VICTIMS OF DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 580 | 545           | 700    | 580    | (120)         |  |
| Interest                            | 20     | 3             | 0      | 18     | 18            |  |
| Total Receipts                      | 600    | 548           | 700    | 598    | (102)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Domestic violence shelter           | 600    | 592           | 600    | 1,100  | (500)         |  |
| Total Disbursements                 | 600    | 592           | 600    | 1,100  | (500)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | (44)          | 100    | (502)  | (602)         |  |
| CASH, JANUARY 1                     | 119    | 119           | 621    | 621    | 0             |  |
| CASH, DECEMBER 31                   | \$ 119 | 75            | 721    | 119    | (602)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FEE FUND

|                                     | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|-------------------------|--------|--|--------|--------|--|
|                                     | 1999                    |        |  | 1998   |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |        |  |
| Charges for services                | 6,400                   | 4,940  | (1,460)                                | 3,500  | 6,443  | 2,943                                  |
| Interest                            | 80                      | 50     | (30)                                   | 0      | 83     | 83                                     |
| Total Receipts                      | 6,480                   | 4,990  | (1,490)                                | 3,500  | 6,526  | 3,026                                  |
| DISBURSEMENTS                       |                         |        |  |        |        |  |
| Sheriff                             | 6,000                   | 5,940  | 60                                     | 1,125  | 6,685  | (5,560)                                |
| Total Disbursements                 | 6,000                   | 5,940  | 60                                     | 1,125  | 6,685  | (5,560)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 480                     | (950)  | (1,430)                                | 2,375  | (159)  | (2,534)                                |
| CASH, JANUARY 1                     | 2,426                   | 2,426  | 0                                      | 2,585  | 2,585  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,906                | 1,476  | (1,430)                                | 4,960  | 2,426  | (2,534)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

DOUGLAS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COMBINED ENFORCEMENT TEAM FUND

|                                     | Year Ended December 31, |         |  |
|-------------------------------------|-------------------------|---------|--|
|                                     | 1999                    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |
| Intergovernmental                   | 2,400                   | 0       | (2,400)                                |
| Interest                            | 29                      | 23      | (6)                                    |
| Total Receipts                      | 2,429                   | 23      | (2,406)                                |
| DISBURSEMENTS                       |                         |         |  |
| Sheriff                             | 2,400                   | 1,463   | 937                                    |
| Total Disbursements                 | 2,400                   | 1,463   | 937                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 29                      | (1,440) | (1,469)                                |
| CASH, JANUARY 1                     | 1,512                   | 1,512   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,541                | 72      | (1,469)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

DOUGLAS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF EQUIPMENT FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Intergovernmental                   | 630    | 8,275  | 7,645                                  |
| Interest                            | 9      | 47     | 38                                     |
| Total Receipts                      | 639    | 8,322  | 7,683                                  |
| DISBURSEMENTS                       |        |        |  |
| Sheriff                             | 639    | 4,848  | (4,209)                                |
| Total Disbursements                 | 639    | 4,848  | (4,209)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 3,474  | 3,474                                  |
| CASH, JANUARY 1                     | 639    | 639    | 0                                      |
| CASH, DECEMBER 31                   | \$ 639 | 4,113  | 3,474                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

DOUGLAS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FAMILY ACCESS FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Charges for services                | 50                      | 125    | 75                                     |
| Interest                            | 0                       | 2      | 2                                      |
| Total Receipts                      | 50                      | 127    | 77                                     |
| DISBURSEMENTS                       |                         |        |  |
| Sheriff                             | 0                       | 0      | 0                                      |
| Total Disbursements                 | 0                       | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 50                      | 127    | 77                                     |
| CASH, JANUARY 1                     | 25                      | 25     | 0                                      |
| CASH, DECEMBER 31                   | \$ 75                   | 152    | 77                                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

DOUGLAS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |          |          |  |
|-------------------------------------|-------------------------|---------|--|----------|----------|--|
|                                     | 1999                    |         |  | 1998     |          |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |          |  |
| Property taxes                      | \$ 150,000              | 161,715 | 11,715                                 | 146,992  | 133,957  | (13,035)                               |
| Intergovernmental                   | 328,400                 | 384,924 | 56,524                                 | 330,359  | 337,220  | 6,861                                  |
| Charges for services                | 175,300                 | 95,776  | (79,524)                               | 262,950  | 177,376  | (85,574)                               |
| Interest                            | 12,000                  | 8,490   | (3,510)                                | 8,000    | 12,480   | 4,480                                  |
| Other                               | 19,890                  | 31,317  | 11,427                                 | 4,710    | 6,392    | 1,682                                  |
| Total Receipts                      | 685,590                 | 682,222 | (3,368)                                | 753,011  | 667,425  | (85,586)                               |
| DISBURSEMENTS                       |                         |         |  |          |          |  |
| Salaries                            | 540,461                 | 500,747 | 39,714                                 | 598,583  | 524,109  | 74,474                                 |
| Office expenditures                 | 55,414                  | 44,705  | 10,709                                 | 65,310   | 57,030   | 8,280                                  |
| Equipment                           | 9,389                   | 8,889   | 500                                    | 9,113    | 3,467    | 5,646                                  |
| Mileage and training                | 62,219                  | 53,248  | 8,971                                  | 50,115   | 48,151   | 1,964                                  |
| Buildings and grounds               | 2,408                   | 1,908   | 500                                    | 4,500    | 1,874    | 2,626                                  |
| Other                               | 42,075                  | 38,535  | 3,540                                  | 89,422   | 84,405   | 5,017                                  |
| Total Disbursements                 | 711,966                 | 648,032 | 63,934                                 | 817,043  | 719,036  | 98,007                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (26,376)                | 34,190  | 60,566                                 | (64,032) | (51,611) | 12,421                                 |
| CASH, JANUARY 1                     | 129,934                 | 128,883 | (1,051)                                | 180,716  | 180,494  | (222)                                  |
| CASH, DECEMBER 31                   | \$ 103,558              | 163,073 | 59,515                                 | 116,684  | 128,883  | 12,199                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

DOUGLAS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SUPPORT THE HANDICAPPED BOARD FUND

| Year Ended December 31,             |            |               |           |         |               |  |
|-------------------------------------|------------|---------------|-----------|---------|---------------|--|
| 1999                                |            |               | 1998      |         |               |  |
|                                     |            | Variance      |           |         | Variance      |  |
|                                     |            | Favorable     |           |         | Favorable     |  |
|                                     |            | (Unfavorable) |           |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget    | Actual  |               |  |
| RECEIPTS                            |            |               |           |         |               |  |
| Property taxes                      | \$ 56,000  | 65,973        | 50,000    | 48,862  | (1,138)       |  |
| Intergovernmental                   | 200        | 378           | 1,100     | 668     | (432)         |  |
| Interest                            | 8,500      | 9,126         | 9,000     | 7,776   | (1,224)       |  |
| Total Receipts                      | 64,700     | 75,477        | 60,100    | 57,306  | (2,794)       |  |
| DISBURSEMENTS                       |            |               |           |         |               |  |
| Contractual Services                | 84,000     | 49,378        | 200,000   | 30,512  | 169,488       |  |
| Total Disbursements                 | 84,000     | 49,378        | 200,000   | 30,512  | 169,488       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (19,300)   | 26,099        | (139,900) | 26,794  | 166,694       |  |
| CASH, JANUARY 1                     | 176,621    | 175,676       | 142,438   | 148,882 | 6,444         |  |
| CASH, DECEMBER 31                   | \$ 157,321 | 201,775       | 2,538     | 175,676 | 173,138       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Notes to the Financial Statements

DOUGLAS COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Douglas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board, or the Support the Handicapped Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Combined Enforcement Team Fund           | 1998                            |
| Sheriff Equipment Fund                   | 1998                            |
| Family Access Fund                       | 1998                            |
| County Bridges Fund                      | 1999 and 1998                   |
| Sheriff's Equitable Sharing Fund         | 1999                            |
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| General Revenue Fund                | 1998                            |
| Special Road and Bridge Fund        | 1999                            |
| Law Enforcement Training Fund       | 1999                            |
| Prosecuting Attorney Training Fund  | 1999                            |
| Prosecuting Attorney Bad Check Fund | 1998                            |
| Law Enforcement Fund                | 1998                            |
| Recorder User Fee Fund              | 1999                            |
| Victims of Domestic Violence Fund   | 1998                            |
| Sheriff Civil Fee Fund              | 1998                            |
| Sheriff Equipment Fund              | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Support the Handicapped Board Fund       | 1999 and 1998                   |
| Prosecuting Attorney Delinquent Tax Fund | 1999 and 1998                   |
| County Bridges Fund                      | 1999 and 1998                   |
| Sheriff's Equitable Sharing Fund         | 1999                            |
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the health center's custodial bank in the health center's name.

Of the Support the Handicapped Board's bank balance at December 31, 1999, \$190,133 was covered by federal depository insurance and \$11,925 was uninsured and under collateralized.

The Support the Handicapped Board's deposits at December 31, 1998, were entirely covered by federal depository insurance.

Furthermore, because of higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances of the Support the Handicapped Board were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

DOUGLAS COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number          | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|------------------------------------|--|---|-------------------------|--------|
|                                    |  |   | Year Ended December 31, |        |
|                                    |  |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF AGRICULTURE    |  |   |                         |        |
|                                    | Passed through state:  |   |                         |        |
|                                    | Department of Health -   |   |                         |        |
| 10.557                             | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-8133                                     | \$ 0                    | 41,070 |
|                                    |  | ER0045-9133                                     | 35,571                  | 13,701 |
|                                    |  | ER0045-0133                                     | 12,223                  | 0      |
|                                    | Program Total  |   | 47,794                  | 54,771 |
|                                    | Office of Administration   |   |                         |        |
| 10.665                             | Schools and Roads - Grants to<br>States                                    | N/A   | 63,779                  | 54,794 |
| U.S. DEPARTMENT OF DEFENSE         |  |   |                         |        |
|                                    | Passed through state Department of Public Safety -                         |   |                         |        |
| 12.unknown                         | Surplus Property   | N/A   | 0                       | 3,205  |
| U.S. DEPARTMENT OF JUSTICE         |  |   |                         |        |
|                                    | Direct programs:   |   |                         |        |
| 16.710                             | Public Safety Partnership and Community Policing Grants                    | 97-UM-WX-1184                                   | 33,170                  | 18,698 |
| 16.unknown                         | Equitable Sharing of Seized and Forfeited Property                         | N/A   | 50,589                  | 0      |
|                                    | Passed through:  |   |                         |        |
|                                    | State Department of Public Safety -  |   |                         |        |
| 16.554                             | National Criminal History Improvement Program                              | N/A   | 0                       | 4,750  |
| 16.592                             | Local Law Enforcement Block Grants Program                                 | 98-LBG-030                                      | 4,848                   | 0      |
|                                    | Missouri Sheriffs' Association -   |   |                         |        |
| 16.unknown                         | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 1,014                   | 897    |
| U. S. DEPARTMENT OF TRANSPORTATION |  |   |                         |        |
|                                    | Passed through state Highway and Transportation<br>Commission:             |   |                         |        |
| 20.205                             | Highway Planning and Construction  | BRO-034(1)                                      | 0                       | 37,622 |
|                                    |  | BRO-034(3)                                      | 24,397                  | 0      |
|                                    | Program Total  |   | 24,397                  | 37,622 |
| GENERAL SERVICES ADMINISTRATION    |  |   |                         |        |
|                                    | Passed through state Office of Administration -                            |   |                         |        |
| 39.003                             | Donation of Federal Surplus Personal Property                              | N/A   | 194                     | 118    |

## Schedule

DOUGLAS COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                         | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| FEDERAL EMERGENCY MANAGEMENT AGENCY               |  |   |                         |         |
| Passed through state Department of Public Safety: |  |   |                         |         |
| 83.523  | Emergency Food and Shelter National Board Program  | N/A   | 800                     | 1,000   |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES     |  |   |                         |         |
| Passed through state:                             |  |   |                         |         |
| Department of Health -                            |  |   |                         |         |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ERO146-0133                                     | 0                       | 150     |
| 93.268  | Immunization Grants  | ERO146-8133                                     | 12,119                  | 13,499  |
| Department of Social Services -                   |  |   |                         |         |
| 93.563  | Child Support Enforcement  |   | 23,206                  | 21,616  |
| Department of Health -                            |  |   |                         |         |
| 93.575  | Child Care and Development Block Grant   | ERO146-7133                                     | 0                       | 368     |
|   |  | ERO146-9133                                     | 400                     | 83      |
|   |  | PG0067-8133                                     | 0                       | 520     |
|   |  | PG0067-9133                                     | 470                     | 245     |
|   |  | PGA067-0133                                     | 185                     | 0       |
|   | Program Total  |   | 1,055                   | 1,216   |
| Department of Health -                            |  |   |                         |         |
| 93.940  | HIV Prevention Activities - Health Department Based  | N/A   | 82                      | 161     |
| 93.945  | Assistance Program for Chronic Disease Prevention and Control  | C90625-9001                                     | 1,200                   | 0       |
| 93.991  | Preventive Health and Health Services Block Grant  | AOC00380204                                     | 22,168                  | 27,339  |
| 93.994  | Maternal and Child Health Services Block Grant to the States   | ERO146-8133                                     | 0                       | 14,963  |
|   |  | ERO146-9133                                     | 15,393                  | 2,599   |
|   |  | ERO146-0133                                     | 3,714                   | 0       |
|   |  | ERO175-7133                                     | 0                       | 295     |
|   |  | ERO175-8133                                     | 0                       | 3,485   |
|   |  | ERO175-9133                                     | 3,002                   | 1,276   |
|   |  | ERO175-0133                                     | 1,242                   | 0       |
|   |  | N/A   | 631                     | 920     |
|   | Program Total  |   | 23,982                  | 23,538  |
| Total Expenditures of Federal Awards              |  |   | \$ 310,397              | 263,374 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



## Notes to the Supplementary Schedule

DOUGLAS COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Douglas County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Surplus Property (CFDA number 12.unknown) and Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of the property at the time of receipt.

Amounts for the National Criminal History Improvement Program (CFDA number 16.554) represent the original acquisition cost of equipment received.

Of the pass through amounts for Immunization Grants (CFDA number 93.268) \$10,604 and \$10,119 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$126 and \$263 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$631 and \$920 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$50,589 to a subrecipient under the Equitable Sharing of Seized and Forfeited Property (CFDA number 16.unknown) during the year ended December 31, 1999.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Douglas County, Missouri

Compliance

We have audited the compliance of Douglas County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Douglas County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed

instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-1 through 99-2.

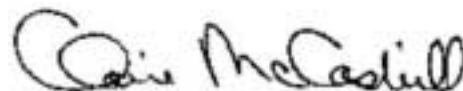
#### Internal Control Over Compliance

The management of Douglas County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings number 99-1 through 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Douglas County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

August 7, 2000 (fieldwork completion date)

Schedule



DOUGLAS COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements noted?        yes   x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified?        yes   x   no

Reportable condition identified that is not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?   x   yes        no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>  |
|---|---|
| 10.557  | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 10.665  | Schools and Roads – Grants to States                                    |

16.710                      Public Safety Partnership and Community Policing Grants  
16.unknown                Equitable Sharing of Seized and Forfeited Property

Dollar threshold used to distinguish between Type A  
and Type B programs:                      \$300,000

Auditee qualified as a low-risk auditee?                      \_\_\_\_\_ yes          x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|   |
|---|
| <b>99-1                      Schedule of Expenditures of Federal Awards</b> |
|---|

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Agriculture   |
| Pass-Through Grantor: | Department of Health   |
| Federal CFDA Number:  | 10.557   |
| Program Title:        | Special Supplemental Nutrition Program for Women, Infants,<br>and Children |
| Pass-Through Entity   |  |
| Identifying Number:   | ERO045-8133, ER0045-9133, and ER0045-0133                                  |
| Award Year:           | 1999 and 1998  |
| Questioned Costs:     | Not applicable   |
| Federal Grantor:      | U.S. Department of Agriculture   |
| Pass-Through Grantor: | Office of Administration   |
| Federal CFDA Number:  | 10.665   |
| Program Title:        | Schools and Road – Grants to States  |
| Pass-Through Entity   |  |
| Identifying Number:   | Not applicable   |
| Award Year:           | 1999 and 1998  |
| Questioned Costs:     | Not applicable   |

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Justice                              |
| Pass-Through Grantor: | Not applicable  |
| Federal CFDA Number:  | 16.710  |
| Program Title:        | Public Safety Partnership and Community Policing Grants |
| Pass-Through Entity   |   |
| Identifying Number:   | 97-UM-WX-1184   |
| Award Year:           | 1999 and 1998   |
| Questioned Costs:     | Not applicable  |

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Justice                         |
| Pass-Through Grantor: | Not applicable                                     |
| Federal CFDA Number:  | 16.unknown   |
| Program Title:        | Equitable Sharing of Seized and Forfeited Property |
| Pass-Through Entity   |  |
| Identifying Number:   | Not applicable                                     |
| Award Year:           | 1999   |
| Questioned Costs:     | Not applicable                                     |

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 1999 and 1998, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal grants were reported incorrectly or not included on the schedules. Most programs reported did not include the required pass-through grantor's number. In addition, some non-federal programs were included. In 1999 the county only reported expenditures for two of its 19 federal programs, resulting in expenditures being understated by approximately \$235,321.

For the federal financial schedules to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal financial expenditures be properly reported. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

## **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Clerk and County Commission provided the following response:*

*We will work to ensure the SEFA for 2000 is prepared accurately.*

**99-2**

### **COPS Grant Procedures**

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Justice                              |
| Pass-Through Grantor: | Not applicable  |
| Federal CFDA Number:  | 16.710  |
| Program Title:        | Public Safety Partnership and Community Policing Grants |
| Pass-Through Entity   |   |
| Identifying Number:   | 97-UM-WX-1184   |
| Award Year:           | 1999 and 1998   |
| Questioned Costs:     | Not applicable  |

In July 1997, the county was awarded \$54,040 in federal assistance from the U.S. Department of Justice under the COPS Universal Hiring program, and in April 1998, they were awarded another \$54,040 as part of a supplemental award. Each grant was awarded for a three year period and was intended to cover the salary costs of an additional deputy for the Sheriff's department. The grant program allowed for funds to be received in advance or by reimbursement during the period of the grant.

The Sheriff's department was responsible for filing requests for payment under this grant program, and has made only one request and received \$21,133 in grant funds in June 1998. As of August 2000, no additional payment requests have been filed, and the county had not received any additional grant funds. As a result of this situation, \$52,607 in available grant funds through June 30, 2000 has been expended, but has not been requested or received by the county.

The failure to submit requests for payment on a timely basis places an unnecessary financial burden on the county and could result in the loss of grant funds. To ensure the county gets all grant funds to which it is entitled, requests for payment should be submitted to the grantor agency on a timely basis.

**WE RECOMMEND** the County Commission and the Sheriff ensure the reimbursement of the grant funds in question are pursued to the extent possible. In addition, the county should ensure requests for payment related to any future grant programs are submitted on a timely basis.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Clerk and County Commission provided the following response:*

*We will work closely with the Sheriff to ensure grant monies are received in a timely manner.*

*The Sheriff provided the following response:*

*The Sheriff's office will work to ensure grant monies are received in a timely manner.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

DOUGLAS COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133



DOUGLAS COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## SECTION ON OTHER MATTERS

DOUGLAS COUNTY, MISSOURI  
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Douglas County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 7, 2000. We also have audited the compliance of Douglas County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 7, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Douglas County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1.     Expenditures

The county did not solicit or advertise for bids for some purchases, including equipment totaling \$4,848 purchased with federal monies from the Local Law Enforcement Block Grant Fund. In addition, while the County Commissioners sign county warrants/checks, their approval of expenditures is not always documented.

2.     Budgetary Procedures

Budgets were not prepared for some county funds. Disbursements were made in excess of approved budgets for various county funds. The annual published financial statements did not include some county funds.

3.     Personnel and Payroll Procedures

The county does not compensate Sheriff department employees for overtime worked or allow them to earn compensatory time. The county needs to review the provision of the Fair Labor Standards Act on the applicability to these employees. In addition, officials or supervisors do not always sign time sheets to document approval of payroll expenditures.

The county overpaid the Coroner by \$500 in 1998 and has not adjusted subsequent salary payments to correct the overpayment.

4. Health Center

The method of payment is not always recorded on receipts and reconciled to the composition of bank deposits. Receipts are not deposited daily or when accumulated receipts exceed \$100. The Administrator's review of monthly bank reconciliations is not documented. The Health Center did not always issue Form 1099 to applicable businesses or individuals.

5. Support the Handicapped Board

The Board Treasurer does not maintain a book balance for monthly reconciliations to the reconciled bank amount. As a result, beginning cash balances were not accurately reported on the Support the Handicapped Board's annual budget.

The Support the Handicapped Board does not monitor bank balances to ensure funds are adequately secured. As a result, funds were unsecured at various times during the years ended December 31, 1999 and 1998.

Official board meeting minutes were not always properly maintained.

The Support the Handicapped Board's cash balance has increased from \$148,882 at January 1, 1998 to \$201,775 at December 31, 1999. The board's budgets do not indicate that the cash balance is being reserved for significant future projects. The board should determine its future needs, and consider such information when setting future tax levies.

This letter on Other Matters is intended for the information of the management of Douglas County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



MISSISSIPPI COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-99  
September 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Mississippi, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Mississippi County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As discussed in the prior audit report, in April 1996, Mississippi County voters approved a one-fourth of one percent sales tax levy, which became effective October 1, 1996, for the purpose of funding senior citizens' services within the county. The county imposed this sales tax under state statute; however, the county also has another one-half of one percent sales tax levy for the general revenue fund under this law. There was no evidence that the county reviewed this concern with their legal authority and the condition remains.
- Similarly noted in previous audits, warrants were issued in excess of approved budgeted expenditures in several funds. Formal budgets were not prepared for various county funds. Also, during 1999 and 1998, the County Commission and the Health Center amended various county budgets to reflect increased expenditures made during the year. Public hearings were not held prior to the adoption of some of the budget amendments. In addition, prior to amending these budgets, the expenditures for some funds had already exceeded the original budgets.
- Mileage reimbursements were not always prepared in accordance with county procedures. The audit also questions the propriety of some mileage paid due to inadequate documentation of the claim.

(over)

YELLOW SHEET

- Mississippi County was designated as the recipient for several federal grants which were passed through to various not-for-profit organizations. The county did not adequately monitor these subrecipients.
- The county pays the salary of the Special Prosecutor and is reimbursed through the Midwest High Intensity Drug Trafficking Area grant. However, the county does not require the Special Prosecutor to submit a monthly time sheet.
- No written legal opinion was obtained to support the appropriateness of increasing the salaries of some officials in the middle of their term.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Sheriff and Prosecuting Attorney. The audit also suggested improvements be made in the county's expenditure procedures, including procurement of professional services, written contracts, personnel matters, and approval of receipt of goods or services. In addition, the audit included recommendations relating to improving procedures to track federal awards for preparations of the schedule of expenditures of federal awards.

**Copies of the audit are available upon request.**

MISSISSIPPI COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Mississippi County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Mississippi County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Mississippi County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Mississippi County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Mississippi County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

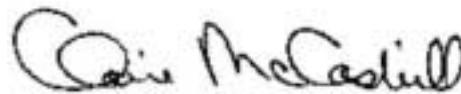


1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 11, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Mississippi County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

May 11, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Debra S. Lewis, CPA   |
| Audit Staff:        | A. Dailey             |
|                     | Norma L. Payne        |
|                     | Douglas J. Robinson   |
|                     | B. Simpson            |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Mississippi County, Missouri

We have audited the special-purpose financial statements of various funds of Mississippi County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

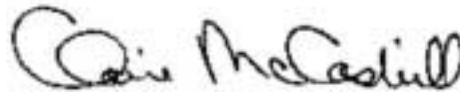
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Mississippi County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Mississippi County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Mississippi County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 11, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

MISSISSIPPI COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 444,268         | 1,582,139 | 1,523,485     | 502,922              |
| Special Road and Bridge             | 317,609            | 1,055,888 | 1,203,391     | 170,106              |
| Assessment                          | 3,601              | 126,147   | 129,443       | 305                  |
| Law Enforcement Training            | 6,706              | 7,385     | 2,042         | 12,049               |
| Prosecuting Attorney Training       | 2,903              | 1,263     | 1,913         | 2,253                |
| Health Center                       | 362,428            | 538,424   | 749,533       | 151,319              |
| Senate Bill 40 Board                | 639,106            | 128,554   | 63,686        | 703,974              |
| Johnson Grass                       | 51,523             | 52,148    | 28,728        | 74,943               |
| Law Enforcement Sales Tax           | 280,533            | 1,184,981 | 1,465,333     | 181                  |
| Capital Improvement Sales Tax       | 337,152            | 434,116   | 668,674       | 102,594              |
| Recorder's User Fee                 | 4,869              | 5,342     | 4,211         | 6,000                |
| 911                                 | 83,242             | 70,174    | 76,038        | 77,378               |
| Building                            | 592,440            | 1,287,207 | 1,523,415     | 356,232              |
| Prosecuting Attorney Bad Checks     | 3,923              | 3,007     | 3,566         | 3,364                |
| Drainage Districts                  | 94,167             | 221,096   | 225,010       | 90,253               |
| Crime Reduction                     | 3,187              | 6,866     | 8,273         | 1,780                |
| Federal Confiscated Drug Monies     | 0                  | 23,970    | 5,116         | 18,854               |
| Special Prosecutor's                | 1,170              | 56,217    | 58,111        | (724)                |
| Cultural Productivity Grant         | 0                  | 117,715   | 117,715       | 0                    |
| Victims of Domestic Violence        | 230                | 1,385     | 1,501         | 114                  |
| Senior Citizens Sales Tax           | 0                  | 214,521   | 214,521       | 0                    |
| St. John's New Madrid Floodway CDBG | 0                  | 375,000   | 375,000       | 0                    |
| Collector Microfilm Grant           | 2,481              | 109       | 2,590         | 0                    |
| Local Records Center                | 0                  | 21,936    | 21,936        | 0                    |
| Circuit Clerk Interest              | 58                 | 2,621     | 1,488         | 1,191                |
| Law Library                         | 5,436              | 4,730     | 981           | 9,185                |
| Associate Circuit Interest          | 1,334              | 427       | 1,761         | 0                    |
| Juvenile Assessment Fund            | 4,853              | 889       | 0             | 5,742                |
| Total                               | \$ 3,243,219       | 7,524,257 | 8,477,461     | 2,290,015            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MISSISSIPPI COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                            | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                 | \$ 323,090         | 1,646,426 | 1,525,248     | 444,268              |
| Special Road and Bridge         | 253,495            | 839,862   | 775,748       | 317,609              |
| Assessment                      | 1,741              | 123,720   | 121,860       | 3,601                |
| Law Enforcement Training        | 3,030              | 8,024     | 4,348         | 6,706                |
| Prosecuting Attorney Training   | 2,478              | 1,412     | 987           | 2,903                |
| Health Center                   | 361,512            | 437,824   | 436,908       | 362,428              |
| Senate Bill 40 Board            | 541,087            | 142,154   | 44,135        | 639,106              |
| Johnson Grass                   | 26,757             | 55,594    | 30,828        | 51,523               |
| Law Enforcement Sales Tax       | 200,931            | 408,834   | 329,232       | 280,533              |
| Capital Improvement Sales Tax   | 0                  | 337,152   | 0             | 337,152              |
| Recorder's User Fee             | 4,044              | 5,127     | 4,302         | 4,869                |
| 911                             | 65,850             | 69,008    | 51,616        | 83,242               |
| Local Records Grant             | 30                 | 20,148    | 20,178        | 0                    |
| Building                        | 1,190,692          | 62,904    | 661,156       | 592,440              |
| Prosecuting Attorney Bad Checks | 2,565              | 3,302     | 1,944         | 3,923                |
| Drainage Districts              | 106,528            | 71,520    | 83,881        | 94,167               |
| Crime Reduction                 | 2,964              | 8,339     | 8,116         | 3,187                |
| Federal Confiscated Drug Monies | 236                | 4         | 240           | 0                    |
| DARE                            | 1,885              | 13,382    | 15,267        | 0                    |
| Special Prosecutor's            | (354)              | 57,041    | 55,517        | 1,170                |
| Cultural Productivity Grant     | 0                  | 124,938   | 124,938       | 0                    |
| Victims of Domestic Violence    | 185                | 1,750     | 1,705         | 230                  |
| Senior Citizens Sales Tax       | 0                  | 203,162   | 203,162       | 0                    |
| Collector Microfilm Grant       | 0                  | 3,994     | 1,513         | 2,481                |
| Local Records Center            | 0                  | 16,753    | 16,753        | 0                    |
| Circuit Clerk Interest          | 485                | 662       | 1,089         | 58                   |
| Law Library                     | 2,729              | 3,430     | 723           | 5,436                |
| Associate Circuit Interest      | 886                | 891       | 443           | 1,334                |
| Juvenile Assessment Fund        | 3,739              | 1,114     | 0             | 4,853                |
| Total                           | \$ 3,096,585       | 4,668,471 | 4,521,837     | 3,243,219            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 225,000              | 213,188   | (11,812)                               | 200,000   | 220,943   | 20,943                                 |
| Sales taxes                         | 780,000                 | 824,324   | 44,324                                 | 760,000   | 764,906   | 4,906                                  |
| Intergovernmental                   | 250,950                 | 301,918   | 50,968                                 | 363,194   | 385,584   | 22,390                                 |
| Charges for services                | 168,700                 | 165,518   | (3,182)                                | 176,500   | 198,756   | 22,256                                 |
| Interest                            | 15,000                  | 28,341    | 13,341                                 | 14,000    | 24,993    | 10,993                                 |
| Other                               | 40,445                  | 48,850    | 8,405                                  | 36,690    | 51,244    | 14,554                                 |
| Total Receipts                      | 1,480,095               | 1,582,139 | 102,044                                | 1,550,384 | 1,646,426 | 96,042                                 |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 76,897                  | 93,386    | (16,489)                               | 67,500    | 66,141    | 1,359                                  |
| County Clerk                        | 69,700                  | 67,626    | 2,074                                  | 63,080    | 62,527    | 553                                    |
| Elections                           | 8,000                   | 6,655     | 1,345                                  | 28,000    | 40,729    | (12,729)                               |
| Buildings and grounds               | 108,700                 | 108,899   | (199)                                  | 100,180   | 105,652   | (5,472)                                |
| Employee fringe benefits            | 123,500                 | 81,650    | 41,850                                 | 135,100   | 151,805   | (16,705)                               |
| County Treasurer                    | 26,458                  | 26,348    | 110                                    | 21,415    | 21,601    | (186)                                  |
| County Collector                    | 68,890                  | 68,120    | 770                                    | 72,930    | 71,921    | 1,009                                  |
| Ex Officio Recorder of Deeds        | 15,650                  | 13,328    | 2,322                                  | 14,950    | 15,124    | (174)                                  |
| Circuit Clerk                       | 13,500                  | 13,762    | (262)                                  | 13,024    | 12,850    | 174                                    |
| Associate Circuit Court             | 8,250                   | 7,624     | 626                                    | 8,050     | 6,112     | 1,938                                  |
| Associate Circuit (Probate)         | 2,400                   | 349       | 2,051                                  | 2,400     | 490       | 1,910                                  |
| Court administration                | 16,000                  | 12,282    | 3,718                                  | 15,250    | 6,158     | 9,092                                  |
| Public Administrator                | 9,750                   | 12,279    | (2,529)                                | 9,950     | 11,075    | (1,125)                                |
| Sheriff                             | 0                       | 0         | 0                                      | 218,508   | 224,412   | (5,904)                                |
| Jail                                | 0                       | 0         | 0                                      | 159,113   | 174,233   | (15,120)                               |
| Prosecuting Attorney                | 100,150                 | 99,728    | 422                                    | 89,200    | 87,234    | 1,966                                  |
| Juvenile Officer                    | 42,000                  | 63,709    | (21,709)                               | 81,000    | 79,161    | 1,839                                  |
| County Coroner                      | 10,000                  | 14,022    | (4,022)                                | 9,500     | 9,945     | (445)                                  |
| Task Force                          | 180,000                 | 209,999   | (29,999)                               | 153,044   | 177,904   | (24,860)                               |
| Public health and welfare services  | 26,111                  | 18,054    | 8,057                                  | 26,111    | 27,132    | (1,021)                                |
| Other                               | 211,991                 | 164,729   | 47,262                                 | 167,714   | 112,838   | 54,876                                 |
| Transfers out                       | 371,313                 | 440,936   | (69,623)                               | 64,915    | 60,204    | 4,711                                  |
| Emergency Fund                      | 45,000                  | 0         | 45,000                                 | 45,000    | 0         | 45,000                                 |
| Total Disbursements                 | 1,534,260               | 1,523,485 | 10,775                                 | 1,565,934 | 1,525,248 | 40,686                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (54,165)                | 58,654    | 112,819                                | (15,550)  | 121,178   | 136,728                                |
| CASH, JANUARY 1                     | 444,268                 | 444,268   | 0                                      | 323,090   | 323,090   | 0                                      |
| CASH, DECEMBER 31                   | \$ 390,103              | 502,922   | 112,819                                | 307,540   | 444,268   | 136,728                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |          |         |  |
|---------------------------------------|-------------------------|-----------|--|----------|---------|--|
|                                       | 1999                    |           |  | 1998     |         |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |          |         |  |
| Property taxes                        | \$ 320,000              | 311,512   | (8,488)                                | 300,000  | 336,293 | 36,293                                 |
| Sales taxes                           | 0                       | 1,461     | 1,461                                  | 500      | 1,163   | 663                                    |
| Intergovernmental                     | 670,000                 | 668,492   | (1,508)                                | 610,000  | 421,211 | (188,789)                              |
| Charges for services                  | 60,000                  | 60,270    | 270                                    | 10,000   | 50,353  | 40,353                                 |
| Interest                              | 15,000                  | 13,743    | (1,257)                                | 10,000   | 20,890  | 10,890                                 |
| Other                                 | 1,750                   | 410       | (1,340)                                | 1,250    | 9,952   | 8,702                                  |
| Total Receipts                        | 1,066,750               | 1,055,888 | (10,862)                               | 931,750  | 839,862 | (91,888)                               |
| DISBURSEMENTS                         |                         |           |  |          |         |  |
| Salaries                              | 325,000                 | 303,989   | 21,011                                 | 315,000  | 297,190 | 17,810                                 |
| Employee fringe benefits              | 90,450                  | 76,005    | 14,445                                 | 88,050   | 80,225  | 7,825                                  |
| Supplies                              | 87,400                  | 77,200    | 10,200                                 | 89,300   | 77,282  | 12,018                                 |
| Insurance                             | 15,000                  | 11,950    | 3,050                                  | 15,000   | 10,989  | 4,011                                  |
| Road and bridge materials             | 185,000                 | 149,299   | 35,701                                 | 130,000  | 161,142 | (31,142)                               |
| Equipment repairs                     | 55,000                  | 122,049   | (67,049)                               | 65,000   | 99,180  | (34,180)                               |
| Equipment purchases                   | 165,000                 | 196,144   | (31,144)                               | 20,000   | 24,550  | (4,550)                                |
| Construction, repair, and maintenance | 281,000                 | 258,082   | 22,918                                 | 210,000  | 8,650   | 201,350                                |
| Other                                 | 9,000                   | 8,673     | 327                                    | 55,000   | 16,540  | 38,460                                 |
| Total Disbursements                   | 1,212,850               | 1,203,391 | 9,459                                  | 987,350  | 775,748 | 211,602                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (146,100)               | (147,503) | (1,403)                                | (55,600) | 64,114  | 119,714                                |
| CASH, JANUARY 1                       | 317,609                 | 317,609   | 0                                      | 253,495  | 253,495 | 0                                      |
| CASH, DECEMBER 31                     | \$ 171,509              | 170,106   | (1,403)                                | 197,895  | 317,609 | 119,714                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit D

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |         |  |         |         |  |
|-------------------------------------|-----------|---------|--|---------|---------|--|
| 1999                                |           |         |  | 1998    |         |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |         |  |
| Intergovernmental                   | \$ 98,500 | 107,478 | 8,978                                  | 97,100  | 99,311  | 2,211                                  |
| Interest                            | 250       | 669     | 419                                    | 250     | 457     | 207                                    |
| Other                               | 250       | 0       | (250)                                  | 0       | 952     | 952                                    |
| Transfers in                        | 23,800    | 18,000  | (5,800)                                | 27,309  | 23,000  | (4,309)                                |
| Total Receipts                      | 122,800   | 126,147 | 3,347                                  | 124,659 | 123,720 | (939)                                  |
| DISBURSEMENTS                       |           |         |  |         |         |  |
| Assessor                            | 126,400   | 129,443 | (3,043)                                | 126,400 | 121,860 | 4,540                                  |
| Total Disbursements                 | 126,400   | 129,443 | (3,043)                                | 126,400 | 121,860 | 4,540                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,600)   | (3,296) | 304                                    | (1,741) | 1,860   | 3,601                                  |
| CASH, JANUARY 1                     | 3,601     | 3,601   | 0                                      | 1,741   | 1,741   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1      | 305     | 304                                    | 0       | 3,601   | 3,601                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit E

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|----|-------------------------|--------|--|---------|--------|--|
|                                     |    | 1999                    |        |  | 1998    |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |         |        |  |
| Intergovernmental                   | \$ | 2,250                   | 2,408  | 158                                    | 2,000   | 2,532  | 532                                    |
| Charges for services                |    | 4,500                   | 4,839  | 339                                    | 3,750   | 5,365  | 1,615                                  |
| Interest                            |    | 75                      | 138    | 63                                     | 30      | 127    | 97                                     |
| Total Receipts                      |    | 6,825                   | 7,385  | 560                                    | 5,780   | 8,024  | 2,244                                  |
| DISBURSEMENTS                       |    |                         |        |  |         |        |  |
| Sheriff                             |    | 7,500                   | 2,042  | 5,458                                  | 8,000   | 4,348  | 3,652                                  |
| Total Disbursements                 |    | 7,500                   | 2,042  | 5,458                                  | 8,000   | 4,348  | 3,652                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (675)                   | 5,343  | 6,018                                  | (2,220) | 3,676  | 5,896                                  |
| CASH, JANUARY 1                     |    | 6,706                   | 6,706  | 0                                      | 3,030   | 3,030  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 6,031                   | 12,049 | 6,018                                  | 810     | 6,706  | 5,896                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,250 | 1,204         | 1,400  | 1,342  | (58)          |  |
| Interest                            | 50       | 59            | 50     | 70     | 20            |  |
| Total Receipts                      | 1,300    | 1,263         | 1,450  | 1,412  | (38)          |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 2,800    | 1,913         | 2,000  | 987    | 1,013         |  |
| Total Disbursements                 | 2,800    | 1,913         | 2,000  | 987    | 1,013         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,500)  | (650)         | (550)  | 425    | 975           |  |
| CASH, JANUARY 1                     | 2,903    | 2,903         | 2,478  | 2,478  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,403 | 2,253         | 1,928  | 2,903  | 975           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |           |  |         |         |  |
|-------------------------------------|-------------------------|-----------|--|---------|---------|--|
|                                     | 1999                    |           |  | 1998    |         |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |         |         |  |
| Property taxes                      | \$ 30,000               | 32,101    | 2,101                                  | 61,000  | 58,737  | (2,263)                                |
| Intergovernmental                   | 294,145                 | 374,381   | 80,236                                 | 255,214 | 273,138 | 17,924                                 |
| Charges for services                | 23,700                  | 29,520    | 5,820                                  | 35,000  | 26,908  | (8,092)                                |
| Interest                            | 19,000                  | 15,197    | (3,803)                                | 13,000  | 17,470  | 4,470                                  |
| Other                               | 69,000                  | 87,225    | 18,225                                 | 69,740  | 61,571  | (8,169)                                |
| Total Receipts                      | 435,845                 | 538,424   | 102,579                                | 433,954 | 437,824 | 3,870                                  |
| DISBURSEMENTS                       |                         |           |  |         |         |  |
| Salaries                            | 367,600                 | 364,260   | 3,340                                  | 305,203 | 300,327 | 4,876                                  |
| Office expenditures                 | 29,655                  | 29,381    | 274                                    | 28,800  | 24,057  | 4,743                                  |
| Equipment                           | 12,850                  | 12,795    | 55                                     | 13,000  | 13,460  | (460)                                  |
| Mileage and training                | 10,450                  | 10,387    | 63                                     | 9,500   | 9,137   | 363                                    |
| Clinic supplies                     | 50,700                  | 46,982    | 3,718                                  | 44,000  | 33,495  | 10,505                                 |
| East Prairie clinic                 | 146,000                 | 148,848   | (2,848)                                | 0       | 0       | 0                                      |
| Other                               | 134,860                 | 136,880   | (2,020)                                | 40,000  | 56,432  | (16,432)                               |
| Total Disbursements                 | 752,115                 | 749,533   | 2,582                                  | 440,503 | 436,908 | 3,595                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (316,270)               | (211,109) | 105,161                                | (6,549) | 916     | 7,465                                  |
| CASH, JANUARY 1                     | 362,428                 | 362,428   | 0                                      | 365,836 | 361,512 | (4,324)                                |
| CASH, DECEMBER 31                   | \$ 46,158               | 151,319   | 105,161                                | 359,287 | 362,428 | 3,141                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENATE BILL 40 BOARD FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         | 1998                                   |         |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Property taxes                      | \$ 99,600  | 96,774  | (2,826)                                | 97,200  | 105,096 | 7,896                                  |
| Interest                            | 28,800     | 31,780  | 2,980                                  | 28,000  | 32,511  | 4,511                                  |
| Other                               | 0          | 0       | 0                                      | 0       | 4,547   | 4,547                                  |
| Total Receipts                      | 128,400    | 128,554 | 154                                    | 125,200 | 142,154 | 16,954                                 |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Transporation                       | 21,000     | 17,726  | 3,274                                  | 21,000  | 17,896  | 3,104                                  |
| Bus fund                            | 10,000     | 10,000  | 0                                      | 10,000  | 10,000  | 0                                      |
| Treasurer bond                      | 3,555      | 1,875   | 1,680                                  | 1,600   | 3,555   | (1,955)                                |
| Food                                | 16,000     | 14,461  | 1,539                                  | 16,000  | 12,558  | 3,442                                  |
| Trailer                             | 0          | 19,500  | (19,500)                               | 0       | 0       | 0                                      |
| Other                               | 1,000      | 124     | 876                                    | 1,000   | 126     | 874                                    |
| Total Disbursements                 | 51,555     | 63,686  | (12,131)                               | 49,600  | 44,135  | 5,465                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 76,845     | 64,868  | (11,977)                               | 75,600  | 98,019  | 22,419                                 |
| CASH, JANUARY 1                     | 639,106    | 639,106 | 0                                      | 541,087 | 541,087 | 0                                      |
| CASH, DECEMBER 31                   | \$ 715,951 | 703,974 | (11,977)                               | 616,687 | 639,106 | 22,419                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
JOHNSON GRASS FUND

|                                     | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|-------------------------|--------|--|--------|--------|--|
|                                     | 1999                    |        |  | 1998   |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |        |  |
| Property taxes                      | \$ 50,000               | 48,660 | (1,340)                                | 46,000 | 52,536 | 6,536                                  |
| Intergovernmental                   | 310                     | 18     | (292)                                  | 215    | 350    | 135                                    |
| Interest                            | 1,500                   | 3,470  | 1,970                                  | 1,200  | 2,708  | 1,508                                  |
| Total Receipts                      | 51,810                  | 52,148 | 338                                    | 47,415 | 55,594 | 8,179                                  |
| DISBURSEMENTS                       |                         |        |  |        |        |  |
| Salaries                            | 1,000                   | 958    | 42                                     | 2,750  | 917    | 1,833                                  |
| Supplies                            | 3,500                   | 5,125  | (1,625)                                | 2,500  | 2,277  | 223                                    |
| Equipment purchases                 | 0                       | 0      | 0                                      | 2,500  | 28     | 2,472                                  |
| Contract work                       | 50,000                  | 22,645 | 27,355                                 | 30,000 | 27,475 | 2,525                                  |
| Other                               | 500                     | 0      | 500                                    | 500    | 131    | 369                                    |
| Total Disbursements                 | 55,000                  | 28,728 | 26,272                                 | 38,250 | 30,828 | 7,422                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,190)                 | 23,420 | 26,610                                 | 9,165  | 24,766 | 15,601                                 |
| CASH, JANUARY 1                     | 51,523                  | 51,523 | 0                                      | 26,757 | 26,757 | 0                                      |
| CASH, DECEMBER 31                   | \$ 48,333               | 74,943 | 26,610                                 | 35,922 | 51,523 | 15,601                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT SALES TAX FUND

|                                     | Year Ended December 31, |           |  |         |         |  |
|-------------------------------------|-------------------------|-----------|--|---------|---------|--|
|                                     | 1999                    |           |  | 1998    |         |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |         |         |  |
| Sales taxes                         | \$ 385,000              | 429,038   | 44,038                                 | 385,000 | 406,155 | 21,155                                 |
| Intergovernmental                   | 114,350                 | 136,848   | 22,498                                 | 0       | 0       | 0                                      |
| Charges for services                | 804,500                 | 200,802   | (603,698)                              | 0       | 0       | 0                                      |
| Interest                            | 2,000                   | 6,418     | 4,418                                  | 2,250   | 2,679   | 429                                    |
| Other                               | 2,360                   | 10,875    | 8,515                                  | 0       | 0       | 0                                      |
| Transfer in                         | 326,000                 | 401,000   | 75,000                                 | 0       | 0       | 0                                      |
| Total Receipts                      | 1,634,210               | 1,184,981 | (449,229)                              | 387,250 | 408,834 | 21,584                                 |
| DISBURSEMENTS                       |                         |           |  |         |         |  |
| Sheriff                             | 326,970                 | 305,248   | 21,722                                 | 0       | 0       | 0                                      |
| Jail                                | 625,175                 | 688,552   | (63,377)                               | 0       | 453     | (453)                                  |
| Juvenile detention                  | 152,552                 | 99,676    | 52,876                                 | 0       | 0       | 0                                      |
| Lease payments                      | 383,000                 | 369,224   | 13,776                                 | 345,000 | 326,910 | 18,090                                 |
| Other                               | 2,500                   | 2,633     | (133)                                  | 0       | 1,869   | (1,869)                                |
| Total Disbursements                 | 1,490,197               | 1,465,333 | 24,864                                 | 345,000 | 329,232 | 15,768                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 144,013                 | (280,352) | (424,365)                              | 42,250  | 79,602  | 37,352                                 |
| CASH, JANUARY 1                     | 280,533                 | 280,533   | 0                                      | 200,931 | 200,931 | 0                                      |
| CASH, DECEMBER 31                   | \$ 424,546              | 181       | (424,365)                              | 243,181 | 280,533 | 37,352                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit K

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CAPITAL IMPROVEMENT SALES TAX FUND

|                                      |    | Year Ended December 31, |           |  |         |         |  |
|--------------------------------------|----|-------------------------|-----------|--|---------|---------|--|
|                                      |    | 1999                    |           |  | 1998    |         |  |
|                                      |    | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                             |    |                         |           |  |         |         |  |
| Sales taxes                          | \$ | 385,000                 | 428,863   | 43,863                                 | 350,000 | 331,076 | (18,924)                               |
| Interest                             |    | 2,500                   | 5,253     | 2,753                                  | 1,000   | 6,076   | 5,076                                  |
| Total Receipts                       |    | 387,500                 | 434,116   | 46,616                                 | 351,000 | 337,152 | (13,848)                               |
| DISBURSEMENTS                        |    |                         |           |  |         |         |  |
| Building                             |    | 724,652                 | 568,674   | 155,978                                | 351,000 | 0       | 351,000                                |
| Lease principal and interest payment |    | 0                       | 100,000   | (100,000)                              | 0       | 0       | 0                                      |
| Total Disbursements                  |    | 724,652                 | 668,674   | 55,978                                 | 351,000 | 0       | 351,000                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  |    | (337,152)               | (234,558) | 102,594                                | 0       | 337,152 | 337,152                                |
| CASH, JANUARY 1                      |    | 337,152                 | 337,152   | 0                                      | 0       | 0       | 0                                      |
| CASH, DECEMBER 31                    | \$ | 0                       | 102,594   | 102,594                                | 0       | 337,152 | 337,152                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit L

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |          |               |       |        |        |               |
|-------------------------------------|----------|---------------|-------|--------|--------|---------------|
| 1999                                |          |               |       | 1998   |        |               |
|                                     |          | Variance      |       |        |        | Variance      |
|                                     |          | Favorable     |       |        |        | Favorable     |
|                                     |          | (Unfavorable) |       |        |        | (Unfavorable) |
|                                     | Budget   | Actual        |       | Budget | Actual |               |
| RECEIPTS                            |          |               |       |        |        |               |
| Charges for services                | \$ 4,500 | 5,068         | 568   | 4,000  | 4,972  | 972           |
| Interest                            | 0        | 274           | 274   | 75     | 155    | 80            |
| Total Receipts                      | 4,500    | 5,342         | 842   | 4,075  | 5,127  | 1,052         |
| DISBURSEMENTS                       |          |               |       |        |        |               |
| Ex Officio Recorder of Deeds        | 8,000    | 4,211         | 3,789 | 3,500  | 4,302  | (802)         |
| Total Disbursements                 | 8,000    | 4,211         | 3,789 | 3,500  | 4,302  | (802)         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,500)  | 1,131         | 4,631 | 575    | 825    | 250           |
| CASH, JANUARY 1                     | 4,869    | 4,869         | 0     | 4,044  | 4,044  | 0             |
| CASH, DECEMBER 31                   | \$ 1,369 | 6,000         | 4,631 | 4,619  | 4,869  | 250           |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 911 FUND

|                                     | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|-------------------------|---------|--|--------|--------|--|
|                                     | 1999                    |         |  | 1998   |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |        |        |  |
| Charges for services                | \$ 60,000               | 66,834  | 6,834                                  | 63,000 | 65,005 | 2,005                                  |
| Interest                            | 0                       | 3,340   | 3,340                                  | 2,000  | 4,003  | 2,003                                  |
| Total Receipts                      | 60,000                  | 70,174  | 10,174                                 | 65,000 | 69,008 | 4,008                                  |
| DISBURSEMENTS                       |                         |         |  |        |        |  |
| Rural addressing                    | 1,000                   | 36      | 964                                    | 2,500  | 263    | 2,237                                  |
| Southwestern Bell service           | 25,000                  | 24,197  | 803                                    | 25,000 | 24,801 | 199                                    |
| Equipment                           | 60,000                  | 51,805  | 8,195                                  | 10,000 | 26,552 | (16,552)                               |
| Software                            | 0                       | 0       | 0                                      | 2,500  | 0      | 2,500                                  |
| Administrative                      | 0                       | 0       | 0                                      | 10,000 | 0      | 10,000                                 |
| Total Disbursements                 | 86,000                  | 76,038  | 9,962                                  | 50,000 | 51,616 | (1,616)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (26,000)                | (5,864) | 20,136                                 | 15,000 | 17,392 | 2,392                                  |
| CASH, JANUARY 1                     | 83,242                  | 83,242  | 0                                      | 65,850 | 65,850 | 0                                      |
| CASH, DECEMBER 31                   | \$ 57,242               | 77,378  | 20,136                                 | 80,850 | 83,242 | 2,392                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MISSISSIPPI COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL RECORDS GRANT FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1998                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Intergovernmental                   | \$ 8,586 | 8,586  | 0                                      |
| Transfers in                        | 11,562   | 11,562 | 0                                      |
| Total Receipts                      | 20,148   | 20,148 | 0                                      |
| DISBURSEMENTS                       |          |        |  |
| Local records center                | 20,178   | 20,178 | 0                                      |
| Total Disbursements                 | 20,178   | 20,178 | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (30)     | (30)   | 0                                      |
| CASH, JANUARY 1                     | 30       | 30     | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit O

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 BUILDING FUND

| Year Ended December 31,             |           |           |  |             |           |  |
|-------------------------------------|-----------|-----------|--|-------------|-----------|--|
| 1999                                |           |           | 1998                                   |             |           |  |
|                                     | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget      | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |           |  |             |           |  |
| Insurance                           | \$ 70,000 | 71,406    | 1,406                                  | 0           | 0         | 0                                      |
| Lease purchase proceeds             | 1,200,000 | 1,200,000 | 0                                      | 0           | 0         | 0                                      |
| Interest                            | 10,000    | 15,801    | 5,801                                  | 25,000      | 62,904    | 37,904                                 |
| Total Receipts                      | 1,280,000 | 1,287,207 | 7,207                                  | 25,000      | 62,904    | 37,904                                 |
| DISBURSEMENTS                       |           |           |  |             |           |  |
| Building                            | 1,802,440 | 1,523,415 | 279,025                                | 1,215,692   | 661,156   | 554,536                                |
| Equipment                           | 70,000    | 0         | 70,000                                 | 0           | 0         | 0                                      |
| Total Disbursements                 | 1,872,440 | 1,523,415 | 349,025                                | 1,215,692   | 661,156   | 554,536                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (592,440) | (236,208) | 356,232                                | (1,190,692) | (598,252) | 592,440                                |
| CASH, JANUARY 1                     | 592,440   | 592,440   | 0                                      | 1,190,692   | 1,190,692 | 0                                      |
| CASH, DECEMBER 31                   | \$ 0      | 356,232   | 356,232                                | 0           | 592,440   | 592,440                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 3,500                   | 2,930  | (570)                                  | 3,250  | 3,220  | (30)                                   |
| Interest                            |    | 0                       | 77     | 77                                     | 50     | 82     | 32                                     |
| Total Receipts                      |    | 3,500                   | 3,007  | (493)                                  | 3,300  | 3,302  | 2                                      |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Salaries                            |    | 3,250                   | 550    | 2,700                                  | 1,150  | 511    | 639                                    |
| Other                               |    | 2,500                   | 3,016  | (516)                                  | 2,500  | 1,433  | 1,067                                  |
| Total Disbursements                 |    | 5,750                   | 3,566  | 2,184                                  | 3,650  | 1,944  | 1,706                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (2,250)                 | (559)  | 1,691                                  | (350)  | 1,358  | 1,708                                  |
| CASH, JANUARY 1                     |    | 3,923                   | 3,923  | 0                                      | 2,565  | 2,565  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 1,673                   | 3,364  | 1,691                                  | 2,215  | 3,923  | 1,708                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit Q

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 DRAINAGE DISTRICTS FUND

| Year Ended December 31,             |           |         |  |           |          |  |
|-------------------------------------|-----------|---------|--|-----------|----------|--|
| 1999                                |           |         | 1998                                   |           |          |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |           |          |  |
| Property taxes                      | \$ 62,250 | 54,015  | (8,235)                                | 60,000    | 64,645   | 4,645                                  |
| Bond proceeds                       | 160,779   | 160,779 | 0                                      | 0         | 0        | 0                                      |
| Interest                            | 4,000     | 6,302   | 2,302                                  | 2,775     | 6,875    | 4,100                                  |
| Total Receipts                      | 227,029   | 221,096 | (5,933)                                | 62,775    | 71,520   | 8,745                                  |
| DISBURSEMENTS                       |           |         |  |           |          |  |
| Ditch maintenance                   | 274,479   | 225,010 | 49,469                                 | 163,250   | 83,881   | 79,369                                 |
| Total Disbursements                 | 274,479   | 225,010 | 49,469                                 | 163,250   | 83,881   | 79,369                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (47,450)  | (3,914) | 43,536                                 | (100,475) | (12,361) | 88,114                                 |
| CASH, JANUARY 1                     | 94,167    | 94,167  | 0                                      | 106,528   | 106,528  | 0                                      |
| CASH, DECEMBER 31                   | \$ 46,717 | 90,253  | 43,536                                 | 6,053     | 94,167   | 88,114                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CRIME REDUCTION FUND

|                                     |    | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|----|-------------------------|---------|--|--------|--------|--|
|                                     |    | 1999                    |         |  | 1998   |        |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |  |        |        |  |
| Intergovernmental                   | \$ | 0                       | 100     | 100                                    | 0      | 0      | 0                                      |
| Charges for services                |    | 8,500                   | 6,731   | (1,769)                                | 16,200 | 8,273  | (7,927)                                |
| Donations                           |    | 0                       | 0       | 0                                      | 200    | 0      | (200)                                  |
| Interest                            |    | 0                       | 35      | 35                                     | 80     | 66     | (14)                                   |
| Total Receipts                      |    | 8,500                   | 6,866   | (1,634)                                | 16,480 | 8,339  | (8,141)                                |
| DISBURSEMENTS                       |    |                         |         |  |        |        |  |
| Drug investigations                 |    | 2,000                   | 1,379   | 621                                    | 5,000  | 2,500  | 2,500                                  |
| Law enforcement                     |    | 6,500                   | 6,894   | (394)                                  | 11,480 | 5,616  | 5,864                                  |
| Total Disbursements                 |    | 8,500                   | 8,273   | 227                                    | 16,480 | 8,116  | 8,364                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | (1,407) | (1,407)                                | 0      | 223    | 223                                    |
| CASH, JANUARY 1                     |    | 3,187                   | 3,187   | 0                                      | 2,964  | 2,964  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 3,187                   | 1,780   | (1,407)                                | 2,964  | 3,187  | 223                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit S

MISSISSIPPI COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 FEDERAL CONFISCATED DRUG MONIES

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Intergovernmental                   | \$ | 30,000                  | 23,626 | (6,374)                                | 70,000 | 0      | (70,000)                               |
| Interest                            |    | 0                       | 344    | 344                                    | 500    | 4      | (496)                                  |
| Total Receipts                      |    | 30,000                  | 23,970 | (6,030)                                | 70,500 | 4      | (70,496)                               |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Law enforcement                     |    | 30,000                  | 5,116  | 24,884                                 | 70,500 | 240    | 70,260                                 |
| Total Disbursements                 |    | 30,000                  | 5,116  | 24,884                                 | 70,500 | 240    | 70,260                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | 18,854 | 18,854                                 | 0      | (236)  | (236)                                  |
| CASH, JANUARY 1                     |    | 0                       | 0      | 0                                      | 236    | 236    | 0                                      |
| CASH, DECEMBER 31                   | \$ | 0                       | 18,854 | 18,854                                 | 236    | 0      | (236)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit T

MISSISSIPPI COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 DARE FUND

| Year Ended December 31,             |          |         |  |
|-------------------------------------|----------|---------|--|
| 1998                                |          |         |  |
|                                     | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |         |  |
| Interest                            | \$ 20    | 3       | (17)                                   |
| Other                               | 8,500    | 4,490   | (4,010)                                |
| Transfer in                         | 6,222    | 8,889   | 2,667                                  |
| Total Receipts                      | 14,742   | 13,382  | (1,360)                                |
| DISBURSEMENTS                       |          |         |  |
| Salaries                            | 12,360   | 13,516  | (1,156)                                |
| Other                               | 2,500    | 1,751   | 749                                    |
| Total Disbursements                 | 14,860   | 15,267  | (407)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (118)    | (1,885) | (1,767)                                |
| CASH, JANUARY 1                     | 1,885    | 1,885   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,767 | 0       | (1,767)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SPECIAL PROSECUTOR'S FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Intergovernmental                   | \$ 62,438 | 56,217        | 66,300 | 57,020 | (9,280)       |  |
| Interest                            | 0         | 0             | 0      | 21     | 21            |  |
| Total Receipts                      | 62,438    | 56,217        | 66,300 | 57,041 | (9,259)       |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Salary                              | 48,988    | 48,881        | 51,300 | 46,322 | 4,978         |  |
| Travel                              | 7,500     | 5,269         | 9,000  | 5,564  | 3,436         |  |
| Office expenditures                 | 4,800     | 3,961         | 5,646  | 3,631  | 2,015         |  |
| Total Disbursements                 | 61,288    | 58,111        | 65,946 | 55,517 | 10,429        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,150     | (1,894)       | 354    | 1,524  | 1,170         |  |
| CASH, JANUARY 1                     | 1,170     | 1,170         | (354)  | (354)  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,320  | (724)         | 0      | 1,170  | 1,170         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CULTURAL PRODUCTIVITY GRANT FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Intergovernmental                   | \$ 163,651 | 117,715       | 164,600 | 124,938 | (39,662)      |  |
| Total Receipts                      | 163,651    | 117,715       | 164,600 | 124,938 | (39,662)      |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Contract services                   | 162,984    | 116,882       | 164,016 | 123,938 | 40,078        |  |
| Administration                      | 667        | 833           | 584     | 1,000   | (416)         |  |
| Total Disbursements                 | 163,651    | 117,715       | 164,600 | 124,938 | 39,662        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 0             | 0       | 0       | 0             |  |
| CASH, JANUARY 1                     | 0          | 0             | 0       | 0       | 0             |  |
| CASH, DECEMBER 31                   | \$ 0       | 0             | 0       | 0       | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
VICTIMS OF DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,750 | 1,385         | 1,500  | 1,750  | 250           |  |
| Total Receipts                      | 1,750    | 1,385         | 1,500  | 1,750  | 250           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Contract services                   | 1,750    | 1,501         | 1,500  | 1,705  | (205)         |  |
| Total Disbursements                 | 1,750    | 1,501         | 1,500  | 1,705  | (205)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | (116)         | 0      | 45     | 45            |  |
| CASH, JANUARY 1                     | 230      | 230           | 185    | 185    | 0             |  |
| CASH, DECEMBER 31                   | \$ 230   | 114           | 185    | 230    | 45            |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENIOR CITIZENS SALES TAX FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Sales taxes                         | \$ 214,550 | 214,521       | 390,000 | 203,162 | (186,838)     |  |
| Total Receipts                      | 214,550    | 214,521       | 390,000 | 203,162 | (186,838)     |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Contract services                   | 214,550    | 214,521       | 390,000 | 203,162 | 186,838       |  |
| Total Disbursements                 | 214,550    | 214,521       | 390,000 | 203,162 | 186,838       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 0             | 0       | 0       | 0             |  |
| CASH, JANUARY 1                     | 0          | 0             | 0       | 0       | 0             |  |
| CASH, DECEMBER 31                   | \$ 0       | 0             | 0       | 0       | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Y

MISSISSIPPI COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ST. JOHN'S NEW MADRID FLOODWAY CDBG FUND

| Year Ended December 31,<br>1999     |            |         |  |
|-------------------------------------|------------|---------|--|
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |
| Intergovernmental                   | \$ 375,000 | 375,000 | 0                                      |
| Total Receipts                      | 375,000    | 375,000 | 0                                      |
| DISBURSEMENTS                       |            |         |  |
| St. John's-New Madrid Floodway      | 375,000    | 375,000 | 0                                      |
| Total Disbursements                 | 375,000    | 375,000 | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 0       | 0                                      |
| CASH, JANUARY 1                     | 0          | 0       | 0                                      |
| CASH, DECEMBER 31                   | \$ 0       | 0       | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Z

MISSISSIPPI COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COLLECTOR MICROFILM GRANT FUND

| Year Ended December 31,             |          |               |         |
|-------------------------------------|----------|---------------|---------|
| 1999                                |          |               |         |
|                                     |          | Variance      |         |
|                                     |          | Favorable     |         |
|                                     |          | (Unfavorable) |         |
|                                     | Budget   | Actual        |         |
| RECEIPTS                            |          |               |         |
| Intergovernmental                   | \$ 1,059 | 0             | (1,059) |
| Interest                            | 0        | 109           | 109     |
| Transfers in                        | 1,513    | 0             | (1,513) |
| Total Receipts                      | 2,572    | 109           | (2,463) |
| DISBURSEMENTS                       |          |               |         |
| Contract services                   | 5,053    | 2,590         | 2,463   |
| Total Disbursements                 | 5,053    | 2,590         | 2,463   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,481)  | (2,481)       | 0       |
| CASH, JANUARY 1                     | 2,481    | 2,481         | 0       |
| CASH, DECEMBER 31                   | \$ 0     | 0             | 0       |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit AA

MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL RECORDS CENTER FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Transfers in                        | \$ 22,000 | 21,936        | 20,000 | 16,753 | (3,247)       |  |
| Total Receipts                      | 22,000    | 21,936        | 20,000 | 16,753 | (3,247)       |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Salaries                            | 13,200    | 12,725        | 13,200 | 11,782 | 1,418         |  |
| Supplies                            | 1,200     | 481           | 1,200  | 631    | 569           |  |
| Equipment                           | 1,200     | 1,775         | 1,200  | 910    | 290           |  |
| Office expenditures                 | 6,400     | 6,955         | 4,400  | 3,430  | 970           |  |
| Total Disbursements                 | 22,000    | 21,936        | 20,000 | 16,753 | 3,247         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 0             | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0         | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0      | 0             | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



MISSISSIPPI COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |        |        |  |        |        |  |
|-------------------------------------|--------|--------|--|--------|--------|--|
| 1999                                |        |        | 1998                                   |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |        |        |  |
| Interest                            | \$ 875 | 2,621  | 1,746                                  | 850    | 662    | (188)                                  |
| Total Receipts                      | 875    | 2,621  | 1,746                                  | 850    | 662    | (188)                                  |
| DISBURSEMENTS                       |        |        |  |        |        |  |
| Office expenditures                 | 875    | 1,488  | (613)                                  | 875    | 1,089  | (214)                                  |
| Total Disbursements                 | 875    | 1,488  | (613)                                  | 875    | 1,089  | (214)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 1,133  | 1,133                                  | (25)   | (427)  | (402)                                  |
| CASH, JANUARY 1                     | 58     | 58     | 0                                      | 415    | 485    | 70                                     |
| CASH, DECEMBER 31                   | \$ 58  | 1,191  | 1,133                                  | 390    | 58     | (332)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

MISSISSIPPI COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Mississippi County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Johnson Grass Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                     | <u>Years Ended December 31,</u> |
|---------------------------------|---------------------------------|
| Collector Microfilm Grant Fund  | 1998                            |
| Law Library Fund                | 1999 and 1998                   |
| Associate Circuit Interest Fund | 1999 and 1998                   |
| Juvenile Assessment Fund        | 1999 and 1998                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                       | <u>Years Ended December 31,</u> |
|-----------------------------------|---------------------------------|
| Assessment Fund                   | 1999                            |
| Senate Bill 40 Board Fund         | 1999                            |
| Recorder's User Fee Fund          | 1998                            |
| 911 Fund                          | 1998                            |
| DARE Fund                         | 1998                            |
| Victims of Domestic Violence Fund | 1998                            |
| Circuit Clerk Interest Fund       | 1999 and 1998                   |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                     | <u>Years Ended December 31,</u> |
|---------------------------------|---------------------------------|
| Health Center Fund              | 1999 and 1998                   |
| Senate Bill 40 Board Fund       | 1999 and 1998                   |
| Circuit Clerk Interest Fund     | 1999 and 1998                   |
| Law Library Fund                | 1999 and 1998                   |
| Associate Circuit Interest Fund | 1999 and 1998                   |
| Juvenile Assessment Fund        | 1999 and 1998                   |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through

either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1999 and 1998 were entirely covered by federal depository insurance or by collateral securities held by the board's custodial bank in the board's name.

Of the Senate Bill 40 Board's bank balance at December 31, 1999, \$653,974, was covered by federal depository insurance, and \$50,000 was uninsured and under collateralized.

Of the Senate Bill 40 Board's bank balance at December 31, 1998, \$589,106 was covered by federal depository insurance, and \$50,000 was uninsured and under collateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amount of uninsured and under collateralized balances were substantially higher at those times than such amount at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

### 3. Sales Taxes

In April 1996, Mississippi County voters approved a one-fourth of one percent sales tax levy for the purpose of funding senior citizens' services within the county. The county imposed this sales tax under Section 67.547, RSMo 1994; however, the county also has another one-half of one percent sales tax levy for the General Revenue Fund under this law. With this additional senior citizens' sales tax, the county is levying three-fourths of one percent which is apparently above the statutory maximum allowed by Section 67.547. The ultimate outcome of this situation cannot be determined.

## Supplementary Schedule

## Schedule

MISSISSIPPI COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                 | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY               |  |   |                         |         |
| Passed through state Department of Public Safety -        |  |   |                         |         |
| 07.unknown  | HIDTA - Task Forces  | 98-HIDTA-55205                                  | \$ 91,746               | 45,467  |
| 07.unknown  | HIDTA - SAUSA  | 98-HIDTA-55101                                  | 40,217                  | 38,000  |
|   | Program Total  |   | 131,963                 | 83,467  |
| U. S. DEPARTMENT OF AGRICULTURE                           |  |   |                         |         |
| Passed through state:                                     |  |   |                         |         |
| Department of Social Services -                           |  |   |                         |         |
| 10.550  | Food Distribution  | N067003   | 148                     | 381     |
| Department of Health -                                    |  |   |                         |         |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-9167                                     | 80,245                  | 75,303  |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT       |  |   |                         |         |
| Passed through state Department of Economic Development - |  |   |                         |         |
| 14.228  | Community Development Block Grants/State's<br>Program                      | 94-DR-102                                       | 375,000                 | 0       |
| U.S. DEPARTMENT OF JUSTICE                                |  |   |                         |         |
| Direct programs:  |  |   |                         |         |
| 16.710  | Public Safety Partnership and Community Policing Grants                    | 1999CKWX0067                                    | 16,914                  | 0       |
| 16.unknown  | Equitable Sharing of Seized and Forfeited Property                         | MO-670000                                       | 5,116                   | 240     |
| Passed through:   |  |   |                         |         |
| State Department of Public Safety -                       |  |   |                         |         |
| 16.579  | Byrne Formula Grant Program  | 97-NCD2-048                                     | 0                       | 56,291  |
|   |  | 98-NCD2-035                                     | 45,675                  | 66,075  |
|   |  | 98-NCD2-072                                     | 55,663                  | 0       |
|   | Program Total  |   | 101,338                 | 122,366 |
| 16.592  | Local Law Enforcement Block Grants Program                                 | 98-HIDTA-55205                                  | 0                       | 3,167   |
|   |  | 98-HIDTA-55101                                  | 0                       | 3,906   |
|   | Program Total  |   | 0                       | 7,073   |
| Missouri Sheriffs' Association -                          |  |   |                         |         |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 1,348                   | 1,268   |
| U. S. DEPARTMENT OF TRANSPORTATION                        |  |   |                         |         |
| Passed through state Highway and Transportation           |  |   |                         |         |

## Schedule

MISSISSIPPI COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title  | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures<br>Year Ended December 31, |               |
|---------------------------|---|---|---|---------------|
|                           |   |   | 1999  | 1998          |
|                           | Commission -  |   |   |               |
| 20.205                    | Highway Planning and Construction   | BRO-067(08)                                     | 257,928   | 8,575         |
|                           |   | N/A   | 54,883  | 0             |
|                           | Program Total   |   | <u>312,811</u>                                  | <u>8,575</u>  |
|                           | GENERAL SERVICES ADMINISTRATION   |   |   |               |
|                           | Passed through state Office of Administration -   |   |   |               |
| 39.003                    | Donation of Federal Surplus Personal Property   | 2851 09-58                                      | 0   | 3,556         |
|                           | U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES   |   |   |               |
|                           | Direct program -  |   |   |               |
| 93.268                    | Immunization Grants   | N/A   | 2,448   | 688           |
|                           | Passed through:   |   |   |               |
|                           | Missouri Area Agency on Aging -   |   |   |               |
| 93.043                    | Special Programs for the Aging - Title III, Part F -<br>Disease Prevention and Health Promotion Services  | N/A   | 3,000   | 3,437         |
|                           | State Department of Health -  |   |   |               |
| 93.197                    | Childhood Lead Poisoning Prevention Projects - State<br>and Community-Based Childhood Lead Poisoning<br>Prevention and Surveillance of Blood Lead Levels<br>in Children | ER0146-9167CLPP                                 | 764   | 339           |
| 93.268                    | Immunization Grants   | PG0064-9167IAP                                  | 3,294   | 4,960         |
|                           |   | N/A   | 30,044  | 11,638        |
|                           | Program Total   |   | <u>33,338</u>                                   | <u>16,598</u> |
|                           | State Department of Social Services   |   |   |               |
| 93.558                    | Temporary Assistance for Needy Families   | AOC7000510                                      | 117,715   | 124,938       |
| 93.563                    | Child Support Enforcement   | N/A   | 24,607  | 15,527        |
|                           | State Department of Health -  |   |   |               |
| 93.575                    | Child Care and Development Block Grant  | PG0067-9167                                     | 2,060   | 1,595         |
|                           |   | ER0146-9167CCH&S                                | 2,325   | 3,529         |
|                           | Program Total   |   | <u>4,385</u>                                    | <u>5,124</u>  |



## Schedule

MISSISSIPPI COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures      |                           |
|---------------------------|--|---|---------------------------|---------------------------|
|                           |  |   | Year Ended December 31,   |                           |
|                           |  |   | 1999                      | 1998                      |
|                           | State Department of Social Services -  |   |                           |                           |
| 93.667                    | Social Services Block Grant  |   | 2,170                     | 0                         |
|                           | State Department of Health -   |   |                           |                           |
| 93.919                    | Cooperative Agreements for State-Based<br>Comprehensive Breast and Cervical Cancer<br>Early Detection Programs | ER0161-0013<br>ER0161-90050                     | 0<br>24,989               | 14,497<br>85              |
|                           | Program Total  |   | <u>24,989</u>             | <u>14,582</u>             |
|                           | Sudden Infant Death Syndrome Resource, Inc. -  |   |                           |                           |
| 93.926                    | Healthy Start Initiative   | N/A   | 12,711                    | 0                         |
|                           | State Department of Health -   |   |                           |                           |
| 93.940                    | HIV Prevention Activities - Health Department Based  | N/A   | 290                       | 0                         |
| 93.991                    | Preventive Health and Health Services Block Grant  | AOC9000118<br>N/A                               | 23,014<br>358             | 30,891<br>302             |
|                           | Program Total  |   | <u>23,372</u>             | <u>31,193</u>             |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States  | ER0146-9167MCH<br>ER0175-9167FP<br>N/A          | 20,769<br>10,040<br>1,788 | 13,573<br>12,558<br>1,058 |
|                           | Program Total  |   | <u>32,597</u>             | <u>27,189</u>             |
|                           | Total Expenditures of Federal Awards   |   | <u>\$ 1,307,269</u>       | <u>541,844</u>            |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

MISSISSIPPI COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Mississippi County, Missouri, except for the programs accounted for in the Low Income Housing-Direct Program (CFDA 14.177) funding which is subgranted to the East Prairie Housing Authority. Federal financial assistance for the Low Income Housing-Direct Program has been audited and separately reported on by other independent auditors for the years ended September 30, 1999 and 1998.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Distribution (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$30,044 and \$11,638 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$358 and \$302 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,788 and \$1,058 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

## 2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

| <u>Federal<br/>CFDA Number</u> | <u>Program Title</u>                                       | <u>Amount Provided</u>                        |             |
|--------------------------------|--|---|-------------|
|                                |  | <u>Year Ended December 31,</u><br><u>1999</u> | <u>1998</u> |
| 7.unknown                      | HIDTA - Task Force   | \$ 91,746                                     | 45,467      |
| 7.unknown                      | HIDTA - SAUSA  | 40,217  | 38,000      |
| 14.228                         | Community Development Block<br>Grants/State's Program      | 375,000                                       | 0           |
| 16.710                         | Public Safety Partnership and<br>Community Policing Grants | 16,914  | 0           |
| 16.579                         | Byrne Formula Grant Program                                | \$ 101,338                                    | 122,366     |
| 16.592                         | Local Law Enforcement Block Grants<br>Program              | 0   | 7,073       |
| 93.558                         | Temporary Assistance for Needy<br>Families                 | 117,715                                       | 124,938     |

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Mississippi County, Missouri

Compliance

We have audited the compliance of Mississippi County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Mississippi County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in

accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-2 through 99-4.

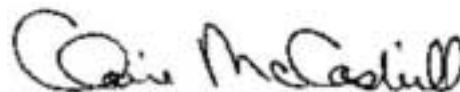
### Internal Control Over Compliance

The management of Mississippi County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-2 through 99-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Mississippi County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

May 11, 2000 (fieldwork completion date)



Schedule

MISSISSIPPI COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 and 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?   x   yes        no

Federal Awards

Internal control over major programs:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?   x   yes        none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>                               |
|---|--|
| 14.228  | Community Development Block Grants/State's Program |
| 16.579  | Byrne Formula Grant Program                        |

20.205 Off-System Bridge Replacement and Rehabilitation Program  
93.558 Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|                        |
|------------------------|
| <b>99-1. Sales Tax</b> |
|------------------------|

In April 1996, Mississippi County voters approved a one-fourth of one percent sales tax levy for the purpose of funding senior citizens' services within the county. The sales tax became effective October 1, 1996.

The county imposed this sales tax under Section 67.547, RSMo 1994; however, the county also has another one-half of one percent sales tax levy for the general fund under this law. With this additional senior citizens' sales tax, the county is levying three-fourths of one percent which is apparently above the statutory maximum allowed by Section 67.547. The county needs to review the various sales taxes being imposed to determine which are valid. The county may need to eliminate one of these sales taxes and reallocate the sales tax monies that are being collected.

This condition was noted in our prior audit. The County Commission stated they would consult with legal counsel and review the sales taxes; however, no such action has been taken.

**WE AGAIN RECOMMEND** the County Commission review the overall sales taxes being levied and ensure they are in accordance with state statutes.

### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission indicated they will consult with their legal counsel immediately regarding this issue.*

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

**99-2.****Subrecipient Monitoring**

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Housing and Urban Development   |
| Pass-Through Grantor: | Department of Economic Development                 |
| Federal CFDA Number:  | 14.228   |
| Program Title:        | Community Development Block Grants/State's Program |
| Pass-Through Entity   |  |
| Identifying Number:   | 94-DR-102  |
| Award Year:           | 1999   |
| Questioned Costs:     | Not applicable                                     |

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Justice                |
| Pass-Through Grantor: | Department of Public Safety               |
| Federal CFDA Number:  | 16.579                                    |
| Program Title:        | Byrne Formula Grant Program               |
| Pass-Through Entity   |   |
| Identifying Numbers:  | 98-NCD2-035<br>98-NCD2-072<br>97-NCD2-048 |
| Award Years:          | 1999 and 1998                             |
| Questioned Costs:     | Not applicable                            |

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Health and Human Services |
| Pass-Through Grantor: | Department of Social Services                |
| Federal CFDA Number:  | 93.558                                       |
| Program Title:        | Temporary Assistance for Needy Families      |
| Pass-Through Entity   |  |
| Identifying Number:   | AOC7000510                                   |
| Award Years:          | 1999 and 1998                                |
| Questioned Costs:     | Not applicable                               |

During the years ended December 31, 1999 and 1998, Mississippi County was designated as the recipient for a Community Development Block Grant (CDBG) which was passed through to the St. John's Levee District, Byrne Formula Grant Program monies which were passed through to the Southeast Missouri Drug Task Force, and Temporary Assistance for Needy Families monies which were passed through to the Susanna Wesley Family Learning Center. Grant funding for these programs totaled \$841,357 for the two years. While some contracts exist with these entities there is no written contract with the St. John's Levee District regarding the use of their funds.

Under provisions of the Single Audit Act and OMB Circular A-133, the county, as primary grant recipient, is required to monitor any subrecipients receiving \$25,000 or more in federal financial assistance for compliance with applicable laws and regulations. Furthermore,

Section 410(d) of Circular A-133 requires the county to inform the subrecipients of various information about the award or requirements imposed on them by federal laws and regulations. Because it received more than \$300,000 the Levee District was required by OMB Circular A-133 to have an annual audit of federal awards. The county did not ensure this audit was completed. Although the Learning Center and Task Force were audited annually, the county did not obtain and review copies of these audit reports. In addition, the county did not check the mathematical accuracy of reports submitted to the county by the subrecipients to request the federal funding, nor did it request supporting documentation for these reports. By not properly monitoring the county's subrecipients, the county cannot ensure grant monies are being expended in accordance with federal requirements. As the grant recipient, the county is ultimately responsible for ensuring compliance with federal requirements.

**WE RECOMMEND** the County Commission properly monitor federal grant subrecipient expenditures and enter into written agreements to ensure compliance with federal regulations.

#### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission indicated they will enter into a contract with St. John's Levy District immediately, and that they will ensure they obtain written contracts and copies of audits of all subrecipients in the future. The County Clerk indicated they have obtained a copy of FY 1999 audit for the Susanna Wesley Family Learning Center. The Presiding Commissioner indicated he believes the county should become more strict on becoming a grantor agency for other entities.*

**99-3.**

#### **Payroll Expenditures**

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U. S. Office of National Drug Control Policy |
| Pass-Through Grantor: | Department of Public Safety                  |
| Federal CFDA Number:  | 07.unknown                                   |
| Program Title:        | HIDTA - SAUSA                                |
| Pass-Through Entity   |  |
| Identifying Number:   | 98-HIDTA-552-05                              |
| Award Years:          | 1999 and 1998                                |
| Questioned Costs:     | \$78,217                                     |

The county pays the salary of the Special Prosecutor and is reimbursed through the Midwest High Intensity Drug Trafficking Area (HIDTA) grant. However, the county does not require the Special Prosecutor to submit a monthly time sheet. As a result, the County Commission has no documentation of work performed to support the payroll expenditure.

OMB Circular A-87, Attachment B, requires personal service expenditures to be supported by time and attendance records. As a result, \$78,217 of costs has been questioned due to lack of time sheets.

**WE RECOMMEND** the County Commission contact the federal grantor agency to resolve the questioned costs and ensure time sheets or other documentation to support federal personal service expenditures are maintained.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Clerk indicated he will inform the Special Prosecutor that the county will not pay him in the future until they receive a time sheet. They will notify him immediately. In addition, the County Commission indicated they will immediately contact the Department of Public Safety to resolve the questioned costs.*

**99-4.**

**Procurement of Professional Service Contracts**

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO-067(08)                                 |
| Award Years:          | 1999 and 1998                               |
| Questioned Costs:     | \$47,797                                    |

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded.

During our review, we noted the county did not have documentation regarding the consideration of at least three engineering firms for bridge project BRO-067(08). The County Clerk indicated the County Commission selected the engineering firm because the firm had previously done work on the bridge. The engineering firm was paid more than \$59,000 during the two years ended December 31, 1999. Because the county did not consider other engineering firms, it is not assured that the engineering fees paid were reasonable.

OMB Circular A-102, the Common Rule, Section 36, requires that states, and government subrecipients of states, use the same policies and procedures used for procurements from nonfederal funds. As a result, the procurement of services should comply with Sections 8.289 and 8.291, RSMo 1994, which provide that when engineering services for any capital improvement project are obtained, at least three firms should be considered. The firms

should be evaluated based on specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have questioned the cost of \$47,797 which is the federal share of the amount paid during the two years ended December 31, 1999.

**WE RECOMMEND** the County Commission obtain information as required by law when contracting for professional services.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission indicated they regularly use two local firms; however, they will begin soliciting proposals from at least three firms at the first of each year beginning in January 2001.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*



MISSISSIPPI COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mississippi County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1997.

5.B. Senior Citizens' Sales Tax

The county was levying three-fourths of one percent sales tax which is apparently above the statutory maximum allowed.

Recommendation:

The County Commission review the overall sales taxes being levied and ensure they are in accordance with state statutes.

Status:

Not implemented. See finding number 99-1.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

MISSISSIPPI COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

12.A. Federal Financial Assistance

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Health and Human Services                 |
| Pass-Through Grantor: | Department of Health   |
| Federal CFDA Number:  | 93.994   |
| Program Title:        | Maternal and Child Health Services Block Grant to the States |
| Pass-Through Entity   |  |
| Identifying Number:   | ER0146-6167  |
| Award Years:          | 1997 and 1996  |
| Questioned Costs:     | \$13,947   |

The Health Center had not complied with requirements of the Maternal and Child Health (MCH) Services Block Grant to the States resulting in questioned costs of \$13,947.

The Health Center did not maintain adequate support for the monthly reimbursement requests submitted during contract year 1997. While the health center maintained invoices for some expenditures, various supply items and other administrative costs were not supported.

Recommendation:

The Health Center Board of Trustees work with the federal and state grantor agency to resolve the questioned costs of \$13,947.

Status:

Implemented. The Department of Health reviewed these costs and the supporting documentation, including payroll records, and determined \$3,277 was overclaimed by the Health Department and withheld this amount from subsequent payments.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

MISSISSIPPI COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Mississippi County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 11, 2000. We also have audited the compliance of Mississippi County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 11, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Port Authority Board of Trustees is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers for the years ended June 30, 1999 and 1998.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Mississippi County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards and OMB Circular-133, Audits of States, Local Governments, and Non-Profit Organization*.

|           |                            |
|-----------|----------------------------|
| <b>1.</b> | <b>Budgetary Practices</b> |
|-----------|----------------------------|

Our review of the county budgets revealed the following concerns:

- A. Warrants were issued in excess of approved budgeted expenditures in the following funds during the years ended December 31, 1999 and 1998, as follows:

| Fund                               | Years Ended December 31, |       |
|------------------------------------|--------------------------|-------|
|                                    | 1999                     | 1998  |
| Assessment Fund                    | \$ 3,043                 | 0     |
| Senate Bill 40 Board Fund          | 12,131                   | 0     |
| Recorder's User Fee Fund           | 0                        | 802   |
| 911 Fund                           | 0                        | 1,616 |
| DARE Fund                          | 0                        | 407   |
| Victim's of Domestic Violence Fund | 0                        | 205   |
| Circuit Clerk Interest Fund        | 613                      | 214   |

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1999, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

A similar condition was noted in our two prior reports.

- B. Formal budgets were not prepared for various county funds for the years ended December 31, 1999 and 1998. While most of these funds are not under the direct



control of the County Commission, budgets for these funds are needed to comply with statutory provisions.

Chapter 50, RSMo 1994, requires the preparation and filing of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

A similar condition was noted in our prior report.

- C. During 1999 and 1998, the County Commission and the Health Center amended various county budgets to reflect increased expenditures made during the year. Public hearings were not held prior to the adoption of some of the budget amendments. In addition, prior to amending these budgets, the expenditures of some funds exceeded the original budgets. Budget amendments when applicable should be made when such expenditures are anticipated and prior to their incurrence. While these amendments make it appear as if the county complied with the law, the timing of these decisions did not allow for the budget to be used as an effective management tool. The audited financial statements have been adjusted for these amendments.

Section 50.622, RSMo Cum. Supp. 1999, allows budget amendments if additional sources of revenue are received which could not be estimated when the budget was adopted, and requires the County Commission to follow the same procedures required for adopting the original budget, including holding a public hearing.

To ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures and public hearings should be held prior to adoption of all budget amendments.

A similar condition was noted in our prior report.

### **WE AGAIN RECOMMEND**

The County Commission:

- A. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.
- B. Ensure budgets are obtained or prepared for all county funds.

The County Commission and the Health Center Board of Trustees:

- C. Ensure budget amendments are made prior to incurring the actual expenditures and hold public hearings prior to adopting budget amendments as required by state law.

**AUDITEE'S RESPONSE**

*The County Commission:*

- A. *Indicated they will implement this recommendation immediately. Most of these funds they do not see regularly because they are held by other entities or officials; however, they will discuss this recommendation with the Senate Bill 40 Board and the Circuit Clerk.*
- B. *Indicated they will implement this recommendation in January 2001 for the funds under their control and will notify the entities and officials by letter each year to request their budgets.*

*The County Commission and the Health Center Administrator:*

- C. *Indicated they will implement this recommendation immediately. The County Commission indicated they have made improvement from prior years.*

|                               |
|-------------------------------|
| <b>2. County Expenditures</b> |
|-------------------------------|

- A. The County Assessor was paid \$2,250 and \$1,861 for "assessing" mileage in 1999 and 1998 respectively, and \$1,250 and \$3,836 for mileage and training cost reimbursements in 1999 and 1998 respectively. We noted the following concerns while reviewing the mileage reimbursement claims of the County Assessor:
  - 1) The mileage reimbursement requests submitted by the Assessor do not include the nature of business, trip origin, or locations traveled. The county reimbursed the Assessor for mileage to locations outside the county for which no purpose was stated. The Assessor was paid \$633 and \$549 in 1999 and 1998 respectively, for such trips including one to Memphis, Tennessee. Mileage reports submitted to the county should contain sufficient information to ensure the mileage represents a valid cost.
  - 2) The county paid the Assessor approximately \$700 in 1999 and 1998 for mileage to Cape Girardeau to purchase office supplies which totaled approximately \$3,500 for both years. Similar supplies could have been purchased from local sources. In addition, on some of the trips only a small amount of supplies was purchased. These expenditures do not appear to be a prudent use of county funds. The County Commission should ensure county funds are spent only on items which are necessary and beneficial to county residents.

- 3) The county's travel policy states that expenses for approved travel will be reimbursed according to established allowances or actual costs, and that a travel expense voucher must be completed within ten days after returning from a trip. The County reimbursed mileage to the Assessor for several trips out of the county that were not approved prior to the travel. In addition, the mileage reimbursement claims were prepared quarterly by the Assessor, thus they were not submitted within the ten days required by the travel policy.
- B. The County Commission approved some payments to vendors without requiring the office holder to acknowledge receipt of goods or services by initialing the invoice. As a result, the county does not always have adequate assurance it is paying for actual goods and services received and approved by the applicable party.

To ensure the validity and propriety of expenditures, adequate supporting documentation, including acknowledgment that the specific goods and/or services were in fact received, should be maintained for all payments to vendors.

- C. Two road and bridge employees, and two Sheriff's department officers are allowed to use county vehicles to commute to and from work. The County Commission and Sheriff's department indicated these employees are on-call 24 hours a day for emergency situations.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs are not maintained for these vehicles and are not required by the county.

Procedures have not been established to ensure IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- D. The county receives 911 user fees from Southwestern Bell and purchases and maintains equipment and software necessary for the local 911 system. The cities of East Prairie and Charleston operate the local 911 system and pay all personal service costs associated with the system. There is no written agreement between the county and these cities documenting the services and costs to be provided by each entity.

Section 432.070, RSMo 1994, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.

Conditions similar to B, C and D were noted in our prior report. Although the County Commission and County Clerk stated they would work on these problems, it does not appear that adequate corrective action has been taken.

**WE RECOMMEND** the County Commission:

- A.1. Ensure mileage reimbursement claims include all destinations and nature of business.
- 2. Ensure all mileage reimbursements are a prudent use of county funds.
- 3. Enforce the travel policy stated in the county personnel manual.
- B. Require acknowledgment of receipt of goods and/or services prior to payment.
- C. Ensure the county complies with IRS guidelines for reporting fringe benefits related to county-owned vehicles.
- D. Enter into written agreements with the cities of East Prairie and Charleston regarding the local 911 system.

**AUDITEE'S RESPONSE**

- A. *The County Commission indicated these recommendations will be implemented immediately. They will send a memo to all employees detailing the travel requirements.*
- B. *The County Commission indicated they have implemented this recommendation for the work done by the Road and Bridge employees for other funds and will ensure they watch the other expenditures also.*
- C. *The County Commission indicated they will discuss options on how to report this and will choose the best option.*
- D. *The County Commission indicated they will obtain written agreements immediately.*

|                              |
|------------------------------|
| <b>3. Statutory Salaries</b> |
|------------------------------|

The Mississippi County Salary Commission has the statutory authority to set salaries of the county's elected officials. County officials' salaries are based upon the county's assessed valuation, population, training attendance, or a combination of these factors. At the November 1997 meeting, the Salary Commission set salaries of the county officials at 90 percent of the maximum allowable compensation (which represents a salary increase); however, no effective date was indicated. This decision increased elected officials salaries by approximately \$47,000 annually. These increases were made effective in January 1999 for all officials regardless of whether they had started a new term. As a result, \$23,644 of these raises were granted to officials in the middle of their term.

RSMo 50.333, Cum. Supp. 1999, provides for the salary commission to meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with

their next term of office. No written legal opinion was obtained to support the appropriateness of increasing some officials' salaries for those not elected in 1998.

**WE RECOMMEND** the County Commission consult with legal counsel regarding past and current actions of the salary commission and pay only the authorized salary set by the salary commission. The salary commission should ensure that its actions are clearly understandable to all officials as well as county taxpayers.

#### **AUDITEE'S RESPONSE**

*The County Commission indicated they feel they acted in compliance with the statute changes; however, they will ensure their decisions are better documented in the future.*

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|--|
| <b>4. Sheriff's Accounting Controls and Procedures</b> |
|--|

- A. The Sheriff's Jail Department receives prisoner board bills and inmate commissary monies. Accounting duties related to the jail are not adequately segregated. One deputy is primarily responsible for billing, receiving, depositing, and disbursing monies and maintaining the accounting records related to the board bills and inmate commissary funds. There is no documented reviews of the jail accounting records performed by a supervisor.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Receipt slips issued by the Sheriff's Jail Department are not prenumbered. To adequately account for all monies received, prenumbered receipt slips should be issued and procedures should be established to account for the numerical sequence of receipt slips.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Issue prenumbered receipt slips for all monies received.

#### **AUDITEE'S RESPONSE**

*The Sheriff indicated these recommendations have been implemented.*

|   |
|---|
| <b>5. Prosecuting Attorney's Accounting Controls and Procedures</b> |
|---|

The Prosecuting Attorney's Office collects bad check restitution and fees. Bad check collection procedures require that the check issuer pay restitution using two money orders. One money order is made payable to the merchant for restitution and the other to the Prosecuting Attorney for the collection fee. Monies received are not deposited on a timely basis. During the two years ended December 31, 1999, receipts were deposited monthly. To adequately safeguard receipts and reduce the potential for loss, theft, or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.

**WE RECOMMEND** the Prosecuting Attorney deposit all receipts daily or when accumulated receipts exceed \$100.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney indicated she will implement this recommendation immediately.*

|  |
|--|
| <b>6. Schedule of Expenditures of Federal Awards</b> |
|--|

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The county and health center do not have adequate procedures in place to track federal awards for preparation of the SEFA. For the years ended December 31, 1999 and 1998, the county's and health center's SEFA contained numerous errors and omissions. For example, expenditures relating to some federal grants were not included on the schedules. Other programs reported did not include the required CFDA number or pass-through grantor's number. In total, county expenditures were understated by approximately \$3,665 and \$2,132 for 1999 and 1998 respectively and health center expenditures were understated approximately \$67,053 and \$26,825 in 1999 and 1998 respectively.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk and Health Center Administrator prepare a complete and accurate schedule of expenditures of federal awards.

## **AUDITEE'S RESPONSE**

*The County Clerk and the Health Center Administrator indicated they will implement this recommendation immediately.*

|                     |
|---------------------|
| <b>7. Personnel</b> |
|---------------------|

- A. The County paid more than the basic cost of health insurance for two employees in the year ended December 31, 1999. The April 1999 minutes document the County Commission's approval for this additional payment for one of the employees.

The County's personnel policy states "Full-time employees will be enrolled without cost, in the basic group life and health insurance coverage program." The employees indicated above were enrolled in employee/child and employee/family coverage. Paying insurance premiums in excess of the basic coverage is not mentioned in the personnel policy.

- B. The county does not require some employees to submit a monthly time sheet. As a result, the County Commission has no formal documentation of work performed to support the payroll expenditure. Time sheets should be prepared by each employee and maintained to provide supporting documentation for payroll expenditures and to provide an adequate system of monitoring vacation, sick leave, and compensatory time taken and earned.

**WE RECOMMEND** the County Commission:

- A. Ensure decisions regarding employees compensation and benefits is documented, and in compliance with personnel policy.
- B. Ensure time sheets are prepared by all employees.

## **AUDITEE'S RESPONSE**

- A. *The County Commission indicated they had approved the additional payment of the health benefits for these two employees. They will ensure decisions such as this are documented in the future.*
- B. *The County Commission indicated they will implement this recommendation immediately.*

This report is intended for the information of the management of Mississippi County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings



## MISSISSIPPI COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mississippi County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. Finding numbers 5.B. and 12.A. are omitted since the related follow-up appear in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Budgetary Practices

- A. Warrants were issued in excess of approved budgeted expenditures.
  - B. Formal budgets were not prepared for all county funds.
  - C.1. Public hearings were not held prior to the adoption of the budget amendments. Prior to amending the budgets, the expenditures of some funds exceeded the original budgets.
2. As a result of the budget amendments, the County Commission approved budgeted deficits of \$145,500, \$1,416 and \$141 for the Law Enforcement Sales Tax Fund, Crime Reduction Fund, and the Prosecuting Attorney Bad Check Fund, respectively.

### Recommendation:

The County Commission:

- A. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.
  - B. Ensure budgets are obtained or prepared for all county funds.
  - C.1. Ensure budget amendments are made prior to incurring the actual expenditures and hold public hearings prior to adopting budget amendments as required by state law.
2. Discontinue deficit budgeting.

Status:

A,B,

C.1. Not implemented. See MAR No. 1.

C.2. Implemented.

2. County Expenditures

- A. The County Commission approved some payments to vendors without requiring acknowledgment of receipt of goods or services.
- B. The County Commission authorized expenditures for hams that were given to employees as Christmas gifts and for an employee Christmas dinner.
- C. The County Commission authorized expenditures totaling \$105,722 from the Special Road and Bridge Fund for county airport and county port authority expenditures.
- D. Two road and bridge employees were allowed to use county vehicles to commute to and from work.
- E. Various equipment costs were allocated 50 percent to the Johnson Grass Fund and 50 percent to the Road and Bridge Fund, however, there was no documentation available to support this allocation. In addition, transfers had not been made to reimburse personal service costs paid from the Road and Bridge Fund for work performed to control the Johnson Grass.
- F. There was no written agreement between the county and the cities that operate the local 911 system documenting the services and costs to be provided by each entity.

Recommendation:

The County Commission:

- A. Require acknowledgment of receipt of goods and/or services prior to payment.
- B. Ensure all county expenditures are reasonable and necessary and a prudent use of public funds.
- C. Reimburse the Special Road and Bridge Fund for airport and port authority expenditures with monies that are not restricted. In addition, ensure all future expenditures from the Special Road and Bridge Fund comply with statutes.
- D. Ensure the county complies with IRS guidelines for reporting fringe benefits related to county-owned vehicles.

- E. Allocate purchases of equipment to the Johnson Grass Fund and the Road and Bridge Fund based upon the applicable percentage of usage and document that allocation. In addition, the personal service costs incurred by the Road and Bridge Fund related to the Johnson Grass Fund should be reimbursed in a timely manner.
- F. Enter into written agreements with the cities of East Prairie and Charleston regarding the local 911 system.

Status:

A&D. Not implemented. See MAR No. 2.

B. Not implemented. The county spent \$2,432 for hams given as employee Christmas gifts and \$2,692 for employee Christmas dinners during the two years ended December 31, 1999. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Partially implemented. During the year ended December 31, 1998, the County Commission authorized expenditures totaling \$14,306 from the Special Road and Bridge Fund for county airport expenditures. The county has not reimbursed the Special Road and Bridge Fund for the monies spent on the county airport. Although not repeated in the current MAR, our recommendation remains as stated above.

E. Implemented.

F. Not implemented. See MAR No. 2.

3. Construction of New Jail Facility

A. The County Commission entered into a preliminary design agreement with an architectural firm without any documentation of consideration of other firms.

B. The county did not obtain an independent appraisal to value land prior to purchase.

Recommendation:

The County Commission:

- A. Obtain information as required by law when contracting for professional services.
- B. Ensure justification of the selection process is thoroughly documented and an independent appraisal is obtained for future land purchases.

Status:

- A. Not implemented. See finding number 99-4.
- B. The county did not purchase any land during the audit period.

4. Statutory Salaries

- A. The County Commission increased the County Treasurer's salary based upon the current assessed valuation, however, there was no documentation available to support the decision.
- B. The County Clerk received additional compensation for acting as secretary for the Johnson Grass Fund Board and for the Road and Bridge Department; however, no statutory authority could be found for this additional compensation.

Recommendation:

The County Commission:

- A. Consult with legal counsel regarding past and current actions of the salary commission and pay only the authorized salary set by the salary commission. The salary commission should ensure that its actions are clearly understandable to all officials as well as county taxpayers.
- B. Discontinue the practice of paying the County Clerk additional salary for acting as secretary to the Johnson Grass Fund Board and the Road and Bridge Department.

Status:

- A. Implemented. However, a similar situation was noted. See MAR No. 3.
- B. Not implemented. While approval was documented in the commission minutes, consideration should be given to taking this issue before the Salary Commission. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Senior Citizens' Sales Tax

- A. There was no statutory authority for the Senior Citizens' Advisory Council to maintain a checking account for the sales tax and make disbursements to various senior citizen organizations.

Recommendation:

The County Commission establish procedures to maintain accountability over senior citizens' sales tax monies and directly contract with senior citizens' organizations.

Status:

Implemented.

6. County Collector's Procedures and Commissions

- A. Monies received were not deposited intact as county employees were allowed to cash checks from receipts. In addition, the collector did not reconcile the receipts ledger which indicated the method of payment to the deposits.
- B. The County Collector had not taken corrective action for the Proposition C commission errors previously reported and had continued to make errors when calculating Proposition C commissions.

Recommendation:

The County Collector:

- A. Deposit all receipts intact and discontinue the policy of cashing personal checks for county employees. In addition, the composition of cash, checks, and money orders received should be indicated on tax receipts and should be reconciled to deposits.
- B. Compute Proposition C calculations in accordance with state law, and make adjustments to future school distributions to correct amounts over and under withheld.

Status:

- A. Partially implemented. The County Collector discontinued cashing personal checks, however, the composition of cash, checks, and money orders is not reconciled to the deposits. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

7. Associate Circuit Division's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated and an independent review of the deposits and accounting records was not performed.

- B. Checks received by the Associate Circuit Division were not restrictively endorsed immediately upon receipt, and monies were not always deposited on a timely basis.
- C.1. Formal bank reconciliations were not prepared on a timely basis for the Associate Circuit account or the Associate Circuit Interest account.
  - 2. Checks outstanding for more than a year, were still carried on the books.
  - 3. Amounts deposited were not reconciled to the receipts recorded on the one-write receipt ledger and the change fund was not maintained at a constant amount.

Recommendation:

The Associate Circuit Division:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Restrictively endorse checks for deposit immediately upon receipt and deposit receipts daily or when accumulated receipts exceed \$100.
- C.1. Perform bank reconciliations and post reconciling items on a timely basis so that errors or irregularities will be detected on a timely basis.
  - 2. Attempt to contact the payee of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
  - 3. Reconcile receipts to deposits and maintain the change fund at a constant amount.

Status:

A,B,  
C.1,  
&C.3. Implemented.

- C.2. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Probate Court's Accounting Controls and Procedures

Accounting and bookkeeping duties were not adequately segregated and an independent review of the deposits and accounting records was not performed.

Recommendation:

The Associate Circuit Judge adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Associate Circuit Judge should perform documented reviews of the work performed.

Status:

Implemented.

9. Prosecuting Attorney's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Prenumbered receipt slips were not issued by the Prosecuting Attorney's Office.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Issue prenumbered receipt slips for all monies received.

Status:

A&B. Implemented.

10. Sheriff's Accounting Controls and Procedures

Accounting and bookkeeping duties were not adequately segregated and there were no documented reviews of the accounting records performed.

Recommendation:

The Sheriff adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

Status:

Partially Implemented. See MAR No. 4.

11. County Health Center

- A. Primary Care funds were not included in the health center's beginning cash balances reported on the budget document, nor were actual and budgeted expenditures of Primary Care funds included on the budget.
- B. The general fixed asset records were incomplete, additions of fixed assets were not always recorded as they occurred, general fixed asset purchases were not reconciled to additions to the property records, and a summary of changes in general fixed assets at each year end reconciling beginning balances, additions and deletions was not prepared.
- C. The health center authorized expenditures totaling \$382 for Christmas gifts for the board members and contract doctors and a baby gift for the administrator. These expenditures did not appear to be a prudent use of health center funds.

Recommendation:

The Health Center Board:

- A. Ensure that all fund balances are included in the beginning cash balance on the health center's budget. In addition, the Health Center Board should ensure that all budget documents are complete.
- B.1. Maintain complete and accurate general fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.
  - 2. Record additions of general fixed assets as they occur and reconcile general fixed asset purchases to additions to the property records.
- C. Ensure all health center expenditures are reasonable and necessary and a prudent use of public funds.

Status:

A-C. Implemented.

12. Federal Financial Assistance

- B. The county did not require the Special Prosecutor to submit a monthly time sheet. As a result, \$2,186 was questioned costs for the HIDTA-SAUSA grant for 1997 and 1996.



Recommendation:

- B. The County Commission contact the federal grantor agency to resolve the questioned costs and ensure time sheets or other documentation to support federal personal service expenditures are maintained.

Status:

- B. Not implemented. See finding number 99-3.

13. Senate Bill 40 Board Fund

- A. The Board did not appear to have any definite plans for use of the excess cash which was being accumulated.
- B. The amounts of collateral securities pledged by the Senate Bill 40 Board's depository banks were insufficient to cover monies in the custody of the Senate Bill 40 Board Treasurer.

Recommendation:

The Senate Bill 40 Board of Trustees:

- A. Review its future financial needs, and consider such balance when setting future tax levies.
- B. Work with the Senate Bill 40 Board Treasurer to ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

- A. Partially implemented. The Senate Bill 40 Board indicated they would like to build a group home in the future when they believe the county has a greater need for this service, and they realize this will cost a considerable amount of money to maintain. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The Board had approximately \$50,000 each year that was not adequately collateralized. Although not repeated in the current MAR, our recommendation remains as stated above.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

MISSISSIPPI COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1845, the county of Mississippi was named after the Mississippi River. Mississippi County is a county-organized, third-class county and is part of the Thirty-Third Judicial Circuit. The county seat is Charleston.

Mississippi County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Mississippi County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 524,700   | 20         | 557,236   | 23         |
| Sales taxes               | 825,785      | 31         | 766,069   | 31         |
| Federal and state aid     | 970,410      | 37         | 806,795   | 32         |
| Fees, interest, and other | 317,132      | 12         | 356,188   | 14         |
| Total                     | \$ 2,638,027 | 100        | 2,486,288 | 100        |

The following chart shows how Mississippi County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 735,027   | 32         | 712,155   | 32         |
| Public safety             | 387,458      | 17         | 752,889   | 34         |
| Highways and roads        | 1,203,391    | 51         | 775,748   | 34         |
| Total                     | \$ 2,325,876 | 100        | 2,240,792 | 100        |

The county also received \$783,981 and \$408,834 of receipts in the Law Enforcement Sales Tax Fund

and expended \$1,465,333 and \$329,232 for the purpose of law enforcement in the years 1999 and 1998 respectively. The county received \$434,116 and \$337,152 in the Capital Improvement Sales Tax Fund and expended \$668,674 and \$0 for the purpose of furnishing the new courthouse and making the lease payments in the years 1999 and 1998, respectively. In addition, Mississippi County received \$1,287,207 and \$62,904 of receipts in the Building Fund and expended \$1,523,415 and \$661,156 for the purpose of constructing a new courthouse and jail facility in the years 1999 and 1998, respectively.

The county maintains approximately 40 county bridges and 400 miles of county roads.

The county's population was 16,647 in 1970 and 14,442 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |       |       |        |        |
|------------------------|----|-------------------------|-------|-------|--------|--------|
|                        |    | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |       |       |        |        |
| Real estate            | \$ | 69.3                    | 66.1  | 61.2  | 38.9   | 30.1   |
| Personal property      |    | 27.6                    | 27.8  | 10.7  | 8.3    | 5.4    |
| Railroad and utilities |    | 11.9                    | 12.1  | 13.8  | 9.4    | 6.4    |
| Total                  | \$ | 108.8                   | 106.0 | 85.7  | 56.6   | 41.9   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Mississippi County's property tax rates per \$100 of assessed valuations were as follows:

|                              |    | Year Ended December 31, |      |
|------------------------------|----|-------------------------|------|
|                              |    | 1999                    | 1998 |
| General Revenue Fund         | \$ | .26                     | .20  |
| Special Road and Bridge Fund |    | .32                     | .32  |
| Health Center Fund           |    | .06                     | .03  |
| Senate Bill 40 Board Fund    |    | .10                     | .10  |
| Johnson Grass Fund           |    | .05                     | .05  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                              | Year Ended February 28, |                  |
|------------------------------|-------------------------|------------------|
|                              | 2000                    | 1999             |
| State of Missouri            | \$ 33,004               | 32,114           |
| General Revenue Fund         | 292,030                 | 225,847          |
| Special Road and Bridge Fund | 349,513                 | 339,680          |
| Assessment Fund              | 49,183                  | 50,290           |
| Health Center Fund           | 64,127                  | 34,966           |
| Senate Bill 40 Board Fund    | 108,392                 | 105,374          |
| School districts             | 3,162,853               | 3,068,174        |
| Library district             | 217,338                 | 210,638          |
| Ambulance district           | 276,122                 | 307,044          |
| Fire protection district     | 67,067                  | 65,467           |
| Johnson Grass Fund           | 54,491                  | 53,002           |
| County drainage ditches      | 70,995                  | 61,063           |
| Special drainage ditches     | 227,121                 | 224,610          |
| Cities                       | 255,592                 | 247,395          |
| County Clerk                 | 2,416                   | 1,937            |
| County Employees' Retirement | 24,318                  | 25,524           |
| Commissions and fees:        |                         |                  |
| County Collector             | 5,596                   | 5,457            |
| General Revenue Fund         | 67,687                  | 68,996           |
| Total                        | <u>\$ 5,327,845</u>     | <u>5,127,578</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |        |
|------------------------|-------------------------|--------|
|                        | 2000                    | 1999   |
| Real estate            | 93.3 %                  | 94.0 % |
| Personal property      | 88.3                    | 89.7   |
| Railroad and utilities | 100.0                   | 100.0  |

Mississippi County also has the following sales taxes; rates are per \$1 of retail sales:

|                           | Rate     | Expiration Date | Required Property Tax Reduction |
|---------------------------|----------|-----------------|---------------------------------|
| General                   | \$ .0050 | None            | 50 %                            |
| General                   | .0050    | None            | None                            |
| Senior Citizens' Services | .0250    | None            | None                            |
| Law Enforcement Services  | .0050    | None            | None                            |
| Capital improvements      | .0050    | January 2001    | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder                                      | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:                            |        |        |        |
| Jim Blumenberg, Presiding Commissioner            | \$     | 24,572 | 17,500 |
| Homer D. Oliver, Associate Commissioner           |        | 22,572 | 17,500 |
| Martin Lucas, Associate Commissioner              |        | 22,572 | 17,500 |
| Hubert DeLay, Jr., County Clerk *                 |        | 39,474 | 34,000 |
| K. Andrew Sneathern, Prosecuting Attorney         |        | 40,500 | 34,000 |
| Larry Turley, Sheriff                             |        | 37,800 | 35,000 |
| Sandra Smoot, County Treasurer**                  |        | 26,232 | 21,139 |
| Charles R. "Ricky" Penrod, County Coroner         |        | 8,900  | 5,000  |
| Raymond "Buddy" Marshall, Public Administrator*** |        | 10,983 | 10,035 |
| Faye Elliott, County Collector,                   | 39,514 | 35,363 |        |
| year ended February 28 (29),****                  |        |        |        |
| W.R. "Bill" Thompson, County Assessor, year ended |        |        |        |
| August 31,*****                                   |        | 36,900 | 36,900 |

- \* Includes \$900 in annual compensation for acting as secretary for the Johnson Grass Board and \$3,600 in annual compensation for acting as secretary for the Road and Bridge Department.
- \*\* Includes commissions from drainage districts in the amounts of \$824 and \$674 for 1999 and 1998, respectively.
- \*\*\* Includes fees received from probate cases.
- \*\*\*\* Includes commissions from drainage districts and cities in the amounts of \$5,314 and \$5,613 for 1999 and 1998, respectively.
- \*\*\*\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

|  |  |        |        |
|--|--|--------|--------|
| Karen S. Turley, Circuit Clerk and     |  |        |        |
| Ex Officio Recorder of Deeds           |  | 44,292 | 42,183 |
| T. Lynn Brown, Associate Circuit Judge |  | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office  | Number of Employees Paid by |           |
|---|-----------------------------|-----------|
|   | County                      | State     |
| County Commission                               | 0                           | 0         |
| Circuit Clerk and Ex Officio Recorder of Deeds* | 2                           | 6         |
| County Clerk                                    | 2                           | 0         |
| Prosecuting Attorney**                          | 3                           | 0         |
| Sheriff   | 7                           | 0         |
| County Treasurer                                | 0                           | 0         |
| County Coroner**                                | 1                           | 0         |
| Public Administrator                            | 0                           | 0         |
| County Collector**                              | 2                           | 0         |
| County Assessor                                 | 3                           | 0         |
| Associate Division                              | 0                           | 2         |
| Probate Division                                | 0                           | 1         |
| Road and Bridge                                 | 19                          | 0         |
| Health Center***                                | 16                          | 0         |
| Jail***   | 30                          | 0         |
| Juvenile Detention Center                       | 0                           | 16        |
| Civil Defense                                   | 1                           | 0         |
| Total   | <u>86</u>                   | <u>25</u> |

\* Indicates one part-time employee paid by the county and one part-time employee paid by the county and the state.

\*\* Indicates one part-time employee.

\*\*\* Indicates three part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Mississippi County's share of the Thirty-Third Judicial Circuit's expenses is 26.83 percent.

The county entered into a lease agreement with a not-for-profit corporation (NFP) in November 1996. The terms of the agreement called for the NFP to issue bonds of \$3,985,000 for the purpose of constructing a new jail and for the NFP to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. The bonds are scheduled to be paid off in 2012. The remaining principal and interest due on the bonds at December 31, 1999 was \$3,620,000 and \$1,331,950 respectively.

At December 31, 1999, the county had bonds payable of \$165,000 consisting of general obligation bonds dated May 1, 1999, to finance the costs to repair and restore a main drainage ditch, three lateral ditches and one sub-lateral ditch located in Drainage District No. 23. Bond principal is due annually on March 1 at a rate not to exceed six percent.

The county entered into a lease purchase agreement with Citizens Bank on August 2, 1999. The terms of the agreement call for the county to lease the new courthouse to Citizens Bank, then Citizens Bank leases the courthouse back to the county with lease payments equal to the amount due



to retire the indebtedness. The lease is scheduled to be paid off in 2011. The remaining principal and interest due on the lease at December 31, 1999, was \$1,117,951 and \$300,282, respectively.



CITY OF KAHOKA, MISSOURI

YEAR ENDED MARCH 31, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-98  
September 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Kahoka, Missouri.**

---

As of February 29, 2000, the General Fund and the Park Fund had negative cash balances of \$181,825 and \$59,205, respectively. To eliminate these deficit balances, the city transferred \$171,528 and \$58,870 from the Electric Fund to the General Fund and the Park Fund, respectively, during March 2000. In addition, city officials indicated they do not intend to repay these monies to the Electric Fund and that additional subsidies may be necessary for fiscal year 2001.

Revenues of the Electric Fund represent user charges which are intended to cover the cost of providing the related services. It does not appear appropriate to subsidize other city operations from Electric Fund monies. As a result of this situation, electric rates may be set higher than necessary to recover actual costs and city electric customers are being required to subsidize the cost of other city services through the payment of their electric bills.

The city provides water and sewer services to approximately 1125 customers. The city has not performed periodic formal reviews of the water or sewer rates. The current water and sewer rates were established by ordinance in 1991 and 1985, respectively.

The city received approximately \$134,289 from October 1996 to August 1997 from an estate. The will required \$76,737 to be used "for enlarging and improving the municipal airstrip and this share shall be utilized for no other purpose whatsoever". The city initially placed \$76,737 in an airport money market account. However, in December 1997 the city transferred \$60,056 from the airport money market account to the Park Fund.

The city made expenditures that do not appear to be a prudent use of public funds. Current and ex-employees received free premium channels for cable. City employees were eligible to receive a free family pool pass. City employees and equipment were used on the prior mayor's house for installation of lines. The city's sales tax exemption was used to make purchases by or on behalf of the prior mayor. Supporting documentation was not maintained for some disbursements. There is no documentation in the minutes to approve the three cellular phone contracts. The city does not have a formal bidding policy and the old fire station was sold without soliciting bids.

(over)

YELLOW SHEET

The city did not prepare and adopt a budget for the year ended March 31, 1999 and the city did not adopt the budget prepared for the year ended March 31, 2000. State law requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures.

An annual maintenance plan for city streets has not been approved by the Board. A maintenance plan was prepared in 1999 and continues to be updated. A formal maintenance plan should be approved in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information.

The city has not formally established a policy regarding access to city records. To ensure compliance with state law, the city should adopt formal policies regarding the location of city records, the persons responsible for maintaining each record, and procedures for citizens to request access to public records and how the city will handle these requests.

The city does not maintain adequate records to account for all traffic tickets issued by the police department and their ultimate disposition.

CITY OF KAHOKA, MISSOURI

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
And  
Members of the Board of Aldermen  
City of Kahoka  
Kahoka, Missouri 63445

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Kahoka, Missouri. The city had engaged Swann, Schreacke & Associates, Certified Public Accountants (CPA), to perform a financial audit of the city for the year ended March 31, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA. Our audit of the city included, but was not limited to, the year ended March 31, 2000. The objectives of this audit were to:

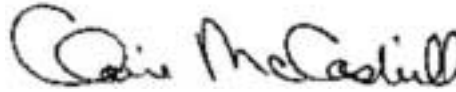
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Kahoka, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 7, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Karen Laves, CPA      |
| Audit Manager:      | John Luetkemeyer, CPA |
| Audit In-Charge:    | Nicole Brackman       |



## HISTORY AND ORGANIZATION

CITY OF KAHOKA, MISSOURI  
HISTORY AND ORGANIZATION

The city of Kahoka is located in Clark County. The city was incorporated in 1886 as a fourth-class city. The population of the city in 1990 was 2,195.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in case of a tie. The mayor, board of aldermen, and other principal officials at March 31, 2000 were:

| <u>Elected Officials</u>         | <u>Term Expires</u> | <u>Actual Compensation for The Year Ended March 31, 2000</u> |
|----------------------------------|---------------------|--|
| Larry Young, Mayor               | April, 2001         | \$ 2,500   |
| Jerry Webber, Alderman           | April, 2001         | 1,310  |
| Edgar Armstrong, Alderman (1)    | April, 2000         | 880  |
| Jeff Wood, Alderman (2)          | April, 2000         | 750  |
| Donnie Wagers, Alderman (3)      | April, 2000         | 1,300  |
| Bobbette Spurgeon, Collector (4) | April, 2001         | 15,976   |

Other Principal Officers

|                                     |        |
|-------------------------------------|--------|
| Linda Plenge, City Clerk            | 12,096 |
| Sandie Hopp, City Treasurer         | 17,802 |
| James Sherwood, City Superintendent | 28,500 |
| Lary Fountain, Fire Chief           | 1,800  |
| John Roy Gilbert, Police Chief      | 24,764 |

The elected officials, appointed officials, and the employees are covered by a \$1,000,000 public official liability bond for each wrongful act.

- (1) Appointed to replace Larry Weber who resigned in July 1999. Mr. Armstrong was elected in April 2000.
- (2) Appointed to replace Patrick Kirchner who resigned in September 1999. Mr. Wood was elected in April 2000, to complete a term ending April 2001.
- (3) Appointed to replace Greg Sutterfield who resigned in February 1999. Mr. Wagers was elected in April 2000, however he was not sworn in. A lawsuit is currently pending.
- (4) Collector's position is compensated \$1 per year; the remainder of the compensation is for other clerical duties.

In addition to the officials listed above, the city employs approximately 20 full and 21 part-time employees.

Assessed valuation and tax rate information for 1999 and 1998 are as follows:

|                   | <u>1999</u>          | <u>1998</u>       |
|-------------------|----------------------|-------------------|
| Real estate       | \$ 8,589,568         | 8,330,886         |
| Personal Property | <u>3,412,208</u>     | <u>3,189,928</u>  |
| Total             | <u>\$ 12,001,776</u> | <u>11,520,814</u> |

TAX RATES PER \$100 ASSESSED VALUATION

|           |                |             |
|-----------|----------------|-------------|
| General   | \$ 0.75        | 0.74        |
| Library   | 0.19           | 0.19        |
| Park Fund | <u>0.15</u>    | <u>0.15</u> |
| Total     | <u>\$ 1.09</u> | <u>1.08</u> |

The city has the following sales tax; rate is per \$1 of retail sales:

|         | <u>Rate</u> | <u>Expiration<br/>Date</u> |
|---------|-------------|----------------------------|
| Streets | 0.01        | None                       |

## MANAGEMENT ADVISORY REPORT

CITY OF KAHOKA, MISSOURI  
SUMMARY OF FINDINGS

1. City Finances (pages 10-12)

In March 2000, the city made a transfer of over \$230,000 from the Electric fund to subsidize the General and Park Funds. The city has not performed periodic formal reviews of the water and sewer rates. The city transferred money received from an estate to improve the airport, to the Park fund to use for the pool.

2. City Transactions (pages 12-16)

The city has made expenditures that do not appear to be a prudent use of public funds. Current and ex-employees received free premium channels for cable. City employees were eligible to receive a free family pool pass. City employees and equipment were used on the prior mayor's house for installation of lines. The city's sales tax exemption was used to make purchases by or on behalf of the prior mayor. Supporting documentation was not maintained for some disbursements. There is no documentation in the minutes to approve three cellular phones. The city does not have a formal bidding policy. The old fire station was sold without soliciting bids.

3. Accounting Controls and Procedures (pages 16-17)

The board does not initial or sign a listing of bills to note their approval. Written contracts were not entered into for mowing services and for the concession stand lease.

4. Budgets and Financial Reporting (pages 17-18)

The city did not prepare and adopt a budget for the fiscal year ended March 31, 1999, and the budget prepared for fiscal year 2000 was not formally approved by the Board. During fiscal year 1998, expenditures exceeded budgeted amounts. In addition, the Board approved a deficit budget for fiscal year 1998.

5. Street Maintenance Plan (page 19)

An annual street maintenance plan has not been approved by the Board.

6. City Records and Minutes (pages 19-20)

The city does not have a formal policy regarding access to city records and the board minutes do not always include sufficient detail of matters discussed and actions taken.

7. Traffic Violations (pages 20-21)

The city does not maintain adequate records to account for all traffic tickets issued by the police department and their ultimate disposition.

CITY OF KAHOKA, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                      |
|-----------|----------------------|
| <b>1.</b> | <b>City Finances</b> |
|-----------|----------------------|

- A. As of February 29, 2000, the General Fund and the Park Fund had negative cash balances of \$181,825 and \$59,205, respectively. To eliminate these deficit balances, the city transferred \$171,528 and \$58,870 from the Electric Fund to the General Fund and the Park Fund, respectively, during March 2000. In addition, city officials indicated they do not intend to repay these monies to the Electric Fund and that additional subsidies may be necessary for fiscal year 2001.

Revenues of the Electric Fund represent user charges which are intended to cover the cost of providing the related services. It does not appear appropriate to subsidize other city operations from Electric Fund monies. As a result of this situation, electric rates may be set higher than necessary to recover actual costs and city electric customers are being required to subsidize the cost of other city services through the payment of their electric bills.

- B. The city provides water and sewer services to approximately 1125 customers. The city has not performed periodic formal reviews of the water or sewer rates. The current water and sewer rates were established by ordinance in 1991 and 1985, respectively.

The Board of Alderman has not performed any calculation in recent years to determine the adequacy of the water and sewer rates. However, the Board of Aldermen has indicated they are considering raising these rates in the near future. Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of costs necessary to maintain the funding of such service.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as providing documentation to customers of the rationale behind the rates.

- C. The City received approximately \$134,289 from October 1996 to August 1997 from an estate. The will required \$76,737 to be used "for enlarging and improving the municipal airstrip and this share shall be utilized for no other purpose whatsoever" and \$57,552 to be used "for utilization at Omakohak Park, it being my hope and wish that same be used for

enlargement of the swimming pool at said park". The city initially placed \$76,737 in an airport money market account, and \$57,552 in the Park Fund. However, in December 1997 the city transferred \$60,056 from the airport money market account to the Park Fund. Approximately \$7,245 has been spent from the General Fund for airport related expenses since October 1996 to date. The city's budget for the year ended March 31, 2001, includes no provisions to repay any of the monies restricted for airport purposes. The city needs to transfer monies back to the airport account and develop a financial plan to utilize \$69,492 (\$76,737 less \$7,245) for the benefit of the municipal airport as required by the terms of the bequest. In addition, although the city made improvements to the Omakohak Park swimming pool, it was not enlarged as referenced in the terms of the bequest.

**WE RECOMMEND** the Board of Aldermen:

- A&C. Closely monitor the ongoing financial condition of the various funds, develop a plan to operate the General Fund and Park Fund without further subsidies, and limit expenditures and transfers from the Electric Fund to only those necessary to operate the city's electric utility operations. In addition, we recommend the board develop a financial plan to fund and utilize \$69,492 for the benefit of the municipal airport, and discuss the city's use of other bequested monies with legal counsel to determine if the city has complied with the terms of the bequest.
- B. Perform periodic reviews of the costs to maintain utility services, and establish rates to ensure the costs of operation, maintenance, and replacement of the city's water and sewer system are covered.

**AUDITEE'S RESPONSE**

*A&C. The board would like to point out that it has one of the lowest electrical rates in the area. In addition, other cities who have private entities providing electrical service receive a franchise tax. The city is considering whether to levy such a fee against the Electrical Fund in the future. The board is aware of the financial difficulties facing the city and is attempting to take action to remedy these problems. An executive committee has been formed to make suggestions on repayment to the airport account. The board has always intended to repay the airport account when money was available.*

*Alderman Wood also provided the following response:*

*From the past minutes that I have reviewed, I have not seen any evidence of a repayment schedule.*



- B. *The board is currently in the process of reviewing these rates and expects to finalize this review this fall.*

|                             |
|-----------------------------|
| <b>2. City Transactions</b> |
|-----------------------------|

- A. In December 1999 and 1998, the city purchased \$50 savings bonds (at a cost of \$25) for full-time employees and \$10 gift certificates at a local grocery store for some part-time employees. These expenditures totaled \$560 and \$570, respectively.

The expenditures do not appear to be a prudent use of public funds and a necessary cost of operating the city. The city's residents have placed a fiduciary trust in their city officials to expend public funds in a necessary and prudent manner.

- B. Seven current city employees and six ex-city employees receive free premium channels which amounts to approximately \$32 a month per user. Some of these individuals have received these services for at least five years. In addition, all city employees receive a free family pool pass which costs approximately \$85 a year. The compensation is not reported on employee's form W-2. In addition, the city is not paying the broadcast companies for the individuals that receive the free premium channels. As a result, the city is not in compliance with its contracts with the broadcast companies.

- C. From April 1993 to July 1998, S.W. Waschenbach served as Mayor. The following concerns relate to this prior mayor:

- 1) During 1997, the prior mayor used city employees and equipment to install the water line, sewer line, and conduit electric line on his new house. The prior mayor also had rock delivered to his house by city employees. There was no documentation in the board minutes that this was approved, and according to current city officials, the Board was not aware that the work was being done. In addition, the city did not perform similar services for other city residents. Also, according to current city officials, a detailed accounting of all expenses incurred on the project was not maintained at the time the work was performed. As a result, the city was forced to estimate the costs of materials and supplies used. The prior mayor reimbursed the city \$3,460 for the work on his house.

Officers and agents of a city serve in a fiduciary capacity. To avoid the appearance of conflicts of interest, all transactions and agreements with city officials should be fully documented and

approved by the Board of Aldermen. In addition, the board should require that written agreements be prepared in any potential conflict of interest situations.

- 2) During 1997, the city's sales tax exemption was used to make purchases by or on behalf of the prior mayor, thereby effectively avoiding sales tax on these purchases. While some purchases were reimbursed by the former Mayor, the city was not reimbursed for \$506 of personal items which were paid for by the city. The instances noted include the following:

- a) In June 1997, the prior mayor purchased a gas log set and had it installed in his home. The purchase cost \$384 and it was made using the city's tax exemption. In addition, city officials could find no documentation of reimbursement for this item. The city could not locate documentation for this purchase and had to contact the company to obtain a copy of the invoice.
- b) During 1997, the prior mayor charged purchases of personal items totaling \$465 to the city's credit card. The prior mayor reimbursed the city \$343 but \$122 remains due.

A sales tax exemption granted to a political subdivision should not be used to benefit private entities or individuals. Doing so is a violation of the sales tax exemption letter. In addition, the city needs to ensure it obtains reimbursement for all items purchased that were not used for official city business.

- 3) Adequate supporting documentation was not maintained for other disbursements made by the city. Various payments totaling approximately \$622 during the year ended March 31, 1998 for the prior mayor's credit card had no invoice or other documentation to support the payments. In addition, several city employees and officials (including the prior mayor) made purchases at the local grocery store. However, invoices to support payments to a local grocery store totaling approximately \$716 and \$1,355 for the years ended March 31, 1999 and 1998, respectively, were not adequately detailed to support the purchases.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- D. In 1997, the city provided a cellular phone to three city officials. During the year ended March 31, 2000 and 1999, the city paid \$2,261 and \$2,206, respectively, for cellular phone services. There was no documentation in the minutes that the board approved the cell phone contracts. In addition, the city does not have a formal policy regarding cellular phone usage.

The Board of Aldermen should review the propriety of the usage of the cellular phones to determine whether the city is receiving sufficient benefit for its cost. If the cellular phones are deemed necessary, the board should establish a policy to ensure cellular phones are used only for reasonable business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the board authorizes the phone to be used for personal matters. Procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

- E. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although the city did solicit bids for many significant purchases, the following items were not bid, or the reasons for not accepting the lowest bid were not documented:

- 1) Approximately \$12,430 was spent on rock during the year ended March 31, 2000. The city indicated these purchases were not bid because there was only one source for the purchase of rock. However, board minutes did not document the reason bids were not solicited in this situation.
- 2) The city spent \$3,750 on a new roof for one of its buildings. The city received two roofing bids for the building but the lowest bid was not accepted. There was no documentation stating the reason for selecting the higher bid.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business.

Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- F. In October 1997, the former Mayor sold the old fire station for \$5,000 without soliciting bids. In addition, no documentation could be located indicating board approval.

To ensure the best possible price is obtained for all items sold and to ensure all interested parties are given equal opportunity to participate, the city should solicit bids for all property sales. In addition, board approval to dispose of city equipment should be obtained and documented.

**WE RECOMMEND** the Board of Alderman:

- A. Ensure expenditures from city monies are a prudent use of public funds and are limited to those necessary to properly operate the city.
- B. Discontinue the practice of free premium channels to city employees and issuing free family pool passes. In addition, determine the amount that is owed to the cable companies for the user fees.
- C.1. Avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. City officials should ensure strict compliance with the law when conducting city business and should consider adopting a code of conduct for city officials.
2. Ensure the sales tax exemption of the city is not used for the benefit of private entities or individuals and any personal expenses are reimbursed.
3. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods or services received.
- D. Determine whether the cellular phones are needed for the city. If the city continues to pay for the phone usage, the board should develop a policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and procedures to monitor their use.
- E. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- F. Solicit bids and document board approval for the sale of city real estate.

**AUDITEE'S RESPONSE**

- A. *We believe these expenditures were good for employee morale and we were not aware that these expenditures were inappropriate. We will review the appropriateness of these expenditures with our legal counsel in the future.*

- B. *City employees paid for basic cable and received premium channels if desired. This practice has been discontinued. Concerning the pool passes, only 5 of the 20 employees used their passes for their children (8). The city estimates \$120 value for 1998 and \$180 value for 1999, if they would have paid the regular gate admission charge. This practice has been discontinued. Since the city no longer contracts directly with broadcast companies, we do not believe it is necessary to resolve any further issues with them.*
- C.1&
- C.2. *These recommendations will be implemented immediately. We would like to note that the city delivers rock to any city resident at material cost plus a \$10 hauling fee. We intend to pursue adopting a code of conduct in the near future.*
- C.3. *This is presently being addressed and the necessary steps will be taken to correct this practice.*
- D. *One cell phone has been cancelled and the remaining two are being reviewed for better programs. Currently phone billings are being monitored to ensure they are used for only city business.*
- E. *We will adopt a bidding policy in the near future. We only have one local rock quarry and rock is purchased on an "as needed" basis for different city departments which lowers inventory costs. Concerning taking the higher bid for a new roof, this roof had a 10 year guarantee and was a different type of roof entirely than the other bids.*
- F. *In the event we sell real estate in the future we will follow this recommendation.*

|  |
|--|
| <b>3. Accounting Controls and Procedures</b> |
|--|

- A. The City Clerk provides the Board of Aldermen with the monthly check register and the invoices. Although board minutes make a general reference to pay bills, the check register is not initialed or signed by the alderman to document approval.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of all bills paid from each fund should be prepared, signed or initialed by the board to denote their approval, and retained with the official minutes.

- B. According to city officials, the city did not have the necessary equipment available to mow all city property. As a result, the city hired individuals for mowing services around the city. In addition, the city leases out the concession stand at the city pool for \$100 a year. The city has not entered into a written agreement with these individuals defining the services

rendered and the compensation to be paid. The city also did not enter into a written agreement to cover the services it performed on the prior Mayor's new house.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Section 432.070, RSMo 1994, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid.

**WE RECOMMEND** the Board of Alderman:

- A. Ensure detailed and complete listing of bills are prepared and that the board's approval is documented on the listings. In addition, the listings should be retained with the official minutes.
- B. Enter into written agreements which define the services to be provided and the compensation to be paid.

**AUDITEE'S RESPONSE**

- A. *The city will implement this in August 2000.*
- B. *Mowing bids were taken on all mowing, with the location and bid price included. The city has purchased equipment and it presently is doing all the city mowing for 2000. In addition, the city no longer leases the concession stand.*

|   |
|---|
| <b>4. Budgets and Financial Reporting</b> |
|---|

- A. The city did not prepare and adopt a budget for the year ended March 31, 1999 and the city did not adopt the budget prepared for the year ended March 31, 2000. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of ending available resources. The budget should

also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

- B. During the year ended March 31, 1998, the city approved expenditures in excess of the budgeted amount for the general fund, street fund, and park fund.

Section 67.040, RSMo 1994, indicates a political subdivision shall not increase the total amount authorized for expenditures from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures. The board should ensure any budget amendments are properly authorized and adequately documented.

- C. A deficit budget was prepared for the General Fund for the fiscal year ending March 31, 1998. Budgeted expenditures exceeded the beginning available resources plus budgeted revenues for that fund.

Section 67.010, RSMo, 1994, provides that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare annual budgets in accordance with state law, and make periodic comparisons between budgeted and actual revenues and expenditures.
- B. Ensure actual expenditures do not exceed budgeted amounts. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.
- C. Ensure that budgeted expenditures do not exceed available resources.

**AUDITEE'S RESPONSE**

- A. *The 2001 city budget was properly completed and approved.*
- B. *The current budget is being reviewed quarterly, or more frequently if needed, by the board to ensure overspending does not occur.*
- C. *The board has corrected this problem.*

**5.****Street Maintenance Plan**

An annual maintenance plan for city streets has not been approved by the Board. A maintenance plan was prepared in 1999 and continues to be updated. A formal maintenance plan should be approved in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan serves as a useful management tool and provides greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** The Board of Aldermen approve a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

**AUDITEE'S RESPONSE**

*We believe we have maintained a formal maintenance plan and have compared this to budgeted expenditures. We will formally approve the annual street maintenance plan in the future.*

**6.****City Records and Minutes**

- A. The city has not formally established a policy regarding access to city records. A custodian of records has not been appointed. Section 610.023, RSMo 1994, indicates that each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records and establishes guidelines for making city records available to the public. To ensure compliance with state law, the city should adopt formal policies regarding the location of city records, the persons responsible for maintaining each record, and procedures for citizens to request access to public records and how the city will handle these requests.

Written policies would establish procedures for the residents to follow and the cost for the requested information. In addition, written policies would



help avoid misunderstandings regarding the availability of public city records.

- B. The board minutes do not always include sufficient detail of matters discussed and actions taken. An interim clerk was preparing and signing the minutes for several months in 1998 until the board appointed a new city clerk in July 1998. However, this is not included in the minutes. In addition, the minutes do not indicate that the clerk was sworn in. Complete and accurate minutes provide an official record of board actions and decisions.

**WE RECOMMEND** the Board of Aldermen:

- A. Develop written policies regarding procedures to obtain access to, or copies of, public city records.
- B. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.

**AUDITEE'S RESPONSE**

- A. *Our City Clerk is the custodian of records as indicated in her official job description. We plan to adopt a formal policy in the near future.*
- B. *This has been implemented.*

|                              |
|------------------------------|
| <b>7. Traffic Violations</b> |
|------------------------------|

The City of Kahoka issues traffic tickets, and the court cases for the city are heard at the Clark County Courthouse by the Associate Circuit Judge. The Clark County Associate Court receives the payment of fines and court costs and then remits the fines to the City of Kahoka.

The City does not maintain adequate records to account for all traffic tickets issued by the police department and their ultimate disposition. In addition, traffic ticket books are not always issued in numerical sequence.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the city cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, this listing should be compared to the monthly listing of cases disposed of by the Associate Court to ensure all tickets have been accounted for properly.

**WE RECOMMEND** the Board of Aldermen ensure records are maintained to account for the numerical sequence and ultimate disposition of traffic tickets.

**AUDITEE'S RESPONSE**

*We will implement this recommendation.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



AUDIT OF  
COLLECTION AND DISTRIBUTION OF FEES  
FOR DOMESTIC VIOLENCE SHELTERS

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-97  
September 25, 2000

**Domestic violence victims need better  
support from local and state government.**

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

PERFORMANCE AUDIT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**More than 5,000 women and children were turned away from full domestic violence shelters in 1998, even though millions of dollars in additional funding could have been available to help these victims.**

This audit report details the State Auditor's Office assessment of state laws relating to collecting and distributing fees to fund Missouri's domestic violence shelters as well as a tax credit program designed to increase donations to shelters. We determined that while the intent of the laws was good, they did not maximize the state's ability to protect these victims because some fees are optional and not authorized by many local governments, some optional fees were authorized by local governments yet not collected, some fees were placed in wrong accounts or remained idle in accounts, and the tax credit program was underutilized.

According to state law, a county may collect up to four different fees to help fund shelters. These fees include a mandatory fee on marriage licenses and three optional fees on criminal cases, civil cases and marriage licenses (in addition to the mandatory fee). But more than half of Missouri's counties chose to not impose any of these optional fees. Under current law these fees could generate an estimated additional \$902,000 for shelters. (See page 5)

We found some counties deposited money in the wrong accounts or had passed laws to collect fees, but never did. Other counties held collected money year after year and never disbursed it. Nearly \$500,000 sat idle in accounts statewide, including one city that held more than \$300,000 even though local shelters reported turning away at least 1,300 victims. (See page 8)

Shelters also could have benefited more from a state tax credit program, which gives tax credits to businesses or citizens who donate to shelters. The program offers up to \$2 million annually in tax credits and is designed to generate up to \$4 million yearly in donations to shelters. Our review showed that this 3-year-old program is underutilized with only \$1.5 million donated out of a possible \$12 million. (See page 6)

We concluded that domestic violence shelter funding from statutory fees and donations related to this tax credit program would work better for the victims if:

- Applicable optional fees were adopted by all counties and cities,

(over)

YELLOW SHEET

- A central collection and distribution point for the fees was established — preferably at a state agency that is already administering a grant program benefiting domestic violence shelters,
- The tax credit program was better publicized to encourage donations and contributions, and
- Local governments collected the fees they were supposed to collect.

The most critical change needed in the law is the establishment of a centralized collection and distribution system for all statutory domestic violence fees. Without this change, local governments will continue to hoard funds under the guise of possibly building a future shelter at the expense of helping victims in need now.

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan  
and  
Members of the General Assembly

The State Auditor performed an audit of domestic violence shelter funding. The audit focused on local government and shelter compliance with the requirements of Sections 455.200 to 455.230, RSMo (Shelters for Victims of Domestic Violence). Some domestic violence shelter funding arises from mandatory fees imposed on marriage licenses under Section 451.151, RSMo, optional fees imposed on marriage licenses and civil court cases under Sections 455.205, RSMo, and optional fees imposed upon criminal cases in municipal and circuit courts under Section 479.261, RSMo. Those fees are to be distributed to shelters for victims of domestic violence. The audit also examined state and federal grant funding as well as tax credit programs available to benefit shelters. The objectives of the audit were to determine if:

- ☐ Domestic violence funds collected through fees and grants are properly used to provide shelter for victims,
- ☐ Domestic violence victims have access to shelters commensurate with the funding collected to provide shelter for them, and
- ☐ Shelters and local governments were complying with the statutory requirements related to domestic violence shelter fees.

We concluded that domestic violence victims are not receiving assistance and services to which they are entitled due to various problems with the collection and distribution of fees and underutilization of a tax credit program providing funding to shelters. Detailed reporting requirements and application processes were not adequately complied with by shelters and local governments.

Claire McCaskill  
State Auditor

April 4, 2000 (fieldwork completion)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | William D. Miller, CIA |
| Audit Manager:      | Jon Halwes, CPA, CGFM  |
| In-Charge Auditor:  | Dennis Lockwood, CPA   |
| Audit Staff:        | Tom Franklin           |
|                     | Nicki Russell          |



## **RESULTS AND RECOMMENDATIONS**

### **1. Domestic Violence Victims Are Not Receiving Assistance and Services to Which They Are Entitled**

There is an unmet need for domestic violence funds that could be alleviated with better distribution of funds collected and increased use of a domestic violence tax credit program. Some counties do not have domestic violence shelters and as a result did not distribute any of the funds collected from year to year. Some counties did not distribute monies they collected because they did not receive a request for funds. While other counties had shelters that turned away victims because they lacked sufficient funding to provide services or lacked adequate space. There were several causes for this unmet need.

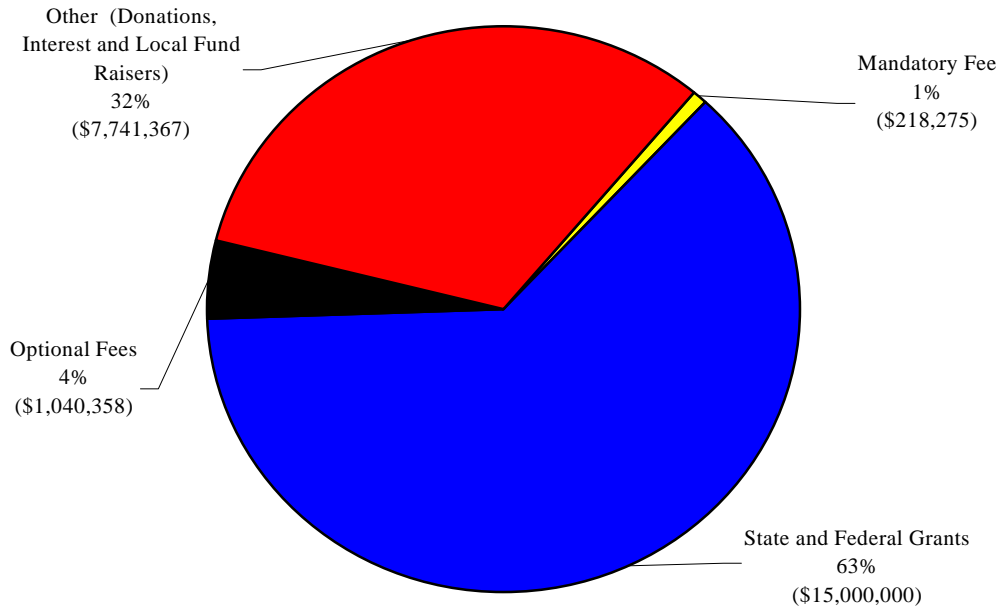
- ❑ Missed opportunities to maximize the amount of funds that could be collected.
- ❑ Lack of public awareness for a tax credit program tied to donations made to domestic violence shelters.
- ❑ Failure to collect fees that were authorized or unidentified errors causing fees collected for domestic violence shelter purposes to be placed in wrong accounts.
- ❑ Lack of cooperation between counties that had funds and shelters outside of the county that needed funds.
- ❑ Lack of a centralized collection and distribution system.

As a result, funding available to help victims of domestic violence is less than what it could be and some victims of domestic violence were not able to receive assistance and services.

#### **Funding for domestic violence shelters comes from several sources**

State and federal grants as well as statutory fees on marriage licenses and civil and criminal court cases provide funding for domestic violence shelters. Additionally, funding comes from interest income, local community fund raisers and donations which includes donations associated with a state tax credit program. Domestic violence funding available to shelters during 1998 exceeded \$24 million. Statutory fees collected amounted to about \$1.2 million or 5 percent of the total funds collected. The following chart illustrates domestic violence shelter funding for 1998:

### 1998 Shelter Funding By Source



### There were more than 43,000 victims of domestic violence in 1998

The *1998 Missouri Crime Summary* compiled by the Missouri Highway Patrol reported there were 43,318 incidents of domestic violence reported that year. These numbers appear to be understated because more than 20 percent of the approximately 480 local law enforcement agencies listed in the report did not submit any crime reports during the year. Approximately 10 percent (4,095) of the incidents occurred in a county without a domestic violence shelter. These victims may have received shelter services in neighboring counties or even other states; however, this result cannot be determined.

The state does not compile any statewide statistics on the number of people served by domestic violence shelters. However, the Missouri Coalition Against Domestic Violence (MCADV), a statewide advocacy organization having 49 domestic violence shelters as members, collects and compiles service statistics provided by its members on a voluntary basis. To evaluate the accuracy of this data we obtained service statistics directly from 15 of the 49 shelters that had reported statistics to the MCADV and compared them to the statistics compiled by the MCADV. We determined the MCADV statistics are materially accurate but may slightly understate the number of women and children served because some shelters did not report information to the MCADV each month.

According to the MCADV records, 4,278 women and 4,769 children were provided shelter from domestic violence in 1998. The total number of bed nights provided was 167,021. The MCADV also reported 5,332 women and children were turned away because a shelter was full.

5,332 victims were turned away from shelters

(See Appendix X, page 30, for Missouri Coalition Against Domestic Violence Shelter Statistics by region.)

### Counties and cities can adopt optional fees

Missouri statutes gave counties and cities the option to assess fees to fund shelters for victims of domestic violence. These fees are in addition to a mandatory \$5 fee to be charged by counties for marriage licenses.

| <u>Statute</u> | <u>Description</u>    | <u>Amount</u>  | <u>Applies To</u>                  |
|----------------|-----------------------|----------------|------------------------------------|
| 455.205        | Marriage License Fee  | \$ 5           | Counties and the City of St. Louis |
| 455.205        | Fee on Civil Cases    | 2 <sup>1</sup> | Counties and the City of St. Louis |
| 479.261        | Fee on Criminal Cases | 2              | Counties and Cities                |

### More than 50 percent of the state's counties did not impose optional fees

We determined that 60 of the state's 114 counties did not pass orders imposing any of the optional fees to fund shelters for victims of domestic violence. In response to our survey, county officials cited the following reasons for not implementing optional fees:

Optional fees were not implemented

- ☐ The county did not have any shelters.
- ☐ The county did not pass an ordinance to collect the fees.
- ☐ The local shelter had adequate funding without the optional fees.
- ☐ The County Commission did not believe the shelter located in a nearby county would serve a significant number of county residents.
- ☐ The local court personnel were not aware of the optional fee on criminal cases or the local judge did not support the imposition of the fees on criminal cases.

Because these fees are optional, implementation of them has been sporadic across the state's 114 counties.

- ☐ Ten counties had a shelter located within the county but did not adopt any optional fees.

<sup>1</sup> This \$2 rate became effective August 28, 1999. Previously, the rate was \$10. Until August 28, 2000, the fee only applied to dissolution of marriage cases.

- ❑ Five counties and the city of St. Louis adopted all three optional fees for domestic violence funding.
- ❑ Only 44 counties adopted the optional fees on both marriage licenses and civil court cases. A shelter was located in 26 of these 44 counties.

We also surveyed the 62 largest cities by population in the state to determine which cities had adopted the optional fee authorized under Section 479.261, RSMo. Forty-seven of these 62 cities had passed ordinances authorizing collection of this fee. Officials from the remaining 15 cities cited similar reasons as those noted above by county officials for not implementing the optional fee.

Section 455.205, RSMo does not restrict the adoption of optional fees to counties having a shelter. Section 479.261, RSMo, specifically allows adoption of the optional fee on criminal cases by “any county or municipality whose residents are victims of domestic violence and are admitted to such shelters...”.

Local governments that have not imposed optional fees still have the opportunity to do so. In conjunction with the changes associated with Missouri’s implementation of a statewide court automation system, the optional fee statutes changed effective August 28, 1996 and limited local governments from imposing the fees unless the order or ordinance was effective prior to January 1, 1997. Changes to Section 455.205, RSMo which became effective August 28, 2000 extended this date until January 1, 2001 for two of the optional fees. In addition, since Missouri’s statewide court automation system is still being developed, the office of State Courts Administrator has generally granted waivers allowing local governments to authorize and impose any of the three optional fees outside established statutory limits.

*(See Appendix IV, page 22, for a map of counties by types of fees collected and shelter locations and Appendix VI, page 25, for a list of surveyed cities that are not collecting the criminal case optional fee.)*

### **An additional \$902,000 could be made available if optional fees were adopted**

An estimated \$902,000 would be available each year for domestic violence victims if counties and cities implemented the optional fees. We based our estimate for marriages upon the number of marriages reported by the Department of Health in *Missouri Vital Statistics 1998* occurring in those counties and cities that did not collect the fees. For civil and criminal cases we used statistics reported in the *Missouri Judicial Report* and information supplied by the surveyed cities.

\$902,000 in additional annual funding could be available

*Missouri Vital Statistics 1998* reported 9,200 marriages in counties which had not adopted the optional fee on marriage licenses. According to the *Missouri Judicial Supplement* about 275,000 civil cases are filed statewide each year. About 244,000 of

these cases are filed in counties that have already adopted this fee. In addition, the *Missouri Judicial Report* reported about 500,000 criminal cases handled by state courts each year for which the domestic violence fee would be collected. The six counties and the city of St. Louis that have adopted the optional fee on criminal cases handle about 200,000 of these cases. The city criminal cases related to the 15 cities that did not impose the optional fee. These cities reported approximately 97,000 municipal court cases handled annually. Our estimates are shown in the following table:

| <u>Fee</u>          | <u>No. of<br/>Cases</u> | <u>Fee<br/>Amount</u> | <u>Total<br/>Available</u> |
|---------------------|-------------------------|-----------------------|----------------------------|
| Marriage            | 9,200                   | \$ 5                  | \$ 46,000                  |
| Civil Cases         | 31,000                  | 2                     | 62,000                     |
| Criminal Cases      | 300,000                 | 2                     | 600,000                    |
| City Criminal Cases | <u>97,000</u>           | 2                     | <u>194,000</u>             |
| Total               | <u>437,200</u>          |                       | \$ <u>902,000</u>          |

Funds for domestic violence shelters could be maximized through legislative action.

#### **Additional funds could be made available by better use of tax credits**

Effective January 1, 1998, Section 135.550, RSMo authorized a Domestic Violence Shelter Tax Credit program. The Department of Public Safety (DPS) manages this program and funding is limited to \$2 million in tax credits being available annually. The tax credit program works as follows:

- ❑ Businesses or citizens donate money to the shelter and receive a tax credit. The contributor receives a 50 percent state tax credit for each \$1 contributed to a shelter.
- ❑ Contributions must be at least \$100 and each contributor is limited to receiving \$50,000 in tax credits annually.
- ❑ Shelters wishing to participate in the tax credit program must apply to the DPS. Each approved shelter receives an equal share of the tax credits to be made available. (For example if 40 shelters apply and are approved for the program in a particular year each shelter would be allocated \$50,000 of the \$2 million available tax credits.)
- ❑ If a shelter has issued all available credits in a particular year, the shelter may contact the DPS to obtain additional credits. The DPS will contact shelters that do not appear to be in need of all assigned credits to receive authorization to transfer the unneeded credits.

The tax credit program is designed to generate up to \$4 million in donations to shelters annually. However, our analysis disclosed that this source of funding is not frequently used. The amount of tax credits granted in the last 3 fiscal years is shown in the following table:

| <b><u>Fiscal<br/>Year</u></b> | <b><u>Tax<br/>Credits<br/>Granted</u></b> |
|-------------------------------|---|
| 1998                          | \$ 75,051                                 |
| 1999                          | 369,936                                   |
| 2000                          | <u>295,455</u>                            |
|                               | \$ <u>740,442</u>                         |

Only a few shelters used all assigned credits in a particular year. During the first two and one-half years this tax credit has been in place, less than 15 percent of the available tax credits have been granted. It appears the legislature's intent in creating this tax credit was to generate up to \$4 million in donations to domestic violence shelters annually; however, thus far it has generated much less (approximately \$1.5 million out of a possible \$12 million ).

The Department of Public Safety recently reported that 74 percent of the donors participating in the tax credit program were previous donors. As a result, increased public awareness about the existence of this tax credit program should help establish a consistent donor base.

#### **Authorized fees were not collected or were not allocated properly**

Some county officials did not follow enacted orders to collect optional fees on marriage licenses or dissolutions of marriage, and others collected fees but deposited them in the wrong account. As a result, funds that could have been made available for shelters were not. The following table shows the impact of these errors and is based on an estimate of the number of marriages and the number of dissolutions of marriage that occurred during the time periods when the fees were not collected or placed in the wrong account.

\$31,000  
should have  
been made  
available

| <b><u>County</u></b> | <b><u>Number<br/>Of Years<br/>In Error</u></b> | <b><u>County Action</u></b> | <b><u>Annual<br/>Lost<br/>Revenue</u></b> | <b><u>Total Lost<br/>Revenue</u></b> |
|----------------------|--|-----------------------------|---|--------------------------------------|
| Cass                 | 6  | Did not collect             | \$ 2,500                                  | \$ 15,000                            |
| Saline               | 3  | Did not collect             | 1,000                                     | 3,000                                |
| Mississippi          | 3  | Did not collect             | 500                                       | 1,500                                |
| Texas                | 9  | Deposited in wrong account  | 1,000                                     | 9,000                                |
| Shannon              | 5  | Deposited in wrong account  | 500                                       | <u>2,500</u>                         |
|                      |  |                             |   | \$ <u>31,000</u>                     |

When we presented this information to the county officials, they stated that they would begin collecting the fees and depositing them in the appropriate account.

### **Interest accumulated on idle domestic violence funds should be available for distribution**

Although state statutes do not provide for retaining interest earned on domestic violence special revenue funds, Attorney General Opinion 171-91 issued in 1991 clearly states that if a domestic violence fund earns interest, the interest earnings should remain with the fund. Forty-six counties and the city of St. Louis did not allocate interest to the fund or funds receiving the domestic violence fees. Based upon a 3 percent interest rate and the estimated average balance in the domestic violence funds for these 46 counties, we estimated approximately \$4,000 in interest could have been available for domestic violence funding if these counties had credited the domestic violence funds with interest. We estimated that the domestic violence funds in the city of St. Louis could have received approximately \$12,000 in interest. A city of St. Louis official stated that interest is allocated to special revenue funds only if the originating ordinance requires the allocation to the fund. This language was not included in the city's domestic violence fee ordinance.

\$16,000 in interest should be used for victims

The amount of interest would be minimal for those counties that collect relatively small amounts of domestic violence funds or distribute funds monthly. However, interest should be credited to the domestic violence funds in counties that collect more significant amounts or hold domestic violence funds for quarterly or semi-annual distribution.

### **Domestic violence victims did not receive services**

Our audit tests and responses to questionnaires disclosed that victims did not receive services because funds were not distributed and attempts were not made to send idle funds to areas in the most need for the funds. As a result, victims were turned away at some shelters and may not have received needed services.

\$500,000 was idle and not available for shelter use

### **Domestic violence funds were not distributed**

Domestic violence fees are distributed at the discretion of the boards established by the local governing body or the local governing body itself if a separate board is not established. Shelters may receive funding based on annual requests to the designated board.

Twenty-two counties did not distribute domestic violence fees in 1998 and were holding \$107,221 at December 31, 1998. The city of St. Louis held a balance of \$304,753 as of June 1999. Examples follow:

| <u>County/City</u> | <u>Amount<br/>Not<br/>Distributed</u> | <u>Reason for Not Distributing</u>  |
|--------------------|---------------------------------------|---|
| City of St. Louis  | \$304,753                             | No Reason   |
| Miller             | 34,351                                | No shelter, shelters in other counties did not document that Miller County residents were served, Miller County not represented on boards of shelters in other counties requesting Miller County funds, requests for funds did not meet eligibility requirements. |
| Stoddard           | 18,775                                | Board did not make any funding recommendations  |
| Pemiscot           | 10,557                                | Funding request was not received from shelters  |
| Webster            | 5,022                                 | Holding funds in the event a shelter would be built   |

The funding available exclusive of grants and federal funding in all counties and surveyed cities at December 31, 1998 or city fiscal year end totaled more than \$1.2 million. Of these amounts nearly \$500,000 was being held for undetermined reasons, potential future shelters in the community, or lack of funding requests made by shelters.

*(See Appendices V - VII, pages 23-26, for a summary of domestic violence fund financial activity for counties and cites as well as a summary of counties and cities that did not distribute funds in 1998 or held significant balances at December 31, 1998 when compared to annual revenue.)*

#### **The fee distribution system does not ensure that needs are met**

Because the fees are collected and distributed in a decentralized manner, the money is not being distributed where there is a demand for services. Counties are holding funds with the expectation that a qualified shelter will request them at some future time. Some shelters do not make requests for the funds and some county boards do not make recommendations to provide funds to shelters. Additionally, some counties do not cooperate with shelter officials in other counties to ensure victims are served. The shelter-less county can provide funds to a shelter in another county where that county's victims are probably already being served. However, as in Miller County, parochial interests serve as roadblocks to cooperation. Demands to serve on the board of the shelter in the neighboring county, proof that the shelter served Miller County victims, and lack of shelters within the county do not help meet the intent of the law—to serve domestic violence victims within the state.

The northwest corner of the state does not have any shelters (Atchison, Gentry, Holt, Nodaway and Worth counties). As a result, victims are either not served or must travel to more remote areas for service. Those five counties reported 84 incidents of domestic violence in 1998. At December 31, 1998, four of these five counties held domestic violence fees of \$8,568 and did not make distributions in the last several years. Representatives from the shelter in St. Joseph indicated that shelter serves the area



through an outreach program and will provide transportation to the shelter. There is also a shelter in Iowa that provides services to northwestern Missouri residents.

### **Domestic violence victims are being turned away from shelters**

We contacted shelter officials in the St. Louis, Kansas City and southwestern areas of the state regarding the 5,332 women and children reported by the MCADV as being turned away from shelters due to lack of space. Shelter officials indicated there would be some duplication within the number of individuals turned away since individuals in need of shelter services are referred from one shelter to another until available space is located. However, this duplication in counts emphasizes the problem of providing shelter when needed. How many shelters must a victim go to before finding safety? In the Kansas City area, the area with the highest number of individuals turned away, shelter officials indicated that two of the four existing shelter providers have expanded the number of beds available and the other two are conducting or considering a capital campaign to raise funds for new or expanded space. Funds that are idle in counties that do not use them could be made available for these locations if there was a better fund distribution system.

To improve the allocation of domestic violence fee revenues to shelters serving victims, the General Assembly should consider statutory changes that would centralize the collection and distribution of these fees at one of the state agencies already managing grant or tax credit programs established to benefit domestic violence shelters. With such a change the total fees generated for domestic violence shelters would be easily determined and an equitable means to distribute this money could be developed to help ensure services are available for domestic violence victims when needed.

### **Conclusion**

We concluded that with a few changes in the law, the state could improve service to domestic violence victims. Current weaknesses in the law and in practices in counties and cities have caused victims to be turned away from shelters and created unnecessary burdens on the victims. Funds that remain idle in accounts held by counties and cities do not currently benefit victims of domestic violence and may never do so.

### **Recommendations**

We recommend that the General Assembly:

- 1.1 Authorize centralized collection and distribution of domestic violence fees at one of the state agencies already managing grant or tax credit programs established to benefit domestic violence shelters.
- 1.2 Revise the distribution requirements to ensure idle funds are redistributed to locations that can use them.

- 1.3 Pass legislation requiring that interest revenue on domestic violence funds be retained in the domestic violence fund account.
- 1.4 Provide resources to the Department of Public Safety to develop and implement a public awareness campaign to increase use of the Domestic Violence Tax Credit program.

## **2. Local Governments and Shelters Are Not Consistently Complying with The State's Domestic Violence Funding Laws**

Many county governments do not require shelters to submit annual funding requests or provide an annual report of services provided as required. Some cities included in our survey did not believe these requirements applied to them. We attributed the noncompliance to:

- ❑ Statutory requirements that are detailed and cumbersome for shelters and local government officials to evaluate given the limited domestic violence funding being handled,
- ❑ Statutory requirements that are at times unclear as to whom they apply to and what is expected, and
- ❑ Statutory requirements that have not been updated in the last 20 years based on changes taking place regarding domestic violence funding.

As a result, many counties and cities do not see the need for compliance with many statutory provisions or do not consider the required information to be useful given the lack of clarity in the law.

### **Counties and cities are not consistent in determining shelter eligibility or requiring shelters to apply for funds and provide statistical reports and audit results**

Shelters interested in receiving domestic violence funds must apply to the designated authority established by the governing body of the county or city. All applications must be submitted by October 1 of the year preceding the year funding is desired. Section 455.230, RSMo requires shelters that receive funding from domestic violence fees to also submit annual financial and service statistics reports and the results of an audit of their financial records.

Our survey results indicated 73 counties and the city of St. Louis received funding requests from shelters that properly included the items required under Section 455.215, RSMo. (*See Appendix II, pages 18 -19, for the items required in each funding request.*)

Seventy-one counties and the city of St. Louis indicated that they had determined that the shelters making funding requests met the eligibility requirements of Section 455.220, RSMo. Five counties (Carroll, Linn, Mercer, Ripley and Wright) indicated that the funding request did not meet the requirements and the county had not determined eligibility of the shelter but provided funding anyway. Two counties (Miller and Webster) each holding at least \$5,000 in domestic violence funds indicated the requests complied with the requirements and had determined the requesting shelter to be eligible but did not provide funding. (*See Appendix II, page 19, for shelter eligibility requirements.*)

Of the 44 cities collecting and distributing fees, 18 forwarded these monies to their local county government. Essentially these cities chose the county as their designated authority and relied upon the county to handle the funding requests, eligibility determination and to ensure the

required annual reports were received. Each city retained the right to determine which shelter would receive the city's funds. This method for handling these monies was used primarily by cities in the St. Louis area.

When a city does not designate county officials as the designated authority, it appears the statutory requirements of Section 455.200 to 455.230, RSMo fall upon the city. We noted 24 cities provided direct funding to a shelter. Of those 24 cities, only 9 reported receiving funding requests that met statutory requirements and determined that shelters were eligible for funding.

Only 57 of the 91 counties and 11 of the 24 cities that provided funding directly to shelters in 1998 indicated the required financial, statistical, and audit results were received and in substantial compliance with statutory requirements.

In 1998, 50 counties reported domestic violence fee revenue of less than \$1,000. Currently, there is less than one shelter for every two counties in the state. As a result, most shelters serve victims from several different counties and must apply to several county or city designated boards to receive what in many cases are limited domestic violence fees. In addition, most shelters today apply for and receive state and federal grant funding through programs administered by several state agencies. These programs generally involve application processes to determine eligibility as well as post-expenditure reporting requirements. With mechanisms already in place to evaluate shelter eligibility and for shelters to report program results, having hundreds of county and city designated authorities receive funding requests, determine eligibility and receive program result reports appears to be a redundant process.

A centralized registration and reporting system for shelters requesting domestic violence funds would enable more consistent reporting and better oversight of domestic violence funds. Such a system, that could be established at one of the state agencies currently administering grant or tax credit programs that benefit shelters, could determine which shelters are eligible for funding and receive and compile the required financial and statistical reports. If local governments continue to retain the domestic violence fee monies and receive shelter funding requests, they could access this centralized data to determine a shelter's current eligibility status as well as its compliance status for prior year funding.

*(See Appendices VIII - IX, pages 27-29, for a summary of county and city survey responses)*

### **Statutory requirements could be more clear**

Four cities responded on the survey that they did not believe the statutory requirements of Sections 455.200 to 455.230, RSMo applied to cities. Most of the cities that did not appear to comply with the requirements stated the distribution to the shelter(s) is set forth in the original city ordinance authorizing the fee and they were simply following the ordinance. Therefore, these cities did not feel it was necessary to comply with the administrative requirements; however, 11 cities were in substantial compliance with these requirements.

The law needs to be clarified for cities

As a result, it is not clear whether or not these statutes apply to cities collecting fees under Section 479.261, RSMo.

Section 455.230, RSMo requires annual statistical reporting for shelters receiving domestic violence fee funding. The statute details the specific statistical data required; however, it could be improved if a specific reporting format was mandated and some provisions were added to allow for statewide compilation of this data. The statute requires designated boards providing funding to more than one shelter to compile the reported statistics from shelters; however, the statute does not explain what is to be done with the compiled data.

Two counties (Schuyler and Clark) provided funding to victim advocacy programs in the community rather than a domestic violence shelter. While such use of these monies appears to benefit victims of domestic violence it is not clear from the state statutes whether or not such expenditures are an appropriate usage of these fees.

## **Conclusion**

We concluded that the statutory funding request, eligibility determination and reporting requirements place too much administrative burden upon local governments and shelters and in some cases the statutory requirements are not clear.

## **Recommendations**

We recommend that the General Assembly:

- 2.1 Revise Sections 455.200 to 455.230, RSMo to reduce the administrative burden placed upon political subdivisions and shelters for victims of domestic violence. The General Assembly could establish a centralized shelter registration and data collection process at one of the state agencies already administering a grant or tax credit program benefiting shelters for victims of domestic violence. The same agency could also handle the centralized collection and distribution of the domestic violence fees.
- 2.2 Clarify the applicability of the funding request, eligibility and reporting requirements of Sections 455.200 to 455.230, RSMo to cities collecting fees under Section 479.261, RSMo; explain what local governments are to do with the compiled shelter reporting information which is required to be compiled under Section 455.230, RSMo; and specify if advocacy or other domestic violence services not provided by domestic violence shelters are allowable usage of domestic violence fee funding under state law.

### **OBJECTIVE, SCOPE AND METHODOLOGY**

#### **Objective**

To determine if domestic violence funds collected through fees and grants are properly used to provide shelter for victims. Also, to determine if domestic violence victims have access to shelters commensurate with the funding collected to provide shelter for them.

#### **Scope and Methodology**

We mailed questionnaires to the state's 114 counties, the city of St. Louis, and the state's other 62 largest cities by population to determine if they implemented the optional fees available for funding domestic violence shelters. The questionnaire asked these entities to:

- ☐ Identify which of the optional fees they had implemented.
- ☐ Provide calendar year 1998 financial data for the special revenue fund(s) where these fees were placed.
- ☐ Provide information on compliance with various domestic violence funding statutory requirements.
- ☐ Report which domestic violence shelters received funding in 1998.

We used calendar year 1998 as the baseline for our survey because this was the most current full year where the optional fees did not change. In addition, the statistical data published by the Department of Health that we used for some of our analytical procedures was not available until August 1999. A response providing at least some of the requested information was received or obtained from each county and most cities. The cities of Blue Springs, Farmington, Jennings and O'Fallon were the only cities that did not provide the majority of the requested data.

We asked the counties or cities to explain why they did not implement the optional fees if they had not implemented them. We also requested the cities that had not adopted the optional fee allowed for criminal court cases under Section 479.261, RSMo to report the number of cases handled in the city's municipal court in 1998.

We performed analytical procedures to gain some assurance that the financial data and the responses to the other survey questions were reasonable. We made additional inquiries to many county and city officials and sought additional clarification to the survey responses as deemed appropriate. We did not generally visit the political subdivisions or review supporting documentation of the revenues, expenditures, or balances of the special revenue fund used to

manage this funding. We did not visit any shelters for victims of domestic violence or perform any detailed review of shelter financial documentation or documentation supporting service statistics.

We obtained statistics of the number of persons served by domestic violence shelters during 1998 from 15 shelters and also summary statistical data from the MCADV, an advocacy organization having the majority of domestic violence shelters in Missouri as members. We also obtained statistics on court activity from the *Missouri Judicial Report* prepared by the office of State Courts Administrator and numbers of domestic violence incidents from the *Missouri Crime Summary* prepared by the Missouri State Highway Patrol. We obtained statistics on the number of marriages and dissolutions of marriage from *Missouri Vital Statistics 1998* published by the Department of Health.

We obtained information on federal and state grant funding provided to domestic violence shelters through the Department of Public Safety, the Department of Social Services - Division of Family Services, the Department of Health and the Missouri Housing Development Corporation as well as tax credit programs managed by the Department of Public Safety and the Department of Economic Development. We evaluated if the state was participating in all applicable federal grant programs that could provide funding to domestic violence shelters. No concerns were noted regarding this issue.

We also reviewed the requirements of Sections 455.200 to 455.230, 479.261 and 451.151, RSMo as they were in place in 1998 and subsequent revisions to these statutes.

The audit was made in accordance with applicable generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate under the circumstances.

### **BACKGROUND**

#### **Timeline for Domestic Violence Shelter Programs**

The need to establish programs to provide assistance to victims of domestic violence in Missouri began to be recognized in the late 1970s. The Missouri Coalition Against Domestic Violence (MCADV), whose member agencies provide services to domestic violence victims, was established in 1980. In 1982, the state legislature enacted Sections 455.200 to 455.230, RSMo that allowed counties and the city of St. Louis to adopt optional fees for the purpose of providing funding to shelters for victims of domestic violence. Section 451.151, RSMo enacted in 1990 established a mandatory \$5 fee on all marriage licenses issued. Section 479.261, RSMo enacted in 1991 allowed counties and cities to access an optional \$1 fee on criminal cases passing through the local court systems. Various state and federal grant programs as well as state tax credit programs which benefit domestic violence shelters have also been established in the last twenty years.

*(See Appendix III, page 21, for a timeline on domestic violence funding.)*

#### **Current Funding**

In 1998, total disbursement of mandatory and optional domestic violence fees collected by all counties and the city of St. Louis was about \$1,070,000. In 1998, surveyed cities disbursed about \$257,000 directly to shelters and \$68,000 to counties for later distribution to shelters. We obtained financial data for 48 of the state's domestic violence shelters. From this data, we estimated annual domestic violence shelter revenues of approximately \$24 million. The domestic violence funding provided by the mandatory and optional domestic violence fees made up approximately 5 percent of this total.

We identified approximately \$15 million in state and federal funding in state fiscal year 1999 that was awarded to domestic violence shelters. Federal and state grant awards appeared to represent approximately 60 percent of annual shelter funding. The other 35 percent of annual shelter funding comes from interest income, local fund raisers, and contributions or donations that would include donations associated with related tax credit programs.

Some of the larger domestic violence shelter providers also operate mental health programs and receive funding from the Department of Mental Health. A few shelters also offer transitional housing programs or job training programs. We excluded, when possible, these programs from the total estimated shelter revenue noted above.



## **Number of Domestic Violence Shelters in the State**

According to the MCADV, there were 12 member residential service (shelters, safe houses, and motel placement) providers in 1980, 22 in 1990 and 50 at January 1, 2000. Most but not all shelters receiving domestic violence funding are members of the coalition.

## **Statutes**

Our audit examined local government compliance with the following state statutes as they existed in 1998. Section 455.205, RSMo was revised in 1999 and that change reduced the \$10 fee on dissolutions of marriage to \$2. It appears the legislature intended to expand the optional fee to all civil cases in the courts; however, some necessary language was not changed. Effective August 28, 2000 statutory changes became effective correcting the wording error that expanded the applicability of this fee to all civil cases. Section 479.261, RSMo was also revised in 1999 and changed the \$1 optional fee on criminal cases to \$2. Both revisions allowed local governments that had not already passed the optional fee an opportunity to do so before January 1, 2000. The recent revision to Section 455.205, RSMo extended the period for adoption of those optional fees until any date prior to January 1, 2001.

The following section summarizes domestic violence statutes as they were in place during 1998:

Section 455.205, RSMo provides that the governing body of any county, or of any city not within a county (St. Louis), by order or ordinance to be effective prior to January 1, 1997, may impose a \$5 fee upon the issuance of a marriage license and may impose a \$10 surcharge upon the granting of a decree of dissolution of marriage by a circuit court under the provisions of section 452.305, RSMo.

Section 455.210, RSMo provides that the governing body of the city or county shall designate in the order or ordinance imposing the fees, as provided in Section 455.205, RSMo an appropriate board, commission, agency or other body of the county, or city, as the authority to administer the allocation and distribution of the funds to shelters for victims of domestic violence in the manner provided in Sections 455.200 to 455.230, RSMo. The members of the designated authority may be reimbursed from the special fund for moneys actually and necessarily expended in the performance of their duties under the provisions of Sections 455.200 to 455.230, RSMo, but not more than five percent of the fees collected pursuant to Section 455.205, RSMo may be used for such purposes.

Section 455.215, RSMo provides that a shelter for victims of domestic violence may apply to the designated authority for funds to be used for the funding of the shelter. All applications shall be submitted by October 1 of the year preceding the calendar year for which the funding is desired, and shall include all of the following:

1. Evidence that the shelter is incorporated in this state as a nonprofit corporation;
2. A list of the directors of the corporation, and a list of the trustees of the shelter if different;
3. The proposed budget of the shelter for the following calendar year;

4. A summary of the services proposed to be offered in the following calendar year;
5. An estimate of the number of persons to be served during the following calendar year.

Upon receipt of an application for funds from a shelter that meets the criteria set forth in Section 455.220, RSMo the designated authority, on or before the November 15 of the year in which the application is filed, shall notify the shelter, in writing, whether it is eligible to receive funds, and if the shelter is eligible, specify the amount available for that shelter from the fees collected pursuant to section 455.205, RSMo. Funds allocated to shelters shall be paid to the shelters twice annually, on January 1 and July 1 of the year following the year in which the application is filed.

Section 455.220, RSMo provides that to qualify for funds allocated and distributed pursuant to Section 455.215, RSMo a shelter shall meet all of the following requirements:

1. Be incorporated in the state as a nonprofit corporation;
2. Have trustees who represent the racial, ethnic and socioeconomic diversity of the community to be served, at least one of whom must possess personal experience in confronting or mitigating the problems of domestic violence;
3. Receive at least 25 percent of its funds from sources other than funds distributed pursuant to section 455.215, RSMo. These other sources may be public or private and may include contributions of goods or services, including materials, commodities, transportation, office space or other types of facilities or personal services;
4. Provide residential service or facilities for children when accompanied by a parent, guardian, or custodian who is a victim of domestic violence and who is receiving temporary residential service at the shelter;
5. Require persons employed by or volunteering services to the shelter to maintain the confidentiality of any information that would identify individuals served by the shelter.

Section 455.225, RSMo provides if a designated authority receives applications from more than one qualified shelter for victims of domestic violence and the requests for the funds exceed the amount of funds available, funds shall be allocated on the basis of the following priorities:

1. To shelters in existence on August 13, 1982;
2. To shelters offering or proposing to offer the broadest range of services and referrals to the community served, including medical, psychological, financial, educational, vocational, child care services and legal services;
3. To other facilities offering or proposing to offer services specifically to victims of physical domestic violence;
4. To other qualified shelters.

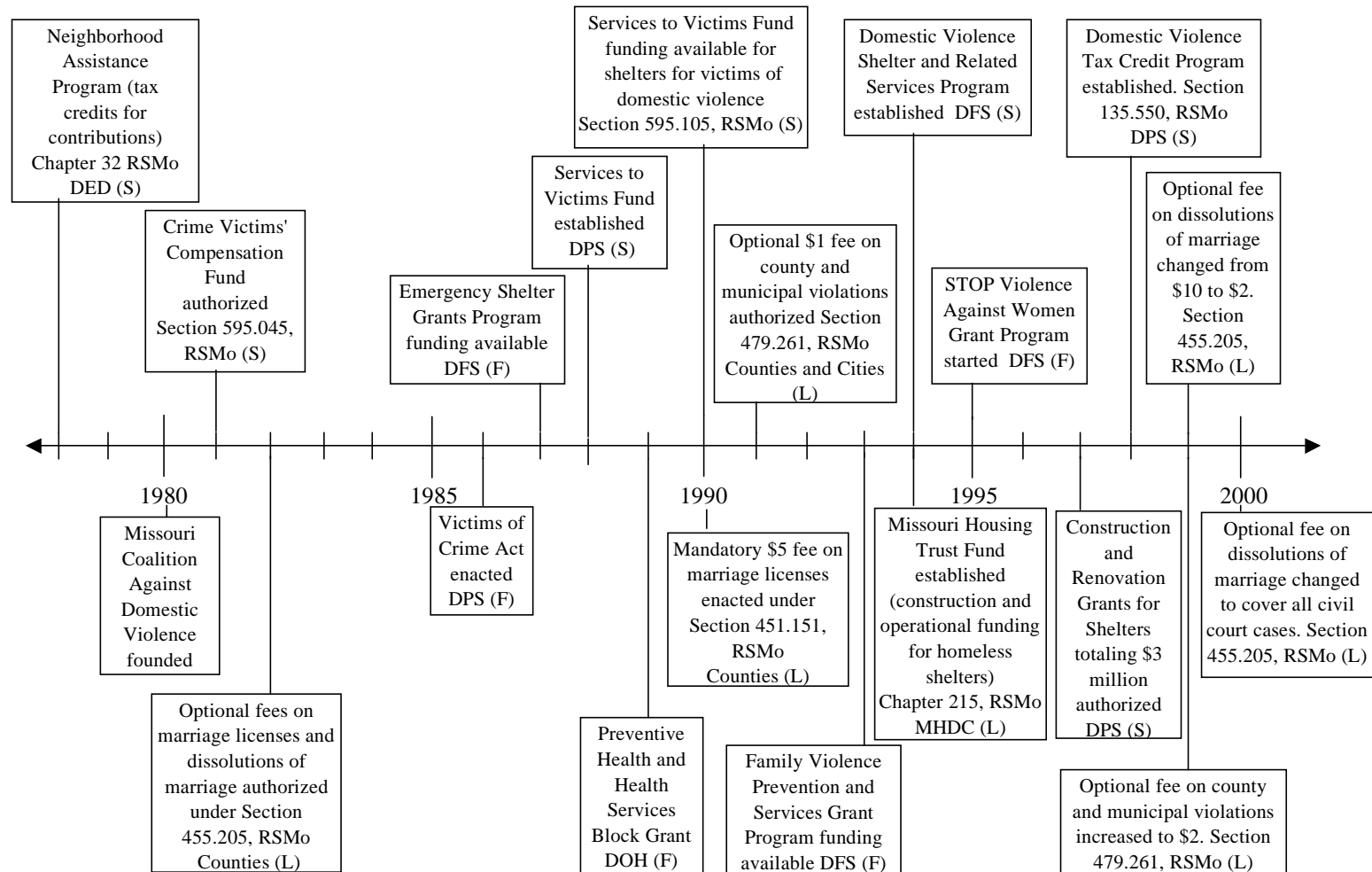
Section 455.230, RSMo provides that a shelter for victims of domestic violence that receives funds pursuant to Sections 455.200 to 455.230, RSMo shall file an annual report with the designated authority of the county, or of the city not within a county, in which it is located, on or

before March 31 of the year following the year in which funds were received. The annual report shall include statistics on the number of persons served by the shelter, the relationship of the victim of domestic violence to the abuser, the number of referrals made for medical, psychological, financial, educational, vocational, child care services or legal services, and shall include the results of an independent audit. No information contained in the report shall identify any person served by the shelter or enable any person to determine the identity of any such person. The designated authority shall compile the reports filed if received from more than one shelter.

Section 451.151, RSMo provides that in addition to any other fee for the issuance of a marriage license there is hereby imposed a fee of \$20 to be paid by the person applying for such license. Such fee shall be collected by the recorder of deeds at the time the marriage license is issued and \$5 of this fee shall be paid to the county treasurer and deposited in a special trust fund to be expended only to provide financial assistance to shelters for victims of domestic violence, established pursuant to Sections 455.200 to 455.230, RSMo.

Section 479.261, RSMo provides that in addition to all other court costs for county or municipal ordinance violations, any county or any city having a shelter for victims of domestic violence established pursuant to Sections 455.200 to 455.230, RSMo, or any municipality within a county which has such shelter, or any county or municipality whose residents are victims of domestic violence and are admitted to such shelters may, by order or ordinance to be effective prior to January 1, 1997, provide for an additional surcharge in the amount of \$1 per case for each criminal case including county or municipal ordinance violation cases filed before a municipal division judge or associate circuit judge. The county or city shall use such moneys only for the purpose of providing operating expenses for shelters for battered persons as defined in Sections 455.200 to 455.230, RSMo.

**TIMELINE OF DOMESTIC VIOLENCE FUNDING**



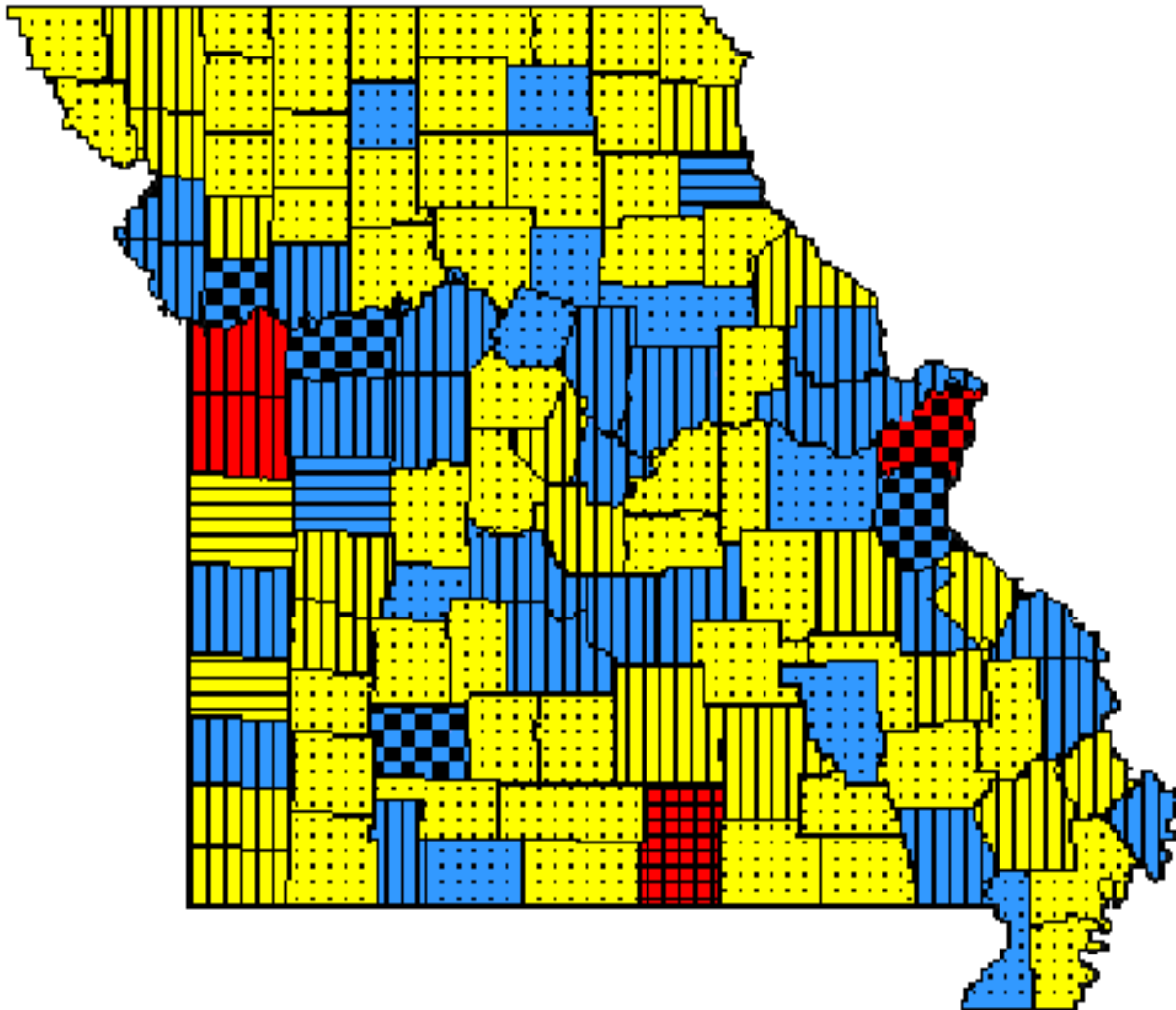
**Funding**

- (F) Federal
- (S) State
- (L) Local

**Departments**

- (DED) Department of Economic Development
- (DFS) Department of Social Services - Division of Family Services
- (DPS) Department of Public Safety
- (DOH) Department of Health
- (MHDC) Missouri Housing Development Commission

**SHELTER LOCATIONS AND OPTIONAL FEES BY COUNTY (12/31/98)**



Shelter Status

- No shelter in county
- One shelter in county
- Multiple shelters in county

Optional Fees Collected

- None
- Civil case
- Civil and criminal case
- Civil case and marriage
- All three

Each county is represented by a shelter and an optional fees collected description.

APPENDIX V

DOMESTIC VIOLENCE FUND FINANCIAL ACTIVITY - COUNTIES  
YEAR ENDED DECEMBER 31, 1998

| County/City of St. Louis | Beginning<br>Balance | Domestic<br>Violence Fee<br>Revenue | Interest<br>& Other | Disbursements | Ending<br>Balance |
|--------------------------|----------------------|-------------------------------------|---------------------|---------------|-------------------|
| Adair                    | \$ 1,197             | 1,140                               | 106                 | 0             | 2,443             |
| Andrew                   | 0                    | 2,260                               | 0                   | 2,260         | 0                 |
| Atchison                 | 3,493                | 382                                 | 175                 | 0             | 4,050             |
| Audrain                  | 1,146                | 1,110                               | 34                  | 1,146         | 1,144             |
| Barry                    | 680                  | 1,170                               | 20                  | 1,074         | 796               |
| Barton                   | 0                    | 1,239                               | 0                   | 1,239         | 0                 |
| Bates                    | 105                  | 1,295                               | 0                   | 1,400         | 0                 |
| Benton                   | 328                  | 595                                 | 105                 | 704           | 324               |
| Bollinger                | 3,396                | 370                                 | 346                 | 0             | 4,112             |
| Boone                    | 697                  | 16,670                              | 306                 | 16,913        | 760               |
| Buchanan                 | 6,623                | 12,670                              | 175                 | 12,441        | 7,027             |
| Butler                   | 5,270                | 9,360                               | 4,084               | 13,777        | 4,937             |
| Caldwell                 | 540                  | 295                                 | 0                   | 565           | 270               |
| Callaway                 | 826                  | 3,687                               | 0                   | 3,760         | 753               |
| Camden                   | 1,792                | 5,616                               | 58                  | 4,216         | 3,250             |
| Cape Girardeau           | 21,550               | 8,251                               | 0                   | 22,021        | 7,780             |
| Carroll                  | 3,287                | 390                                 | 81                  | 1,500         | 2,258             |
| Carter                   | 177                  | 190                                 | 4                   | 178           | 193               |
| Cass                     | 3,594                | 7,525                               | 157                 | 7,012         | 4,264             |
| Cedar                    | 400                  | 1,510                               | 0                   | 1,420         | 490               |
| Chariton                 | 2,257                | 320                                 | 118                 | 0             | 2,695             |
| Christian                | 0                    | 2,295                               | 0                   | 2,295         | 0                 |
| Clark                    | 916                  | 420                                 | 0                   | 1,056         | 280               |
| Clay                     | 27,486               | 32,708                              | 949                 | 35,473        | 25,670            |
| Clinton                  | 0                    | 2,270                               | 9                   | 2,279         | 0                 |
| Cole                     | 0                    | 11,960                              | 120                 | 12,080        | 0                 |
| Cooper                   | 1,183                | 685                                 | 65                  | 1,687         | 246               |
| Crawford                 | 7,076                | 852                                 | 365                 | 4,000         | 4,293             |
| Dade                     | 35                   | 235                                 | 0                   | 0             | 270               |
| Dallas                   | 35                   | 585                                 | 0                   | 435           | 185               |
| Daviess                  | 173                  | 355                                 | 13                  | 0             | 541               |
| Dekalb                   | 0                    | 566                                 | 0                   | 566           | 0                 |
| Dent                     | 5,280                | 700                                 | 0                   | 0             | 5,980             |
| Douglas                  | 621                  | 580                                 | 18                  | 1,100         | 119               |
| Dunklin                  | 2,570                | 1,275                               | 0                   | 2,400         | 1,445             |
| Franklin                 | 6,233                | 3,925                               | 248                 | 4,690         | 5,716             |
| Gasconade                | 2,326                | 550                                 | 64                  | 1,000         | 1,940             |
| Gentry                   | 1,490                | 255                                 | 0                   | 0             | 1,745             |
| Greene                   | 46,838               | 49,894                              | 2,157               | 42,000        | 56,889            |
| Grundy                   | 1,194                | 475                                 | 19                  | 1,229         | 459               |
| Harrison                 | 0                    | 465                                 | 0                   | 465           | 0                 |
| Henry                    | 150                  | 2,445                               | 15,838              | 18,243        | 190               |
| Hickory                  | 248                  | 274                                 | 0                   | 250           | 272               |
| Holt                     | 1,710                | 165                                 | 0                   | 0             | 1,875             |
| Howard                   | 915                  | 310                                 | 52                  | 400           | 877               |
| Howell (1)               | 1,567                | 6,529                               | 0                   | 8,096         | 0                 |
| Iron                     | 1,158                | 550                                 | 34                  | 1,200         | 542               |
| Jackson                  | 57,762               | 91,412                              | 530                 | 97,381        | 52,323            |
| Jasper                   | 8,006                | 18,669                              | 197                 | 19,274        | 7,598             |
| Jefferson (1)            | 6,495                | 36,349                              | 0                   | 33,795        | 9,049             |
| Johnson                  | 741                  | 5,950                               | 18,337              | 24,235        | 793               |
| Knox                     | 1,260                | 115                                 | 63                  | 0             | 1,438             |
| Laclede                  | 6,061                | 6,160                               | 12,135              | 21,184        | 3,172             |
| Lafayette                | 14,506               | 6,355                               | 4,648               | 18,775        | 6,734             |
| Lawrence                 | 0                    | 1,221                               | 0                   | 1,221         | 0                 |
| Lewis                    | 2,490                | 1,150                               | 0                   | 1,500         | 2,140             |
| Lincoln                  | 6,254                | 5,137                               | 215                 | 5,000         | 6,606             |
| Linn                     | 1,000                | 420                                 | 0                   | 970           | 450               |
| Livingston               | 2,013                | 615                                 | 78                  | 0             | 2,706             |
| Macon                    | 1,024                | 585                                 | 72                  | 0             | 1,681             |

**APPENDIX V**

**DOMESTIC VIOLENCE FUND FINANCIAL ACTIVITY - COUNTIES (cont.)**  
**YEAR ENDED DECEMBER 31, 1998**

| County/City of St. Louis | Beginning<br>Balance | Domestic<br>Violence Fee<br>Revenue | Interest<br>& Other | Disbursements | Ending<br>Balance |
|--------------------------|----------------------|-------------------------------------|---------------------|---------------|-------------------|
| Madison                  | 5,893                | 2,400                               | 168                 | 2,338         | 6,123             |
| Maries                   | 686                  | 300                                 | 36                  | 0             | 1,022             |
| Marion                   | 1,328                | 3,150                               | 16                  | 4,493         | 1                 |
| McDonald                 | 1,050                | 2,420                               | 0                   | 2,410         | 1,060             |
| Mercer                   | 20                   | 195                                 | 0                   | 200           | 15                |
| Miller                   | 29,521               | 2,778                               | 2,052               | 0             | 34,351            |
| Mississippi              | 185                  | 1,750                               | 0                   | 1,705         | 230               |
| Moniteau                 | 1,325                | 1,650                               | 48                  | 1,607         | 1,416             |
| Monroe                   | 971                  | 380                                 | 44                  | 386           | 1,009             |
| Montgomery               | 3,508                | 355                                 | 80                  | 0             | 3,943             |
| Morgan                   | 350                  | 750                                 | 38                  | 515           | 623               |
| New Madrid               | 0                    | 710                                 | 0                   | 710           | 0                 |
| Newton                   | 3,630                | 7,527                               | 0                   | 7,237         | 3,920             |
| Nodaway                  | 210                  | 2,830                               | 0                   | 3,040         | 0                 |
| Oregon                   | 355                  | 420                                 | 0                   | 355           | 420               |
| Osage                    | 1,430                | 400                                 | 0                   | 1,800         | 30                |
| Ozark                    | 215                  | 355                                 | 0                   | 570           | 0                 |
| Pemiscot                 | 9,151                | 885                                 | 521                 | 0             | 10,557            |
| Perry (1)                | 0                    | 2,915                               | 0                   | 2,915         | 0                 |
| Pettis                   | 9,482                | 6,185                               | 448                 | 7,259         | 8,856             |
| Phelps                   | 2,036                | 6,270                               | 154                 | 6,460         | 2,000             |
| Pike                     | 1,955                | 2,130                               | 0                   | 1,500         | 2,585             |
| Platte                   | 6,065                | 8,540                               | 601                 | 8,758         | 6,448             |
| Polk                     | 680                  | 1,030                               | 0                   | 1,560         | 150               |
| Pulaski (1)              | 9,478                | 7,808                               | 10,141              | 17,805        | 9,622             |
| Putnam                   | 57                   | 275                                 | 7                   | 0             | 339               |
| Ralls                    | 245                  | 440                                 | 5                   | 417           | 273               |
| Randolph                 | 1,237                | 1,252                               | 0                   | 1,799         | 690               |
| Ray                      | 3,447                | 2,720                               | 166                 | 3,072         | 3,261             |
| Reynolds                 | 20                   | 195                                 | 0                   | 200           | 15                |
| Ripley                   | 0                    | 645                                 | 16                  | 661           | 0                 |
| St. Charles (1)          | 42,079               | 48,773                              | 1,706               | 54,800        | 37,758            |
| St. Clair                | 510                  | 1,175                               | 0                   | 1,130         | 555               |
| St. Francois             | 4,993                | 9,688                               | 141                 | 9,317         | 5,505             |
| St. Louis (1)            | 265,729              | 262,025                             | 19,283              | 233,204       | 313,833           |
| Ste. Genevieve           | 1,072                | 2,265                               | 45                  | 2,121         | 1,261             |
| Saline                   | 1,687                | 2,215                               | 125                 | 3,869         | 158               |
| Schuyler                 |                      | 135                                 | 0                   | 135           | 0                 |
| Scotland                 | 135                  | 240                                 | 0                   | 275           | 100               |
| Scott                    | 3,745                | 6,550                               | 214                 | 5,011         | 5,498             |
| Shannon                  | 120                  | 660                                 | 0                   | 0             | 780               |
| Shelby                   | 1,791                | 207                                 | 0                   | 0             | 1,998             |
| Stoddard                 | 13,087               | 5,069                               | 619                 | 0             | 18,775            |
| Stone                    | 2,867                | 2,745                               | 0                   | 5,492         | 120               |
| Sullivan                 | 335                  | 340                                 | 0                   | 665           | 10                |
| Taney (1)                | 4,237                | 3,618                               | 0                   | 5,273         | 2,582             |
| Texas                    | 16,418               | 2,430                               | 983                 | 3,050         | 16,781            |
| Vernon                   | 0                    | 2,790                               | 27                  | 2,817         | 0                 |
| Warren                   | 0                    | 2,630                               | 24                  | 2,654         | 0                 |
| Washington               | 998                  | 3,176                               | 964                 | 3,515         | 1,623             |
| Wayne                    | 385                  | 700                                 | 26                  | 1,000         | 111               |
| Webster                  | 3,672                | 1,109                               | 241                 | 0             | 5,022             |
| Worth                    | 786                  | 100                                 | 12                  | 0             | 898               |
| Wright                   | 854                  | 805                                 | 82                  | 205           | 1,536             |
| City of St. Louis (2)    | 343,514              | 161,239                             | 0                   | 200,000       | 304,753           |
| Total                    | \$ 1,077,718         | 961,850                             | 101,028             | 1,070,210     | 1,070,386         |

(1) Revenues include monies collected by one or more cities within this county. The total revenues generated by cities included in the above financial activity is \$127,359 of that \$113,621 was received by St. Louis County.

(2) For the city's fiscal year ended June 30, 1999

APPENDIX VI

**DOMESTIC VIOLENCE FUND FINANCIAL ACTIVITY - CITIES  
FOR FISCAL YEARS ENDED IN LATE 1998 OR EARLY 1999**

| City                        | Beginning<br>Balance | Fee<br>Revenue | Interest<br>& Other | Disbursements | Ending<br>Balance |
|-----------------------------|----------------------|----------------|---------------------|---------------|-------------------|
| Arnold (1)                  | \$ 523               | 5,114          | 0                   | 4,886         | 751               |
| Bellefontaine Neighbors (1) | 306                  | 3,300          | 0                   | 3,606         | 0                 |
| Belton                      | 632                  | 4,679          | 0                   | 4,967         | 344               |
| Berkeley (1)                | 0                    | 4,840          | 0                   | 4,840         | 0                 |
| Bridgeton (1)               | 0                    | 3,524          | 0                   | 3,524         | 0                 |
| Cape Girardeau              | 421                  | 6,537          | 0                   | 6,140         | 818               |
| Carthage                    | 0                    | 1,477          | 0                   | 1,477         | 0                 |
| Chesterfield (1)            | 0                    | 5,419          | 0                   | 5,419         | 0                 |
| Clayton (1)                 | 245                  | 2,810          | 0                   | 2,761         | 294               |
| Crestwood (1)               | 0                    | 1,436          | 0                   | 1,436         | 0                 |
| Creve Coeur                 | 2,143                | 5,039          | 0                   | 4,735         | 2,447             |
| Excelsior Springs           | 0                    | 2,736          | 0                   | 2,736         | 0                 |
| Ferguson (1)                | 0                    | 6,040          | 0                   | 6,040         | 0                 |
| Florissant (1)              | 0                    | 5,950          | 0                   | 5,950         | 0                 |
| Gladstone                   | 3,075                | 5,949          | 0                   | 5,679         | 3,345             |
| Grandview                   | 6,810                | 7,353          | 0                   | 0             | 14,163            |
| Hannibal                    | 193                  | 2,912          | 0                   | 2,849         | 256               |
| Hazelwood                   | 1,313                | 2,245          | 0                   | 2,502         | 1,056             |
| Independence                | 6,134                | 22,305         | 0                   | 23,586        | 4,853             |
| Jackson                     | 0                    | 894            | 0                   | 894           | 0                 |
| Jefferson City              | 453                  | 4,851          | 0                   | 4,797         | 507               |
| Joplin                      | 0                    | 13,834         | 0                   | 13,834        | 0                 |
| Kansas City                 | 37,238               | 176,359        | 0                   | 105,000       | 108,597           |
| Kirkwood (1)                | 59                   | 4,472          | 0                   | 4,472         | 59                |
| Lebanon                     | 296                  | 2,527          | 0                   | 2,400         | 423               |
| Lee's Summit                | 9,842                | 13,069         | 0                   | 0             | 22,911            |
| Liberty                     | 2                    | 3,954          | 0                   | 3,605         | 351               |
| Marshall                    | 96                   | 1,106          | 0                   | 1,106         | 96                |
| Maryland Heights (1)        | 0                    | 9,586          | 0                   | 9,586         | 0                 |
| Mexico                      | 846                  | 1,245          | 14                  | 846           | 1,259             |
| Moberly                     | 93                   | 1,207          | 0                   | 941           | 359               |
| Popular Bluff               | 0                    | 3,737          | 0                   | 3,737         | 0                 |
| Raytown                     | 0                    | 11,007         | 0                   | 11,007        | 0                 |
| Richmond Heights (1)        | 0                    | 2,267          | 0                   | 2,267         | 0                 |
| Rolla                       | 0                    | 2,271          | 0                   | 2,271         | 0                 |
| St. Ann (1)                 | 0                    | 5,872          | 0                   | 5,872         | 0                 |
| Sedalia                     | 152                  | 3,270          | 0                   | 3,156         | 266               |
| Springfield                 | 3,721                | 43,858         | 0                   | 44,118        | 3,461             |
| University City             | 1,020                | 6,288          | 0                   | 0             | 7,308             |
| Warrensburg                 | 0                    | 2,919          | 0                   | 2,919         | 0                 |
| Webster Groves (1)          | 417                  | 4,586          | 0                   | 4,441         | 562               |
| West Plains                 | 0                    | 1,760          | 0                   | 1,595         | 165               |
| Wildwood (1)                | 0                    | 3,538          | 0                   | 3,538         | 0                 |
| Totals                      | \$ 76,030            | 424,142        | 14                  | 325,535       | 174,651           |

(1) City disburses monies to the county in which it is located. Amounts are also included in revenues of the county on Appendix V.

Surveyed Cities Not Collecting The Optional Fee

|            |                  |
|------------|------------------|
| Ballwin    | St. Charles      |
| Columbia   | St. Joseph       |
| Fulton     | St. Peters       |
| Kennett    | Sikeston         |
| Kirksville | Town and Country |
| Maryville  | Warrenton        |
| Nixa       | Washington       |
| Overland   |                  |

Surveyed Cities Not Providing Financial Data  
Which Are Collecting The Optional Fee

Blue Springs  
Farmington  
Jennings  
O'Fallon



## APPENDIX VII

### COUNTIES AND CITIES HOLDING DOMESTIC VIOLENCE MONIES YEAR ENDED DECEMBER 31, 1998 OR NEAREST FISCAL YEAR END

| County  | Reported<br>Fee<br>Revenue | Expenditures | Fund<br>Balance   | Estimated Years<br>of Revenue<br>Held | Balance<br>Distributed<br>In Next Year |
|---|----------------------------|--------------|-------------------|---------------------------------------|--|
| Miller  | \$ 2,778                   | 0            | 34,351            | 12                                    | Partially                              |
| Stoddard  | 5,069                      | 0            | 18,775            | 4                                     |  |
| Pemiscot  | 885                        | 0            | 10,557            | 12                                    |  |
| Dent  | 700                        | 0            | 5,980             | 9                                     |  |
| Webster   | 1,109                      | 0            | 5,022             | 5                                     | Yes                                    |
| Bollinger                                       | 370                        | 0            | 4,112             | 11                                    |  |
| Atchison  | 382                        | 0            | 4,050             | 11                                    |  |
| Montgomery                                      | 355                        | 0            | 3,943             | 11                                    |  |
| Livingston                                      | 615                        | 0            | 2,706             | 4                                     | Yes                                    |
| Chariton  | 320                        | 0            | 2,695             | 8                                     |  |
| Adair   | 1,140                      | 0            | 2,443             | 2                                     |  |
| Shelby  | 207                        | 0            | 1,998             | 10                                    |  |
| Holt  | 165                        | 0            | 1,875             | 11                                    | Yes                                    |
| Gentry  | 255                        | 0            | 1,745             | 7                                     |  |
| Macon   | 585                        | 0            | 1,681             | 3                                     |  |
| Knox  | 115                        | 0            | 1,438             | 13                                    |  |
| Maries  | 300                        | 0            | 1,022             | 3                                     | Yes                                    |
| Worth   | 100                        | 0            | 898               | 9                                     |  |
| Shannon   | 660                        | 0            | 780               | 1                                     |  |
| Daviess   | 355                        | 0            | 541               | 2                                     |  |
| Putnam  | 275                        | 0            | 339               | 1                                     | Yes                                    |
| Dade  | 235                        | 0            | 270               | 1                                     |  |
| County Total                                    |                            |              | <u>107,221</u>    |                                       |  |
| <u>City</u>                                     |                            |              |                   |                                       |  |
| Lee's Summit                                    | 13,069                     | 0            | 22,911            | 2                                     | Yes                                    |
| Grandview                                       | 7,353                      | 0            | 14,163            | 2                                     | Yes                                    |
| University City                                 | 6,288                      | 0            | 7,308             | 1                                     | Yes                                    |
| City Total                                      |                            |              | <u>44,382</u>     |                                       |  |
| <u>County or City Partially Holding Funding</u> |                            |              |                   |                                       |  |
| City of St. Louis                               | 161,239                    | 200,000      | 304,753           | 2                                     |  |
| Texas   | 2,430                      | 3,050        | 16,781            | 7                                     |  |
| Madison   | 2,400                      | 2,338        | 6,123             | 3                                     |  |
| Crawford  | 852                        | 4,000        | 4,293             | 5                                     |  |
| Carroll   | 390                        | 1,500        | 2,258             | 6                                     |  |
| Lewis   | 1,150                      | 1,500        | 2,140             | 2                                     |  |
| Gasconade                                       | 550                        | 1,000        | 1,940             | 4                                     |  |
| Wright  | 805                        | 205          | 1,536             | 2                                     |  |
| Monroe  | 380                        | 386          | 1,009             | 3                                     |  |
| Howard  | 310                        | 400          | 877               | 3                                     |  |
| Partial Hold Total                              |                            |              | <u>341,710</u>    |                                       |  |
| Grand Total                                     |                            |              | <u>\$ 493,313</u> |                                       |  |

APPENDIX VIII

SUMMARY OF SURVEY RESPONSES - COUNTIES

| County         | Shelter Funding<br>Request Met<br>Statutory<br>Requirements | Shelter Met<br>Eligibility<br>Requirements | Shelter Submitted<br>Annual Report<br>by Deadline | Statistics<br>Reported<br>Complied with<br>Requirements | Shelter Submitted<br>Audit Results |
|----------------|---|--|---|---|------------------------------------|
| Adair          | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Andrew         | Y   | Y  | Y   | Y   | Y                                  |
| Atchison       | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Audrain        | Y   | Y  | Y   | N   | N                                  |
| Barry          | Y   | Y  | Y   | Y   | Y                                  |
| Barton         | Y   | Y  | Y   | Y   | Y                                  |
| Bates          | Y   | Y  | N   | N   | N                                  |
| Benton         | N   | Y  | N   | N   | N                                  |
| Bollinger      | NOA   | NOA  | N/A   | N/A   | N/A                                |
| Boone          | Y   | Y  | Y   | Y   | Y                                  |
| Buchanan       | Y   | Y  | N   | N   | N                                  |
| Butler         | Y   | Y  | Y   | Y   | N                                  |
| Caldwell       | NOA   | NOA  | NOA   | NOA   | NOA                                |
| Callaway       | Y   | Y  | N   | N   | N                                  |
| Camden         | Y   | Y  | Y   | N   | N                                  |
| Cape Girardeau | Y   | Y  | Y   | Y   | Y                                  |
| Carroll        | N   | U  | Y   | N   | N                                  |
| Carter         | Y   | Y  | Y   | Y   | N                                  |
| Cass           | Y   | Y  | Y   | Y   | Y                                  |
| Cedar          | Y   | Y  | N   | Y   | Y                                  |
| Chariton       | N   | U  | N/A   | N/A   | N/A                                |
| Christian      | NOA   | NOA  | N   | N   | N                                  |
| Clark          | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Clay           | Y   | Y  | Y   | Y   | Y                                  |
| Clinton        | NOA   | NOA  | N   | N   | N                                  |
| Cole           | N   | Y  | N   | N   | N                                  |
| Cooper         | Y   | Y  | Y   | Y   | N                                  |
| Crawford       | NOA   | NOA  | Y   | Y   | Y                                  |
| Dade           | Y   | Y  | N/A   | N/A   | N/A                                |
| Dallas         | Y   | Y  | Y   | Y   | N                                  |
| Daviess        | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Dekalb         | NOA   | NOA  | N   | N   | Y                                  |
| Dent           | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Douglas        | NOA   | NOA  | NOA   | NOA   | NOA                                |
| Dunklin        | Y   | Y  | Y   | Y   | Y                                  |
| Franklin       | Y   | Y  | Y   | Y   | Y                                  |
| Gasconade      | Y   | Y  | N   | Y   | Y                                  |
| Gentry         | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Greene         | Y   | Y  | Y   | Y   | Y                                  |
| Grundy         | Y   | U  | Y   | Y   | Y                                  |
| Harrison       | Y   | Y  | N   | NOA   | NOA                                |
| Henry          | Y   | Y  | Y   | Y   | Y                                  |
| Hickory        | Y   | Y  | N   | N   | N                                  |
| Holt           | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Howard         | Y   | Y  | Y   | Y   | Y                                  |
| Howell         | Y   | U  | N   | N   | N                                  |
| Iron           | Y   | Y  | Y   | N   | N                                  |
| Jackson        | Y   | U  | Y   | N   | N                                  |
| Jasper         | Y   | Y  | Y   | Y   | Y                                  |
| Jefferson      | Y   | Y  | Y   | Y   | Y                                  |
| Johnson        | NOA   | NOA  | N   | N   | N                                  |
| Knox           | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Laclede        | Y   | Y  | Y   | Y   | N                                  |
| Lafayette      | Y   | Y  | Y   | Y   | Y                                  |
| Lawrence       | Y   | U  | N   | Y   | Y                                  |
| Lewis          | Y   | Y  | Y   | Y   | Y                                  |
| Lincoln        | NOA   | NOA  | Y   | Y   | Y                                  |

APPENDIX VIII

SUMMARY OF SURVEY RESPONSES - COUNTIES (cont.)

| County                    | Shelter Funding<br>Request Met<br>Statutory<br>Requirements | Shelter Met<br>Eligibility<br>Requirements | Shelter Submitted<br>Annual Report<br>by Deadline | Statistics<br>Reported<br>Complied with<br>Requirements | Shelter Submitted<br>Audit Results |
|---------------------------|---|--|---|---|------------------------------------|
| Linn                      | N   | U  | N   | N   | N                                  |
| Livingston                | Y   | U  | N/A   | N/A   | N/A                                |
| Macon                     | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Madison                   | Y   | Y  | N   | N   | Y                                  |
| Maries                    | Y   | Y  | N/A   | N/A   | N/A                                |
| Marion                    | Y   | Y  | Y   | Y   | Y                                  |
| McDonald                  | NOA   | NOA  | NOA   | Y   | Y                                  |
| Mercer                    | N   | U  | N   | N   | N                                  |
| Miller                    | Y   | Y  | N/A   | N/A   | N/A                                |
| Mississippi               | Y   | Y  | Y   | Y   | Y                                  |
| Moniteau                  | NOA   | NOA  | NOA   | NOA   | NOA                                |
| Monroe                    | Y   | Y  | Y   | Y   | N                                  |
| Montgomery                | N   | U  | N/A   | N/A   | N/A                                |
| Morgan                    | Y   | Y  | Y   | N   | N                                  |
| New Madrid                | NOA   | NOA  | N   | N   | N                                  |
| Newton                    | Y   | Y  | Y   | Y   | Y                                  |
| Nodaway                   | N   | Y  | N   | Y   | Y                                  |
| Oregon                    | Y   | U  | Y   | N   | N                                  |
| Osage                     | NOA   | NOA  | N   | N   | N                                  |
| Ozark                     | Y   | Y  | Y   | N   | N                                  |
| Pemiscot                  | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Perry                     | Y   | Y  | Y   | N   | Y                                  |
| Pettis                    | Y   | Y  | Y   | Y   | Y                                  |
| Phelps                    | Y   | Y  | Y   | Y   | Y                                  |
| Pike                      | Y   | Y  | Y   | Y   | N                                  |
| Platte                    | Y   | Y  | Y   | Y   | Y                                  |
| Polk                      | Y   | Y  | Y   | Y   | N                                  |
| Pulaski                   | Y   | Y  | Y   | Y   | Y                                  |
| Putnam                    | Y   | U  | N/A   | N/A   | N/A                                |
| Ralls                     | Y   | Y  | Y   | Y   | N                                  |
| Randolph                  | Y   | Y  | Y   | Y   | N                                  |
| Ray                       | Y   | Y  | Y   | Y   | Y                                  |
| Reynolds                  | Y   | Y  | N   | Y   | Y                                  |
| Ripley                    | N   | U  | N   | N   | N                                  |
| St. Charles               | Y   | Y  | Y   | Y   | Y                                  |
| St. Clair                 | Y   | Y  | Y   | Y   | Y                                  |
| St. Francois              | Y   | Y  | Y   | Y   | Y                                  |
| St. Louis                 | Y   | Y  | Y   | Y   | Y                                  |
| Ste. Genevieve            | Y   | Y  | Y   | Y   | Y                                  |
| Saline                    | N   | Y  | N   | N   | N                                  |
| Schuyler                  | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Scotland                  | NOA   | NOA  | N   | N   | N                                  |
| Scott                     | Y   | Y  | Y   | Y   | Y                                  |
| Shannon                   | N   | Y  | N/A   | N/A   | N/A                                |
| Shelby                    | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Stoddard                  | NOA   | NOA  | N/A   | N/A   | N/A                                |
| Stone                     | Y   | Y  | Y   | Y   | Y                                  |
| Sullivan                  | Y   | Y  | Y   | Y   | Y                                  |
| Taney                     | Y   | Y  | Y   | Y   | Y                                  |
| Texas                     | Y   | Y  | NOA   | NOA   | NOA                                |
| Vernon                    | Y   | Y  | Y   | Y   | Y                                  |
| Warren                    | NOA   | NOA  | NOA   | Y   | Y                                  |
| Washington                | Y   | Y  | Y   | Y   | Y                                  |
| Wayne                     | Y   | Y  | Y   | Y   | Y                                  |
| Webster                   | Y   | Y  | N/A   | N/A   | N/A                                |
| Worth                     | N/A   | N/A  | N/A   | N/A   | N/A                                |
| Wright                    | N   | U  | N   | N   | N                                  |
| City of St. Louis         | Y   | Y  | N   | Y   | NOA                                |
| <b>Summary of Results</b> |   |  |   |   |                                    |
| Yes (Y)                   | 74  | 72   | 58  | 57  | 49                                 |
| No (N)                    | 12  | 0  | 27  | 29  | 36                                 |
| No Answer (NOA)           | 16  | 16   | 6   | 5   | 6                                  |
| Unknown (U)               | 0   | 14   | 0   | 0   | 0                                  |
| Not Applicable (N/A)      | 13  | 13   | 24  | 24  | 24                                 |
|                           | 115   | 115  | 115   | 115   | 115                                |

## APPENDIX IX

### SUMMARY OF SURVEY RESPONSES - CITIES

| City                      | Shelter Funding<br>Request Met<br>Statutory<br>Requirements | Shelter Met<br>Eligibility<br>Requirements | Shelter Submitted<br>Annual Report<br>by Deadline | Statistics<br>Reported<br>Complied with<br>Requirements | Shelter Submitted<br>Audit Results |
|---------------------------|---|--|---|---|------------------------------------|
| Belton                    | N   | U  | N   | N   | N                                  |
| Cape Girardeau (1)        | N   | Y  | N   | N   | N                                  |
| Carthage                  | NOA   | NOA  | NOA   | NOA   | NOA                                |
| Creve Coeur               | Y   | Y  | Y   | Y   | Y                                  |
| Excelsior Springs         | N   | U  | NOA   | NOA   | NOA                                |
| Gladstone                 | Y   | Y  | Y   | Y   | Y                                  |
| Hannibal                  | N   | Y  | Y   | Y   | Y                                  |
| Hazelwood                 | N   | Y  | Y   | Y   | Y                                  |
| Independence              | NOA   | NOA  | NOA   | NOA   | NOA                                |
| Jackson (1)               | N   | Y  | N   | N   | N                                  |
| Jefferson City (1)        | N   | Y  | Y   | Y   | Y                                  |
| Joplin                    | Y   | Y  | N   | N   | N                                  |
| Kansas City               | Y   | Y  | Y   | Y   | Y                                  |
| Lebanon                   | N   | Y  | N   | N   | N                                  |
| Liberty                   | N   | U  | N   | N   | N                                  |
| Marshall                  | Y   | Y  | N   | Y   | Y                                  |
| Mexico                    | Y   | Y  | Y   | Y   | N                                  |
| Moberly                   | Y   | Y  | Y   | Y   | N                                  |
| Popular Bluff             | NOA   | NOA  | NOA   | NOA   | NOA                                |
| Raytown                   | Y   | Y  | Y   | Y   | Y                                  |
| Rolla                     | Y   | Y  | Y   | Y   | Y                                  |
| Sedalia (1)               | NOA   | Y  | N   | N   | N                                  |
| Springfield               | NOA   | NOA  | NOA   | NOA   | NOA                                |
| Warrensburg               | NOA   | NOA  | NOA   | NOA   | NOA                                |
| <b>Summary of Results</b> |   |  |   |   |                                    |
| Yes (Y)                   | 9   | 16   | 10  | 11  | 9                                  |
| No (N)                    | 9   | 0  | 8   | 7   | 9                                  |
| No Answer (NOA)           | 6   | 5  | 6   | 6   | 6                                  |
| Unknown (U)               | 0   | 3  | 0   | 0   | 0                                  |
|                           | 24  | 24   | 24  | 24  | 24                                 |

(1) City officials also responded that the compliance requirements under Sections 455.200 - 455.230, RSMo did not apply to cities.

| <u>Cities Using County as Designated Authority</u> | <u>Cities Not Imposing Fee</u> | <u>Cities Failing To Distribute In 1998</u> |
|--|--------------------------------|---|
| Arnold   | Ballwin                        | Grandview                                   |
| Bellefontaine Neighbors                            | Columbia                       | Lee's Summit                                |
| Berkeley   | Fulton                         | University City                             |
| Bridgeton  | Kennet                         |   |
| Chesterfield                                       | Kirksville                     |   |
| Clayton  | Maryville                      | <u>Cities Not Responding To Survey</u>      |
| Crestwood  | Nixa                           | Blue Springs                                |
| Ferguson   | Overland                       | Farmington                                  |
| Florissant   | St. Charles                    | Jennings                                    |
| Jennings   | St. Joseph                     | O'Fallon                                    |
| Kirkwood   | St. Peters                     |   |
| Maryland Heights                                   | Sikeston                       |   |
| O'Fallon   | Town & Country                 |   |
| Richmond Heights                                   | Warrenton                      |   |
| St. Ann  | Washington                     |   |

## APPENDIX X

### MISSOURI COALITION AGAINST DOMESTIC VIOLENCE

#### SHELTER STATISTICS

YEAR ENDED DECEMBER 31, 1998

| Region      | Women<br>Sheltered | Children<br>Sheltered | Total<br>Bednights | People<br>Turned<br>Away |
|-------------|--------------------|-----------------------|--------------------|--------------------------|
| Kansas City | 1,087              | 1,109                 | 41,191             | 3,283                    |
| St. Louis   | 781                | 1,101                 | 36,818             | 1,363                    |
| Southwest   | 823                | 852                   | 33,173             | 392                      |
| Central     | 700                | 717                   | 24,082             | 172                      |
| Northwest   | 453                | 498                   | 15,102             | 87                       |
| Southeast   | 353                | 412                   | 14,745             | 35                       |
| Northeast   | 81                 | 80                    | 1,910              | 0                        |
| Totals      | 4,278              | 4,769                 | 167,021            | 5,332                    |



POLK COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-96  
September 21, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Polk, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Polk County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Bids were not always solicited for various purchases made by the county during the audit period, such as used trucks for \$41,550 and grader blades for \$17,041. State law requires bids for all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days.
- The county maintains gasoline and diesel fuel tanks at the county road and bridge barn for use in vehicles and equipment of the road and bridge and sheriff's departments. Fuel usage logs are maintained and county officials indicated they are periodically reviewed to account for fuel used; however, documentation of those comparisons were not maintained.
- The Health Center's purchase of a house and lot and its intended use was not thoroughly documented and no independent appraisal of the property was obtained.

The audit suggested controls be established by the County Clerk to periodically reconcile changes made to the tax books. Also, included in the audit are recommendations to improve the accounting controls and procedures for the Senate Bill 40 Board, Prosecuting Attorney, Assessor, Sheriff, Associate Division, and Juvenile Division of the Thirtieth Judicial Circuit. Several of these issues had been noted similarly in prior audits.

**Copies of the audit are available upon request.**

SHEET  
MOTLEY  
YELLOW

POLK COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Polk County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Polk County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Polk County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Polk County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Polk County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

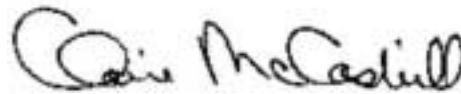


1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 28, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Polk County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Donna Christian, CPA  |
| In-Charge Auditor:  | Sharon Hill           |
| Audit Staff:        | Ted Fugitt, CPA       |
|                     | Jody Vernon, CPA      |
|                     | Curtis Gannon         |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Polk County, Missouri

We have audited the special-purpose financial statements of various funds of Polk County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

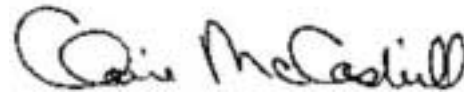
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Polk County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Polk County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Polk County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 28, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A

POLK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 619,008         | 911,767   | 706,544       | 824,231              |
| Special Road and Bridge             | 57,789             | 1,829,777 | 1,851,276     | 36,290               |
| Assessment                          | 0                  | 148,878   | 148,814       | 64                   |
| Law Enforcement Training            | 5,036              | 10,238    | 7,368         | 7,906                |
| Prosecuting Attorney Training       | 4,412              | 1,723     | 0             | 6,135                |
| Law Enforcement Sales Tax           | 552,848            | 1,197,669 | 1,168,524     | 581,993              |
| Capital Improvement Sales Tax       | 261,143            | 1,023,700 | 831,846       | 452,997              |
| Emergency 911                       | 14,034             | 197,014   | 210,659       | 389                  |
| Child Support Enforcement           | 0                  | 91,193    | 85,281        | 5,912                |
| Prosecuting Attorney Bad Check      | 30,870             | 10,579    | 17,980        | 23,469               |
| Recorder User Fee                   | 4,729              | 13,340    | 8,979         | 9,090                |
| Prosecuting Attorney Delinquent Tax | 7,184              | 381       | 2,846         | 4,719                |
| Sheriff Civil Fees                  | 36,314             | 26,235    | 36,000        | 26,549               |
| Police Officers Standard Training   | 2,698              | 3,621     | 2,698         | 3,621                |
| Special Trust                       | 150                | 1,007     | 0             | 1,157                |
| Moore Cemetery Trust                | 4,104              | 1,343     | 2,100         | 3,347                |
| Recycling Project                   | 0                  | 64,522    | 37,493        | 27,029               |
| Local Emergency Planning Committee  | 7,320              | 4,250     | 3,518         | 8,052                |
| Juvenile Detention Center           | 3,720              | 59,923    | 44,887        | 18,756               |
| Veterans Memorial                   | 2,118              | 0         | 0             | 2,118                |
| Road Grant                          | 339,463            | 0         | 339,463       | 0                    |
| School Based Partnership Grant      | 0                  | 104,430   | 104,430       | 0                    |
| Health Center                       | 19,519             | 477,015   | 458,475       | 38,059               |
| Senate Bill 40 Board                | 62,421             | 32,983    | 27,556        | 67,848               |
| Sheriff Special Operations          | 4,728              | 0         | 0             | 4,728                |
| Law Library                         | 9,131              | 11,095    | 13,723        | 6,503                |
| Circuit Clerk Interest              | 1,230              | 1,979     | 2,204         | 1,005                |
| Associate Circuit Division Interest | 5,618              | 982       | 0             | 6,600                |
| Total                               | \$ 2,055,587       | 6,225,644 | 6,112,664     | 2,168,567            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

POLK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 427,067         | 845,606   | 653,665       | 619,008              |
| Special Road and Bridge             | 129,922            | 2,077,684 | 2,149,817     | 57,789               |
| Assessment                          | 36                 | 147,733   | 147,769       | 0                    |
| Law Enforcement Training            | 4,367              | 9,489     | 8,820         | 5,036                |
| Prosecuting Attorney Training       | 2,556              | 2,215     | 359           | 4,412                |
| Law Enforcement Sales Tax           | 520,195            | 1,129,094 | 1,096,441     | 552,848              |
| Capital Improvement Sales Tax       | 245,970            | 920,191   | 905,018       | 261,143              |
| Emergency 911                       | 25,693             | 193,980   | 205,639       | 14,034               |
| Child Support Enforcement           | 0                  | 84,674    | 84,674        | 0                    |
| Prosecuting Attorney Bad Check      | 23,533             | 20,416    | 13,079        | 30,870               |
| Recorder User Fee                   | 1,097              | 13,523    | 9,891         | 4,729                |
| Prosecuting Attorney Delinquent Tax | 6,477              | 707       | 0             | 7,184                |
| Sheriff Civil Fees                  | 10,541             | 26,346    | 573           | 36,314               |
| Police Officers Standard Training   | 0                  | 2,698     | 0             | 2,698                |
| Special Trust                       | 680                | 1,030     | 1,560         | 150                  |
| Moore Cemetery Trust                | 3,305              | 799       | 0             | 4,104                |
| Recycling Project                   | 0                  | 7,490     | 7,490         | 0                    |
| Local Emergency Planning Committee  | 7,012              | 4,032     | 3,724         | 7,320                |
| Juvenile Detention Center           | 10,939             | 57,818    | 65,037        | 3,720                |
| Veterans Memorial                   | 0                  | 2,118     | 0             | 2,118                |
| Road Grant                          | 0                  | 339,463   | 0             | 339,463              |
| Health Center                       | 33,727             | 459,715   | 473,923       | 19,519               |
| Senate Bill 40 Board                | 89,096             | 30,122    | 56,797        | 62,421               |
| Sheriff Special Operations          | 5,208              | 0         | 480           | 4,728                |
| Law Library                         | 2,542              | 12,448    | 5,859         | 9,131                |
| Circuit Clerk Interest              | 1,467              | 1,164     | 1,401         | 1,230                |
| Associate Circuit Division Interest | 4,542              | 1,076     | 0             | 5,618                |
| Total                               | \$ 1,555,972       | 6,391,631 | 5,892,016     | 2,055,587            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

POLK COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |         |  |          |         |  |
| Property taxes                      | \$ 441,958              | 481,228 | 39,270                                 | 399,345  | 439,274 | 39,929                                 |
| Intergovernmental                   | 24,984                  | 27,733  | 2,749                                  | 29,580   | 24,185  | (5,395)                                |
| Charges for services                | 263,700                 | 263,448 | (252)                                  | 240,200  | 261,303 | 21,103                                 |
| Interest                            | 45,000                  | 61,212  | 16,212                                 | 31,000   | 54,664  | 23,664                                 |
| Other                               | 64,083                  | 78,146  | 14,063                                 | 59,619   | 66,180  | 6,561                                  |
| Transfers in                        | 0                       | 0       | 0                                      | 10,500   | 0       | (10,500)                               |
| Total Receipts                      | 839,725                 | 911,767 | 72,042                                 | 770,244  | 845,606 | 75,362                                 |
| <b>DISBURSEMENTS</b>                |                         |         |  |          |         |  |
| County Commission                   | 98,012                  | 96,904  | 1,108                                  | 69,980   | 69,662  | 318                                    |
| County Clerk                        | 74,056                  | 71,480  | 2,576                                  | 59,735   | 58,236  | 1,499                                  |
| Elections                           | 62,168                  | 30,253  | 31,915                                 | 100,497  | 89,902  | 10,595                                 |
| Buildings and grounds               | 63,337                  | 62,909  | 428                                    | 162,950  | 88,892  | 74,058                                 |
| Employee fringe benefits            | 27,040                  | 27,265  | (225)                                  | 25,827   | 21,724  | 4,103                                  |
| County Treasurer                    | 51,999                  | 50,251  | 1,748                                  | 36,863   | 33,910  | 2,953                                  |
| County Collector                    | 93,513                  | 86,307  | 7,206                                  | 85,914   | 77,873  | 8,041                                  |
| Ex Officio Recorder of Deeds        | 88,448                  | 81,685  | 6,763                                  | 68,269   | 56,728  | 11,541                                 |
| Associate Circuit Court             | 17,450                  | 13,561  | 3,889                                  | 14,800   | 9,068   | 5,732                                  |
| Associate Circuit (Probate)         | 11,006                  | 5,686   | 5,320                                  | 11,006   | 6,373   | 4,633                                  |
| Public Administrator                | 22,963                  | 29,133  | (6,170)                                | 25,589   | 25,349  | 240                                    |
| Court Reporter                      | 5,249                   | 4,950   | 299                                    | 3,835    | 3,554   | 281                                    |
| Other                               | 98,621                  | 93,671  | 4,950                                  | 76,261   | 73,953  | 2,308                                  |
| Transfers out                       | 33,253                  | 52,489  | (19,236)                               | 45,498   | 38,441  | 7,057                                  |
| Emergency Fund                      | 34,338                  | 0       | 34,338                                 | 23,108   | 0       | 23,108                                 |
| Total Disbursements                 | 781,453                 | 706,544 | 74,909                                 | 810,132  | 653,665 | 156,467                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 58,272                  | 205,223 | 146,951                                | (39,888) | 191,941 | 231,829                                |
| CASH, JANUARY 1                     | 619,008                 | 619,008 | 0                                      | 427,067  | 427,067 | 0                                      |
| CASH, DECEMBER 31                   | \$ 677,280              | 824,231 | 146,951                                | 387,179  | 619,008 | 231,829                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

POLK COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

| Year Ended December 31,               |            |           |  |           |           |  |
|---------------------------------------|------------|-----------|--|-----------|-----------|--|
|                                       | 1999       |           |  | 1998      |           |  |
|                                       | Budget     | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |            |           |  |           |           |  |
| Property taxes                        | \$ 178,690 | 238,962   | 60,272                                 | 170,432   | 209,373   | 38,941                                 |
| Intergovernmental                     | 1,326,644  | 842,211   | (484,433)                              | 1,028,100 | 1,089,829 | 61,729                                 |
| Charges for services                  | 1,020      | 1,020     | 0                                      | 1,020     | 1,020     | 0                                      |
| Interest                              | 9,500      | 7,992     | (1,508)                                | 10,500    | 9,782     | (718)                                  |
| Other                                 | 5,795      | 3,412     | (2,383)                                | 3,200     | 17,680    | 14,480                                 |
| Transfers in                          | 969,403    | 736,180   | (233,223)                              | 940,000   | 750,000   | (190,000)                              |
| Total Receipts                        | 2,491,052  | 1,829,777 | (661,275)                              | 2,153,252 | 2,077,684 | (75,568)                               |
| DISBURSEMENTS                         |            |           |  |           |           |  |
| Salaries                              | 430,000    | 401,540   | 28,460                                 | 390,000   | 378,155   | 11,845                                 |
| Employee fringe benefits              | 88,395     | 82,171    | 6,224                                  | 79,835    | 74,900    | 4,935                                  |
| Supplies                              | 119,800    | 107,559   | 12,241                                 | 115,300   | 107,886   | 7,414                                  |
| Insurance                             | 18,950     | 21,019    | (2,069)                                | 20,300    | 18,836    | 1,464                                  |
| Road and bridge materials             | 770,000    | 615,870   | 154,130                                | 824,500   | 872,040   | (47,540)                               |
| Equipment repairs                     | 80,000     | 120,319   | (40,319)                               | 90,000    | 87,892    | 2,108                                  |
| Equipment purchases                   | 171,000    | 297,931   | (126,931)                              | 160,000   | 153,225   | 6,775                                  |
| Construction, repair, and maintenance | 612,200    | 32,850    | 579,350                                | 342,000   | 283,976   | 58,024                                 |
| Other                                 | 50,200     | 10,156    | 40,044                                 | 41,200    | 1,071     | 40,129                                 |
| Distributions to road districts       | 145,000    | 147,479   | (2,479)                                | 144,000   | 146,011   | (2,011)                                |
| Reimbursement to state                | 43,146     | 14,382    | 28,764                                 | 0         | 25,825    | (25,825)                               |
| Total Disbursements                   | 2,528,691  | 1,851,276 | 677,415                                | 2,207,135 | 2,149,817 | 57,318                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (37,639)   | (21,499)  | 16,140                                 | (53,883)  | (72,133)  | (18,250)                               |
| CASH, JANUARY 1                       | 57,789     | 57,789    | 0                                      | 129,922   | 129,922   | 0                                      |
| CASH, DECEMBER 31                     | \$ 20,150  | 36,290    | 16,140                                 | 76,039    | 57,789    | (18,250)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit D

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         | 1998                                   |         |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Intergovernmental                   | \$ 134,074 | 134,165 | 91                                     | 150,740 | 127,347 | (23,393)                               |
| Interest                            | 1,000      | 1,185   | 185                                    | 1,850   | 1,069   | (781)                                  |
| Other                               | 4,200      | 3,428   | (772)                                  | 3,350   | 3,308   | (42)                                   |
| Transfers in                        | 28,286     | 10,100  | (18,186)                               | 7,048   | 16,009  | 8,961                                  |
| Total Receipts                      | 167,560    | 148,878 | (18,682)                               | 162,988 | 147,733 | (15,255)                               |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Assessor                            | 167,560    | 148,814 | 18,746                                 | 162,988 | 147,769 | 15,219                                 |
| Total Disbursements                 | 167,560    | 148,814 | 18,746                                 | 162,988 | 147,769 | 15,219                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 64      | 64                                     | 0       | (36)    | (36)                                   |
| CASH, JANUARY 1                     | 0          | 0       | 0                                      | 36      | 36      | 0                                      |
| CASH, DECEMBER 31                   | \$ 0       | 64      | 64                                     | 36      | 0       | (36)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Charges for services                | \$ 8,000 | 6,882  | (1,118)                                | 7,000  | 8,874  | 1,874                                  |
| Interest                            | 250      | 448    | 198                                    | 200    | 315    | 115                                    |
| Other                               | 150      | 210    | 60                                     | 0      | 300    | 300                                    |
| Transfers in                        | 5,198    | 2,698  | (2,500)                                | 0      | 0      | 0                                      |
| Total Receipts                      | 13,598   | 10,238 | (3,360)                                | 7,200  | 9,489  | 2,289                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Sheriff                             | 9,500    | 7,368  | 2,132                                  | 8,000  | 8,820  | (820)                                  |
| Total Disbursements                 | 9,500    | 7,368  | 2,132                                  | 8,000  | 8,820  | (820)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 4,098    | 2,870  | (1,228)                                | (800)  | 669    | 1,469                                  |
| CASH, JANUARY 1                     | 5,036    | 5,036  | 0                                      | 4,367  | 4,367  | 0                                      |
| CASH, DECEMBER 31                   | \$ 9,134 | 7,906  | (1,228)                                | 3,567  | 5,036  | 1,469                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 2,500                   | 1,723  | (777)                                  | 2,500  | 2,215  | (285)                                  |
| Total Receipts                      |    | 2,500                   | 1,723  | (777)                                  | 2,500  | 2,215  | (285)                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 2,500                   | 0      | 2,500                                  | 2,300  | 359    | 1,941                                  |
| Total Disbursements                 |    | 2,500                   | 0      | 2,500                                  | 2,300  | 359    | 1,941                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | 1,723  | 1,723                                  | 200    | 1,856  | 1,656                                  |
| CASH, JANUARY 1                     |    | 4,412                   | 4,412  | 0                                      | 2,556  | 2,556  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 4,412                   | 6,135  | 1,723                                  | 2,756  | 4,412  | 1,656                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT SALES TAX FUND

| Year Ended December 31,             |            |           |  |           |           |  |
|-------------------------------------|------------|-----------|--|-----------|-----------|--|
| 1999                                |            |           | 1998                                   |           |           |  |
|                                     | Budget     | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |           |  |           |           |  |
| Sales tax                           | \$ 900,000 | 997,908   | 97,908                                 | 844,000   | 900,184   | 56,184                                 |
| Intergovernmental                   | 19,730     | 19,491    | (239)                                  | 19,430    | 54,347    | 34,917                                 |
| Charges for services                | 94,000     | 80,940    | (13,060)                               | 115,000   | 97,551    | (17,449)                               |
| Interest                            | 22,000     | 24,295    | 2,295                                  | 25,000    | 22,866    | (2,134)                                |
| Other                               | 40,000     | 39,035    | (965)                                  | 56,000    | 53,771    | (2,229)                                |
| Transfers in                        | 36,000     | 36,000    | 0                                      | 0         | 375       | 375                                    |
| Total Receipts                      | 1,111,730  | 1,197,669 | 85,939                                 | 1,059,430 | 1,129,094 | 69,664                                 |
| DISBURSEMENTS                       |            |           |  |           |           |  |
| Sheriff                             | 838,731    | 839,739   | (1,008)                                | 807,624   | 772,429   | 35,195                                 |
| Jail                                | 76,000     | 53,783    | 22,217                                 | 72,500    | 54,446    | 18,054                                 |
| Prosecuting Attorney                | 136,723    | 129,590   | 7,133                                  | 136,443   | 120,702   | 15,741                                 |
| Juvenile Officer                    | 49,011     | 38,471    | 10,540                                 | 50,464    | 46,932    | 3,532                                  |
| County Corner                       | 17,006     | 11,244    | 5,762                                  | 19,310    | 11,861    | 7,449                                  |
| Employee fringe benefits            | 57,500     | 72,231    | (14,731)                               | 51,700    | 47,298    | 4,402                                  |
| Emergency Fund                      | 32,137     | 0         | 32,137                                 | 31,648    | 0         | 31,648                                 |
| Reimbursement to state              | 70,397     | 23,466    | 46,931                                 | 0         | 42,773    | (42,773)                               |
| Total Disbursements                 | 1,277,505  | 1,168,524 | 108,981                                | 1,169,689 | 1,096,441 | 73,248                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (165,775)  | 29,145    | 194,920                                | (110,259) | 32,653    | 142,912                                |
| CASH, JANUARY 1                     | 552,848    | 552,848   | 0                                      | 520,195   | 520,195   | 0                                      |
| CASH, DECEMBER 31                   | \$ 387,073 | 581,993   | 194,920                                | 409,936   | 552,848   | 142,912                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT SALES TAX FUND

| Year Ended December 31,             |            |           |  |           |         |  |
|-------------------------------------|------------|-----------|--|-----------|---------|--|
| 1999                                |            |           | 1998                                   |           |         |  |
|                                     | Budget     | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |           |  |           |         |  |
| Sales tax                           | \$ 955,000 | 997,423   | 42,423                                 | 843,000   | 899,749 | 56,749                                 |
| Intergovernmental                   | 0          | 0         | 0                                      | 0         | 1,363   | 1,363                                  |
| Interest                            | 19,000     | 26,277    | 7,277                                  | 18,000    | 19,079  | 1,079                                  |
| Total Receipts                      | 974,000    | 1,023,700 | 49,700                                 | 861,000   | 920,191 | 59,191                                 |
| DISBURSEMENTS                       |            |           |  |           |         |  |
| Distributions to road districts     | 170,000    | 171,846   | (1,846)                                | 145,000   | 155,018 | (10,018)                               |
| Transfers out                       | 900,000    | 660,000   | 240,000                                | 940,000   | 750,000 | 190,000                                |
| Total Disbursements                 | 1,070,000  | 831,846   | 238,154                                | 1,085,000 | 905,018 | 179,982                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (96,000)   | 191,854   | 287,854                                | (224,000) | 15,173  | 239,173                                |
| CASH, JANUARY 1                     | 261,143    | 261,143   | 0                                      | 245,970   | 245,970 | 0                                      |
| CASH, DECEMBER 31                   | \$ 165,143 | 452,997   | 287,854                                | 21,970    | 261,143 | 239,173                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
EMERGENCY 911 FUND

| Year Ended December 31,             |             |          |  |          |          |  |
|-------------------------------------|-------------|----------|--|----------|----------|--|
| 1999                                |             |          | 1998                                   |          |          |  |
|                                     | Budget      | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |             |          |  |          |          |  |
| Charges for services                | \$ 188,500  | 196,031  | 7,531                                  | 184,000  | 192,254  | 8,254                                  |
| Interest                            | 1,500       | 983      | (517)                                  | 1,000    | 1,661    | 661                                    |
| Other                               | 0           | 0        | 0                                      | 0        | 65       | 65                                     |
| Total Receipts                      | 190,000     | 197,014  | 7,014                                  | 185,000  | 193,980  | 8,980                                  |
| DISBURSEMENTS                       |             |          |  |          |          |  |
| Office expenditures                 | 0           | 0        | 0                                      | 693      | 0        | 693                                    |
| Equipment                           | 4,034       | 659      | 3,375                                  | 5,000    | 639      | 4,361                                  |
| Contracted services                 | 210,000     | 210,000  | 0                                      | 205,000  | 205,000  | 0                                      |
| Total Disbursements                 | 214,034     | 210,659  | 3,375                                  | 210,693  | 205,639  | 5,054                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (24,034)    | (13,645) | 10,389                                 | (25,693) | (11,659) | 14,034                                 |
| CASH, JANUARY 1                     | 14,034      | 14,034   | 0                                      | 25,693   | 25,693   | 0                                      |
| CASH, DECEMBER 31                   | \$ (10,000) | 389      | 10,389                                 | 0        | 14,034   | 14,034                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILD SUPPORT ENFORCEMENT FUND

| Year Ended December 31,             |        |        |  |        |        |  |
|-------------------------------------|--------|--------|--|--------|--------|--|
| 1999                                |        |        | 1998                                   |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |        |        |  |
| Intergovernmental                   | 86,915 | 82,392 | (4,523)                                | 77,923 | 69,149 | (8,774)                                |
| Other                               | 7,345  | 6,162  | (1,183)                                | 7,329  | 5,958  | (1,371)                                |
| Transfers in                        | 3,456  | 2,639  | (817)                                  | 4,301  | 9,567  | 5,266                                  |
| Total Receipts                      | 97,716 | 91,193 | (6,523)                                | 89,553 | 84,674 | (4,879)                                |
| DISBURSEMENTS                       |        |        |  |        |        |  |
| Salaries                            | 60,494 | 60,070 | 424                                    | 58,328 | 58,412 | (84)                                   |
| Office expenditures                 | 14,900 | 12,032 | 2,868                                  | 14,900 | 12,885 | 2,015                                  |
| Equipment                           | 3,000  | 2,408  | 592                                    | 2,975  | 2,543  | 432                                    |
| Mileage and training                | 3,350  | 2,093  | 1,257                                  | 3,250  | 2,140  | 1,110                                  |
| Other                               | 9,342  | 8,678  | 664                                    | 9,248  | 8,694  | 554                                    |
| Transfers out                       | 6,630  | 0      | 6,630                                  | 0      | 0      | 0                                      |
| Total Disbursements                 | 97,716 | 85,281 | 12,435                                 | 88,701 | 84,674 | 4,027                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 5,912  | 5,912                                  | 852    | 0      | (852)                                  |
| CASH, JANUARY 1                     | 0      | 0      | 0                                      | 0      | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 0   | 5,912  | 5,912                                  | 852    | 0      | (852)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |         |  |        |        |  |
|-------------------------------------|-----------|---------|--|--------|--------|--|
|                                     | 1999      |         |  | 1998   |        |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |        |        |  |
| Charges for services                | \$ 20,000 | 8,622   | (11,378)                               | 12,000 | 17,344 | 5,344                                  |
| Interest                            | 1,600     | 1,219   | (381)                                  | 1,200  | 1,679  | 479                                    |
| Other                               | 1,392     | 738     | (654)                                  | 500    | 1,393  | 893                                    |
| Total Receipts                      | 22,992    | 10,579  | (12,413)                               | 13,700 | 20,416 | 6,716                                  |
| DISBURSEMENTS                       |           |         |  |        |        |  |
| Prosecuting Attorney                | 20,250    | 17,980  | 2,270                                  | 8,600  | 13,079 | (4,479)                                |
| Total Disbursements                 | 20,250    | 17,980  | 2,270                                  | 8,600  | 13,079 | (4,479)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,742     | (7,401) | (10,143)                               | 5,100  | 7,337  | 2,237                                  |
| CASH, JANUARY 1                     | 30,870    | 30,870  | 0                                      | 23,533 | 23,533 | 0                                      |
| CASH, DECEMBER 31                   | \$ 33,612 | 23,469  | (10,143)                               | 28,633 | 30,870 | 2,237                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit L

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER USER FEE FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Charges for services                | \$ 14,000 | 12,934 | (1,066)                                | 11,500 | 13,418 | 1,918                                  |
| Interest                            | 150       | 406    | 256                                    | 320    | 105    | (215)                                  |
| Total Receipts                      | 14,150    | 13,340 | (810)                                  | 11,820 | 13,523 | 1,703                                  |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Ex Officio Recorder of Deeds        | 18,761    | 8,979  | 9,782                                  | 12,600 | 9,891  | 2,709                                  |
| Total Disbursements                 | 18,761    | 8,979  | 9,782                                  | 12,600 | 9,891  | 2,709                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,611)   | 4,361  | 8,972                                  | (780)  | 3,632  | 4,412                                  |
| CASH, JANUARY 1                     | 4,729     | 4,729  | 0                                      | 1,097  | 1,097  | 0                                      |
| CASH, DECEMBER 31                   | \$ 118    | 9,090  | 8,972                                  | 317    | 4,729  | 4,412                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

|                                     |    | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|----|-------------------------|---------|--|--------|--------|--|
|                                     |    | 1999                    |         |  | 1998   |        |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |  |        |        |  |
| Intergovernmental                   | \$ | 1,000                   | 75      | 925                                    | 1,000  | 328    | 672                                    |
| Interest                            |    | 400                     | 306     | 94                                     | 400    | 379    | 21                                     |
| Total Receipts                      |    | 1,400                   | 381     | 1,019                                  | 1,400  | 707    | 693                                    |
| DISBURSEMENTS                       |    |                         |         |  |        |        |  |
| Prosecuting Attorney                |    | 4,000                   | 2,846   | 1,154                                  | 2,100  | 0      | 2,100                                  |
| Total Disbursements                 |    | 4,000                   | 2,846   | 1,154                                  | 2,100  | 0      | 2,100                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (2,600)                 | (2,465) | (135)                                  | (700)  | 707    | (1,407)                                |
| CASH, JANUARY 1                     |    | 7,184                   | 7,184   | 0                                      | 6,477  | 6,477  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 4,584                   | 4,719   | (135)                                  | 5,777  | 7,184  | (1,407)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FEES FUND

| Year Ended December 31,             |           |         |  |        |        |  |
|-------------------------------------|-----------|---------|--|--------|--------|--|
| 1999                                |           |         | 1998                                   |        |        |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |        |        |  |
| Charges for services                | \$ 26,000 | 25,315  | (685)                                  | 10,500 | 26,346 | 15,846                                 |
| Interest                            | 0         | 920     | 920                                    | 0      | 0      | 0                                      |
| Total Receipts                      | 26,000    | 26,235  | 235                                    | 10,500 | 26,346 | 15,846                                 |
| DISBURSEMENTS                       |           |         |  |        |        |  |
| Equipment                           | 0         | 0       | 0                                      | 0      | 573    | (573)                                  |
| Transfers out                       | 36,000    | 36,000  | 0                                      | 0      | 0      | 0                                      |
| Total Disbursements                 | 36,000    | 36,000  | 0                                      | 0      | 573    | (573)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (10,000)  | (9,765) | 235                                    | 10,500 | 25,773 | 15,273                                 |
| CASH, JANUARY 1                     | 36,314    | 36,314  | 0                                      | 10,541 | 10,541 | 0                                      |
| CASH, DECEMBER 31                   | \$ 26,314 | 26,549  | 235                                    | 21,041 | 36,314 | 15,273                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
POLICE OFFICERS STANDARD TRAINING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 2,500 | 3,621  | 1,121                                  | 750    | 2,698  | 1,948                                  |
| Total Receipts                      | 2,500    | 3,621  | 1,121                                  | 750    | 2,698  | 1,948                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Transfers out                       | 5,198    | 2,698  | 2,500                                  | 750    | 0      | 750                                    |
| Total Disbursements                 | 5,198    | 2,698  | 2,500                                  | 750    | 0      | 750                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,698)  | 923    | 3,621                                  | 0      | 2,698  | 2,698                                  |
| CASH, JANUARY 1                     | 2,698    | 2,698  | 0                                      | 0      | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 3,621  | 3,621                                  | 0      | 2,698  | 2,698                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SPECIAL TRUST FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 1,000                   | 1,007  | 7                                      | 1,000  | 1,030  | 30                                     |
| Total Receipts                      |    | 1,000                   | 1,007  | 7                                      | 1,000  | 1,030  | 30                                     |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Domestic violence shelter           |    | 1,000                   | 0      | 1,000                                  | 1,000  | 1,560  | (560)                                  |
| Total Disbursements                 |    | 1,000                   | 0      | 1,000                                  | 1,000  | 1,560  | (560)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | 1,007  | 1,007                                  | 0      | (530)  | (530)                                  |
| CASH, JANUARY 1                     |    | 150                     | 150    | 0                                      | 680    | 680    | 0                                      |
| CASH, DECEMBER 31                   | \$ | 150                     | 1,157  | 1,007                                  | 680    | 150    | (530)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MOORE CEMETERY TRUST FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Interest                            | \$ | 200                     | 183    | (17)                                   | 100    | 204    | 104                                    |
| Other                               |    | 100                     | 1,160  | 1,060                                  | 0      | 595    | 595                                    |
| Total Receipts                      |    | 300                     | 1,343  | 1,043                                  | 100    | 799    | 699                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Cemetery improvements               |    | 200                     | 2,100  | (1,900)                                | 0      | 0      | 0                                      |
| Total Disbursements                 |    | 200                     | 2,100  | (1,900)                                | 0      | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 100                     | (757)  | (857)                                  | 100    | 799    | 699                                    |
| CASH, JANUARY 1                     |    | 4,104                   | 4,104  | 0                                      | 3,305  | 3,305  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 4,204                   | 3,347  | (857)                                  | 3,405  | 4,104  | 699                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECYCLING PROJECT FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Intergovernmental                   | \$ 37,822 | 40,772 | 2,950                                  | 0      | 0      | 0                                      |
| Transfers in                        | 39,333    | 23,750 | (15,583)                               | 28,090 | 7,490  | (20,600)                               |
| Total Receipts                      | 77,155    | 64,522 | (12,633)                               | 28,090 | 7,490  | (20,600)                               |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Contract labor                      | 12,000    | 12,000 | 0                                      | 3,000  | 3,000  | 0                                      |
| Office supplies                     | 700       | 131    | 569                                    | 300    | 0      | 300                                    |
| Equipment                           | 25,750    | 24,970 | 780                                    | 23,950 | 4,200  | 19,750                                 |
| Mileage                             | 383       | 392    | (9)                                    | 340    | 290    | 50                                     |
| Other                               | 500       | 0      | 500                                    | 500    | 0      | 500                                    |
| Total Disbursements                 | 39,333    | 37,493 | 1,840                                  | 28,090 | 7,490  | 20,600                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 37,822    | 27,029 | (10,793)                               | 0      | 0      | 0                                      |
| CASH, JANUARY 1                     | 0         | 0      | 0                                      | 0      | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 37,822 | 27,029 | (10,793)                               | 0      | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL EMERGENCY PLANNING COMMITTEE FUND

| Year Ended December 31,             |          |        |  |         |        |  |
|-------------------------------------|----------|--------|--|---------|--------|--|
| 1999                                |          |        | 1998                                   |         |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |         |        |  |
| Intergovernmental                   | \$ 3,300 | 4,189  | 889                                    | 4,100   | 4,032  | (68)                                   |
| Other                               | 0        | 61     | 61                                     | 0       | 0      | 0                                      |
| Total Receipts                      | 3,300    | 4,250  | 950                                    | 4,100   | 4,032  | (68)                                   |
| DISBURSEMENTS                       |          |        |  |         |        |  |
| Office expenditures                 | 900      | 573    | 327                                    | 1,150   | 1,567  | (417)                                  |
| Equipment                           | 1,725    | 1,698  | 27                                     | 960     | 676    | 284                                    |
| Mileage and training                | 3,650    | 1,241  | 2,409                                  | 1,675   | 1,311  | 364                                    |
| Other                               | 200      | 6      | 194                                    | 2,879   | 170    | 2,709                                  |
| Total Disbursements                 | 6,475    | 3,518  | 2,957                                  | 6,664   | 3,724  | 2,940                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,175)  | 732    | 3,907                                  | (2,564) | 308    | 2,872                                  |
| CASH, JANUARY 1                     | 7,320    | 7,320  | 0                                      | 7,012   | 7,012  | 0                                      |
| CASH, DECEMBER 31                   | \$ 4,145 | 8,052  | 3,907                                  | 4,448   | 7,320  | 2,872                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit T

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
JUVENILE DETENTION CENTER FUND

| Year Ended December 31,             |           |        |  |        |         |  |
|-------------------------------------|-----------|--------|--|--------|---------|--|
| 1999                                |           |        | 1998                                   |        |         |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |         |  |
| Charges for services                | \$ 52,200 | 43,923 | (8,277)                                | 45,000 | 52,818  | 7,818                                  |
| Transfers in                        | 0         | 16,000 | 16,000                                 | 35,000 | 5,000   | (30,000)                               |
| Total Receipts                      | 52,200    | 59,923 | 7,723                                  | 80,000 | 57,818  | (22,182)                               |
| DISBURSEMENTS                       |           |        |  |        |         |  |
| Juvenile Detention Center           | 55,000    | 44,887 | 10,113                                 | 70,000 | 65,037  | 4,963                                  |
| Total Disbursements                 | 55,000    | 44,887 | 10,113                                 | 70,000 | 65,037  | 4,963                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,800)   | 15,036 | 17,836                                 | 10,000 | (7,219) | (17,219)                               |
| CASH, JANUARY 1                     | 3,720     | 3,720  | 0                                      | 10,939 | 10,939  | 0                                      |
| CASH, DECEMBER 31                   | \$ 920    | 18,756 | 17,836                                 | 20,939 | 3,720   | (17,219)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

POLK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
VETERANS MEMORIAL FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Donations                           | \$ 0     | 0      | 0                                      |
| Total Receipts                      | 0        | 0      | 0                                      |
| DISBURSEMENTS                       |          |        |  |
| Veterans Memorial                   | 100      | 0      | 100                                    |
| Total Disbursements                 | 100      | 0      | 100                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (100)    | 0      | 100                                    |
| CASH, JANUARY 1                     | 2,118    | 2,118  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,018 | 2,118  | 100                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

POLK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ROAD GRANT FUND

| Year Ended December 31,             |           |           |  |
|-------------------------------------|-----------|-----------|--|
| 1999                                |           |           |  |
|                                     | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |           |  |
| Intergovernmental                   | \$ 0      | 0         | 0                                      |
| Total Receipts                      | 0         | 0         | 0                                      |
| DISBURSEMENTS                       |           |           |  |
| Road and bridge materials           | 270,060   | 263,283   | 6,777                                  |
| Transfers out                       | 69,403    | 76,180    | (6,777)                                |
| Total Disbursements                 | 339,463   | 339,463   | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (339,463) | (339,463) | 0                                      |
| CASH, JANUARY 1                     | 339,463   | 339,463   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0      | 0         | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

POLK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SCHOOL BASED PARTNERSHIP GRANT FUND

| Year Ended December 31,             |            |         |  |
|-------------------------------------|------------|---------|--|
| 1999                                |            |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |
| Intergovernmental                   | \$ 126,230 | 104,430 | (21,800)                               |
| Total Receipts                      | 126,230    | 104,430 | (21,800)                               |
| DISBURSEMENTS                       |            |         |  |
| Distribution to school district     | 104,430    | 104,430 | 0                                      |
| Total Disbursements                 | 104,430    | 104,430 | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 21,800     | 0       | (21,800)                               |
| CASH, JANUARY 1                     | 0          | 0       | 0                                      |
| CASH, DECEMBER 31                   | \$ 21,800  | 0       | (21,800)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
HEALTH CENTER FUND

| Year Ended December 31,             |            |         |  |          |          |  |
|-------------------------------------|------------|---------|--|----------|----------|--|
| 1999                                |            |         | 1998                                   |          |          |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |          |  |
| Property taxes                      | \$ 131,476 | 132,072 | 596                                    | 120,000  | 118,869  | (1,131)                                |
| Intergovernmental                   | 235,437    | 250,032 | 14,595                                 | 279,322  | 215,639  | (63,683)                               |
| Charges for services                | 98,000     | 77,313  | (20,687)                               | 109,200  | 104,669  | (4,531)                                |
| Interest                            | 2,000      | 3,544   | 1,544                                  | 3,300    | 2,970    | (330)                                  |
| Other                               | 12,100     | 14,054  | 1,954                                  | 11,600   | 17,568   | 5,968                                  |
| Total Receipts                      | 479,013    | 477,015 | (1,998)                                | 523,422  | 459,715  | (63,707)                               |
| DISBURSEMENTS                       |            |         |  |          |          |  |
| Salaries                            | 372,150    | 354,241 | 17,909                                 | 388,388  | 355,962  | 32,426                                 |
| Office expenditures                 | 19,000     | 20,350  | (1,350)                                | 22,700   | 16,208   | 6,492                                  |
| Equipment                           | 8,250      | 16,230  | (7,980)                                | 7,200    | 3,151    | 4,049                                  |
| Mileage and training                | 13,500     | 15,677  | (2,177)                                | 20,000   | 11,040   | 8,960                                  |
| Building and grounds                | 27,200     | 5,294   | 21,906                                 | 25,000   | 55,214   | (30,214)                               |
| Other                               | 55,500     | 46,683  | 8,817                                  | 72,250   | 32,348   | 39,902                                 |
| Total Disbursements                 | 495,600    | 458,475 | 37,125                                 | 535,538  | 473,923  | 61,615                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (16,587)   | 18,540  | 35,127                                 | (12,116) | (14,208) | (2,092)                                |
| CASH, JANUARY 1                     | 19,519     | 19,519  | 0                                      | 33,727   | 33,727   | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,932   | 38,059  | 35,127                                 | 21,611   | 19,519   | (2,092)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Y

POLK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENATE BILL 40 BOARD FUND

| Year Ended December 31,             |           |        |  |          |          |  |
|-------------------------------------|-----------|--------|--|----------|----------|--|
| 1999                                |           |        |  | 1998     |          |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |          |          |  |
| Property taxes                      | \$ 28,860 | 29,436 | 576                                    | 25,680   | 26,905   | 1,225                                  |
| Intergovernmental                   | 376       | 376    | 0                                      | 646      | 646      | 0                                      |
| Interest                            | 2,445     | 3,171  | 726                                    | 2,400    | 2,571    | 171                                    |
| Total Receipts                      | 31,681    | 32,983 | 1,302                                  | 28,726   | 30,122   | 1,396                                  |
| DISBURSEMENTS                       |           |        |  |          |          |  |
| Contracted services                 | 13,476    | 26,107 | (12,631)                               | 50,200   | 55,273   | (5,073)                                |
| Office expenditures                 | 1,565     | 1,449  | 116                                    | 1,700    | 1,524    | 176                                    |
| Total Disbursements                 | 15,041    | 27,556 | (12,515)                               | 51,900   | 56,797   | (4,897)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 16,640    | 5,427  | (11,213)                               | (23,174) | (26,675) | (3,501)                                |
| CASH, JANUARY 1                     | 62,421    | 62,421 | 0                                      | 89,096   | 89,096   | 0                                      |
| CASH, DECEMBER 31                   | \$ 79,061 | 67,848 | (11,213)                               | 65,922   | 62,421   | (3,501)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

POLK COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Polk County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:



| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Veterans Memorial Fund                   | 1998                            |
| Road Grant Fund                          | 1998                            |
| Sheriff Special Operations Fund          | 1998 and 1999                   |
| Law Library Fund                         | 1998 and 1999                   |
| Circuit Clerk Interest Fund              | 1998 and 1999                   |
| Associate Circuit Division Interest Fund | 1998 and 1999                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| Law Enforcement Training Fund       | 1998                            |
| Prosecuting Attorney Bad Check Fund | 1998                            |
| Sheriff Civil Fees Fund             | 1999                            |
| Special Trust Fund                  | 1998                            |
| Moore Cemetery Trust Fund           | 1999                            |
| Senate Bill 40 Board Fund           | 1998 and 1999                   |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the Emergency 911 Fund for the year ended December 31, 1999.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| Veterans Memorial Fund              | 1998                            |
| Road Grant Fund                     | 1998                            |
| School Based Partnership Grant Fund | 1999                            |
| Senate Bill 40 Board Fund           | 1999                            |
| Law Library Fund                    | 1998 and 1999                   |

|  |               |
|--|---------------|
| Circuit Clerk Interest Fund              | 1998 and 1999 |
| Associate Circuit Division Interest Fund | 1998 and 1999 |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board's and Senate Bill 40 Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's, Health Center Board's, or Senate Bill 40 Board's name, respectively.

## Supplementary Schedule

## Schedule

POLK COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |               |
|--|--|---|-------------------------|---------------|
|  |  |   | Year Ended December 31, |               |
|  |  |   | 1999                    | 1998          |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |               |
| Direct Program:  |  |   |                         |               |
| 10.555   | National School Lunch Program  | N/A   | \$ 11,555               | 0             |
| Passed through state:  |  |   |                         |               |
| Department of Health -   |  |   |                         |               |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-8184                                     | 0                       | 53,666        |
|  |  | ER0045-9184                                     | 52,371                  | 18,911        |
|  |  | ER0045-0184                                     | 19,893                  | 0             |
|  | Program Total  |   | <u>72,264</u>           | <u>72,577</u> |
| U.S. DEPARTMENT OF DEFENSE                                     |  |   |                         |               |
| Passed through state:  |  |   |                         |               |
| Office of Administration -                                     |  |   |                         |               |
| 12.112   | Payments to States in Lieu of Real Estate Taxes                            | N/A   | 611                     | 825           |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |               |
| Direct program:  |  |   |                         |               |
| 16.710   | Public Safety Partnership and Community Policing Grants                    | 98-SB-WX-0086                                   | 104,430                 | 0             |
| Passed through:  |  |   |                         |               |
| State Department of Public Safety -                            |  |   |                         |               |
| 16.592   | Local Law Enforcement Block Grants Program                                 | 98LBG-074                                       | 7,128                   | 0             |
| Missouri Sheriffs' Association -                               |  |   |                         |               |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 600                     | 147           |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |               |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |               |

## Schedule

## POLK COUNTY, MISSOURI

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                         | Federal Grantor/Pass-Through Grantor/Program Title | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| 20.205  | Highway Planning and Construction                  | BRO-084-4                                       | 0                       | 315     |
|   |  | BRO-084-5                                       | 0                       | 18,502  |
|   |  | BRO-084-6                                       | 0                       | 252,829 |
|   |  | BRO-084-7                                       | 1,341                   | 16,490  |
|   |  | BRO-084-8                                       | 12,574                  | 0       |
|   | Program Total                                      |   | 13,915                  | 288,136 |
| 20.600  | State and Community Highway Safety                 | 99-PT-02-75                                     | 1,546                   | 0       |
| GENERAL SERVICES ADMINISTRATION                   |  |   |                         |         |
| Passed through state Office of Administration -   |  |   |                         |         |
| 39.003  | Donation of Federal Surplus Personal Property      | N/A   | 699                     | 0       |
| FEDERAL EMERGENCY MANAGEMENT AGENCY               |  |   |                         |         |
| Passed through state Department of Public Safety: |  |   |                         |         |
| 83.534  | Emergency Management - State and Local Assistance  | 1253-DR-MO                                      | 335,047                 | 22,370  |
|   |  | SLA50-50  | 825                     | 0       |
|   | Program Total                                      |   | 335,872                 | 22,370  |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES     |  |   |                         |         |
| Direct program -                                  |  |   |                         |         |
| 93.268  | Immunization Grants                                | N/A   | 2,479                   | 1,032   |
| Passed through state:                             |  |   |                         |         |
| Department of Health -                            |  |   |                         |         |
| 93.268  | Immunization Grants                                | PG0064-91841AP                                  | 3,080                   | 7,085   |
|   |  | N/A   | 34,308                  | 18,557  |
|   | Program Total                                      |   | 37,388                  | 25,642  |
| Department of Social Services -                   |  |   |                         |         |
| 93.563  | Child Support Enforcement                          | N/A   | 54,616                  | 59,542  |
| Department of Health -                            |  |   |                         |         |
| 93.575  | Child Care and Development Block Grant             | PGA067-8184                                     | 0                       | 1,809   |
|   |  | PGA067-9184                                     | 3,385                   | 595     |
|   |  | PGA067-0184                                     | 855                     | 0       |
|   | Program Total                                      |   | 4,240                   | 2,404   |
| Department of Health -                            |  |   |                         |         |

## Schedule

## POLK COUNTY, MISSOURI

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---------------------------|---|---|-------------------------|----------------|
|                           |   |   | Year Ended December 31, |                |
|                           |   |   | 1999                    | 1998           |
| 93.940                    | HIV Prevention Activities - Health Department Based             | N/A   | 32                      | 59             |
| 93.945                    | Assistance Program for Chronic Disease Preventive and Control   | C906264001                                      | 1,027                   | 0              |
| 93.991                    | Preventive Health and Health Services Block Grant               | N/A   | 408                     | 482            |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States | ERS146-8184                                     | 0                       | 20,685         |
|                           |   | ERS146-9184                                     | 30,377                  | 8,423          |
|                           |   | ERS146-0184                                     | 5,722                   | 0              |
|                           |   | N/A   | 2,042                   | 1,687          |
|                           | Program Total   |   | <u>38,141</u>           | <u>30,795</u>  |
|                           | Total Expenditures of Federal Awards                            |   | <u>\$ 686,951</u>       | <u>504,011</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

POLK COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Polk County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.



The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$34,308 and \$18,557 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,042 and \$1,687 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the State represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$104,430 to a subrecipient under the Public Safety Partnership and Community Policing Grants (CFDA number 16.710) during the year ended December 31, 1999.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Polk County, Missouri

Compliance

We have audited the compliance of Polk County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

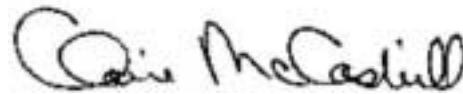
In our opinion, Polk County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998.

### Internal Control Over Compliance

The management of Polk County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Polk County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

June 28, 2000 (fieldwork completion date)

Schedule

POLK COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes    x \_\_\_\_\_ no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes    x \_\_\_\_\_ none reported

Noncompliance material to the financial statements  
noted? \_\_\_\_\_ yes    x \_\_\_\_\_ no

Federal Awards

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ yes    x \_\_\_\_\_ no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes    x \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133? \_\_\_\_\_ yes    x \_\_\_\_\_ no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>                                    |
|---|---|
| 16.710  | Public Safety Partnership and Community Policing Grants |
| 20.205  | Highway Planning and Construction                       |
| 83.534  | Emergency Management – State and Local Assistance       |

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

POLK COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior report issued for the two years ended December 31, 1997, included no audit findings that Government Auditing Standards requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

POLK COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

POLK COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Polk County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 28, 2000. We also have audited the compliance of Polk County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 28, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Juvenile Detention Center of the Thirtieth Judicial Circuit is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the Juvenile Detention Center of the Thirtieth Judicial Circuit referred to above. In addition, this report includes findings other than those, if any, reported in the

accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Polk County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|                        |
|------------------------|
| <b>1. Expenditures</b> |
|------------------------|

- A. Bids were not always solicited for various purchases made by the county during the audit period. Examples of items purchased, for which no evidence of bidding could be located, are as follows:

| <u>Item Purchased</u>                          | <u>Amount</u> |
|--|---------------|
| Used trucks                                    | \$41,550      |
| Grader blades                                  | 17,041        |
| Air conditioners for Road and Bridge equipment | 15,610        |
| Prosecuting Attorney Software                  | 6,645         |
| Carpet   | 4,549         |

Section 50.660, RSMo Cum. Supp. 1999, requires bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are being followed. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, a copy of all bids received, a summary of the basis and justification for awarding the bid, and documentation of all discussions with vendors.

- B. The county maintains gasoline and diesel fuel tanks at the county road and bridge barn for use in vehicles and equipment of the road and bridge and sheriff's departments. During the two years ended December 31, 1999, fuel expenditures totaled approximately \$123,900 for the road and bridge department and \$28,000 for the Sheriff's department. Fuel usage logs are maintained to account for all fuel used. The County Commission and the Sheriff's department indicated that they periodically review the fuel usage logs; however, a documented comparison of the fuel used and the fuel purchased is not performed.

The failure to reconcile fuel usage to fuel purchases increases the risk that the theft or



misuse of fuel could occur and not be detected. Such reconciliations should be performed and documented on a periodic basis and any discrepancies noted should be investigated. Performing such fuel reconciliations would enable the County Commission and the Sheriff to more fully account for fuel expenditures and help to identify any losses of fuel.

Condition B was noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. And the Prosecuting Attorney, solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. And the Sheriff, periodically reconcile fuel used to fuel purchased. In addition, documentation of these reconciliations should be properly retained.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *We will solicit bids in the future.*
- B. *Starting in September 2000 we will begin to reconcile fuel used to fuel purchased.*

*The Prosecuting Attorney provided the following response:*

- A. *I will solicit bids in the future.*

*The Sheriff provided the following response:*

- B. *The Sheriff's Office was periodically conducting reviews of fuel usage and fuel purchased. We were not saving the paperwork to provide to the Auditor's Office. The fact is that the usage and the purchase amount do compare with each other over a one year time period. We believe that we are conducting this procedure in a proper manner.*

|                                    |
|------------------------------------|
| <b>2. Changes to the Tax Books</b> |
|------------------------------------|

There is no independent and subsequent comparison of additions and abatements approved by the County Commission to actual changes to the property tax records or to amounts reflected on the County Collector's annual settlement. Controls should be established for the County Clerk to periodically reconcile all approved additions and abatements to changes

made to the property tax records and amounts reflected on the County Collector's annual settlement.

A similar condition was noted in the prior report.

**WE AGAIN RECOMMEND** the County Commission establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile approved additions and abatements to changes made to the property tax records and amounts reflected on the County Collector's annual settlement.

### **AUDITEE'S RESPONSE**

*We now have a program that will facilitate this reconciliation. We hope to have the new program in place by September 2001.*

|   |
|---|
| <b>3. Prosecuting Attorney's Accounting Controls and Procedures</b> |
|---|

The Prosecuting Attorney's Office collects court-ordered restitution, bad check restitution, and bad check collection fees totaling approximately \$120,000 annually. Our review of the Prosecuting Attorney's records and procedures revealed the following concerns:

- A. Accounting and bookkeeping duties are not adequately segregated. One individual is responsible for receiving, recording, depositing, and transmitting monies. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. At a minimum, there should be a documented review made by a supervisor.
- B. Monthly bank reconciliations have not been performed since the bank account was opened by the new Prosecuting Attorney in January 1999 and a checkbook balance is not maintained. Accurate and complete bank reconciliations are necessary to ensure that all monies are properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected on a timely basis. In addition, a balance should be maintained in the check register to allow for proper reconciliations with the bank statements.
- C. Monthly listings of open items (liabilities) are not prepared and, consequently, open items are not reconciled to cash balances. At our request, an open items listing was prepared as of March 31, 2000. This listing totaled \$956, while the reconciled cash balance at March 31, 2000 totaled \$14,315. The Prosecuting Attorney failed to include \$7,323 in bad check fees collected during 1999 that had not been turned over to the County Treasurer. We identified additional open items totaling \$937 that were not included on the listing prepared by the Prosecuting Attorney's office. As a result, the reconciled cash balance exceeded identified open items by \$5,099.

Monthly listings of open items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of differences. In addition, differences noted when performing monthly reconciliations should be promptly investigated and resolved. Various statutory provisions provide for the disposition of unclaimed and unidentified monies.

- D. During 1999, three different receipt systems were being used simultaneously. A one-write receipt system was used to record bad check restitution and fees during the months of January through March 1999. In January 1999, the Prosecuting Attorney purchased and began using a computer system to record bad check restitution and fees. In addition, rediform receipt slips were used to record amended ticket monies as well as some bad check restitution and fees. During our review, we noted several instances of the same receipt recorded on more than one receipt system, and instances where receipts were not recorded in any of the three receipt systems.

In addition, restitution payments are occasionally received in the form of a money order made payable to the victim. These money orders are sent directly to the victim; however, until October 1999, none of the receipt systems used by the Prosecuting Attorney adequately documented which receipts were sent directly to the victims and which receipts were deposited into the Prosecuting Attorney's bank account.

One receipt system would provide a complete and immediate record of all receipt transactions. The issuance of a single sequence of official prenumbered receipt slips for all monies received is necessary and would better ensure proper recording and accountability of receipts. In addition, money orders received that are payable to the victim should be indicated as such on the receipt so daily receipts can be reconciled to daily deposits.

- E. Employees in the Prosecuting Attorney's office sometimes waive the administration fee on bad check cases; however, authorization of the fee waiver by the Prosecuting Attorney is not documented. To ensure receipts are properly handled and accounted for, case files should include authorization of the fee waiver.

Conditions similar to C. and E. were noted in prior audits.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Maintain a balance in the check register and prepare monthly bank reconciliations.

- C. Prepare complete and accurate listings of open items and reconcile the listings to the cash balance monthly. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law. Disburse \$7,323 in bad check fees to the County Treasurer and in the future, ensure bad check fees are disbursed monthly.
- D. Incorporate one receipt system with a single sequence of official prenumbered receipt slips for all monies received, indicate on the receipts which receipts are made payable to the victim, and reconcile daily receipts to deposits.
- E. Ensure bad check case files include authorization to waive the administrative fee.

#### **AUDITEE'S RESPONSE**

- A. *The duties associated with this office are segregated to the extent possible based on the resources available. We will continue to be mindful of your suggestions for future reference.*
- B. *This is now being done. Thank you for your guidance and assistance during the audit process, as well as your suggestions for the future. We look forward to being able to contact you for assistance as it becomes necessary.*
- C. *With regards to your recommendation that listing of open items be maintained, we are presently doing so.*

*With regards to your recommendations that an investigation be commenced to account for the unidentified monies, the initial investigation has been completed with all monies being disbursed.*

*With regards to your recommendation that \$7,323 be disbursed to the County Treasurer, I advised you that, as to assure that all merchants received their monies, I would hold these monies until I received confirmation from you. Not until I received the draft of your audit results was I advised that disbursement of these funds was now approved. Please know that these funds have been transferred.*

- D. *At this time, only two systems are being used. As you recall, we reviewed, discussed and finally agreed that under our circumstances, this was acceptable. Our computer system prints receipts upon entry of the funds into the system pertaining to bad checks and court ordered restitution, while certain funds which this office handles are due to non-check related cases, predominantly traffic amendments. Hence, an additional receipt system is required. Therefore, two systems will continue to be used.*
- E. *We will gladly begin documenting these authorized waivers.*

|           |                                 |
|-----------|---------------------------------|
| <b>4.</b> | <b>Sheriff's Inmate Account</b> |
|-----------|---------------------------------|

The Sheriff's Department maintains inmates personal monies in a separate bank account. In early 1999, responsibility for this account was switched to another employee. During our review of the controls and procedures related to these monies, we noted the following concerns:

- A. Bank reconciliations have not been performed on the inmate account since January 1999. In addition, a manual check register and a computerized check register were initiated by the Sheriff's Department, but neither register was properly maintained. A balance has not been maintained in the manual check register since February 1999 and deposits have not been recorded since January 1999. The computerized check register did not include all deposit activity, and a balance was not maintained.

The preparation of monthly bank reconciliations is necessary to ensure that all monies are properly deposited, bank accounts are in agreement with the accounting records, and errors or discrepancies are detected on a timely basis. In addition, a complete and accurate check register should be maintained with a balance to allow for proper reconciliation with the bank statements.

- B. The total inmate account balance plus cash on hand has not been reconciled to the individual inmate account balances since January 1999. At our request Sheriff Department personnel prepared a listing of individual inmate account balances as of May 24, 2000. The total listing exceeded the balance in the inmate account plus cash on hand by approximately \$256. In addition, the listing included some balances for inmates which have been released.

To ensure that all inmate monies are properly recorded and deposited, the balance in the inmate account plus cash on hand should be reconciled monthly to the inmate balances. In addition, an attempt should be made to refund any monies being held for inmates that have been released. Any monies remaining unclaimed should be disposed of in accordance with state law.

- C. At December 31, 1999, seventy-two checks totaling \$177 had been outstanding for more than one year, and are still carried on the Sheriff's books as of May 24, 2000. Some of these checks date back to 1996. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.
- D. Several checks from the inmate account were not issued in numerical sequence. To ensure all checks are accounted for, checks should be issued in numerical sequence.
- E. A log of the balance of prisoner inmate cash kept on hand for commissary purchases is not maintained. In order to provide proper accountability over cash on hand, these monies should be kept on an imprest basis and a log should be maintained to account for the balance on hand.

**WE RECOMMEND** the Sheriff:

- A. Prepare monthly bank reconciliations and maintain a complete and accurate check register with a running balance.
- B. Prepare a listing of individual inmate balances and reconcile the listing to the balance in the inmate account plus cash on hand monthly, and investigate any difference. In addition, an attempt should be made to refund balances to inmates which have been released. Any monies remaining unclaimed should be disposed of in accordance with state law.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- D. Issue checks in numerical sequence.
- E. Ensure that cash kept on hand for commissary purchases is maintained on an imprest basis and a log is maintained to account for the balance on hand.

**AUDITEE'S RESPONSE**

*The bank reconciliations are presently being done to correct the problem, and will be maintained as with all other accounts of the Polk County Sheriff's Office. As far as the monies owed to inmates from prior years, we feel that we have made an effort to see that the money has been taken care of and that we will be turning over the excess amount to the Polk County Treasurer or the State. As far as the inmate cash, it is presently being maintained at a constant amount.*

*We regret that the inmate commissary account was handled the way it was, but there was a change in employees and a new system was implemented. The systems were not compatible. There was basically a lack of supervision by myself as the Polk County Sheriff.*

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|--|
| <b>5. Assessor's Controls and Procedures</b> |
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The County Assessor collects approximately \$2,000 annually from the sale of maps and photocopies. The method of payment is not consistently indicated on receipt slips or the receipt log, and receipts are not transmitted to the County Treasurer intact. Some cash receipts are retained to use as a change fund or as petty cash for expenditures of the office. To ensure all receipts are properly accounted for, the method of payment should be indicated, and the amount of cash and checks received should be reconciled to amounts transmitted to the County Treasurer. If a change/petty cash fund is determined to be necessary, it should be established and maintained at a constant amount.

**WE RECOMMEND** the County Assessor indicate the method of payment on receipt slips

or the receipt log, and reconcile the composition of receipt slips to the composition of monies transmitted to the County Treasurer.

**AUDITEE'S RESPONSE**

*This recommendation has already been implemented.*

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|---|
| <b>6. Associate Division Accounting Controls and Procedures</b> |
|---|

- A. Checks totaling \$669 have been outstanding since the prior audit and are still carried on the Associate Division's books at December 31, 1999. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.
- B. The Associate Division is holding money on various cases that date back to 1991. We noted 15 bonds totaling \$3,400 for cases that have been closed or are inactive. Of this amount, \$3,200 was noted in the prior audit.

Procedures should be established to ensure that all monies on deposit are properly distributed on a timely basis upon final disposition of the case. If the defendant fails to make the required court appearance, the bond should be forfeited and monies paid to the county schools fund. If the bond cannot be forfeited, Section 447.595, RSMo 1994, requires bonds remaining unclaimed for one year after disposition of the case be forwarded to the state's Unclaimed Property Section.

These conditions were noted in our prior report.

**WE RECOMMEND** the Associate Circuit Judge:

- A. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- B. Ensure the monies being held on closed or inactive cases are properly distributed, In addition, procedures should be established to follow up on and dispose of open items in a timely manner.

**AUDITEE'S RESPONSE**

- A. *Old checks are already resolved. Outstanding checks in the future will be reviewed every 60 days and appropriate action taken.*
- B. *These monies have now been distributed to either the person posting bond, or to the County Treasurer. Bonds will now be reviewed every 60 days, and those with closed or inactive cases will be distributed appropriately.*

The home base of the Juvenile Division of the Thirtieth Judicial Circuit is located in Polk County. The Juvenile Division collected approximately \$28,000 and \$16,500 in restitution during 1999 and 1998, respectively. A review of the records and procedures of the Juvenile Division disclosed the following concerns:

- A. The Juvenile Division maintains a computerized system to account for receipts and disbursements. Monthly reports of receipts and disbursements, monthly check registers, and monthly bank reconciliations are generated from the system. During our review, we noted that these reports contained several errors. These errors were the result of several deposits and checks not being recorded on the system, one receipt was recorded twice, and one receipt was recorded at an incorrect amount. In addition, the monthly bank reconciliation reports contained several checks and deposits that had previously cleared the bank resulting in an incorrect reconciled balance.

Although the Juvenile Division generates the various monthly reports, the numerous errors noted indicate the Juvenile Division is not adequately reviewing the reports to identify and correct all errors and differences between bank and book records. To adequately account for all receipts and disbursements and to ensure all differences and errors are detected and corrected on a timely basis, the Juvenile Division should ensure the monthly reports are accurate and reconciled to monthly bank statements.

- B. Monthly listings of open items (liabilities) are not prepared and reconciled to the cash balance. At our request, the Juvenile Division prepared an open-items listing for the restitution account as of December 31, 1999, which materially reconciled to the cash balance.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

- C. Checks and money orders received are not restrictively endorsed immediately upon receipt and are not kept in a secure location. Endorsements are applied at the time deposits are prepared. To adequately safeguard receipts, all checks should be restrictively endorsed immediately upon receipt and kept in a secure location until deposited.

- D. At December 31, 1999, checks totaling \$622 on the restitution account had been outstanding for more than one year. Some of these checks date back to 1997. The Juvenile Division does not routinely follow up on old outstanding checks.



The Juvenile Division should adopt procedures to routinely follow up on old outstanding checks and reissue the check if the payee can be located. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- E. The duties of receiving, recording, depositing, and disbursing restitution and reconciling the bank account are not adequately segregated. Currently, the juvenile office secretary performs all these duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. This could be achieved by segregating the functions of receiving and depositing restitution monies from that of reconciling the bank account. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of recorded receipts and bank deposits and an independent review of bank reconciliations.

Conditions B&C. were similarly noted in prior reports.

**WE RECOMMEND** the Juvenile Division:

- A. Ensure monthly computer generated reports are accurate and reconciled to monthly bank statements.
- B. Ensure monthly listings of open items are prepared and reconciled to the cash balance.
- C. Restrictively endorse checks and money orders immediately upon receipt. In addition, receipts should be kept in a secure location until deposited or transmitted.
- D. Adopt procedures to routinely follow up on old outstanding checks. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- E. Provide for segregation of duties or ensure that independent reconciliations and reviews of accounting records are performed.

**AUDITEE'S RESPONSE**

- A. *Currently we are reconciling monthly.*
- B. *We will implement this recommendation effective September 2000.*
- C-E. *These recommendations have been implemented.*

**8.****Health Center's Records and Procedures**

- A. In August 1998, the health center purchased a house and lot adjacent to the current health center facility for \$45,239. No independent appraisal was obtained prior to purchasing the property. The Assessor's office had appraised the house and lot at \$22,700. The Health Center Board minutes do not document the intended use for the property.

In addition, documentation of estimated renovation costs were not maintained, and discussions and decisions regarding the property were not adequately documented in the health center board minutes. The health center is currently using the house for storage.

The health center should have thoroughly researched and documented all costs related to this property prior to purchasing it. In addition, independent appraisals as well as documentation of the price negotiations are particularly necessary when the amounts paid exceed the Assessor's appraised value.

- B. The health center does not have a record of its general fixed assets. In addition, annual physical inventories of all general fixed assets owned by the health center have not been performed and documented.

Adequate general fixed asset records and procedures are necessary to safeguard and secure better internal controls over health center property, and provide a basis for determining proper insurance coverage.

- C. Health center personnel do not monitor amounts expended on Comprehensive Family Planning (CFP) services. In addition, the average cost per client of providing such services is not periodically calculated and monitored.

The health center's CFP contract with the Missouri Department of Health provides the average cost of providing CFP services should be at least \$150 (excluding administrative costs). During our review of CFP expenditures for the federal fiscal year ended September 30, 1999, we calculated an average cost of \$128 per client excluding administrative costs.

Failure to comply with the provisions of the contract could result in decreased funding of future services.

Condition B was noted in our prior report.

**WE RECOMMEND** the Health Center Board of Trustees:

- A. Ensure justification of the selection process is thoroughly documented and an

independent appraisal is obtained for future real estate purchases.

- B. Ensure records of the health center's fixed assets are properly maintained and that annual physical inventories are performed and documented.
- C. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

#### **AUDITEE'S RESPONSE**

- A. *Board minutes do not reflect the full extent of the discussion prior to the unanimous decision to approve purchase of the property for the primary purpose of future expansion nor about the discussion regarding use of the building. The land purchase was discussed at length by the Board of Trustees in regard to negotiated cost and its benefit to the agency. Options for use of the building were also considered but the board decided it would be too costly to bring it to ADA standards to provide any type of clinical services. Effort will be made by the board to follow recommended procedures when future purchases are made and to fully document the board's actions regarding such purchases.*
- B. *Office staff is currently working to compile a complete listing of fixed assets. The asset inventory list will be completed by January 1, 2001 and updated as needed.*
- C. *Expenses and personnel time related to the Family Planning program are being tracked more closely to assure compliance with the contract.*

|                                |
|--------------------------------|
| <b>9. Senate Bill 40 Board</b> |
|--------------------------------|

The Senate Bill 40 Board approved expenditures in excess of budgeted amounts of \$12,515 and \$4,897 during the years ended December 31, 1999 and 1998, respectively. There were no formal amendments filed nor any mention in the board minutes as to why the budgeted amounts were exceeded. In addition, there is no evidence that any periodic comparison of budget to actual activity is performed.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246(1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1999, provides that county boards may amend the annual budget during any year in which the board receives additional funds which could not be estimated when the budget was adopted and that the board shall follow the same procedures required for adoption of the annual budget to amend the budget.

**WE RECOMMEND** the Senate Bill 40 Board not authorize expenditures in excess of budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.

### **AUDITEE'S RESPONSE**

*As the president and secretary/treasurer of the SB40 Board for year 2000 we can only state that it will be done as you requested in the future. As to why the budget was not amended in 1998 and 1999 to reflect the amount awarded verses the amount budgeted I can not answer that question, as the two ladies who were secretary and treasurer at that time are no longer serving on our board. I do know that the money was in the savings account and it was for an agency request that we had not originally anticipated.*

This report is intended for the information of the management of Polk County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

POLK COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Polk County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Expenditures

- A. The Sheriff's Department did not file requests for payment under the COPS FAST program on a timely basis.
- B. Fuel used by vehicles and equipment of the road and bridge and Sheriff department was not reconciled to fuel purchased.

Recommendation:

The County Commission and the Sheriff:

- A. Ensure the reimbursement of the grant funds in question are pursued to the extent possible. In addition, the county should ensure requests for payment related to any future grant programs are submitted on a timely basis.
- B. Periodically reconcile fuel used to fuel purchased. In addition, documentation of these reconciliations as well as all fuel logs should be properly retained.

Status:

- A. Implemented. The county received \$37,775 in reimbursements.
- B. Not implemented. See MAR No. 1.

2. 911 System

The County Commission contracted with the Citizens Memorial Hospital (CMH) District to operate the 911 system. A review of the agreement noted the following concerns:

- A. Various information regarding the operation of the 911 system, including an annual budget and an annual report of actual receipts and expenses for the system was not submitted by CMH to the County Commission as required by the contract.

- B. The 911 equipment was not included in the county's general fixed asset records and was not tagged or otherwise identified as county property.

Recommendation:

The County Commission:

- A. Require the CMH to submit periodic reports of 911 activity in accordance with the contract provisions.
- B. Ensure all 911 equipment is recorded in the county's general fixed asset records and is tagged or otherwise identified as county property.

Status:

A&B. Implemented.

3. Budgetary Practices

- A. Budgets were not prepared for some county funds.
- B. Actual expenditures exceeded budgeted amounts in several county funds.

Recommendation:

The County Commission:

- A. Ensure budgets are prepared or obtained for all county funds as required by state law.
- B. Keep expenditures within the budgetary limits.

Status:

A&B. Partially implemented. The county has made improvements in their budgeting procedures. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Changes to the Tax Books

- A. A listing of the property tax additions and abatements was not submitted to the County Clerk's office for the County Commissioner's approval on a timely basis.

- B. There was no independent and subsequent comparison of additions and abatements approved by the County Commission to actual changes to the property tax records or to amounts reflected on the County Collector's annual settlement.

Recommendation:

The County Commission:

- A. Ensure listings of property tax additions and abatements are obtained from the County Assessor on a timely basis.
- B. Establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile approved additions and abatements to changes made to the property tax records and amounts reflected on the County Collector's annual settlement.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 2.

5. Expenditures From Prosecuting Attorney Bad Check Fund

- A. Several travel expenses paid from the Prosecuting Attorney Bad Check Fund were questionable and were not supported by adequate documentation.
- B. Overtime payments made from the Prosecuting Attorney Bad Check Fund to his employees were not documented correctly and time sheets were not submitted on a timely basis. Also, the rate of pay for the overtime hours was not calculated properly and was not processed through the county's payroll system.
- C. The Prosecuting Attorney purchased computer equipment for his office from a relative without advertising for competitive bids as required by state law.

Recommendation:

The Prosecuting Attorney:

- A. Ensure any travel expenses claimed for reimbursement are necessary and adequately documented.
- B. Ensure that any overtime claimed by employees is properly reported on the employees' monthly time sheets and the related compensation is paid through the



regular county payroll process. In addition, all overtime payments should be subject to withholding and paid in accordance with the county's overtime policy.

- C. And the County Commission ensure bids are advertised and solicited in accordance with state law. In addition, doing business with relatives should be avoided unless the business is handled within the framework of a formal/advertised bid process.

Status

- A. Implemented.
- B. Partially implemented. The former prosecutor made similar overtime payments from the bad check fund during 1998; however, the current Prosecuting Attorney discontinued this practice. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. No business transactions involving relatives were noted during the current audit; however, bids were not advertised and solicited in accordance with state law for a computer software purchase made by the Prosecuting Attorney. See MAR No. 1.

6. Prosecuting Attorney's Controls and Procedures

- A. The method of payment received was not always indicated or was not always correctly indicated on the receipt slips. In addition, receipt records did not always distinguish between money orders payable to the victim from those payable to the Prosecuting Attorney's office.
- B. Receipts were not always recorded or deposited on a timely basis.
- C. A log or other record was not maintained to account for all bad check complaints filed with the Prosecuting Attorney.
- D. The Prosecuting Attorney's employees responsible for collecting monies were not bonded.
- E. Monthly listings of open items (liabilities) were not prepared or reconciled to cash balances. Approximately \$8,822 was in the restitution bank account at July 31, 1998 that the Prosecuting Attorney indicated could not be properly disbursed because of the age of the cases.

Recommendation:

The Prosecuting Attorney:

- A. Indicate the method of payment on all receipt slips and reconcile the composition of receipts to the composition of bank deposits. Money orders made payable to victims which are not deposited should be specifically identified.
- B. Deposit monies intact daily or when accumulated receipts exceed \$100.
- C. Maintain a log to account for all bad check complaints filed with the Prosecuting Attorney's office and their ultimate disposition.
- D. Obtain bond coverage for all employees responsible for handling monies.
- E. Disburse any money remaining in the restitution account to the appropriate parties. Any monies which cannot be identified should be turned over to the state Unclaimed Property Section.

Status

- A. Partially implemented. The method of payment is recorded on the receipt ledger; however, money orders made payable to victims are not specifically identified. See MAR No. 3.
- B. Partially implemented. See MAR No. 3.
- C&E. Not implemented. See MAR No. 3.
- D. Implemented.

7. Juvenile Division's Controls and Procedures

- A. Receipt slips were not issued for some monies received, and the method of payment was not always indicated on the receipt slips.
- B. Receipts were not deposited daily or when accumulated receipts exceeded \$100.
- C. Monthly bank reconciliations were not performed and the check register for the Juvenile Division's account was not properly maintained.
- D. Monthly listings of open items (liabilities) were not prepared for the restitution account and were not reconciled to the cash balance.

- E. Restitution monies were not distributed on a timely basis.
- F. Monies from an old restitution bank account totaling \$306 could not be identified.
- G. Records were not always retained as required by law.
- H. Juvenile Division employees were not required to complete and sign time sheets indicating hours worked.

Recommendation:

The Juvenile Division ensure:

- A. Receipt slips are issued for all monies received and the method of payment is recorded on each receipt slip issued. In addition, the composition of receipt slips should be reconciled to the composition of bank deposits.
- B. Monies are deposited intact into the restitution account daily or when accumulated receipts exceed \$100.
- C. Monthly bank reconciliations are performed. In addition, a proper check register should be maintained which records all activity and includes an accurate running balance.
- D. Monthly listings of open items are prepared and reconciled to the cash balance.
- E. Restitution monies are distributed on a timely basis.
- F. Any monies which can be identified are distributed to the appropriate parties. Any monies which cannot be identified should be remitted to the state Unclaimed Property Section.
- G. All records are retained in accordance with state law. In addition, voided checks and all copies of voided receipt slips should be properly retained.
- H. Time sheets are required for all employees.

Status:

A,B,  
E-H. Implemented.

C&D. Not implemented. See MAR No. 7.

8. Associate Circuit Court's Controls and Procedures

- A. Receipts were not deposited on a timely basis.
- B. The method of payment received was not always indicated on civil receipt slips.
- C. At December 31, 1997, there were \$669 in outstanding checks which were at least one year old.
- D. The open items listing included some bonds that dated back to 1991.

Recommendation:

The Associate Circuit Judge:

- A. Ensure that all receipts are deposited daily or when accumulated receipts exceed \$100.
- B. Ensure the method of payment is indicated for all civil receipts, and the composition of receipts is reconciled to the composition of bank deposits.
- C. Ensure payment is stopped on the old outstanding checks and they are reissued, if the payees can be located. Any remaining amounts should be disposed of in accordance with state law. In addition, procedures should be established to routinely follow up on checks outstanding for a specified period of time.
- D. Ensure the monies being held on closed or inactive cases are properly distributed. In addition, procedures should be established to follow up on and dispose of open items in a timely manner.

Status:

A&B. Implemented.

C&D. Not implemented. See MAR No. 6.

9. Health Center's Records and Procedures

- A.1. Bids were not always solicited nor was the selection process always documented for various purchases.
- 2. Invoices were not always canceled or marked paid.
- 3. Employee expense reports did not include any indication of supervisory review and approval.

- B. The health center's actual expenditures exceeded budgeted expenditures.
- C. In 1997, several employees exceeded the maximum allowable hours of annual leave.
- D. The health center did not have a current record of its general fixed assets.
- E. Minutes of the meetings of the Health Center Board could not be located for the period April 1996 through March 1997.

Recommendation:

The Health Center Board of Trustees:

- A.1. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the health center. If bids cannot be obtained and sole source procurement is necessary, the board minutes should reflect the circumstances.
- 2. Ensure all invoices are canceled when goods or services have been paid to prevent the possibility of duplicate payments.
- 3. Ensure that employee expense reports are reviewed and approved by a supervisory employee.
- B. Not authorize expenditures in excess of budgeted amounts. If excess expenditures are necessary, the extenuating circumstances should be fully documented in the minutes, and any budget amendments should be filed with the County Clerk and the State Auditor's office.
- C. Ensure that leave balances do not exceed the maximum allowed by the health center's leave policy. If the board believes the policy should be changed, it should be revised accordingly.
- D. Ensure records of the health center's fixed assets are properly maintained and the annual physical inventories are documented.
- E. Ensure the minutes of all board meetings are properly retained.

Status:

- A-C,  
& E. Implemented.
- D. Not implemented. See MAR No. 8.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

POLK COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1835, the county of Polk was named after President James K. Polk. Polk County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Bolivar.

Polk County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Polk County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 720,190   | 34         | 648,647   | 30         |
| Federal and state aid     | 869,944      | 42         | 1,114,014 | 51         |
| Fees, interest, and other | 491,410      | 24         | 410,629   | 19         |
| Total                     | \$ 2,081,544 | 100        | 2,173,290 | 100        |

The following chart shows how Polk County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 706,544   | 37         | 653,665   | 32         |
| Highways and roads        | 1,191,276    | 63         | 1,399,817 | 68         |
| Total                     | \$ 1,897,820 | 100        | 2,053,482 | 100        |



During 1999 and 1998 the Capital Improvement Sales Tax Fund had revenues totaling \$1,023,700 and \$920,191, respectively. From this fund, the county transferred \$660,000 and \$750,000, respectively, to the Special Road and Bridge Fund for road and bridge capital improvements, and distributed \$171,846 and \$155,018, respectively, to special road districts in the county. In addition, Polk County received revenues of \$1,197,669 and \$1,129,094 in the Law Enforcement Sales Tax Fund and expended \$1,168,524 and \$1,096,441 for public safety purposes in 1999 and 1998, respectively.

The county maintains approximately 88 county bridges and 797 miles of county roads.

The county's population was 15,415 in 1970 and 21,826 in 1990. The following chart shows the county's change in assessed valuation since 1970:

| Year Ended December 31, |               |       |       |        |        |
|-------------------------|---------------|-------|-------|--------|--------|
|                         | 1999          | 1998  | 1985* | 1980** | 1970** |
|                         | (in millions) |       |       |        |        |
| Real estate             | \$ 113.6      | 105.7 | 58.1  | 22.7   | 14.8   |
| Personal property       | 35.3          | 26.6  | 10.4  | 9.9    | 5.6    |
| Railroad and utilities  | 14.2          | 13.8  | 6.9   | 7.2    | 4.0    |
| Total                   | \$ 163.1      | 146.1 | 75.4  | 39.8   | 24.4   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Polk County's property tax rates per \$100 of assessed valuations were as follows:

| Year Ended December 31,       |        |      |
|-------------------------------|--------|------|
|                               | 1999   | 1998 |
| General Revenue Fund          | \$ .32 | .32  |
| Special Road and Bridge Fund* | .27    | .27  |
| Health Center Fund            | .09    | .09  |
| Senate Bill 40 Board Fund     | .02    | .02  |

\* The county retains all tax proceeds from areas not within road districts. The county has 10 road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                              | Year Ended February 28, |                  |
|------------------------------|-------------------------|------------------|
|                              | 2000                    | 1999             |
| State of Missouri            | \$ 49,525               | 44,167           |
| General Revenue Fund         | 527,038                 | 469,345          |
| Road Funds                   | 445,445                 | 383,853          |
| Assessment Fund              | 69,818                  | 61,225           |
| Health Center Fund           | 147,245                 | 131,102          |
| Senate Bill 40 Board Fund    | 32,278                  | 29,023           |
| School districts             | 5,328,867               | 4,574,858        |
| Library district             | 147,245                 | 131,102          |
| Fire protection district     | 24,889                  | 23,231           |
| Cities                       | 27,545                  | 36,967           |
| Junior College               | 26,202                  | 15,328           |
| County Clerk                 | 244                     | 236              |
| County Employees' Retirement | 38,289                  | 31,181           |
| Commissions and fees:        |                         |                  |
| General Revenue Fund         | 112,157                 | 105,713          |
| Total                        | \$ <u>6,976,787</u>     | <u>6,037,331</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |      |
|------------------------|-------------------------|------|
|                        | 2000                    | 1999 |
| Real estate            | 94 %                    | 93 % |
| Personal property      | 90                      | 91   |
| Railroad and utilities | 100                     | 100  |

Polk County also has the following sales taxes; rates are per \$1 of retail sales:

|                           | Rate     | Expiration Date | Required Property Tax Reduction |
|---------------------------|----------|-----------------|---------------------------------|
| Law enforcement           | \$ .0050 | None            | None                            |
| Road capital improvements | .0050    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| Denzil Roberts, Presiding Commissioner                                    | \$     | 28,400 | 19,000 |
| Roy Harms, Associate Commissioner   |        | 26,400 | 19,000 |
| Billy Dryer, Associate Commissioner                                       |        | 26,400 | 19,000 |
| Sue Entlicher, County Clerk   |        | 40,000 | 31,500 |
| John Porter, Prosecuting Attorney*  |        | 82,000 |        |
| Charles Ankrom, Prosecuting Attorney                                      |        |        | 36,000 |
| Michael Parson, Sheriff   |        | 37,000 | 37,000 |
| Judy Mackey, County Treasurer   |        | 29,600 | 21,500 |
| Nathan Hoffer, County Coroner   |        | 7,000  | 7,000  |
| Judy Tinsley, Public Administrator **                                     |        | 25,975 | 22,901 |
| Debbi Roberts-McGinnis, County Collector,<br>year ended February 28 (29), | 40,000 | 31,750 |        |
| Carolyn Page, County Assessor ***, year ended<br>August 31,               | 40,000 | 38,000 |        |
| John R.M. Nelson, County Surveyor ****                                    |        |        |        |

\* The county determined that the Prosecuting Attorney was underpaid by \$5,235 in 1999. This amount was paid to the Prosecuting Attorney in 2000.

\*\* Includes \$14,000 salary plus fees received from probate cases.

\*\*\* Includes \$900 annual compensation received from the state.

\*\*\*\* Compensation on a fee basis.

State-Paid Officials:

|   |  |        |        |
|---|--|--------|--------|
| Vesta Seiner, Circuit Clerk and<br>Ex Officio Recorder of Deeds |  | 44,292 | 42,183 |
| J. Michael Brown, Associate Circuit Judge                       |  | 87,234 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| County Commission                              | 0                           | 0        |
| Circuit Clerk and Ex Officio Recorder of Deeds | 2                           | 4        |
| County Clerk                                   | 3                           | 0        |
| Prosecuting Attorney                           | 1                           | 0        |
| Sheriff  | 27                          | 0        |
| County Treasurer                               | 1                           | 0        |
| County Coroner                                 | 0                           | 0        |
| Public Administrator                           | 0                           | 0        |
| County Collector *                             | 4                           | 0        |
| County Assessor                                | 5                           | 0        |
| County Surveyor                                | 0                           | 0        |
| Associate Division                             | 0                           | 3        |
| Probate Division                               | 0                           | 1        |
| Road and Bridge                                | 23                          | 0        |
| Health Center                                  | 12                          | 0        |
| Total  | <u>78</u>                   | <u>8</u> |

\* Includes three part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Polk County's share of the Thirtieth Judicial Circuit's expenses is 27 percent.

\* \* \* \* \*



CARTER COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-95  
September 20, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Carter, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Carter County included additional areas of county operations, as well as the elected county officials. The audit noted that the financial condition of the General Revenue Fund had improved since the prior audit. The following concerns were noted as part of the audit:

- The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards. The county's schedule contained numerous errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.
- The current and former County Collectors had not filed annual settlements as required by state law. Various errors were made in calculating commissions on property taxes collected during the year ended February 29, 2000. As a result, approximately \$9,600 is due from various political subdivisions to the General Revenue Fund. The audit also recommended the County Collector increase efforts to identify current addresses of landowners.
- Bond and gun permit receipts totaling \$300 could not be traced to deposits. The prior audit also noted receipts that could not be traced to deposits. At that time it was recommended that the Sheriff investigate the discrepancies and take action to ensure the undeposited receipts were recovered, or the Sheriff personally reimburse the amounts. Several recommendations were also made to help ensure the proper accounting of future receipts. While the Sheriff responded that those recommendations had been or would be implemented, most of the recommendations were not implemented, and monies are again unaccounted for.

(over)

YELLOW SHEET

- The Health Center does not have a depositary contract with its bank and the amount of collateral security pledged was not sufficient. Budgets prepared for the Health Center and related financial records were not always accurate and complete. Also, a financial statement was not published as required by state law.

Also included in the audit are recommendations related to improving personnel matters, compliance with IRS reporting requirements, bond coverage, and the accounting controls and procedures for the Circuit Clerk and Associate/Probate Division.

**Copies of the audit are available upon request.**

CARTER COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Carter County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Carter County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Carter County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Carter County.

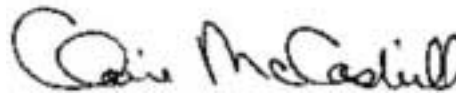
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Carter County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 25, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Carter County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

May 25, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | John Luetkemeyer, CPA |
| In-Charge Auditor:  | Debbie Hill, CPA      |
| Audit Staff:        | Todd Stoll            |
|                     | Michael J. Monia      |
|                     | Norma Payne           |





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Carter County, Missouri

We have audited the special-purpose financial statements of various funds of Carter County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

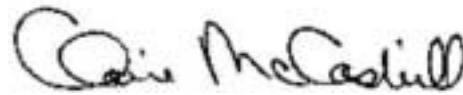
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Carter County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Carter County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Carter County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 25, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

CARTER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 54,518          | 651,076   | 602,190       | 103,404              |
| Special Road and Bridge             | 88,486             | 432,144   | 390,791       | 129,839              |
| Assessment                          | 1,285              | 67,687    | 68,967        | 5                    |
| Law Enforcement Training            | 4,633              | 4,183     | 6,213         | 2,603                |
| Prosecuting Attorney Training       | 1,073              | 765       | 1,269         | 569                  |
| Health Center                       | 191,318            | 445,851   | 480,668       | 156,501              |
| Prosecuting Attorney Bad Check      | 98                 | 34        | 0             | 132                  |
| Recorder's User Fees                | 12,703             | 3,890     | 5,973         | 10,620               |
| Prosecuting Attorney Delinquent Tax | 740                | 348       | 404           | 684                  |
| Carter County Board for Handicapped | 10,379             | 23,538    | 22,100        | 11,817               |
| Senior Citizens Service Tax Board   | 2,343              | 8,829     | 8,725         | 2,447                |
| Domestic Violence                   | 194                | 249       | 194           | 249                  |
| Circuit Clerk's Interest            | 11,372             | 6,540     | 2,864         | 15,048               |
| Law Library                         | 162                | 1,470     | 1,584         | 48                   |
| Associate Circuit Interest          | 3,315              | 941       | 3,016         | 1,240                |
| Jail                                | 1,986              | 81        | 3             | 2,064                |
| Multi Floral Rose                   | 7,651              | 308       | 444           | 7,515                |
| Sheriff's Fees                      | 5,620              | 7,889     | 11,066        | 2,443                |
| Salary                              | 13,192             | 1,643     | 14,632        | 203                  |
| South Van Buren Sewer District      | 0                  | 72,950    | 72,450        | 500                  |
| Chemical Emergency                  | 0                  | 1,729     | 0             | 1,729                |
| Total                               | \$ 411,068         | 1,732,145 | 1,693,553     | 449,660              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CARTER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                 | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                      | \$ (5)             | 881,956   | 827,433       | 54,518               |
| Special Road and Bridge              | 69,466             | 544,494   | 525,474       | 88,486               |
| Assessment                           | 202                | 72,780    | 71,697        | 1,285                |
| Law Enforcement Training             | 5,596              | 2,719     | 3,682         | 4,633                |
| Prosecuting Attorney Training        | 586                | 487       | 0             | 1,073                |
| Health Center                        | 196,728            | 460,682   | 466,092       | 191,318              |
| Crime Reduction                      | 66,756             | 18,403    | 85,159        | 0                    |
| Prosecuting Attorney Bad Check       | 1,529              | 1,514     | 2,945         | 98                   |
| Recorder's User Fees                 | 8,937              | 3,766     | 0             | 12,703               |
| Prosecuting Attorney Delinquent Tax  | 651                | 189       | 100           | 740                  |
| Carter County Board for Handicapped  | 11,063             | 22,456    | 23,140        | 10,379               |
| Senior Citizens Service Tax Board    | 1,788              | 8,277     | 7,722         | 2,343                |
| Sheriff's Equitable Sharing Proceeds | 85                 | 0         | 85            | 0                    |
| Domestic Violence                    | 178                | 194       | 178           | 194                  |
| Circuit Clerk's Interest             | 9,299              | 2,734     | 661           | 11,372               |
| Law Library                          | 39                 | 1,470     | 1,347         | 162                  |
| Associate Circuit Interest           | 2,360              | 1,987     | 1,032         | 3,315                |
| Jail                                 | 5,000              | 170       | 3,184         | 1,986                |
| Multi Floral Rose                    | 7,991              | 346       | 686           | 7,651                |
| Sheriff's Fees                       | 1,761              | 12,021    | 8,162         | 5,620                |
| Salary                               | 0                  | 72,717    | 59,525        | 13,192               |
| Total                                | \$ 390,010         | 2,109,362 | 2,088,304     | 411,068              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

CARTER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |         |  |         |         |  |
| Property taxes                      | \$ 10,997               | 14,579  | 3,582                                  | 97,025  | 11,036  | (85,989)                               |
| Sales taxes                         | 310,000                 | 313,451 | 3,451                                  | 299,000 | 309,065 | 10,065                                 |
| Intergovernmental                   | 112,202                 | 111,895 | (307)                                  | 95,575  | 176,239 | 80,664                                 |
| Charges for services                | 124,548                 | 121,608 | (2,940)                                | 106,630 | 102,522 | (4,108)                                |
| Interest                            | 2,500                   | 5,757   | 3,257                                  | 1,800   | 2,591   | 791                                    |
| Other                               | 46,453                  | 56,807  | 10,354                                 | 284,956 | 190,381 | (94,575)                               |
| Transfers in                        | 10,115                  | 26,979  | 16,864                                 | 22,000  | 90,122  | 68,122                                 |
| Total Receipts                      | 616,815                 | 651,076 | 34,261                                 | 906,986 | 881,956 | (25,030)                               |
| <b>DISBURSEMENTS</b>                |                         |         |  |         |         |  |
| County Commission                   | 53,415                  | 50,701  | 2,714                                  | 39,900  | 38,702  | 1,198                                  |
| County Clerk                        | 26,200                  | 25,167  | 1,033                                  | 29,125  | 28,062  | 1,063                                  |
| Elections                           | 2,350                   | 660     | 1,690                                  | 18,915  | 14,454  | 4,461                                  |
| Buildings and grounds               | 17,400                  | 12,449  | 4,951                                  | 26,365  | 18,305  | 8,060                                  |
| Employee fringe benefits            | 28,600                  | 24,154  | 4,446                                  | 30,000  | 29,906  | 94                                     |
| County Treasurer                    | 13,535                  | 12,886  | 649                                    | 14,010  | 13,744  | 266                                    |
| County Collector                    | 36,056                  | 33,208  | 2,848                                  | 31,029  | 30,804  | 225                                    |
| Ex Officio Recorder of Deeds        | 5,500                   | 5,500   | 0                                      | 8,027   | 7,638   | 389                                    |
| Circuit Clerk                       | 10,150                  | 8,960   | 1,190                                  | 9,887   | 7,637   | 2,250                                  |
| Associate Circuit Court             | 9,300                   | 8,935   | 365                                    | 8,900   | 6,845   | 2,055                                  |
| Court administration                | 852                     | 451     | 401                                    | 801     | 670     | 131                                    |
| Public Administrator                | 17,876                  | 17,864  | 12                                     | 14,328  | 12,818  | 1,510                                  |
| Sheriff                             | 123,286                 | 123,094 | 192                                    | 168,954 | 154,261 | 14,693                                 |
| Jail                                | 43,770                  | 41,683  | 2,087                                  | 33,752  | 42,627  | (8,875)                                |
| Prosecuting Attorney                | 47,013                  | 42,733  | 4,280                                  | 103,891 | 91,740  | 12,151                                 |
| Juvenile Officer                    | 30,866                  | 28,162  | 2,704                                  | 31,557  | 30,921  | 636                                    |
| County Coroner                      | 5,775                   | 5,338   | 437                                    | 5,775   | 5,256   | 519                                    |
| Other General County Government     | 50,469                  | 48,209  | 2,260                                  | 54,470  | 53,904  | 566                                    |
| Court Reporter                      | 265                     | 99      | 166                                    | 265     | 155     | 110                                    |
| Other                               | 96,524                  | 94,743  | 1,781                                  | 132,500 | 82,365  | 50,135                                 |
| Transfers out                       | 21,232                  | 17,194  | 4,038                                  | 112,419 | 156,619 | (44,200)                               |
| Emergency Fund                      | 36,225                  | 0       | 36,225                                 | 21,356  | 0       | 21,356                                 |
| Total Disbursements                 | 676,659                 | 602,190 | 74,469                                 | 896,226 | 827,433 | 68,793                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (59,844)                | 48,886  | 108,730                                | 10,760  | 54,523  | 43,763                                 |
| CASH, JANUARY 1                     | 54,516                  | 54,518  | 2                                      | 716     | (5)     | (721)                                  |
| CASH, DECEMBER 31                   | \$ (5,328)              | 103,404 | 108,732                                | 11,476  | 54,518  | 43,042                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

CARTER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 62,570               | 65,895  | 3,325                                  | 63,210  | 62,459  | (751)                                  |
| Intergovernmental                   | 316,074                 | 337,310 | 21,236                                 | 333,473 | 331,439 | (2,034)                                |
| Interest                            | 4,850                   | 5,072   | 222                                    | 6,000   | 4,841   | (1,159)                                |
| Other                               | 175                     | 23,867  | 23,692                                 | 11,509  | 23,971  | 12,462                                 |
| Transfers in                        | 0                       | 0       | 0                                      | 91,188  | 121,784 | 30,596                                 |
| Total Receipts                      | 383,669                 | 432,144 | 48,475                                 | 505,380 | 544,494 | 39,114                                 |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 127,400                 | 127,210 | 190                                    | 151,350 | 130,005 | 21,345                                 |
| Employee fringe benefits            | 16,319                  | 15,273  | 1,046                                  | 18,783  | 16,158  | 2,625                                  |
| Supplies                            | 70,000                  | 48,526  | 21,474                                 | 70,000  | 45,051  | 24,949                                 |
| Insurance                           | 20,000                  | 16,751  | 3,249                                  | 18,000  | 18,229  | (229)                                  |
| Road and bridge materials           | 121,000                 | 89,155  | 31,845                                 | 137,000 | 93,327  | 43,673                                 |
| Equipment repairs                   | 20,000                  | 5,607   | 14,393                                 | 20,000  | 5,809   | 14,191                                 |
| Equipment purchases                 | 51,900                  | 53,955  | (2,055)                                | 55,400  | 168,411 | (113,011)                              |
| Other                               | 25,000                  | 34,314  | (9,314)                                | 42,700  | 20,284  | 22,416                                 |
| Transfers out                       | 8,000                   | 0       | 8,000                                  | 0       | 28,200  | (28,200)                               |
| Total Disbursements                 | 459,619                 | 390,791 | 68,828                                 | 513,233 | 525,474 | (12,241)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (75,950)                | 41,353  | 117,303                                | (7,853) | 19,020  | 26,873                                 |
| CASH, JANUARY 1                     | 88,486                  | 88,486  | 0                                      | 69,466  | 69,466  | 0                                      |
| CASH, DECEMBER 31                   | \$ 12,536               | 129,839 | 117,303                                | 61,613  | 88,486  | 26,873                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

CARTER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |         |  |         |        |  |
|-------------------------------------|-----------|---------|--|---------|--------|--|
| 1999                                |           |         | 1998                                   |         |        |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |        |  |
| Intergovernmental                   | \$ 47,831 | 49,102  | 1,271                                  | 47,831  | 36,227 | (11,604)                               |
| Interest                            | 100       | 206     | 106                                    | 100     | 300    | 200                                    |
| Other                               | 1,500     | 1,185   | (315)                                  | 1,500   | 1,418  | (82)                                   |
| Transfers in                        | 21,232    | 17,194  | (4,038)                                | 21,232  | 34,835 | 13,603                                 |
| Total Receipts                      | 70,663    | 67,687  | (2,976)                                | 70,663  | 72,780 | 2,117                                  |
| DISBURSEMENTS                       |           |         |  |         |        |  |
| Assessor                            | 70,663    | 68,967  | 1,696                                  | 72,063  | 71,697 | 366                                    |
| Total Disbursements                 | 70,663    | 68,967  | 1,696                                  | 72,063  | 71,697 | 366                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | (1,280) | (1,280)                                | (1,400) | 1,083  | 2,483                                  |
| CASH, JANUARY 1                     | 1,285     | 1,285   | 0                                      | 202     | 202    | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,285  | 5       | (1,280)                                | (1,198) | 1,285  | 2,483                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit E

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 2,475 | 4,073         | 1,932   | 2,473  | 541           |  |
| Interest                            | 250      | 110           | 240     | 246    | 6             |  |
| Total Receipts                      | 2,725    | 4,183         | 2,172   | 2,719  | 547           |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Sheriff                             | 6,213    | 6,213         | 4,000   | 3,682  | 318           |  |
| Total Disbursements                 | 6,213    | 6,213         | 4,000   | 3,682  | 318           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,488)  | (2,030)       | (1,828) | (963)  | 865           |  |
| CASH, JANUARY 1                     | 3,768    | 4,633         | 5,596   | 5,596  | 0             |  |
| CASH, DECEMBER 31                   | \$ 280   | 2,603         | 3,768   | 4,633  | 865           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |         |               |        |        |               |  |
|-------------------------------------|---------|---------------|--------|--------|---------------|--|
| 1999                                |         |               | 1998   |        |               |  |
|                                     |         | Variance      |        |        | Variance      |  |
|                                     |         | Favorable     |        |        | Favorable     |  |
|                                     |         | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |         |               |        |        |               |  |
| Charges for services                | \$ 600  | 738           | 624    | 452    | (172)         |  |
| Interest                            | 24      | 27            | 25     | 35     | 10            |  |
| Total Receipts                      | 624     | 765           | 649    | 487    | (162)         |  |
| DISBURSEMENTS                       |         |               |        |        |               |  |
| Prosecuting Attorney                | 1,697   | 1,269         | 1,235  | 0      | 1,235         |  |
| Total Disbursements                 | 1,697   | 1,269         | 1,235  | 0      | 1,235         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,073) | (504)         | (586)  | 487    | 1,073         |  |
| CASH, JANUARY 1                     | 1,073   | 1,073         | 586    | 586    | 0             |  |
| CASH, DECEMBER 31                   | \$ 0    | 569           | 0      | 1,073  | 1,073         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

CARTER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |          |  |          |         |  |
|-------------------------------------|-------------------------|----------|--|----------|---------|--|
|                                     | 1999                    |          |  | 1998     |         |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |          |         |  |
| Property taxes                      | \$ 68,000               | 72,114   | 4,114                                  | 69,000   | 68,583  | (417)                                  |
| Intergovernmental                   | 237,342                 | 244,031  | 6,689                                  | 143,365  | 181,827 | 38,462                                 |
| Charges for services                | 190,500                 | 109,053  | (81,447)                               | 313,900  | 188,113 | (125,787)                              |
| Interest                            | 10,000                  | 9,501    | (499)                                  | 8,000    | 9,961   | 1,961                                  |
| Other                               | 7,000                   | 11,152   | 4,152                                  | 3,700    | 12,198  | 8,498                                  |
| Total Receipts                      | 512,842                 | 445,851  | (66,991)                               | 537,965  | 460,682 | (77,283)                               |
| DISBURSEMENTS                       |                         |          |  |          |         |  |
| Salaries                            | 337,577                 | 311,519  | 26,058                                 | 338,534  | 295,294 | 43,240                                 |
| Office expenditures                 | 25,210                  | 30,152   | (4,942)                                | 24,758   | 20,687  | 4,071                                  |
| Equipment & Building                | 28,000                  | 25,054   | 2,946                                  | 41,813   | 25,567  | 16,246                                 |
| Mileage and training                | 33,605                  | 30,661   | 2,944                                  | 28,749   | 25,096  | 3,653                                  |
| Other Professional Services         | 39,794                  | 24,685   | 15,109                                 | 51,764   | 39,428  | 12,336                                 |
| Medical Supplies                    | 56,495                  | 53,968   | 2,527                                  | 80,608   | 54,512  | 26,096                                 |
| Other Expenses                      | 800                     | 4,629    | (3,829)                                | 333      | 5,508   | (5,175)                                |
| Total Disbursements                 | 521,481                 | 480,668  | 40,813                                 | 566,559  | 466,092 | 100,467                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (8,639)                 | (34,817) | (26,178)                               | (28,594) | (5,410) | 23,184                                 |
| CASH, JANUARY 1                     | 191,318                 | 191,318  | 0                                      | 196,728  | 196,728 | 0                                      |
| CASH, DECEMBER 31                   | \$ 182,679              | 156,501  | (26,178)                               | 168,134  | 191,318 | 23,184                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CRIME REDUCTION FUND

| Year Ended December 31,             |    |               |        |         |        |               |          |
|-------------------------------------|----|---------------|--------|---------|--------|---------------|----------|
| 1999                                |    |               |        | 1998    |        |               |          |
|                                     |    | Variance      |        |         |        | Variance      |          |
|                                     |    | Favorable     |        |         |        | Favorable     |          |
|                                     |    | (Unfavorable) |        |         |        | (Unfavorable) |          |
|                                     |    | Budget        | Actual | Budget  | Actual |               |          |
| RECEIPTS                            |    |               |        |         |        |               |          |
| Charges for services                | \$ | 7,352         | 0      | (7,352) | 93,858 | 18,403        | (75,455) |
| Total Receipts                      |    | 7,352         | 0      | (7,352) | 93,858 | 18,403        | (75,455) |
| DISBURSEMENTS                       |    |               |        |         |        |               |          |
| Salaries                            |    | 0             | 0      | 0       | 36,000 | 20,732        | 15,268   |
| Office expenditures                 |    | 0             | 0      | 0       | 8,000  | 803           | 7,197    |
| Equipment                           |    | 0             | 0      | 0       | 15,000 | 380           | 14,620   |
| Mileage and training                |    | 0             | 0      | 0       | 18,500 | 0             | 18,500   |
| Other                               |    | 0             | 0      | 0       | 16,000 | 95            | 15,905   |
| Transfers out                       |    | 0             | 0      | 0       | 0      | 63,149        | (63,149) |
| Total Disbursements                 |    | 0             | 0      | 0       | 93,500 | 85,159        | 8,341    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |               |        |         |        |               |          |
|                                     |    | 7,352         | 0      | (7,352) | 358    | (66,756)      | (67,114) |
| CASH, JANUARY 1                     |    |               |        |         |        |               |          |
|                                     |    | 0             | 0      | 0       | 66,506 | 66,756        | 250      |
| CASH, DECEMBER 31                   |    |               |        |         |        |               |          |
| \$                                  |    | 7,352         | 0      | (7,352) | 66,864 | 0             | (66,864) |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |        |        |  |         |         |  |
|-------------------------------------|--------|--------|--|---------|---------|--|
| 1999                                |        |        | 1998                                   |         |         |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |         |         |  |
| Charges for services                | \$ 0   | 30     | 30                                     | 3,500   | 1,450   | (2,050)                                |
| Interest                            | 0      | 4      | 4                                      | 90      | 64      | (26)                                   |
| Total Receipts                      | 0      | 34     | 34                                     | 3,590   | 1,514   | (2,076)                                |
| DISBURSEMENTS                       |        |        |  |         |         |  |
| Purchases                           | 0      | 0      | 0                                      | 1,119   | 0       | 1,119                                  |
| Mileage, training & education       | 83     | 0      | 83                                     | 4,000   | 2,945   | 1,055                                  |
| Total Disbursements                 | 83     | 0      | 83                                     | 5,119   | 2,945   | 2,174                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (83)   | 34     | 117                                    | (1,529) | (1,431) | 98                                     |
| CASH, JANUARY 1                     | 98     | 98     | 0                                      | 1,529   | 1,529   | 0                                      |
| CASH, DECEMBER 31                   | \$ 15  | 132    | 117                                    | 0       | 98      | 98                                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

|                                     |    | Year Ended December 31, |         |                            |        |        |                            |
|-------------------------------------|----|-------------------------|---------|----------------------------|--------|--------|----------------------------|
|                                     |    | 1999                    |         |                            | 1998   |        |                            |
|                                     |    |                         |         | Variance                   |        |        | Variance                   |
|                                     |    | Budget                  | Actual  | Favorable<br>(Unfavorable) | Budget | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |                            |        |        |                            |
| Charges for services                | \$ | 3,500                   | 3,392   | (108)                      | 3,500  | 3,304  | (196)                      |
| Interest                            |    | 462                     | 498     | 36                         | 310    | 462    | 152                        |
| Total Receipts                      |    | 3,962                   | 3,890   | (72)                       | 3,810  | 3,766  | (44)                       |
| DISBURSEMENTS                       |    |                         |         |                            |        |        |                            |
| Storage of Records                  |    | 10,000                  | 5,973   | 4,027                      | 4,000  | 0      | 4,000                      |
| Total Disbursements                 |    | 10,000                  | 5,973   | 4,027                      | 4,000  | 0      | 4,000                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |                         |         |                            |        |        |                            |
|                                     |    | (6,038)                 | (2,083) | 3,955                      | (190)  | 3,766  | 3,956                      |
| CASH, JANUARY 1                     |    | 12,703                  | 12,703  | 0                          | 8,937  | 8,937  | 0                          |
| CASH, DECEMBER 31                   | \$ | 6,665                   | 10,620  | 3,955                      | 8,747  | 12,703 | 3,956                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Intergovernmental                   | \$ 300 | 323           | 300    | 158    | (142)         |  |
| Interest                            | 49     | 25            | 49     | 31     | (18)          |  |
| Total Receipts                      | 349    | 348           | 349    | 189    | (160)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Mileage & Training                  | 1,089  | 364           | 1,000  | 0      | 1,000         |  |
| Other                               | 0      | 40            | 0      | 100    | (100)         |  |
| Total Disbursements                 | 1,089  | 404           | 1,000  | 100    | 900           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (740)  | (56)          | (651)  | 89     | 740           |  |
| CASH, JANUARY 1                     | 740    | 740           | 651    | 651    | 0             |  |
| CASH, DECEMBER 31                   | \$ 0   | 684           | 0      | 740    | 740           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CARTER COUNTY BOARD FOR HANDICAPPED FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Property taxes                      | \$ 22,443 | 23,196        | 23,000 | 22,059 | (941)         |  |
| Interest                            | 400       | 342           | 400    | 397    | (3)           |  |
| Total Receipts                      | 22,843    | 23,538        | 23,400 | 22,456 | (944)         |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Contract services                   | 22,000    | 22,000        | 23,024 | 23,024 | 0             |  |
| Office expenditures                 | 100       | 100           | 100    | 100    | 0             |  |
| Other                               | 16        | 0             | 0      | 16     | (16)          |  |
| Total Disbursements                 | 22,116    | 22,100        | 23,124 | 23,140 | (16)          |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 727       | 1,438         | 276    | (684)  | (960)         |  |
| CASH, JANUARY 1                     | 10,379    | 10,379        | 11,063 | 11,063 | 0             |  |
| CASH, DECEMBER 31                   | \$ 11,106 | 11,817        | 11,339 | 10,379 | (960)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit M

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENIOR CITIZENS SERVICE TAX BOARD FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Property taxes                      | \$ 8,915 | 8,625  | (290)                                  | 8,915  | 8,073  | (842)                                  |
| Interest                            | 203      | 204    | 1                                      | 203    | 204    | 1                                      |
| Total Receipts                      | 9,118    | 8,829  | (289)                                  | 9,118  | 8,277  | (841)                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Contract Services                   | 8,720    | 8,725  | (5)                                    | 7,621  | 7,722  | (101)                                  |
| Total Disbursements                 | 8,720    | 8,725  | (5)                                    | 7,621  | 7,722  | (101)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 398      | 104    | (294)                                  | 1,497  | 555    | (942)                                  |
| CASH, JANUARY 1                     | 2,343    | 2,343  | 0                                      | 1,788  | 1,788  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,741 | 2,447  | (294)                                  | 3,285  | 2,343  | (942)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

CARTER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S EQUITABLE SHARING PROCEEDS FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1998                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Other                               | \$ 0   | 0      | 0                                      |
| Total Receipts                      | 0      | 0      | 0                                      |
| DISBURSEMENTS                       |        |        |  |
| Transfers out                       | 0      | 85     | (85)                                   |
| Total Disbursements                 | 0      | 85     | (85)                                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | (85)   | (85)                                   |
| CASH, JANUARY 1                     | 0      | 85     | 85                                     |
| CASH, DECEMBER 31                   | \$ 0   | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 190 | 245           | 200    | 190    | (10)          |  |
| Interest                            | 4      | 4             | 4      | 4      | 0             |  |
| Total Receipts                      | 194    | 249           | 204    | 194    | (10)          |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Domestic violence shelter           | 194    | 194           | 178    | 178    | 0             |  |
| Total Disbursements                 | 194    | 194           | 178    | 178    | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 55            | 26     | 16     | (10)          |  |
| CASH, JANUARY 1                     | 194    | 194           | 178    | 178    | 0             |  |
| CASH, DECEMBER 31                   | \$ 194 | 249           | 204    | 194    | (10)          |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK'S INTEREST FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Interest                            | \$ 3,000  | 6,540  | 3,540                                  | 3,600  | 2,734  | (866)                                  |
| Total Receipts                      | 3,000     | 6,540  | 3,540                                  | 3,600  | 2,734  | (866)                                  |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Equipment                           | 2,000     | 2,000  | 0                                      | 0      | 0      | 0                                      |
| Other                               | 802       | 864    | (62)                                   | 500    | 661    | (161)                                  |
| Total Disbursements                 | 2,802     | 2,864  | (62)                                   | 500    | 661    | (161)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 198       | 3,676  | 3,478                                  | 3,100  | 2,073  | (1,027)                                |
| CASH, JANUARY 1                     | 11,373    | 11,372 | (1)                                    | 9,299  | 9,299  | 0                                      |
| CASH, DECEMBER 31                   | \$ 11,571 | 15,048 | 3,477                                  | 12,399 | 11,372 | (1,027)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit Q

CARTER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 JAIL FUND

|                                     |    | Year Ended December 31, |        |  |         |         |  |
|-------------------------------------|----|-------------------------|--------|--|---------|---------|--|
|                                     |    | 1999                    |        |  | 1998    |         |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |         |         |  |
| Intergovernmental                   | \$ | 5,885                   | 0      | (5,885)                                | 0       | 0       | 0                                      |
| Interest                            |    | 175                     | 81     | (94)                                   | 0       | 170     | 170                                    |
| Total Receipts                      |    | 6,060                   | 81     | (5,979)                                | 0       | 170     | 170                                    |
| DISBURSEMENTS                       |    |                         |        |  |         |         |  |
| Salary Expense                      |    | 960                     | 3      | 957                                    | 4,000   | 949     | 3,051                                  |
| Repairs                             |    | 130                     | 0      | 130                                    | 0       | 128     | (128)                                  |
| Equipment                           |    | 0                       | 0      | 0                                      | 1,000   | 0       | 1,000                                  |
| Supplies                            |    | 110                     | 0      | 110                                    | 0       | 107     | (107)                                  |
| Dues                                |    | 2,000                   | 0      | 2,000                                  | 0       | 2,000   | (2,000)                                |
| Total Disbursements                 |    | 3,200                   | 3      | 3,197                                  | 5,000   | 3,184   | 1,816                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 2,860                   | 78     | (2,782)                                | (5,000) | (3,014) | 1,986                                  |
| CASH, JANUARY 1                     |    | 1,986                   | 1,986  | 0                                      | 5,000   | 5,000   | 0                                      |
| CASH, DECEMBER 31                   | \$ | 4,846                   | 2,064  | (2,782)                                | 0       | 1,986   | 1,986                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

CARTER COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MULTI FLORAL ROSE FUND

| Year Ended December 31,             |         |               |         |        |               |  |
|-------------------------------------|---------|---------------|---------|--------|---------------|--|
| 1999                                |         |               | 1998    |        |               |  |
|                                     |         | Variance      |         |        | Variance      |  |
|                                     |         | Favorable     |         |        | Favorable     |  |
|                                     |         | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |         |               |         |        |               |  |
| Interest                            | \$ 350  | 308           | 300     | 346    | 46            |  |
| Total Receipts                      | 350     | 308           | 300     | 346    | 46            |  |
| DISBURSEMENTS                       |         |               |         |        |               |  |
| Refunds                             | 8,001   | 444           | 7,991   | 686    | 7,305         |  |
| Total Disbursements                 | 8,001   | 444           | 7,991   | 686    | 7,305         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,651) | (136)         | (7,691) | (340)  | 7,351         |  |
| CASH, JANUARY 1                     | 7,651   | 7,651         | 7,991   | 7,991  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0    | 7,515         | 300     | 7,651  | 7,351         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit S

CARTER COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S FEES FUND

|                                     | Year Ended December 31, |         |  |         |        |  |
|-------------------------------------|-------------------------|---------|--|---------|--------|--|
|                                     | 1999                    |         |  | 1998    |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |        |  |
| Charges for services                | \$ 7,500                | 7,707   | 207                                    | 5,500   | 8,747  | 3,247                                  |
| Interest                            | 174                     | 182     | 8                                      | 200     | 174    | (26)                                   |
| Other                               | 0                       | 0       | 0                                      | 0       | 3,100  | 3,100                                  |
| Total Receipts                      | 7,674                   | 7,889   | 215                                    | 5,700   | 12,021 | 6,321                                  |
| DISBURSEMENTS                       |                         |         |  |         |        |  |
| Salaries                            | 0                       | 2,960   | (2,960)                                | 0       | 0      | 0                                      |
| Employee fringe benefits            | 0                       | 893     | (893)                                  | 0       | 0      | 0                                      |
| Equipment                           | 3,115                   | 3,215   | (100)                                  | 7,461   | 8,112  | (651)                                  |
| Supplies                            | 50                      | 0       | 50                                     | 0       | 50     | (50)                                   |
| Mileage                             | 0                       | 3,817   | (3,817)                                | 0       | 0      | 0                                      |
| Transfer Out                        | 0                       | 181     | (181)                                  | 0       | 0      | 0                                      |
| Total Disbursements                 | 3,165                   | 11,066  | (7,901)                                | 7,461   | 8,162  | (701)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 4,509                   | (3,177) | (7,686)                                | (1,761) | 3,859  | 5,620                                  |
| CASH, JANUARY 1                     | 5,620                   | 5,620   | 0                                      | 1,761   | 1,761  | 0                                      |
| CASH, DECEMBER 31                   | \$ 10,129               | 2,443   | (7,686)                                | 0       | 5,620  | 5,620                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

CARTER COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SALARY FUND

| Year Ended December 31,             |          |               |         |
|-------------------------------------|----------|---------------|---------|
| 1999                                |          |               |         |
|                                     |          | Variance      |         |
|                                     |          | Favorable     |         |
|                                     |          | (Unfavorable) |         |
|                                     | Budget   | Actual        |         |
| RECEIPTS                            |          |               |         |
| Intergovernmental                   | \$ 0     | 1,500         | 1,500   |
| Interest                            | 250      | 143           | (107)   |
| Total Receipts                      | 250      | 1,643         | 1,393   |
| DISBURSEMENTS                       |          |               |         |
| Transfers out                       | 21,834   | 14,632        | 7,202   |
| Total Disbursements                 | 21,834   | 14,632        | 7,202   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (21,584) | (12,989)      | 8,595   |
| CASH, JANUARY 1                     | 21,584   | 13,192        | (8,392) |
| CASH, DECEMBER 31                   | \$ 0     | 203           | 203     |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Notes to the Financial Statements

CARTER COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Carter County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Carter County Board for the Handicapped, or the Senior Citizens Service Tax Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| Law Library Fund                    | 1999 and 1998                   |
| Associate Circuit Interest Fund     | 1999 and 1998                   |
| South Van Buren Sewer District Fund | 1999                            |
| Chemical Emergency Fund             | 1999                            |
| Salary Fund                         | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                               | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Special Road and Bridge Fund              | 1998                            |
| Carter County Board for Handicapped Fund  | 1998                            |
| Senior Citizens Service Tax Board Fund    | 1999 and 1998                   |
| Sheriff's Equitable Sharing Proceeds Fund | 1998                            |
| Circuit Clerk's Interest Fund             | 1999 and 1998                   |
| Sheriff's Fees Fund                       | 1999 and 1998                   |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1999. However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the Assessment Fund for the year ended December 31, 1998.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Health Center Fund                       | 1999 and 1998                   |
| Carter County Board for Handicapped Fund | 1999 and 1998                   |
| Recorder's User Fees Fund                | 1999                            |
| Multi Floral Rose Fund                   | 1998                            |
| Senior Citizens Service Tax Board Fund   | 1998                            |

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the custodial bank in the county's name.

The health center's deposits at December 31, 1999 were entirely covered by federal depositary insurance or by collateral securities held by the custodial bank in the health center's name.

Of the health center's bank balances at December 31, 1998, \$155,817 was covered by federal depositary insurance or by collateral securities held by the custodial bank in the health center's name and \$7,759 was uninsured and uncollateralized.

Furthermore, because the health center had significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year end.

The Carter County Board for Handicapped's deposits at December 31, 1999 and 1998 were entirely covered by federal depositary insurance.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

CARTER COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                           | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                     |  |   |                         |         |
| Passed through state:                               |  |   |                         |         |
| Department of Health -                              |  |   |                         |         |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ERS0117   | \$ 30,843               | 28,792  |
| Office of Administration -                          |  |   |                         |         |
| 10.665  | Schools and Roads - Grants to<br>States                                    | N/A   | 141,544                 | 121,465 |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT |  |   |                         |         |
| Passed through state:                               |  |   |                         |         |
| Department of Economic Development -                |  |   |                         |         |
| 14.228  | Community Development Block Grants/State's<br>Program                      | 98-PF-07  | 72,450                  | 0       |
| U.S. DEPARTMENT OF JUSTICE                          |  |   |                         |         |
| Direct programs:                                    |  |   |                         |         |
| 16.710  | Public Safety Partnership and Community Policing Grants                    | 1999SHWX0665                                    | 10,529                  | 8,467   |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 0                       | 2,500   |
| GENERAL SERVICES ADMINISTRATION                     |  |   |                         |         |
| Passed through state Office of Administration-      |  |   |                         |         |
| 39.003  | Donation of Federal Surplus Personal Property                              | N/A   | 699                     | 0       |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                 |  |   |                         |         |
| Passed through state Department of Public Safety:   |  |   |                         |         |
| 83.534  | Emergency Management - State and Local Assistance                          | N/A   | 0                       | 4,216   |

## Schedule

CARTER COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                       |
|---|--|---|-------------------------|-----------------------|
|   |  |   | Year Ended December 31, |                       |
|   |  |   | 1999                    | 1998                  |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |                       |
| Passed through state:                         |  |   |                         |                       |
| Department of Health -                        |  |   |                         |                       |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ERO146-0117CLPP                                 | 123                     | 0                     |
| 93.268  | Immunization Grants  | PG0064-01171AP                                  | 10,815                  | 15,123                |
| Department of Social Services -               |  |   |                         |                       |
| 93.563  | Child Support Enforcement  | N/A   | 432                     | 445                   |
| Department of Health -                        |  |   |                         |                       |
| 93.575  | Child Care and Development Block Grant   | PGA067-0117S                                    | 350                     | 410                   |
|   |  | ERO146-0117C                                    | 2,000                   | 2,820                 |
|   | Program Total  |   | <u>2,350</u>            | <u>3,230</u>          |
| Department of Health -                        |  |   |                         |                       |
| 93.919  | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs   | ER0161-90033                                    | 13,228                  | 8,851                 |
| 93.991  | Preventive Health and Health Services Block Grant  | AOC00380202                                     | 25,979                  | 344                   |
| 93.994  | Maternal and Child Health Services Block Grant to the States   | ERO146-0117MCH                                  | 11,546                  | 16,484                |
|   |  | ERO175-0117FP                                   | 4,175                   | 5,244                 |
|   | Program Total  |   | <u>15,721</u>           | <u>21,728</u>         |
|   | Total Expenditures of Federal Awards   | \$  | <u><u>324,713</u></u>   | <u><u>215,161</u></u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule



CARTER COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Carter County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Surplus Property (CFDA number 39.003) represent the estimated fair market value of property received (determined as 23.3 percent of the original acquisition cost).

Of the pass through amounts for Immunization Grants (CFDA number 93.268) \$10,130 and \$13,133 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$121 and \$341 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$603 and \$1,194 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Carter County, Missouri

Compliance

We have audited the compliance of Carter County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Carter County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

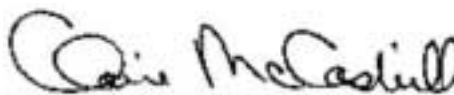
#### Internal Control Over Compliance

The management of Carter County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Carter County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 25, 2000 (fieldwork completion date)

Schedule

CARTER COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major programs:

Material weakness identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>                               |
|---|--|
| 10.665  | Schools and Roads - Grants to States               |
| 14.228  | Community Development Block Grants/State's Program |



Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes      x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|  |
|--|
| <b>99-1.                      Schedule of Expenditures of Federal Awards</b> |
|--|

|                       |                                      |
|-----------------------|--------------------------------------|
| Federal Grantor:      | U.S. Department of Agriculture       |
| Pass-Through Grantor: | Office of Administration             |
| Federal CFDA Number:  | 10.665                               |
| Program Title:        | Schools and Roads – Grants to States |
| Pass-Through Entity   |                                      |
| Identifying Numbers:  | N/A                                  |
| Award Years:          | 1999 and 1998                        |
| Questioned Costs:     | N/A                                  |

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Housing and Urban Development   |
| Pass-Through Grantor: | Department of Economic Development                 |
| Federal CFDA Number:  | 14.228   |
| Program Title:        | Community Development Block Grants/State's Program |
| Pass-Through Entity   |  |
| Identifying Numbers:  | 98-PF-07   |
| Award Years:          | 1999   |
| Questioned Costs:     | N/A  |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 1999 and 1998, the county's SEFA contained numerous errors and omissions. For example, expenditures related to several federal grants received through the county nursing service and services performed by the prosecuting attorney for child support enforcement were not included on the schedules. Other programs reported did not include the required CFDA number or pass-through grantor's number. In addition, one non-federal program was incorrectly reported. In total, expenditures were overstated by \$65,389 for 1999 and understated by \$87,438 for 1998.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND**, the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

**AUDITEE'S RESPONSE**

*I will try to implement this recommendation when this schedule is prepared next fiscal year. I will need the Health Center's cooperation to fully implement this recommendation.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

CARTER COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

CARTER COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings



CARTER COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Carter County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 25, 2000. We also have audited the compliance of Carter County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 25, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Carter County but do not meet the criteria for inclusion in the written report on compliance and on internal control over

financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|                        |
|------------------------|
| <b>1. County Bonds</b> |
|------------------------|

During our review of bond coverage for officials and other county-paid employees who handle monies, we noted the following concerns:

- A. The Assessor's bond expired August 31, 1997 and was not renewed until March 2, 2000. Section 53.040, RSMo, 1994 states that the Assessor shall be bonded for a minimum of \$1,000.
- B. County-paid employees who handle monies were not covered by any employee bond during the two years ended December 31, 1999. Properly bonding all persons with access to monies would better protect the officials and county from risk of loss.

**WE RECOMMEND** the County Commission obtain adequate bond coverage for all officials and other county employees with access to monies.

**AUDITEE'S RESPONSE**

*This recommendation has been implemented.*

|   |
|---|
| <b>2. Personnel Policies and Procedures</b> |
|---|

- A. The county does not have a comprehensive employee manual. Such a manual should detail personnel matters, such as vacation and sick leave policies, overtime and compensatory time policies, employee duties and responsibilities, lines of authority, grievance procedures, and any other items of interest to employees.

A comprehensive employee manual which summarizes both written and unwritten policies can benefit both county officials and employees by providing a basic understanding between management and employees regarding each other's rights and responsibilities. It can also help ensure that management's policies are fairly and consistently applied to all county employees. The County Commission has not established formal written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned responsibilities.

- B. The Sheriff receives a mileage allowance of \$750 per month for use of his personal vehicle for county business. The Sheriff is not required to submit mileage reimbursement requests for this allowance. However, this mileage allowance is not

included on the Sheriff's W-2 form at year end. In addition, uniform allowances of \$25 a month were paid to the Sheriff and deputies during the two years ended December 31, 1999. These allowances totaled \$750 and \$950 for the years ended December 31, 1999 and 1998, respectively. The Sheriff and deputies are not required to submit invoices or an itemized expense report to support the allowance, nor are uniform allowances reported on W-2 forms.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure that IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- C. The Sheriff's deputies submit mileage reimbursement requests for transporting prisoners in their personal vehicles. As this mileage is accounted for to the County Commission, it is considered an expense reimbursement and is not taxable to the employee. However, the County issued 1099's to deputies for these reimbursements.

**WE RECOMMEND** the County Commission:

- A. Establish written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned duties.
- B. Ensure that mileage and uniform allowances are included on employee W-2 forms in compliance with IRS reporting requirements.
- C. Ensure that amounts reported on 1099 forms do not include amounts for mileage reimbursement which have already been properly accounted for.

**AUDITEE'S RESPONSE**

- A. *We will do our best to implement this recommendation by the beginning of the next fiscal year.*
- B. *This recommendation was implemented in June 2000.*
- C. *We will implement this recommendation as soon as possible.*

### **3. County Collector's Accounting Controls and Procedures**

- A. The County Collector is required by Section 139.160, RSMo 1994, to file an annual settlement with the County Clerk by the first Monday in March of each year. As of May 25, 2000 the former County Collector had not filed an annual settlement for the year ended February 28, 1999. In addition, the former Collector did not disburse collections in a timely manner. Collections for the month of February 1999 were not disbursed until July 1999 and interest earned during the year ended February 28, 1999 was not distributed until January 2000. We also noted that the current County Collector, who took office March 1, 1999, had not filed the annual settlement for the year ended February 29, 2000, as of May 25, 2000.

For the County Clerk to properly verify the various tax books, the County Collector needs to file annual settlements on a timely basis. In addition, timely annual settlements and distributions of funds are an essential part of the checks and balances system established by state law.

- B. Our review of commissions withheld on current tax collections by the County Collector and paid to General Revenue disclosed calculation errors for the year ended February 29, 2000. Section 52.260, RSMo 1994, allows commissions of two and one-half percent on the first \$350,000 of current taxes collected and one percent on current collections over \$350,000. The County Collector withheld commissions at the rate of one percent on all current collections for the year ended February 29, 2000. In addition, errors were made in calculating the one-half percent mailing commission allowed under Section 52.250, RSMo 1994. The county receives all of the commissions retained from current tax collections. As a result of the errors noted above, the General Revenue Fund did not receive approximately \$9,600 in commissions that was distributed to political subdivisions.
- C. During our review of delinquent property taxes, it was brought to our attention that there have been instances in which individuals are paying property taxes on land that they do not own. In most of these instances, the County Collector does not have the current address of the actual landowner or heir. Since the property taxes are paid by other individuals, these properties are not sold by the county at tax sale. We received a list of twenty-two landowners that could not be located by the County Collector. Through use of Internet search engines, we were able to tentatively identify and locate four of these property owners. We forwarded these potential addresses to the County Collector.

The County Collector should make every reasonable effort to ensure that property owners receive their tax bills.

**WE RECOMMEND** the County Collector:

- A. Ensure annual settlements are filed as required by state law and ensure funds collected are distributed in a timely manner.
- B. Recalculate commissions for the year ended February 29, 2000, and withhold from the various political subdivisions' future distributions to correct for the error in commission calculation.
- C. Make every reasonable effort, including the use of internet resources to identify current landowner addresses, to ensure that property owners actually receive their tax bills.

**AUDITEE'S RESPONSE**

- A. *I expect to file the annual settlement later in September and will continue to make distributions in a timely manner.*
- B. *I will implement this recommendation by the end of this year.*
- C. *I did utilize the internet to determine more current addresses, however, we were unable to identify the potential addresses found by the auditors. We intend to continue internet searches in the future. I have sent notifications to the addresses provided by the auditors. These notices were not returned as undeliverable, but I have not yet received any correspondence from these potential landowners either.*

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| <b>4. Circuit Clerk's Accounting Controls and Procedures</b> |
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- A. The Circuit Clerk's bank accounts were not adequately covered by collateral securities from December 1998 through March 1999, and therefore, monies were unsecured by various amounts during this time. In December 1998, when balances were at their highest, approximately \$528,300 was unsecured.

Section 483.312, RSMo 1998, requires the value of securities pledged by banks holding circuit court funds shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Circuit Clerk should enter into depositary agreements with the banks to require collateral securities to be pledged whenever balances exceed FDIC coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

- B. Monthly listings of open items (liabilities) are not prepared on a timely basis. During the two years ended December 31, 1999, these listings were prepared approximately two to three times per year. In addition, these listings are not reconciled to the cash balance. The reconciled bank balance at November 30, 1999 exceeded the total identified open items by approximately \$2,200.

To ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities, monthly listings of open items should be prepared by the court and reconciled to the reconciled cash balance. Any discrepancies found should be investigated and resolved.

The open items listing included numerous old cases awaiting full collection of fees due. If it appears unlikely the remaining amounts due will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

**WE RECOMMEND** the Circuit Clerk:

- A. Monitor the bank account balances and ensure the depositary bank pledges adequate securities at all times in accordance with state law.
- B. Prepare a complete listing of open items for each account on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated and resolved. In addition, along with the Circuit Judge, review the older cases and determine the appropriate disposition of funds being held on inactive cases.

**AUDITEE'S RESPONSE**

- A. *This recommendation had already been implemented. There have been two similar instances where large sums were received since the instance noted in the report. In both instances, collateral security was obtained.*
- B. *This recommendation has been implemented.*

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| <b>5. Associate/Probate Division's Accounting Controls and Procedures</b> |
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The Associate/Probate Division processed receipts of approximately \$198,300 and \$234,748 in 1999 and 1998, respectively. We noted the following concerns regarding Associate/Probate Division operations:

- A. A listing of accrued costs owed to the court is not maintained by the Associate Clerk. The Associate Judge indicated he periodically reviews open files. However, a complete and accurate accrued costs listing would allow the Associate Clerk to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.
- B. Monthly listings of open items (liabilities) are not prepared on a timely basis. Although the court is working on a current listing, the last open items listing was prepared as of December 31, 1997. That listing totaled \$15,923, \$5,310 less than the reconciled book balance.

To ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities, monthly listings of open items should be prepared by the court and reconciled to the reconciled cash balance. Any discrepancies found should be investigated and resolved.

The open items listing included numerous old cases awaiting full collection of fees due. If it appears unlikely the remaining amounts due will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

- C. Checks totaling over \$671 have been outstanding longer than one year and were still carried on the books at December 31, 1999. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

Sections 50.470 through 50.500, RSMo 1994, provide for certain monies to be turned over to the County Treasurer for credit to the Unclaimed Fees Fund and Sections 447.500 through 447.595, RSMo 1994, provide for some unclaimed property to be distributed to the state's Unclaimed Property Section.

- D. Monies received are not deposited on a timely basis. During the audit period, deposits were made approximately once or twice a week.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.

- E. During our review of the Associate Circuit Interest Fund, we noted one expenditure for \$641 for which adequate supporting documentation was not retained. While the Associate Judge approved the expenditure, it was not supported by an itemized invoice. To ensure the validity and propriety of expenditures, adequate supporting documentation should be maintained for all payments to vendors.

Conditions similar to A., B., C., and D. were noted in our prior report.

**WE RECOMMEND** the Associate/Probate Division:

- A. Maintain a listing of accrued costs to help pursue timely collection.
- B. Prepare a complete listing of open items for each account on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated and resolved. In addition, along with the Associate Judge, review the older cases and determine the appropriate disposition of funds being held on inactive cases.
- C. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- D. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- E. Maintain adequate supporting documentation on expenditures from the Associate Circuit Interest Fund.

### **AUDITEE'S RESPONSE**

*The Associate Circuit Judge responded:*

- A. *While a list would be beneficial, we just do not have the time to maintain such a listing. For that reason, a periodic review of case files will be continued.*
- B&C. *I agree we need to improve in these areas. We do have a volunteer working on our old and inactive cases. Our workload is such that I do not know when these recommendations can be fully implemented.*



- D. *I believe we adequately secure these monies prior to deposits but we will attempt to make more timely deposits.*
- E. *This documentation was simply misplaced. We will continue to maintain such documentation in the future.*

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| <b>6. Sheriff's Accounting Controls and Procedures</b> |
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- A. The Sheriff's Office processed receipts of approximately \$26,005 and \$33,564 in 1999 and 1998 respectively. We noted the following areas where the record-keeping system and internal controls could be improved:

1. During the year ended December 31, 1998, we noted several instances where money was receipted but could not be traced to a deposit. Bond and gun permit receipts totaling \$300 could not be traced to deposits and therefore, it appears a shortage exists.

During the prior audit of the three years ended December 31, 1997, we also noted receipts totaling \$340 which could not be traced to deposits. We recommended the Sheriff investigate these discrepancies and take action to ensure the undeposited receipts were recovered, or the Sheriff personally reimburse these amounts. Several recommendations were also made to help ensure the proper accounting for future receipts. While the Sheriff responded that those recommendations had been or would be implemented, most of the recommendations were not implemented, and monies are again unaccounted for.

2. The Sheriff's office accepts cash, checks, and money orders for payment of fees, gun permits, and bonds. Receipt slips are not issued for some monies received and the method of payment is not always marked on receipt slips issued. In addition, there is no accounting of the numerical sequence of receipt slips issued.

To ensure receipts are accounted for properly, prenumbered receipt slips should be issued for all monies received and total cash, checks, and money orders should be reconciled to bank deposits and monthly reports. In addition, the numerical sequence of receipt slips issued should be accounted for.

3. Receipts are not deposited intact on a timely basis. During the two years ended December 31, 1999, receipts were deposited approximately every one to two weeks. In addition, individual cash receipts comprising the deposit are not always indicated on the deposit slip. To adequately safeguard receipts

and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100. In addition, individual receipts should be indicated on the deposit slip.

4. Bank reconciliations were not prepared for the Sheriff's account. The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis.
  5. Monies are deposited to the fee account and remitted to the County Treasurer on a monthly basis; however, the Sheriff does not file a formal monthly report of fees with the County Commission. Section 50.370, RSMo 1994, requires that an itemized and accurate list of fees collected be filed by county officials with the County Commission monthly.
  6. The Sheriff's office receives service fees from courts and other counties for the service of summonses. A complete listing of accrued costs owed to the Sheriff's office is not maintained and monitoring procedures related to accrued costs are not adequate. A complete and accurate accrued costs listing would allow the Sheriff to more easily review the amounts owed for service fees, and take appropriate steps to ensure all amounts owed are collected on a timely basis.
- B. The duties of cash custody and record-keeping have not been adequately segregated. The Sheriff's office manager is primarily responsible for collecting, recording, depositing, and disbursing all monies; however, the Sheriff's deputies and dispatchers may also receipt money. There are no documented reviews of the accounting records performed by the Sheriff or another supervisor.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- C.1. During the two years ended December 31, 1999 and 1998, the county paid approximately \$38,653 and \$34,564, respectively, to other counties and cities to house Carter County prisoners. There are no written agreements between the county and the other counties or cities.

Section 432.070, RSMo 1994, requires all agreements to be in writing. Without written agreements, the responsibilities of parties to the contract cannot be clearly determined.

2. The Sheriff's office maintains a jail log which includes each prisoners name, the date of arrest, other arrest information and information related to the prisoner's release or transfer. However, the jail log does not always indicate where prisoners are housed. As a result, prisoner board bills cannot be reconciled to the jail log. Without such a reconciliation, the billing cannot be verified and there is less assurance board bills paid by the county are complete and accurate.
3. The county purchases meals from a local restaurant for prisoners temporarily housed in the county's holding cell. The restaurant submits invoices monthly for the total amount due, along with each meal ticket which includes the date and the price of the meal. The deputy who picks up the meal signs the meal ticket and usually notes the name of the prisoner. However, we noted some instances where the prisoner name was not noted on the meal ticket.

Since prisoner logs are maintained by prisoner name, all invoices for meals should include the date and the prisoner's name. The meal invoices should be reconciled to the jail log to ensure the invoices are accurate and complete.

- D. An inventory listing of seized property is maintained; however, the listing has not been updated since the Sheriff took office in January 1997. In addition, several items located in the evidence room date back to the early 1980s.

Adequate seized property inventory records are necessary to deter and identify loss, misuse, or theft of such items. An inventory record should include information such as date of seizure, description, persons involved, current location of the property, case name and number, and date and method of release or disposition of the property. In addition, items relating to closed cases should be disposed of according to statutory guidelines.

Conditions similar to A.1-A.4, B. and C. were also noted in our prior report.

**WE RECOMMEND** the Sheriff:

- A.1. Investigate the \$300 of undeposited receipts and take appropriate action to recover this amount.
2. Issue prenumbered receipt slips for all monies received, indicate the method of payment, and reconcile total cash, checks, and money orders to bank deposits and monthly reports.
3. Deposit all receipts intact daily or when accumulated receipts exceed \$100. In addition, ensure that individual receipts are listed on the deposit slips.
4. Prepare monthly bank reconciliations.

5. File a monthly report of fees collected with the County Commission.
6. Maintain a complete and accurate listing of accrued costs and pursue timely collection.
- B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C.1. And the County Commission enter into a written contract between the county and the various counties and cities regarding the boarding of Carter County prisoners.
2. Ensure jail logs indicate the housing location for each prisoner and reconcile prisoner board bills to jail logs.
3. Reconcile meal invoices to the county jail log.
- D. Maintain a complete and current inventory listing of all seized property. In addition, old evidence from closed cases should be disposed of properly.

#### **AUDITEE'S RESPONSE**

A.1. *I will review the old records yet this year and attempt to investigate any discrepancies. Layoffs of personnel led to volunteers being employed with little or no bookkeeping experience. I believe this helped contribute to this problem.*

A.2,5,  
&C.3. *These recommendations have been implemented.*

A.3.  
& 4. *The bank account has been closed. We will try to make transmittals in a more timely manner.*

A.6. *We do not typically receive an itemization with payments received from other courts. As a result, we can not implement this recommendation.*

B. *Our new system to account for monies fills any holes which may have existed previously.*

C.1. *This decision will be made by the County Commission.*

2. *My office could always verify prisoner board bills. We are now documenting the location of prisoners on our jail log.*

D. *I intend to make a list on January 1, 2001. Inventory lists are maintained in each case file.*

*Some of the old evidence is kept in case of appeals.*

*The County Commission responded:*

*C.1. We will implement this recommendation in fiscal year 2001.*

|                         |
|-------------------------|
| <b>7. Health Center</b> |
|-------------------------|

Our review of county health center operations revealed the following concerns:

- A. The Health Center Board does not have a depositary contract with its bank. A depositary agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged.

The Health Center's bank accounts were not adequately covered by collateral securities, and therefore, monies were unsecured by various amounts during the audit period. From July 1998 through July 1999, approximately \$29,500 to \$37,900 was unsecured.

Section 110.020, RSMo 1994, requires the value of securities pledged by banks holding Health Center monies shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave public funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Health Center should enter into depositary agreements with the banks to require collateral securities to be pledged whenever balances exceed FDIC coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

- B. Budgets prepared by the Health Center Board of Trustees were not accurate and complete. We noted the following concerns with budgets and financial statements:
- 1) The budgets did not include a cash reconciliation for 1999 and 1998. In addition, the January 1, 2000 beginning cash balance was understated by \$270 for the fiscal year 2000 budget.
  - 2) Various mathematical errors were noted in the budget documents, resulting in inaccurate totals of actual revenue and expenditure amounts.

- 3) Actual revenue and expenditure amounts for 1998 were included on both 1999 and 2000 budgets as required by law. However, the amounts did not agree between the 1999 and 2000 budget documents. As a result, the actual amounts presented were erroneous in at least one of the years presented.
- 4) Amendments made to line items on the budgets were not properly recorded on the following year's budget. In addition, a budget amendment documented in the Board minutes of May 27, 1999 was not submitted to the County Clerk or to the State Auditor's Office in accordance with Section 50.622, RSMo Cum. Supp. 1997.

It was ruled in *State ex rel. Strong v. Cribb*, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- 5) The Health Center did not publish financial statements for the two years ended December 31, 1999 in accordance with Sections 50.800 and 50.810, RSMo 1994.

To be of maximum assistance to the County Commission and to inform the public adequately, the budget documents should be complete and accurate. Similar conditions were noted in our prior report.

C. We noted the following concerns with the financial records of the Health Center:

- 1) Changes were made to financial records regarding the classification to receipts and disbursements for 1998 after year-end. As a result, the Health Center's financial records no longer agree to actual amounts recorded on the Health Center's budget. In addition, no documentation was retained to support these changes and personnel were unclear as to why the changes were made.
- 2) Interest earned is not recorded in the Health Center's financial records.

To be of maximum assistance to the Health Center, financial records should be complete and accurate.

**WE RECOMMEND** the Health Center Board of Trustees:

- A. Enter into a written depositary agreement with any bank which holds board monies. In addition, monitor bank balances to ensure the depositary bank pledges adequate securities at all times in accordance with state law.
- B.1. Include a completed, accurate cash reconciliation with the annual budget.
- 2. Ensure budget columns are correctly totaled.
- 3. Ensure actual revenue and expenditure amounts are correctly and consistently recorded on budget documents from one year to the next.
- 4. Record budget amendments on subsequent years' budgets. In addition, ensure budget amendments are approved according to statutory guidelines and filed with the County Commission and State Auditor's Office.
- 5. Publish financial statements in accordance with state law.
- C.1. Ensure any changes made to financial records are fully understood and documented and that financial records are in agreement to actual amounts presented on the budget document.
- 2. Ensure interest is accurately recorded on the financial records.

**AUDITEE'S RESPONSE**

A&

C.2. *These have been implemented.*

B.1. *This reconciliation has been subsequently prepared. We will file these with the budget document in the future.*

B.2.

3&4. *We will implement these recommendations for future budgets and budget amendments.*

B.5. *We plan to begin publishing the annual financial report which is submitted to the Department of Health.*

C.1. *In the future, any changes to financial records recommended by our Home Health auditors will be appropriately documented.*

This report is intended for the information of the management of Carter County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



## Follow-Up on Prior Audit Findings

## CARTER COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Carter County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1997.

The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Financial Condition

Carter County experienced a declining cash balance as the balance decreased from \$93,107 at January 1, 1995 to \$(5) at December 31, 1997. In addition, liabilities of the General Revenue Fund exceeded \$100,000 at December 31, 1997. The following factors contributed to the weak financial condition:

- A. The county issued warrants in excess of its budgeted expenditures for the General Revenue Fund in 1997 and 1996.
- B. Disbursements exceeded receipts in 1997 and 1996.
- C. Expenditures were approved for payment without proper documentation. In addition, the county did not always solicit bids for major purchases.

#### Recommendation:

The County Commission take the necessary steps to improve the financial condition of the county.

#### Status:

Implemented. During 1998, several reductions in the county's work force were made which helped allow the financial condition to improve.

### 2. Budgetary Practices

- A. Warrants were issued in excess of approved budgeted expenditures in several funds.
- B. Formal budgets were not prepared for various county funds for the years ended December 31, 1997, 1996 and 1995.
- C. Budgets were incomplete and inaccurate.

- D. A public hearing was not held prior to the adoption of a budget amendment and expenditures exceeded the original budget prior to the approval of the budget amendment. In addition, the budget amendment resulted in the approval of a deficit budget.

Recommendation:

The County Commission:

- A. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.
- B. Ensure that budgets are obtained or prepared for all county funds.
- C. And the Senior Citizens Service Tax Board ensure budget documents are accurate and complete.
- D.1. Ensure budget amendments are made prior to incurring the actual expenditures and hold public hearings prior to adopting budget amendments as required by state law.
- 2. Discontinue deficit budgeting.

Status:

A&B. Partially implemented. Warrants were issued in excess of approved expenditures in the Senior Citizens Service Tax Board, Sheriff's Fees, and Circuit Clerk Interest funds for the years ended December 31, 1999 and 1998 and in the Special Road and Bridge Fund for the year ended December 31, 1998. Formal budgets were not prepared for the Law Library and Associate Circuit Interest funds for the years ended December 31, 1999 and 1998. Although not repeated in the current MAR, our recommendations remain as stated above.

C&

D.1. Implemented

D.2. Not implemented. See MAR No. 1.

3. County Expenditures and Bidding

- A. Several expenditures lacked adequate supporting documentation. Mileage reports that were submitted by the County Commissioner, the Sheriff and the Special Investigator did not always include the nature of business and location traveled.

- B. Bids were not always solicited or advertised by the county nor was bid documentation retained for various purchases and services. In addition, documentation of the evaluation of bid proposals and sole source procurement situations was not maintained.
- C. Payments were made to vendors without adequate documentation of receipt of goods or services.
- D. Expenditures totaling \$1,201 were made during the three years ended December 31, 1997 from the General Revenue Fund for the county employees' annual Christmas parties.
- E. The county purchased lumber, building supplies and vehicle maintenance services from businesses owned by the Presiding Commissioner during the years ended December 31, 1997. Although bids were obtained for major purchases, bids were not obtained for miscellaneous small purchases which exceeded \$500 each year.

Recommendation:

The County Commission:

- A. Maintain vendor invoices or other supporting documentation for all expenditures, and ensure mileage reimbursement claims include the destinations and nature of business.
- B. Solicit bids for all purchases in accordance with state law. Documentation of bids solicited and justification of bid awards should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.
- C. Require acknowledgment of receipt of goods and/or services prior to payments.
- D. Ensure all county expenditures are reasonable and necessary and a prudent use of public funds.
- E. Establish a policy that ensures compliance with statutes and avoids the appearance of a conflict of interest.

Status:

A,B,  
D&E. Implemented.

- C. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Collateral Security

The amount of collateral securities pledged by the county's depository banks was insufficient to cover monies in the custody of the County Treasurer.

Recommendation:

The County Commission work with the County Treasurer to ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

Implemented.

5. General Fixed Asset Records and Procedures

- A. Fixed asset records were not maintained in a manner to allow for reconciliation of beginning balances, additions, and deletions for each year to be reconciled to end of year balances. In addition, fixed asset purchases per the expenditure records were not reconciled to additions per the inventory records.
- B. Usage and maintenance logs were not maintained for county vehicles and major equipment. In addition, there was no written policy prohibiting personal use of county property.

Recommendation:

- A. The County Clerk maintain fixed asset records in a manner that beginning balances, additions and deletions can be reconciled to year end balances and reconcile fixed asset purchases per the expenditure records to additions per the inventory records.
- B. The County Commission require usage and maintenance logs be maintained for all county vehicles and major pieces of equipment and periodically compared to the fuel usage logs. In addition, a written policy should be established prohibiting personal use of county property.

Status:

- A. Partially implemented. While inventory records are more accurately maintained, year end balances are not reconciled to purchases and dispositions of fixed assets during the year. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The County Commission has established a policy regarding use of county property. Logs are being used by the road and bridge crew for vehicle usage and maintenance. However, the Sheriff does not maintain logs for the Sheriff's

department vehicles. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Computer Controls

- A. Backup disks of computer information for the Treasurer, Collector and Assessor were not stored at an off-site location. In addition, back-up disks were not maintained by the County Clerk.
- B. Passwords restricting access to computer files were used by the County Collector's office, however they were not kept confidential and were not unique to each employee. The County Assessor did not utilize passwords and the County Clerk only used passwords for the voter registration computer.
- C. The county did not have a formal emergency contingency plan for their computer systems.

Recommendation:

The County Commission work with the applicable county officials to:

- A. Ensure backup disks are prepared and stored in a secure, off-site location.
- B. Ensure unique passwords are assigned to each employee and these passwords are periodically changed and remain confidential.
- C. Develop a formal contingency plan for the county's computer systems.

Status:

- A. Implemented.
- B. Partially implemented. Employees in the Assessor's office still do not have unique passwords to the property tax system. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Circuit Clerk's Accounting Controls and Procedures

- A. The method of payment was not always indicated on receipt slips.
- B. Monthly listing of liabilities (open items) were not prepared on a timely basis. In addition, these listings were not reconciled to the cash balance.

- C. The Circuit Clerk did not maintain a list of accrued costs owed to the court and monitoring procedures were not adequate.

Recommendation:

The Circuit Clerk:

- A. Indicate the method of payment on all receipts and reconcile the composition of receipt slips to the composition of bank deposits and investigate any discrepancies.
- B. Prepare a complete listing of open items for each account on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated and resolved. In addition, along with the Circuit Judge, review the older cases and determine the appropriate disposition of inactive cases.
- C. Maintain a listing of accrued costs and pursue timely collection.

Status:

A&C. Implemented.

- B. Not implemented. See MAR No. 4.

8. Associate/Probate Division's Accounting Controls and Procedures

- A. A listing of accrued costs owed to the court was not maintained by the Associate Clerk and monitoring procedures were not adequate.
- B. Monthly open items listings were not prepared on a timely basis. In addition, the listings were not reconciled to the cash balance.
- C. Formal bank reconciliations were not prepared on a timely basis for the Associate Division bank account.
- D. Checks totaling over \$330 were outstanding since the prior audit in 1994.
- E. Disbursements to the state, county and other applicable parties for fees collected were not made timely. In addition, checks had been backdated to the respective month the fees were actually collected.
- F. Monies received were not deposited on a timely basis.
- G. The one-write ledger was not complete and accurate.

Recommendation:

The Associate/Probate Division:

- A. Maintain a listing of accrued costs and pursue timely collection.
- B. Prepare a complete listing of open items for each account on a monthly basis and reconcile the listing to the cash balance. Any discrepancies should be investigated and resolved. In addition, along with the Associate Judge, review the older cases and determine the appropriate disposition of funds being held on inactive cases.
- C. Prepare formal bank reconciliations on a monthly basis. In addition, ensure any differences are investigated and properly resolved in a timely manner.
- D. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- E. Distribute fees on a monthly basis. In addition, checks should be dated as they are written.
- F. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- G. Ensure the one-write ledger is accurate and complete.

Status:

A,B,  
D&F. Not implemented. See MAR No. 5.

C,E,  
&G. Implemented.

9. Crime Reduction Fund

- A. The Crime Reduction Fund monies were held in a bank account outside the county treasury.
- B. Deposits were not made on a timely basis.
- C. No documentation of bid solicitation or advertising could be located for a large purchase from the fund.
- D. Supporting documentation was not maintained for one expenditure tested.



Recommendation:

The Prosecuting Attorney turn over custody of the Crime Reduction Fund to the County Treasurer to be placed in a special fund established by the County Commission. Deposits should be made daily or when funds exceed \$100. Expenditures requested by the Sheriff and/or Prosecuting Attorney should be made by duly authorized warrants. In addition, bids should be solicited as required by state law and supporting documentation should be maintained for all expenditures.

Status:

Implemented.

10. County Assessor's Accounting Controls and Procedures

Receipt slips for monies collected did not indicate the method of the payment. In addition, receipts were not transmitted to the County Treasurer intact.

Recommendation:

The County Assessor indicate the method of payment on receipt slips, transmit all monies received to the county Treasurer intact, and reconcile the composition of receipt slips to the composition of the transmittals and investigate any discrepancies.

Status:

Implemented.

11. Sheriff's Accounting Controls and Procedures

- A.1. Money that had been receipted could not be traced to a deposit and/or monthly report of deposits. Bond and gun permit receipts totaling \$340 could not be traced to a deposit.
2. Receipt slips were not issued for some monies received.
3. Receipts were not deposited intact or on a timely basis.
4. Records of receipts and bank statements could not be located for some periods during 1996 and 1997.
5. Bank reconciliations were not being prepared for the Sheriff's account.
- B. The duties of cash custody and record-keeping were not adequately segregated and there were no documented reviews of the accounting records.

- C.1. There were no written agreements for the housing of Carter County prisoners by other counties or cities.
- 2. Prisoner board bills were not reviewed or reconciled to the jail log. In addition, the log did not always indicate where prisoners were housed to allow verification of billings.
- 3. Prisoner names were not always indicated on the meal tickets to enable reconciliation of the jail log to meal invoices billed by the local restaurant.

Recommendation:

The Sheriff:

- A.1. Investigate the \$340 of undeposited receipts and take appropriate action to recover this amount.
- 2. Issue prenumbered receipt slips for all monies received, and reconcile total cash, checks, and money orders to bank deposits and monthly reports.
- 3. Deposit all receipts intact daily or when accumulated receipts exceed \$100.
- 4. Retain all records in accordance with the Secretary of State record retention guidelines.
- 5. Prepare monthly bank reconciliations.
- B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C.1. And the County Commission enter into a written contract between the county and the various counties and cities regarding the boarding of Carter County prisoners.
- 2. Ensure jail logs indicate the housing location for each prisoner and reconcile prisoner board bills to jail logs.
- 3. Reconcile meal invoices to the county jail log.

Status:

- A.1-3,  
A.5,  
B&C.1-  
C.3. Not implemented. See MAR No. 6.
- A.4. Implemented.

12. County Health Center

- A. Receipts were not deposited intact.
- B.1. An annual inventory of all general fixed assets was not conducted.
  - 2. Fixed asset additions were not reconciled to the fixed asset purchases.
- C.1. Budgets did not include cash reconciliations for 1997, 1996 and 1995.
  - 2. Significant amounts were recorded in the “Other” revenues and expenditures area instead of more specific categories.
  - 3. Actual expenditures for 1997 and 1996 were not accurately presented in the budgets.
  - 4. Beginning cash balances were incorrect
- D. Actual expenditures for the year ended December 31, 1997 exceeded budgeted amounts.
- E. Prior to January 1998, Collateral securities were not pledged by the board’s depositary bank for deposits in excess of the Federal Deposit Insurance (FDIC) coverage.

Recommendation:

The Health Center Board of Trustees:

- A. Deposit all monies received intact daily or when accumulated receipts exceed \$100. If a change fund is needed, it should be maintained at a constant amount.
- B.1. Perform annual physical inventories of Health Center property. Records should be maintained to document this review.
  - 2. Ensure fixed asset additions are periodically reconciled to the fixed asset purchases.
- C.1. Include a completed cash reconciliation with the annual budget.
  - 2. Classify budget line items accurately to ensure comparability of annual budgets.
  - 3. Include all expenditures in the annual budgets to ensure accountability of Health Center funding.
  - 4. Ensure beginning cash balances are correct.

- D. Keep expenditures within the budgetary limits. If necessary, extenuating circumstances should be fully documented and the budget amended.
- E. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

A,  
C.2,  
&D. Implemented.

B. Partially implemented. While Health Center employees indicated physical inventories are performed; no documentation of the review is maintained. In addition, property control records are not periodically reconciled to ensure all fixed assets are recorded. Although not repeated in the current MAR, our recommendation remains as stated above.

C.1,  
C.3&4,  
&E. Not implemented. See MAR No. 7.

13. Federal Financial Assistance

- A. Proceeds from the Equitable Sharing Program funded by the U.S. Department of Justice were credited to the county's General Revenue Fund instead of a separate fund as required by federal guidelines.
- B. Funds received from the Equitable Sharing Program were commingled with the county's general funds and were not used for specific law enforcement related expenditures.

Recommendation:

The County Commission consult with the County Treasurer and the Sheriff to:

- A. Ensure all future monies received from the Equitable Sharing Program are accounted for in a separate fund and that interest income is retained by the fund.
- B. Resolve the questioned costs and ensure future compliance with applicable program restrictions.

Status:

- A. There were no receipts from the Equitable Sharing Program in the two years ended December 31, 1999.

- B. Not implemented. No information concerning the questioned costs was received from the granting agency. Although not repeated in the current MAR, our recommendation remains as stated above.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

CARTER COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1859, the county of Carter was named after Zimri Carter, a local pioneer. Carter County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Van Buren.

Carter County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Carter County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 80,474    | 7          | 73,495    | 5          |
| Sales taxes               | 313,451      | 29         | 309,065   | 22         |
| Federal and state aid     | 449,205      | 42         | 507,678   | 35         |
| Fees, interest, and other | 240,090      | 22         | 536,212   | 38         |
| Total                     | \$ 1,083,220 | 100        | 1,426,450 | 100        |

The following chart shows how Carter County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999       |            | 1998      |            |
|---------------------------|------------|------------|-----------|------------|
|                           | AMOUNT     | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 361,180 | 37         | 502,628   | 40         |
| Public safety             | 241,010    | 24         | 324,805   | 21         |
| Highways and roads        | 390,791    | 39         | 525,474   | 39         |
| Total                     | \$ 992,981 | 100        | 1,352,907 | 100        |

The county maintains approximately 74 county bridges and 345 miles of county roads.



The county's population was 3,878 in 1970 and 5,515 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 21.6                    | 19.8 | 14.2  | 5.8    | 3.7    |
| Personal property      |    | 6.5                     | 6.2  | 2.1   | 2.5    | 1.2    |
| Railroad and utilities |    | 3.7                     | 2.2  | 1.6   | 1.0    | 1.0    |
| Total                  | \$ | 31.8                    | 28.2 | 17.9  | 9.3    | 5.9    |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Carter County's property tax rates per \$100 of assessed valuations were as follows:

|                                   |    | Year Ended December 31, |      |
|-----------------------------------|----|-------------------------|------|
|                                   |    | 1999                    | 1998 |
| General Revenue Fund              | \$ | .04                     | .05  |
| Special Road and Bridge Fund      |    | .23                     | .23  |
| Health Center Fund                |    | .25                     | .25  |
| Senate Bill 40 Board Fund         |    | .08                     | .08  |
| Senior Citizens Service Tax Board |    | .03                     | .03  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|   | Year Ended February 28, |           |
|---|-------------------------|-----------|
|   | 2000                    | 1999      |
| State of Missouri                       | \$ 9,392                | 8,445     |
| General Revenue Fund                    | 13,395                  | 13,718    |
| Special Road and Bridge Fund            | 73,010                  | 64,405    |
| Assessment Fund                         | 12,696                  | 14,160    |
| Health Center Fund                      | 78,652                  | 69,531    |
| Carter County Board for the Handicapped | 25,420                  | 22,369    |
| Schools                                 | 868,353                 | 761,942   |
| Library district                        | 63,238                  | 55,835    |
| Ambulance                               | 123,127                 | 113,475   |
| Junior College                          | 76,388                  | 67,301    |
| Fire Districts                          | 20,198                  | 18,725    |
| Senior Citizens Services Tax Board      | 9,392                   | 8,228     |
| Tax Sale Surplus                        | 0                       | 18,997    |
| Escrow (Partial Payments)               | 4,842                   | 2,283     |
| Miscellaneous                           | 1,051                   | 3,043     |
| Land Redemption                         | 390                     | 0         |
| Cities                                  | 0                       | 0         |
| County Clerk                            | 705                     | 1,050     |
| County Employees' Retirement            | 10,265                  | 11,255    |
| Commissions and fees:                   |                         |           |
| General Revenue Fund                    | 18,726                  | 26,489    |
| Total                                   | \$ 1,409,240            | 1,281,251 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |      |
|------------------------|-------------------------|------|
|                        | 2000                    | 1999 |
| Real estate            | 87 %                    | 88 % |
| Personal property      | 87                      | 89   |
| Railroad and utilities | 100                     | 100  |

Carter County also has the following sales taxes; rates are per \$1 of retail sales:

|         | Rate     | Expiration Date | Required Property Tax Reduction |
|---------|----------|-----------------|---------------------------------|
| General | \$ 0.005 | None            | 50 %                            |
| General | 0.005    | None            | N/A                             |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:                                       |        |        |        |
| Gene Oakley, Presiding Commissioner                          | \$     | 14,203 |        |
| James Grassham, Presiding Commissioner *                     |        |        | 6,143  |
| Lynn Murdick, Associate Commissioner *                       |        | 10,247 | 3,015  |
| Eddie Ballard, Associate Commissioner *                      |        | 13,600 | 6,260  |
| Rebecca Simpson, County Clerk                                |        | 22,525 | 22,525 |
| Bradshaw Smith, Prosecuting Attorney                         |        | 26,350 | 26,350 |
| Paul Bryant, Sheriff   |        | 25,500 | 25,500 |
| Marjorie Duncan, County Treasurer                            |        | 12,040 | 12,040 |
| Dennis McSpadden, County Coroner                             |        | 740    | 449    |
| Betty Ann Ligons, Public Administrator **                    |        | 16,803 | 11,655 |
| Jennifer Clark, County Collector,<br>year ended February 28, | 20,123 |        |        |
| Janet Jackson, County Collector,<br>year ended February 28,  |        | 19,029 |        |
| George Meyers, County Assessor, year ended<br>August 31, *** |        | 25,380 | 25,380 |

\* Includes \$20 per meeting during the year ended December 31, 1998.

\*\* Includes fees received from probate cases.

\*\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

|   |  |        |        |
|---|--|--------|--------|
| Cathy Duncan, Circuit Clerk and<br>Ex Officio Recorder of Deeds |  | 44,292 | 42,183 |
| David Hedspeth, Associate Circuit Judge                         |  | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office  | Number of Employees Paid by |          |
|---|-----------------------------|----------|
|   | County                      | State    |
| County Commission *                               | 1                           |          |
| Circuit Clerk and Ex Officio Recorder of Deeds ** | 1                           | 1        |
| County Clerk *                                    | 1                           |          |
| Prosecuting Attorney                              | 1                           |          |
| Sheriff   | 5                           |          |
| County Collector *                                | 1                           |          |
| County Assessor                                   | 2                           |          |
| Associate and Probate Division *                  |                             | 2        |
| Road and Bridge                                   | 5                           |          |
| Health Center *                                   | 14                          |          |
| Total   | <u>31</u>                   | <u>3</u> |

\* Includes one-part time employee.

\*\* Full-time employee, salary split between state and county.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Carter County's share of the Thirty-Seventh Judicial Circuit's expenses is 10.20 percent.

The Health Center Board of Trustees entered into a lease/purchase agreement with the Carter County Health Center Building Corporation on June 1, 1997. The terms of the agreement called for the Carter County Health Center Building Corporation to pay for the construction of the health center building and then lease the building to the health center for payments totaling the principal and interest due on the lease. The lease is scheduled to be paid off in 2009. The remaining principal and interest due on the lease at December 31, 1999, was \$173,258 and \$77,281, respectively.



CEDAR COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-94  
September 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Cedar, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Cedar County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- In February 2000, the county purchased 73 acres of land for approximately \$78,000 to be used to quarry hill gravel. This purchase was made without obtaining an appraisal on the property. While no cost/benefit analysis was performed at the time of purchase, the County Commission has since estimated that the county will save approximately \$220,000 over the next 15 years. The audit suggested the county track the cost and update their analysis on a regular basis.
- Prior to leaving office in December 1998, the former Prosecuting Attorney paid approximately \$5,000 for nine cell phones with a one year usage package for each phone. There was no documentation assessing the need for any of the cell phones purchased and two of the nine cell phones were never used. In addition, the purchase was not bid in accordance with state law. Furthermore, the former Prosecuting Attorney paid herself \$600 from the Prosecuting Attorney Bad Check Fund for court appearances made in late December 1998. The additional compensation appears to be in excess of the amount approved by the salary commission and was not reported on the former Prosecuting Attorney's W-2 form nor were payroll taxes withheld.
- The former Prosecuting Attorney paid herself over \$850, including \$585 for meals and \$224 for gasoline. Documentation to support this payment was not adequate. In addition, the former Prosecuting Attorney paid \$200 bonuses to each of her two secretaries. No supporting documentation could be located to adequately support these payments.

(over)

YELLOW SHEET

The audit recommended improvements be made in issuing Forms 1099-MISC in accordance with IRS regulations and that expenditures not be authorized in excess of budgeted amounts. Also, included in the audit are recommendations to improve the records and procedures for the Public Administrator, Prosecuting Attorney, Circuit Clerk, County Clerk, and County Assessor. Several of the record and procedure issues applicable to the Prosecuting Attorney, Circuit Clerk, and County Clerk have been noted similarly in prior audits.

**Copies of the audit are available upon request.**

# CEDAR COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Cedar County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Cedar County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Cedar County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Cedar County.

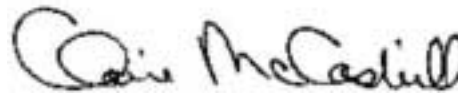
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Cedar County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 13, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Cedar County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

July 13, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Donna Christian, CPA  |
| In-Charge Auditor:  | Pamela Crawford, CPA  |
| Audit Staff:        | Sandi Ohern, CPA      |
|                     | Rachel Little         |
|                     | Curtis Gannon         |
|                     | Bryan Meadows         |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Cedar County, Missouri

We have audited the special-purpose financial statements of various funds of Cedar County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Cedar County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

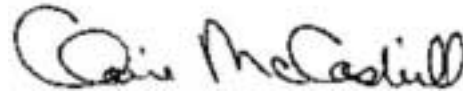
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Cedar County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material



weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Cedar County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

July 13, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

CEDAR COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 269,338         | 1,012,844 | 935,532       | 346,650              |
| Special Road and Bridge             | 191,447            | 1,245,226 | 1,261,050     | 175,623              |
| Assessment                          | 8,416              | 86,988    | 85,608        | 9,796                |
| Law Enforcement Training            | 1,786              | 3,044     | 2,819         | 2,011                |
| Prosecuting Attorney Training       | 270                | 500       | 256           | 514                  |
| Prosecuting Attorney Bad Check      | 5,714              | 10,003    | 6,302         | 9,415                |
| Recorder Preservation               | 128                | 7,428     | 0             | 7,556                |
| Family Crisis                       | 490                | 1,446     | 1,722         | 214                  |
| Crime Victims Advocate              | 229                | 25,752    | 23,401        | 2,580                |
| Circuit Clerk Interest              | 1,834              | 3,478     | 369           | 4,943                |
| Associate Circuit Division Interest | 903                | 973       | 368           | 1,508                |
| Law Library                         | 3,227              | 4,801     | 2,602         | 5,426                |
| Local Law Enforcement Block Grant   | 421                | 0         | 0             | 421                  |
| DARE                                | 0                  | 599       | 0             | 599                  |
| Microfilm Grant                     | 0                  | 2,485     | 0             | 2,485                |
| Total                               | \$ 484,203         | 2,405,567 | 2,320,029     | 569,741              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CEDAR COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 240,599         | 891,734   | 862,995       | 269,338              |
| Special Road and Bridge             | 82,496             | 571,769   | 462,818       | 191,447              |
| Assessment                          | 6,201              | 89,406    | 87,191        | 8,416                |
| Law Enforcement Training            | 417                | 3,814     | 2,445         | 1,786                |
| Prosecuting Attorney Training       | (276)              | 546       | 0             | 270                  |
| Prosecuting Attorney Bad Check      | 11,015             | 10,565    | 15,866        | 5,714                |
| Recorder Preservation               | 3,196              | 7,534     | 10,602        | 128                  |
| Family Crisis                       | 400                | 1,510     | 1,420         | 490                  |
| Crime Victims Advocate              | 0                  | 12,749    | 12,520        | 229                  |
| Confiscated Drug Money              | 857                | 0         | 857           | 0                    |
| Circuit Clerk Interest              | 339                | 2,001     | 506           | 1,834                |
| Associate Circuit Division Interest | 538                | 663       | 298           | 903                  |
| Law Library                         | 816                | 4,517     | 2,106         | 3,227                |
| Local Law Enforcement Block Grant   | 0                  | 17,459    | 17,038        | 421                  |
| Total                               | \$ 346,598         | 1,614,267 | 1,476,662     | 484,203              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

CEDAR COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |           |  |          |         |  |
|--|-------------------------|-----------|--|----------|---------|--|
|  | 1999                    |           |  | 1998     |         |  |
|  | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                        |                         |           |  |          |         |  |
| Property taxes                         | \$ 111,016              | 102,735   | (8,281)                                | 115,462  | 107,505 | (7,957)                                |
| Sales taxes                            | 366,000                 | 387,641   | 21,641                                 | 368,000  | 366,216 | (1,784)                                |
| Intergovernmental                      | 155,546                 | 180,274   | 24,728                                 | 166,619  | 199,669 | 33,050                                 |
| Charges for services                   | 171,500                 | 193,351   | 21,851                                 | 150,000  | 170,990 | 20,990                                 |
| Interest                               | 17,000                  | 16,927    | (73)                                   | 9,000    | 20,026  | 11,026                                 |
| Other                                  | 8,350                   | 26,416    | 18,066                                 | 9,650    | 23,678  | 14,028                                 |
| Transfers in                           | 0                       | 105,500   | 105,500                                | 0        | 3,650   | 3,650                                  |
| Total Receipts                         | 829,412                 | 1,012,844 | 183,432                                | 818,731  | 891,734 | 73,003                                 |
| <b>DISBURSEMENTS</b>                   |                         |           |  |          |         |  |
| County Commission                      | 51,060                  | 51,185    | (125)                                  | 47,505   | 46,285  | 1,220                                  |
| County Clerk                           | 63,281                  | 59,277    | 4,004                                  | 53,337   | 52,915  | 422                                    |
| Elections                              | 18,700                  | 18,731    | (31)                                   | 48,600   | 48,738  | (138)                                  |
| Buildings and grounds                  | 50,750                  | 51,930    | (1,180)                                | 65,850   | 80,330  | (14,480)                               |
| Employee fringe benefits               | 57,855                  | 61,337    | (3,482)                                | 53,185   | 52,779  | 406                                    |
| County Treasurer                       | 20,726                  | 20,774    | (48)                                   | 20,425   | 20,374  | 51                                     |
| County Collector                       | 51,833                  | 51,488    | 345                                    | 49,092   | 47,061  | 2,031                                  |
| Ex Officio Recorder of Deeds           | 28,898                  | 27,046    | 1,852                                  | 27,728   | 12,939  | 14,789                                 |
| Circuit, Associate, and Probate Courts | 24,000                  | 24,633    | (633)                                  | 7,600    | 34,115  | (26,515)                               |
| Court administration                   | 6,600                   | 6,006     | 594                                    | 10,000   | 4,603   | 5,397                                  |
| Public Administrator                   | 6,792                   | 6,858     | (66)                                   | 9,729    | 8,669   | 1,060                                  |
| Sheriff                                | 260,703                 | 253,043   | 7,660                                  | 237,284  | 240,850 | (3,566)                                |
| Jail                                   | 20,500                  | 25,308    | (4,808)                                | 22,400   | 22,295  | 105                                    |
| Prosecuting Attorney                   | 54,466                  | 52,739    | 1,727                                  | 51,557   | 52,365  | (808)                                  |
| Juvenile Officer                       | 39,112                  | 31,268    | 7,844                                  | 39,300   | 39,233  | 67                                     |
| County Coroner                         | 8,400                   | 8,162     | 238                                    | 8,401    | 8,371   | 30                                     |
| Insurance and bonds                    | 20,000                  | 21,933    | (1,933)                                | 17,500   | 21,589  | (4,089)                                |
| University Extension Service           | 23,000                  | 22,993    | 7                                      | 23,000   | 22,995  | 5                                      |
| County road signs                      | 25,000                  | 18,501    | 6,499                                  | 0        | 0       | 0                                      |
| Other                                  | 11,691                  | 13,108    | (1,417)                                | 22,246   | 24,978  | (2,732)                                |
| Health Department                      | 3,072                   | 3,072     | 0                                      | 0        | 11,191  | (11,191)                               |
| Transfers out                          | 3,940                   | 106,140   | (102,200)                              | 8,674    | 10,320  | (1,646)                                |
| Emergency Fund                         | 28,337                  | 0         | 28,337                                 | 25,522   | 0       | 25,522                                 |
| Total Disbursements                    | 878,716                 | 935,532   | (56,816)                               | 848,935  | 862,995 | (14,060)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS    | (49,304)                | 77,312    | 126,616                                | (30,204) | 28,739  | 58,943                                 |
| CASH, JANUARY 1                        | 269,338                 | 269,338   | 0                                      | 240,599  | 240,599 | 0                                      |
| CASH, DECEMBER 31                      | \$ 220,034              | 346,650   | 126,616                                | 210,395  | 269,338 | 58,943                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

CEDAR COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|   | Year Ended December 31, |           |  |         |         |  |
|---|-------------------------|-----------|--|---------|---------|--|
|   | 1999                    |           |  | 1998    |         |  |
|   | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                                |                         |           |  |         |         |  |
| Property taxes                          | \$ 97,587               | 96,823    | (764)                                  | 81,506  | 89,228  | 7,722                                  |
| Intergovernmental                       | 1,359,484               | 948,136   | (411,348)                              | 763,551 | 471,855 | (291,696)                              |
| Charges for services                    | 0                       | 0         | 0                                      | 2,600   | 100     | (2,500)                                |
| Interest                                | 6,400                   | 4,237     | (2,163)                                | 1,500   | 8,121   | 6,621                                  |
| Other                                   | 1,775                   | 96,030    | 94,255                                 | 1,500   | 2,465   | 965                                    |
| Transfers in                            | 0                       | 100,000   | 100,000                                | 0       | 0       | 0                                      |
| Total Receipts                          | 1,465,246               | 1,245,226 | (220,020)                              | 850,657 | 571,769 | (278,888)                              |
| DISBURSEMENTS                           |                         |           |  |         |         |  |
| Salaries                                | 218,602                 | 243,263   | (24,661)                               | 147,000 | 150,303 | (3,303)                                |
| Employee fringe benefits                | 26,748                  | 23,808    | 2,940                                  | 21,500  | 17,676  | 3,824                                  |
| Supplies                                | 48,300                  | 45,767    | 2,533                                  | 32,000  | 26,843  | 5,157                                  |
| Insurance                               | 7,600                   | 6,878     | 722                                    | 6,000   | 2,855   | 3,145                                  |
| Road and bridge materials               | 347,250                 | 313,044   | 34,206                                 | 159,000 | 156,479 | 2,521                                  |
| Equipment repairs                       | 43,000                  | 60,937    | (17,937)                               | 30,000  | 33,957  | (3,957)                                |
| Equipment purchases                     | 306,296                 | 309,526   | (3,230)                                | 95,000  | 73,037  | 21,963                                 |
| Construction, repair, and maintenance   | 296,500                 | 86,843    | 209,657                                | 312,000 | 465     | 311,535                                |
| Distributions to special road districts | 77,901                  | 70,984    | 6,917                                  | 0       | 0       | 0                                      |
| Transfers out                           | 0                       | 100,000   | (100,000)                              | 0       | 1,203   | (1,203)                                |
| Total Disbursements                     | 1,372,197               | 1,261,050 | 111,147                                | 802,500 | 462,818 | 339,682                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS     | 93,049                  | (15,824)  | (108,873)                              | 48,157  | 108,951 | 60,794                                 |
| CASH, JANUARY 1                         | 191,447                 | 191,447   | 0                                      | 82,496  | 82,496  | 0                                      |
| CASH, DECEMBER 31                       | \$ 284,496              | 175,623   | (108,873)                              | 130,653 | 191,447 | 60,794                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

|                                     |    | Year Ended December 31, |        |                       |         |        |                       |
|-------------------------------------|----|-------------------------|--------|-----------------------|---------|--------|-----------------------|
|                                     |    | 1999                    |        |                       | 1998    |        |                       |
|                                     |    |                         |        | Variance<br>Favorable |         |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual | (Unfavorable)         | Budget  | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |        |                       |         |        |                       |
| Intergovernmental                   | \$ | 84,177                  | 81,782 | (2,395)               | 81,375  | 79,865 | (1,510)               |
| Interest                            |    | 900                     | 1,266  | 366                   | 500     | 867    | 367                   |
| Transfers in                        |    | 3,940                   | 3,940  | 0                     | 8,674   | 8,674  | 0                     |
| Total Receipts                      |    | 89,017                  | 86,988 | (2,029)               | 90,549  | 89,406 | (1,143)               |
| DISBURSEMENTS                       |    |                         |        |                       |         |        |                       |
| Assessor                            |    | 96,353                  | 85,608 | 10,745                | 96,750  | 87,191 | 9,559                 |
| Total Disbursements                 |    | 96,353                  | 85,608 | 10,745                | 96,750  | 87,191 | 9,559                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (7,336)                 | 1,380  | 8,716                 | (6,201) | 2,215  | 8,416                 |
| CASH, JANUARY 1                     |    | 8,416                   | 8,416  | 0                     | 6,201   | 6,201  | 0                     |
| CASH, DECEMBER 31                   |    | \$ 1,080                | 9,796  | 8,716                 | 0       | 8,416  | 8,416                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | 0        | 1,047         | 0      | 891    | 891           |  |
| Charges for services                | 2,500    | 1,997         | 1,500  | 2,196  | 696           |  |
| Transfers in                        | \$ 0     | 0             | 0      | 727    | 727           |  |
| Total Receipts                      | 2,500    | 3,044         | 1,500  | 3,814  | 2,314         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 2,500    | 2,819         | 1,417  | 2,445  | (1,028)       |  |
| Total Disbursements                 | 2,500    | 2,819         | 1,417  | 2,445  | (1,028)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 225           | 83     | 1,369  | 1,286         |  |
| CASH, JANUARY 1                     | 1,786    | 1,786         | 417    | 417    | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,786 | 2,011         | 500    | 1,786  | 1,286         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit F

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 550 | 500           | 900    | 546    | (354)         |  |
| Total Receipts                      | 550    | 500           | 900    | 546    | (354)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 820    | 256           | 624    | 0      | 624           |  |
| Total Disbursements                 | 820    | 256           | 624    | 0      | 624           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (270)  | 244           | 276    | 546    | 270           |  |
| CASH, JANUARY 1                     | 270    | 270           | (276)  | (276)  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0   | 514           | 0      | 270    | 270           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

|                                     | Year Ended December 31, |        |  |        |         |  |
|-------------------------------------|-------------------------|--------|--|--------|---------|--|
|                                     | 1999                    |        |  | 1998   |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |         |  |
| Charges for services                | 8,250                   | 9,625  | 1,375                                  | 8,400  | 10,265  | 1,865                                  |
| Interest                            | \$ 0                    | 378    | 378                                    | 0      | 300     | 300                                    |
| Total Receipts                      | 8,250                   | 10,003 | 1,753                                  | 8,400  | 10,565  | 2,165                                  |
| DISBURSEMENTS                       |                         |        |  |        |         |  |
| Prosecuting Attorney                | 13,964                  | 6,302  | 7,662                                  | 6,200  | 15,866  | (9,666)                                |
| Total Disbursements                 | 13,964                  | 6,302  | 7,662                                  | 6,200  | 15,866  | (9,666)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5,714)                 | 3,701  | 9,415                                  | 2,200  | (5,301) | (7,501)                                |
| CASH, JANUARY 1                     | 5,714                   | 5,714  | 0                                      | 11,015 | 11,015  | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 9,415  | 9,415                                  | 13,215 | 5,714   | (7,501)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

CEDAR COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 RECORDER PRESERVATION FUND

|                                     | Year Ended December 31, |        |  |         |         |  |
|-------------------------------------|-------------------------|--------|--|---------|---------|--|
|                                     | 1999                    |        |  | 1998    |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |         |  |
| Charges for services                | \$ 7,500                | 7,428  | (72)                                   | 6,000   | 7,534   | 1,534                                  |
| Total Receipts                      | 7,500                   | 7,428  | (72)                                   | 6,000   | 7,534   | 1,534                                  |
| DISBURSEMENTS                       |                         |        |  |         |         |  |
| Ex Officio Recorder of Deeds        | 7,500                   | 0      | 7,500                                  | 9,000   | 10,602  | (1,602)                                |
| Total Disbursements                 | 7,500                   | 0      | 7,500                                  | 9,000   | 10,602  | (1,602)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 7,428  | 7,428                                  | (3,000) | (3,068) | (68)                                   |
| CASH, JANUARY 1                     | 128                     | 128    | 0                                      | 3,196   | 3,196   | 0                                      |
| CASH, DECEMBER 31                   | \$ 128                  | 7,556  | 7,428                                  | 196     | 128     | (68)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FAMILY CRISIS FUND

|                                     | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|-------------------------|--------|--|--------|--------|--|
|                                     | 1999                    |        |  | 1998   |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |        |  |
| Charges for services                | \$ 1,500                | 1,446  | (54)                                   | 2,000  | 1,510  | (490)                                  |
| Total Receipts                      | 1,500                   | 1,446  | (54)                                   | 2,000  | 1,510  | (490)                                  |
| DISBURSEMENTS                       |                         |        |  |        |        |  |
| Domestic Violence Shelter           | 1,500                   | 1,722  | (222)                                  | 1,800  | 1,420  | 380                                    |
| Total Disbursements                 | 1,500                   | 1,722  | (222)                                  | 1,800  | 1,420  | 380                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (276)  | (276)                                  | 200    | 90     | (110)                                  |
| CASH, JANUARY 1                     | 490                     | 490    | 0                                      | 400    | 400    | 0                                      |
| CASH, DECEMBER 31                   | \$ 490                  | 214    | (276)                                  | 600    | 490    | (110)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

CEDAR COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CRIME VICTIMS ADVOCATE FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Intergovernmental                   | 28,744                  | 23,552 | (5,192)                                |
| Transfers in                        | 0                       | 2,200  | 2,200                                  |
| Total Receipts                      | 28,744                  | 25,752 | (2,992)                                |
| DISBURSEMENTS                       |                         |        |  |
| Crime Victims Advocate              | 28,744                  | 17,901 | 10,843                                 |
| Transfers out                       | 0                       | 5,500  | (5,500)                                |
| Total Disbursements                 | 28,744                  | 23,401 | 5,343                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 2,351  | 2,351                                  |
| CASH, JANUARY 1                     | 229                     | 229    | 0                                      |
| CASH, DECEMBER 31                   | \$ 229                  | 2,580  | 2,351                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CEDAR COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CONFISCATED DRUG MONEY FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1998                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Intergovernmental                   | 0                       | 0      | 0                                      |
| Total Receipts                      | 0                       | 0      | 0                                      |
| DISBURSEMENTS                       |                         |        |  |
| Sheriff                             | 0                       | 857    | (857)                                  |
| Total Disbursements                 | 0                       | 857    | (857)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (857)  | (857)                                  |
| CASH, JANUARY 1                     | 857                     | 857    | 0                                      |
| CASH, DECEMBER 31                   | \$ 857                  | 0      | (857)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |         |               |        |        |               |  |
|-------------------------------------|---------|---------------|--------|--------|---------------|--|
| 1999                                |         |               | 1998   |        |               |  |
|                                     |         | Variance      |        |        | Variance      |  |
|                                     |         | Favorable     |        |        | Favorable     |  |
|                                     |         | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |         |               |        |        |               |  |
| Interest                            | \$ 250  | 3,478         | 1,800  | 2,001  | 201           |  |
| Total Receipts                      | 250     | 3,478         | 1,800  | 2,001  | 201           |  |
| DISBURSEMENTS                       |         |               |        |        |               |  |
| Circuit Clerk                       | 2,000   | 369           | 750    | 506    | 244           |  |
| Total Disbursements                 | 2,000   | 369           | 750    | 506    | 244           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,750) | 3,109         | 1,050  | 1,495  | 445           |  |
| CASH, JANUARY 1                     | 1,834   | 1,834         | 339    | 339    | 0             |  |
| CASH, DECEMBER 31                   | \$ 84   | 4,943         | 1,389  | 1,834  | 445           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Interest                            | \$ 600   | 973           | 200    | 663    | 463           |  |
| Total Receipts                      | 600      | 973           | 200    | 663    | 463           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Associate Circuit Division          | 300      | 368           | 0      | 298    | (298)         |  |
| Total Disbursements                 | 300      | 368           | 0      | 298    | (298)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 300      | 605           | 200    | 365    | 165           |  |
| CASH, JANUARY 1                     | 903      | 903           | 538    | 538    | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,203 | 1,508         | 738    | 903    | 165           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit N

CEDAR COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 4,000 | 4,801  | 801                                    |
| Total Receipts                      | 4,000    | 4,801  | 801                                    |
| DISBURSEMENTS                       |          |        |  |
| Law Library                         | 2,400    | 2,602  | (202)                                  |
| Total Disbursements                 | 2,400    | 2,602  | (202)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,600    | 2,199  | 599                                    |
| CASH, JANUARY 1                     | 3,227    | 3,227  | 0                                      |
| CASH, DECEMBER 31                   | \$ 4,827 | 5,426  | 599                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

CEDAR COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Cedar County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Local Law Enforcement Block Grant Fund for the years ended December 31, 1999 and 1998, the DARE Fund and Microfilm Grant Fund for the year ended December 31, 1999, and the Crime Victims Advocate Fund and Law Library Fund for the year ended December 31, 1998.

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| General Revenue Fund                     | 1999 and 1998                   |
| Law Enforcement Training Fund            | 1999 and 1998                   |
| Prosecuting Attorney Bad Check Fund      | 1998                            |
| Recorder Preservation Fund               | 1998                            |
| Family Crisis Fund                       | 1999                            |
| Confiscated Drug Money Fund              | 1998                            |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Law Library Fund                         | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1999 and 1998, did not include the Local Law Enforcement Block Grant Fund, and for the year ended December 31, 1998, did not include the Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

## Supplementary Schedule

## Schedule

CEDAR COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--|--|---|-------------------------|---------|
|  |  |   | Year Ended December 31, |         |
|  |  |   | 1999                    | 1998    |
| U.S. DEPARTMENT OF DEFENSE                                     |  |   |                         |         |
| Passed through state:  |  |   |                         |         |
| Office of Administration -                                     |  |   |                         |         |
| 12.112   | Payments to States in Lieu of Real Estate Taxes    | N/A   | 11,123                  | 15,823  |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |         |
| Passed through:  |  |   |                         |         |
| State Department of Public Safety -                            |  |   |                         |         |
| 16.575   | Crime Victim Assistance                            | 97-VOCA-0176                                    | 474                     | 0       |
| 16.592   | Local Law Enforcement Block Grants Program         | 97-LBG-016                                      | 0                       | 8,272   |
| Missouri Sheriffs' Association -                               |  |   |                         |         |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program  | N/A   | 0                       | 840     |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |         |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |         |
| 20.205   | Highway Planning and Construction                  | BRO-020-07                                      | 20,980                  | 0       |
| GENERAL SERVICES ADMINISTRATION                                |  |   |                         |         |
| Passed through state Office of Administration -                |  |   |                         |         |
| 39.003   | Donation of Federal Surplus Personal Property      | N/A   | 13,615                  | 1,883   |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                            |  |   |                         |         |
| Passed through state Department of Public Safety:              |  |   |                         |         |
| 83.544   | Public Assistance Grants                           | N/A   | 408,574                 | 136,976 |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES                  |  |   |                         |         |
| Passed through state:  |  |   |                         |         |
| Department of Social Services -                                |  |   |                         |         |
| 93.563   | Child Support Enforcement                          | N/A   | 5,523                   | 2,938   |
| Total Expenditures of Federal Awards                           |  |   | \$ 460,289              | 166,732 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule



CEDAR COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Cedar County, Missouri, except for the programs accounted for in the Cedar County Memorial Hospital Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended March 31, 2000 and 1999.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$70,984 to subrecipients under the Public Assistance Grant (CFDA number 83.544) during the year ended December 31, 1999.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Cedar County, Missouri

Compliance

We have audited the compliance of Cedar County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

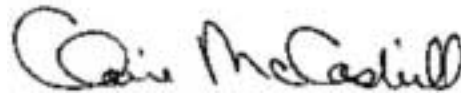
In our opinion, Cedar County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998.

## Internal Control Over Compliance

The management of Cedar County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Cedar County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

July 13, 2000 (fieldwork completion date)

Schedule

CEDAR COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major program:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?        yes   x   no

Identification of major program:

|                   |                          |
|-------------------|--------------------------|
| CFDA or           |                          |
| Other Identifying |                          |
| <u>Number</u>     | <u>Program Title</u>     |
| 83.544            | Public Assistance Grants |



Dollar threshold used to distinguish between Type A  
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

CEDAR COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

CEDAR COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

CEDAR COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Cedar County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 13, 2000. We also have audited the compliance of Cedar County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 13, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Cedar County Memorial Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers for the years ended March 31, 2000 and 1999.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes



findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Cedar County but does not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|                               |
|-------------------------------|
| <b>1. County Expenditures</b> |
|-------------------------------|

- A. In February 2000, the county purchased 73 acres of land for \$78,475 to be used to quarry hill gravel. This purchase was made without obtaining an appraisal on the property.

The County Commission indicated that based upon their experience as land owners, they believed the purchase price was reasonable. In addition, they indicated the long term benefits of quarrying hill gravel will exceed the current cost of purchasing gravel; however, a formal cost/benefit analysis was not performed and documented at the time of the purchase. At our request the County Commission prepared a cost/benefit analysis comparing the cost of quarrying hill gravel to the cost of purchasing hill gravel. According to this analysis, the County Commission estimates they will quarry approximately 340,000 cubic yards of hill gravel. They anticipate saving \$220,000 on the purchase of hill gravel over the next 15 years. While this analysis represents estimations made by the County Commission and not those of a professional appraiser, the County Commission should track the actual costs of quarrying the hill gravel and update their cost/benefit analysis on a regular basis.

Good business practice requires that major land purchases be formally and independently appraised to ensure a reasonable price is paid, and a cost/benefit analysis be performed and documented at the time of the purchase to support the county's decision making process.

- B. A review of expenditures made from the Prosecuting Attorney Bad Check Fund noted the following concerns:
1. Prior to leaving office in December 1998, the former Prosecuting Attorney paid approximately \$5,000 for nine cell phones with a one year usage package for each phone. Six of the phones were for the Sheriff's department, one was for the Associate Circuit Judge, and the remaining two phones were for the Prosecuting Attorney's office. There was no documentation assessing the need for any of the cell phones purchased. In addition, the purchase was not bid in accordance with state law.

Upon taking office in January 1999, the new Prosecuting Attorney chose not to use the two cell phones purchased for his office. While he did contact the cell phone provider to obtain a refund, he did not follow up to ensure the county received a refund or a credit for the amount paid. As a result, approximately \$1,100 was paid for cell phone usage that was never utilized.

After using the cell phones for one year, the Sheriff was required to renegotiate his cell phone contracts due to lack of funding. As a result, only one of the six phones purchased for the Sheriff's department continues to be used. The remaining five phones are stored in a closet in the sheriff's department.

Without a documented assessment of the need, there is limited assurance the county is paying for a necessary service. In addition, Section 50.660, RSMo Cum. Supp. 1999, requires the county to solicit bids for purchases greater than \$4,500 from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all parties are given an equal opportunity to participate in county business.

2. Prior to leaving office the former Prosecuting Attorney paid herself \$600 from the Prosecuting Attorney Bad Check Fund for court appearances made on December 28, 30, and 31 of 1998. During the same period, she was also paid from the General Revenue Fund for her official salary approved by the salary commission. The additional compensation of \$600 appears to be in excess of the amount approved by the Cedar County Salary Commission and should be refunded to the county. In addition, payroll taxes were not withheld and the amount was not reported on the former Prosecuting Attorney's W-2.
3. Prior to leaving office in December 1998, the former Prosecuting Attorney paid \$200 bonuses to each of her two secretaries. No supporting documentation could be located to adequately support these payments. In addition, these payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms. Because these payments appear to be bonuses for services previously rendered, they are in violation of Article III, Section 39 of the Missouri Constitution.
4. Prior to leaving office in December 1998, the former Prosecuting Attorney paid herself over \$850, including \$585 for meals and \$224 for gasoline. The only documentation supporting this payment was a memo requesting the reimbursement. To ensure the validity and propriety of expenditures,

adequate supporting documentation should be required for all expense reimbursement requests.

- C. The county issued some Forms 1099-MISC, but did not prepare Forms 1099-MISC for payments for heating and cooling services totaling \$4,800 during 1998 and Assistant Prosecuting Attorney services totaling \$1,000 during 1999.

Sections 6041 through 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Forms 1099.

- D. Actual expenditures exceeded approved budgeted amounts in several county funds for the years ended December 31, 1999 and 1998, as follows:

| <u>Fund:</u>                   | <u>1999</u> | <u>1998</u> |
|--------------------------------|-------------|-------------|
| General Revenue                | \$56,816    | \$14,060    |
| Law Enforcement Training       | 319         | 1,028       |
| Prosecuting Attorney Bad Check | N/A         | 9,666       |
| Recorder Preservation          | N/A         | 1,602       |
| Family Crisis                  | 222         | N/A         |
| Confiscated Drug Money         | N/A         | 857         |
| Associate Circuit Interest     | 68          | 298         |
| Law Library                    | 202         | N/A         |

While the county indicated they monitor budget and actual expenditures, the overspending of budgets was still allowed to occur. It was ruled in State ex rel Strong v. Cribb 364 Mo. 1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1999, provides that counties may amend the annual budget during any year in which the County receives additional funds which could not be estimated when the budget was adopted and that the County shall follow the same procedures required for adoption of the annual budget to amend the budget.

A condition similar to part C. was noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Obtain independent appraisals for all future land purchases and ensure a cost-benefit analysis is documented at the time of purchase. In addition, the County Commission should continue to track the costs of quarrying the gravel and update their cost/benefit analysis on a regular basis.
- B.1. And Prosecuting Attorney review and document the need for each cellular telephone and its usage. In addition, all purchases should be bid in accordance with state statute.
  - 2. Consult with legal counsel regarding the reimbursement of \$600 from the former Prosecuting Attorney.
  - 3. And Prosecuting Attorney discontinue the practice of paying employee bonuses.
  - 4. And Prosecuting Attorney ensure adequate supporting documentation is obtained for all reimbursement requests.
- C. Ensure 1099 forms are issued in accordance with IRS regulations.
- D. Not authorize expenditures in excess of budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *The County Commission does not foresee any future land purchases. We have implemented a tracking system to monitor cost savings of the clay gravel. We are confident it will be a tremendous savings to the county.*
- B.1. *The County Commission has implemented a policy that the County Treasurer will present all expenses of discretionary accounts to the commission for review before payment. Discretionary accounts are spent at the discretion of the office holder. The County Commission has no control over them, but they can make recommendations.*
- B.2. *The County Commission will consult with a lawyer on this matter.*
- B.3  
&4. *The County Commission will write a letter to the Prosecuting Attorney recommending discontinuance of bonuses (which is not legal) and recommend that proper procedures be followed and documentation provided for reimbursement requests.*

- C. *The County Commission will verify that 1099's are issued by the County Treasurer and County Clerk as required for 2000.*
- D. *Beginning in 2000, the county will amend the budget if expenses exceed budgeted amounts and will document circumstances requiring such.*

*Current Prosecuting Attorney Ash provided the following responses:*

- B.1. *I attempted to issue a stop payment on this check, but the stop payment was released without my authority. I will continue to explore the possibility of collecting a refund from the cell phone company.*
- B.3. *I will try to refrain from paying bonuses.*
- B.4. *This has been my practice since taking office.*

|   |
|---|
| <b>2. Public Administrator's Records and Procedures</b> |
|---|

The Public Administrator acts as the court appointed personal representative for approximately 43 wards of the Probate Court. Our review of the Public Administrator's records revealed the following concerns:

- A. The Public Administrator has two estates where in-home care is provided to the wards. During our review of these two estates we noted the following:
  - 1. During the ten months ended May 31, 2000, the Public Administrator distributed over \$39,200 in checks made payable to "cash" to four individuals providing in-home care to one of the wards. The Public Administrator indicated that the individuals providing in-home care would not agree to work unless they were paid in cash. To reduce the risk of misuse of funds, the practice of writing checks made payable to cash should be prohibited.
  - 2. W-2 forms were not issued to in-home care-givers who received \$32,960 during 1999 from this one estate. While the Public Administrator issued W-2 forms to some in-home care-givers on another estate, they were not issued on this estate.
- B. The Public Administrator did not obtain adequate supporting documentation for some expenditures, including \$1,665 for hay bales. In addition, the Associate Circuit Judge does not require the Public Administrator to submit supporting documentation for all expenditures.

Section 473.543, RSMo Cumulative Supp. 1999, requires the Public Administrator to have supporting documentation for all disbursements. Without such documentation, it is difficult to assess the reasonableness of costs charged to and paid by clients of the Public Administrator. In addition, the Associate Circuit Judge should require supporting documentation to be submitted for all expenditures to provide assurance that all disbursements are valid and proper.

- C. Forms 1099 were not prepared for an individual who was paid \$1,700 for hauling corn or to an unincorporated attorney who was paid in excess of \$600 from each of a number of estates for legal services. Section 6041-6051 of the Internal Revenue Code requires an IRS Form 1099-MISC be completed for every payee other than corporations receiving \$600 or more in aggregate during a calendar year for services performed as a trade or business by non-employees.

**WE RECOMMEND** the Public Administrator:

- A.1. Discontinue the practice of making checks payable to “cash”.
- 2. Ensure wages paid to in-home care-givers are properly reported.
- B. Obtain supporting documentation for all disbursements made on behalf of wards. In addition, the Associate Circuit Judge require adequate documentation to be filed or made available to support all settlement transactions.
- C. Ensure 1099 forms are submitted in accordance with IRS guidelines.

**AUDITEE’S RESPONSE**

*The Public Administrator provided the following responses:*

- A.1. *While at the time I felt the benefit outweighed the practice, I whole heartedly agree this was a very bad business practice. While I did this, all of the checks were subsequently endorsed by the person to whom they were given, and with the filing of my last annual settlement, I obtained written notarized documentation that the amount of money paid was in fact received. I will not make checks payable to “cash” in the future.*
- A.2. *The auditors and I disagree on what is “properly reportable”. My position is that the caregivers in this estate are LPN’s in business for themselves and are four such women who have joined together to provide round the clock care. The fact that another client of mine has in-home caregivers that are treated as employees should be irrelevant to the issue at hand. The other client has the ability to terminate workers and has a long history of employees. In this estate, if one of the caregivers is unable to work her designated shift, one of the other three will work that shift or engage another LPN to work. One of the caregivers, is responsible for scheduling. The ward has no right to terminate the women and has no control whatsoever. If she had control her care would resemble a revolving door as this*

*ward is extremely difficult. I have asked the IRS for a determination as to “proper reporting”. I do not believe I am required to prepare 1099’s for these workers as this ward is not in a “trade or business”. I will comply with the ruling from the IRS and adjust my report accordingly, if that is the finding.*

- B. I agree that supporting documentation should be available for inspection. If that documentation is to be presented with the settlements to the Probate Court I will do as I am required.*
- C. Of all the clients, I have only two who carry on a trade or business. One of the clients has her farmland worked by an individual. Their agreement is that she is to provide the land and ½ of the expense to put in the crop. He is to provide the other half of the expense and his labor. When the crop is harvested she is to receive ½ of the proceeds less the cost of hauling her grain to market. He receives the cost of hauling her grain plus his half. I blew it! I did not send him a 1099 by the 1999 filing date. I have since filed the proper 1099. I disagree that the attorney for my conservatorships should have been sent a 1099. If he had performed legal work in relationship to the farming operation, yes, he would have been an expense of the “trade or business” and should have received a 1099. However, the legal work involved was in relation to the conservatorship and that is a personal expense and not subject to 1099 reporting. I reported the expenses of administration of the conservatorship on Schedule A of 1040 in keeping with that line of reasoning.*

*Your audit has asserted that an unincorporated attorney who is paid in excess of \$600 from each of a number of estates should also have received a 1099. I disagree with this position. The reason any client of mine would pay an attorney would be for the work done on behalf of the conservatorship and that does not constitute work for a “trade of business” and is not subject to IRS reporting.*

*The Associate Circuit Judge provided the following responses:*

- A.1. This specific settlement was not filed with my office until August 2000. This practice had not been performed in the past, and I was disappointed to learn that this had happened. This practice has been discontinued and was never approved by the Probate Court.*
- A.2.*
- &C. The Personal Representative is personally responsible to ensure all tax and reporting matters are properly completed. If the estate suffers any loss for failure to comply, the Personal Representative becomes personally liable. This is why I require all Personal Representatives to be bonded and require them to employ an attorney to represent them in all filings.*
- B. It has always been understood that adequate documentation would be available to the Court, and I do not require it to always be filed with the annual settlement. My staff and I have requested documentation on specific items in the past and it has always been provided upon our request.*

### **3. Prosecuting Attorney's Records and Procedures**

The Prosecuting Attorney's office collected court-ordered restitution and bad check related restitution and fees in 1999 and 1998 of \$45,000 and \$35,700, respectively. Each Prosecuting Attorney maintained an account for the deposit and disbursement of court-ordered restitution. Bad check restitution monies are remitted directly to the merchants, and bad check fees are deposited into a separate account held by the County Treasurer. Our review noted the following concerns:

- A. Receipt slips are only issued upon request. To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly. In addition, to ensure all receipts are deposited intact, the method of payment received should be recorded on the receipt slips, and the composition of receipt slips should be reconciled to the composition of bank deposits.
- B. Receipts are deposited approximately once every two weeks. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.
- C. Bank reconciliations were not prepared for the restitution accounts and running balances were not maintained in the checkbook registers. We prepared bank reconciliations as of May 31, 2000 for both restitution accounts and noted \$1,550 in outstanding checks over one year old.

Without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner. In addition, procedures should be adopted to routinely follow up on old outstanding checks.

- D. Listings of liabilities (open items) are not prepared for either restitution account. We prepared an open-items listing as of December 31, 1999. This listing totaled \$3,738, while the reconciled cash balances at December 31, 1999 totaled \$4,099. As a result the reconciled cash balance exceeded known open items by \$361. Only by preparing open items on a monthly basis and reconciling them to the cash balance can the Prosecuting Attorney be assured that the records are in balance and that sufficient cash is available to cover liabilities.
- E. Voided checks were not retained and checks were not issued in numerical order. To ensure all checks are properly accounted for, checks should be issued in numerical sequence and properly voided and retained.



- F. The Prosecuting Attorney does not prepare monthly reports of bad check fees collected. Section 50.370, RSMo 1994, requires county officials to prepare and file with the County Commission monthly reports of fees collected.
- G. The duties of receiving, recording, depositing and disbursing monies, and reconciling the bank accounts are not adequately segregated. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.

- H. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as the subsequent disposition of these complaints, has not been established. A bad check complaint log would provide a record of all such complaints filed with the Prosecuting Attorney and a record of all bad check receipts and disbursements. The log should contain information such as the merchant, the issuer of the check, the amount of the check, the amount of the administrative fee, and the disposition of the bad check, including the date payment was received and paid to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

Conditions similar to parts A, F, and G were noted in our prior report.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Issue pre-numbered receipt slips for all monies received and account for the numerical sequence of receipt slips. The method of payment received should be indicated on all receipt slips and the composition of receipt slips should be reconciled to the composition of bank deposits.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- C. Maintain a balance in the check register, and prepare monthly bank reconciliations. An attempt should be made to locate the payees of the old outstanding checks and reissue checks if possible. In addition, procedures should be adopted to routinely follow up on old outstanding checks.
- D. Prepare monthly listings of open items and reconcile to the cash balances. Differences between open items and cash balances should be investigated and resolved.

- E. Ensure voided checks are retained and account for the numerical sequence of checks issued.
- F. Prepare monthly reports of bad check fees received as required by state law.
- G. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.
- H. Implement procedures to adequately account for bad check complaints received as well as the ultimate disposition of each complaint through the use of a bad check complaint log.

#### **AUDITEE'S RESPONSE**

*A-D&*

*F-H. We will implement these by January 2001.*

*E. This has already been implemented.*

|  |
|--|
| <b>4. Circuit Clerk's Records and Procedures</b> |
|--|

The Circuit Clerk's office processed approximately \$1.1 and \$1.2 million in fees, bonds, child support, and interest during the years ended December 31, 1999 and 1998, respectively.

- A. The Circuit Clerk maintains a current fee account and another account from a former Circuit Clerk. Monthly listings of open items are prepared by the Circuit Clerk for both accounts.

While improvement has been made to reduce the open items listing of the former Circuit Clerk's fee account, this list still includes more than \$10,000 for court cases which date back to 1995 and prior, and it appears several of these cases have been closed and the amounts should be paid out. In addition, the open-items listing also exceeded the reconciled cash balance by \$1,498, of which \$1,144 represents overpayments of fees.

The open-items listing for the current Circuit Clerk's fee account also includes some cases which have been closed and the monies not disbursed in a timely manner. For example, a \$1,000 open-item which was ordered to be disbursed in September 1998 was not disbursed until we requested the case file in June 2000.

Procedures should be established to ensure open-items are distributed on a timely basis upon final disposition of the applicable cases. Any differences between open items and the reconciled bank balance should be investigated and if proper

disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law. In addition, the Circuit Clerk should attempt to collect the negative open items and adopt procedures to periodically follow up on old open items, including bringing them to the Circuit Judge's attention and disposing of them in accordance with statutory provisions.

- B. At December 31, 1999, five checks written on the child support account, totaling \$1,081 had been outstanding for over one year. In addition, the child support account contains an unidentified balance of \$2,743 of which \$2,050 apparently dates back to 1988.

An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued, if possible. If the payees cannot be located, Chapter 447, RSMo 1994, provides for monies such as unclaimed child support to be paid to the state's Unclaimed Property Section.

- C. The duties of receiving, recording, depositing and disbursing monies, and reconciling the bank accounts are not adequately segregated for the child support account. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Circuit Clerk.

Similar conditions were noted in our prior report.

**WE RECOMMEND** the Circuit Clerk:

- A. Establish procedures to routinely follow up on older open items and ensure current open-items are distributed on a timely basis. Investigate differences between the former Circuit Clerk's open-items listing and the reconciled bank balance and if applicable, any unidentified monies should be disposed of in accordance with state law. In addition, the Circuit Clerk should attempt to collect the negative open items.
- B. Adopt procedures to routinely follow up on old outstanding checks, and disburse the unidentified child support funds as required by state law.
- C. Adequately segregate accounting and bookkeeping duties of the child support account to the extent possible. At a minimum, the Circuit Clerk should perform documented reviews of the accounting records.

## **AUDITEE'S RESPONSE**

- A. *In response to the open items of the former Circuit Clerk's fee account, I have implemented the process of pulling all files and fee cards so that I can pay out those fees. Prior to the audit I had paid out nearly \$8,000 of that account, which there still remains a sizeable amount left, but I assure you that this account will be closed out by January 2001.*

*We will be implementing a new software program the middle of September, 2000 which will give me access to reports in order to track disposition of files. With the workload that this office has, it makes it very difficult to track every file. Therefore, some files have gotten put back on the shelf without processing for final disposition. I have implemented a procedure where after a judgment has been rendered or a dismissal entered in a case, the fee card, along with the file is to be brought to my attention so I may review and see that funds are disbursed properly. With implementing the new court management program, I will be able to print reports for active cases, cases disposed of, open items reports and it will simplify this process and give me better access to case flow.*

- B. *With regard to the child support account, the outstanding checks have been reissued or if unclaimed, unidentified items turned over to Unclaimed Properties. There is now a procedure in place for any outstanding checks over 90 days old, a letter written to request that they either contact our office stating that they never received the check or to cash the check within the next 30 days, or the payment will be stopped. When the check is reissued a letter is written asking the recipient to cash immediately.*
- C. *I have implemented doing bank reconciliations for the child support account along with other accounts that I manage. There is a cross check of all receipts, deposits and disbursing of monies that has been in process for quite some time. Again, with the new court management software program being implemented in September 2000, all receipts, deposits and cashiering will have to be approved through me or another assigned deputy clerk at the end of each day. I have been doing end of the month reports, wherein there had only been one deputy clerk that had access to these reports before.*

### **5.**

### **County Clerk's Records and Procedures**

- A. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. An account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited by the County Collector each year is complete and accurate and can be used by the County Commission to verify the County Collector's annual settlements.
- B. Controls over property tax additions need improvement. Tax book additions are

initiated by the County Assessor who assigns an assessed value and enters it into the property tax computer system. The County Collector then prepares a tax statement of the taxes due and collects the tax. At the end of the year, the County Collector prints a report of all property tax additions and charges herself with these additions.

To ensure proper segregation of duties over tax book additions, the County Clerk should reconcile all additions made to the property tax system and charge these amounts to the County Collector. In addition, the County Commission should approve all tax book additions.

- C. The County Clerk uses a \$30 imprest petty cash fund as a change fund for receipts. When the \$30 imprest fund is depleted before the end of the month, official receipts are used for petty cash expenditures. Additionally, when we compared recorded receipts to amounts on hand, receipts exceeded amounts on hand by \$20. The County Clerk and her employees indicated they occasionally borrow monies from official cash receipts.

To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, the County Clerk should ensure receipts are not used for petty cash expenditures, and prohibit the practice of borrowing from official receipts.

Conditions similar to parts A. and B. were noted in our prior report.

**WE RECOMMEND** the County Clerk:

- A. Establish and maintain an account book of the County Collector's transactions, and the County Commission should make use of this account book to verify the County Collector's annual settlements.
- B. Reconcile all additions made to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.
- C. Discontinue using official receipts for petty cash expenditures and discontinue borrowing money from official receipts.

**AUDITEE'S RESPONSE**

- A. *We are in the process of establishing the account book and will implement its use by January 2001.*
- B. *We have had a computer program installed to make addition information available to me. Additions are now being printed out and signed by the County Clerk and County Commission.*

C. *The procedures have all ready been implemented.*

|  |
|--|
| <b>6. County Assessor's Records and Procedures</b> |
|--|

The Assessor's office processes receipts of approximately \$750 annually. During our review of the Assessor's office, we noted the following concerns:

- A. The County Assessor's office accepts cash, checks, and money orders. The receipt slips issued are not pre-numbered, do not indicate the method of payment received, and original copies of voided receipt slips are not always maintained.

To ensure monies are properly accounted for and transmitted intact, pre-numbered receipt slips indicating the method of payment should be issued for all monies received and the composition of receipt slips issued should be reconciled to the composition of transmittals to the County Treasurer. In addition, to properly account for the numerical sequence of receipt slips, the original copies of voided receipt slips should be retained.

- B. Receipts are stored in an unlocked drawer in the Assessor's office until they are transmitted to the County Treasurer each month. In addition, checks and money orders are not restrictively endorsed upon receipt. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be kept in a secure location and checks, and money orders should be restrictively endorsed immediately upon receipt.
- C. Some cash receipts are not transmitted to the County Treasurer and are used for a change fund. The change fund is not maintained at a constant amount. Transmitting receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts. If a change fund is determined to be necessary, it should be maintained at a constant amount.
- D. The County Assessor does not file monthly reports of fees collected. Section 50.370, RSMo 1994, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

While the Assessor does not collect a large amount of fees, control weaknesses such as these need to be improved.

**WE RECOMMEND** the County Assessor:

- A. Issue pre-numbered receipt slips for all monies received, and maintain original copies of all voided receipt slips. In addition, ensure the method of payment is indicated on all receipt slips and reconcile total cash, checks, and money orders received to amounts transmitted to the County Treasurer.
- B. Restrictively endorse checks and money orders immediately upon receipt, and store all receipts in a secure location until transmitted.
- C. Transmit all monies received to the County Treasurer intact, and if a change fund is needed, it should be maintained at a constant amount.
- D. Prepare monthly reports of fees as required by state law.

**AUDITEE'S RESPONSE**

- A. *We will use prenumbered receipt slips and indicate the method of payment beginning September 1, 2000.*
- B. *Beginning September 1, 2000, we will endorse checks and money orders as soon as possible and will put them in the safe or a locked desk until transmitted to the Treasurer.*
- C. *By September 1, 2000 we will begin maintaining a change fund at an even amount.*
- D. *Beginning October 1, 2000 we will prepare a monthly report of fees.*

This report is intended for the information of the management of Cedar County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings



CEDAR COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Cedar County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Sheriff's Records and Procedures

- A. Receipt slips were not issued for some checks and money orders received, and the method of payment received was not always indicated on the receipt slips. Rediform receipt slips were used, several blank receipt slips were removed from the receipt books, and some receipt slip numbers were skipped and not used, but were not properly voided. In addition, receipt slips were not issued immediately upon receipt.
  - B. Receipts were not always deposited intact on a timely basis, and receipts were stored in an unsecured location.
  - C. Checks and money orders received were not restrictively endorsed immediately upon receipt.
  - D. Receipts were not posted to the cash control ledger on a timely basis, some receipts were not recorded at all on the cash control ledger, and cash balances were not recorded.
  - E. Bank reconciliations were not prepared, and the bank account had over \$313 in outstanding checks over one year old.
  - F. Listings of liabilities (open items) were not prepared. At August 31, 1998, the reconciled cash balance exceeded known open items by \$289.
  - G.1. Bond receipts were not compared to bond disbursements to ensure all bonds were properly disbursed. As a result, two bonds were erroneously disbursed twice.
2. The bookkeeper was allowed to sign the Sheriff's name on checks.
- H. No records were found to document the identity or appropriate disposition of monies seized as evidence and deposited in to a bank account maintained by the former Sheriff.
  - I. Fees were not turned over to the County Treasurer on a monthly basis, and a monthly report of fees is not prepared and filed with the County Commission.
  - J. Duties were not adequately segregated.

- K. The Sheriff's bookkeeper maintained several accounting records at her home, including bank statements.

Recommendation:

The Sheriff:

- A. Issue official prenumbered receipt slips immediately upon receipt for all monies received, account for the numerical sequence, and properly void all unused receipt slips. The method of payment received should be indicated on all receipt slips and the composition of receipt slips should be reconciled to the composition of bank deposits. In addition, all receipts should be deposited and all refunds should be made by check.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100, and store receipts in a secure location until deposit.
- C. Restrictively endorse checks and money orders immediately upon receipt.
- D. Post all receipts to the cash control ledger on a timely basis and maintain records of cash balances.
- E. Prepare monthly bank reconciliations and attempt to locate the payees of the old outstanding checks and reissue checks if possible. Procedures should be adopted to routinely follow up on old outstanding checks.
- F. Prepare monthly listings of open items and reconcile to the cash balances. Differences between open items and cash balances should be investigated and resolved.
- G.1. Issue stop payment orders, attempt to locate, and void these missing checks. Bond receipts should be compared to disbursements monthly to ensure the proper disposition of all bonds.
  - 2. Discontinue the practice of allowing the bookkeeper to sign the Sheriff's name on checks.
- H. Attempt to identify the seized monies in the old bank account and obtain written authorization from the court or Prosecuting Attorney to dispose of the monies and close the account.
- I. Turn over all fees monthly to the County Treasurer and prepare and file monthly reports of fees received, as required by state law.
- J. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Sheriff should perform documented reviews of the accounting records.

- K. Ensure all accounting records are maintained at the Sheriff's office.

Status:

A&

C-K. Implemented.

- B. Partially implemented. Receipts are deposited intact and stored in a secure location; however, the Sheriff deposits receipts only once a week. Although not repeated in the current report our recommendation remains as stated above.

2. Expenditures

- A. The former Prosecuting Attorney had an office in the courthouse which was used for both county business and her private law practice. The county did not have a written agreement with the Prosecuting Attorney outlining what costs would be paid and what office personnel and equipment would be provided by the county and what would be provided by the private practice.
- B. Bids were not always solicited or advertised by the county nor was bid documentation always retained.
- C. The county did not always prepare Forms 1099-MISC.

Recommendation:

The County Commission:

- A. And Prosecuting Attorney formalize this arrangement and prepare documentation on the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between her county and private practice resources and work.
- B. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- C. Ensure Forms 1099-MISC are issued for all applicable payments.

Status:

- A. Implemented. Currently, the Prosecuting Attorney maintains a separate private practice outside of the official county office.
- B. Partially implemented. Bids were solicited by the county; however the county did not always advertise for bids as required. Although not repeated in the current report our recommendation remains as stated above.

C. Not implemented. See MAR No. 1.

3. Budgetary Practices

- A. Various mathematical errors were noted in the budgets, resulting in inaccurate information.
- B. The General Revenue Fund's budget included items which were not actually budgeted and expended.
- C. Interest earned on the certificates of deposits (CD's) was not recorded by the County Treasurer until the CD's were cashed in or redeemed, and purchases and redemptions of CD's were included in actual revenues and expenditures on the budgets.

Recommendation:

The County Commission ensure budgets accurately reflect beginning available resources and anticipated and actual revenues and expenditures and are mathematically correct. In addition, purchases and redemptions of CD's should not be shown as revenues and expenditures on the budgets.

Status:

Implemented.

4. County Officials' Compensation:

- A. The salary commission approved to raise elected officials salaries by ten percent of the difference between the 1997 salaries and the statutory maximum effective for terms of office beginning in 1999. In addition, the county did not obtain written opinions from the Prosecuting Attorney to support decisions made by the salary commission and the minutes did not clearly document how the officials' salaries were to be calculated.
- B. The county paid the Public Administrator in excess of her salary established by the Salary Commission, and no documentation was retained by the Salary Commission to support the increase.

Recommendation:

- A. Obtain written opinions from the Prosecuting Attorney to support the decisions made by the salary commission in 1997. All salary commission minutes should clearly document all decisions made, include calculations of the salary amounts, and include written opinions from the Prosecuting Attorney as applicable.
- B. Review this situation with the Prosecuting Attorney and determine whether to seek reimbursement of \$1,687 from the Public Administrator.

Status:

- A. Partially implemented. During the 1999 salary commission meeting the salary commission acknowledged that they understood that by statute, each official is to receive the same percentage of the maximum allowable compensation. The salary commission, in an effort to comply with state law, voted in 1999 to raise all salaries to seventy-five percent of the allowable maximum excluding those officials' salaries already set at a percentage exceeding 75%. Although not repeated in the current report our recommendation remains as stated above.
- B. Implemented. The Public Administrator's salary was adjusted in 1999.

5. General Fixed Assets

The county's general fixed assets records and procedures were inadequate.

Recommendation:

The County Clerk perform and document inspections and inventories of county-owned property; appropriately tag, number, or otherwise identify all county property; and create a complete general fixed asset record. Once these procedures are performed and the property records prepared, the County Clerk needs to develop procedures to record all property additions and dispositions of general fixed assets as they occur and perform periodic inspections and inventories.

Status:

Implemented by the county in calendar year 2000.

6. Collateral Securities

The amount of collateral securities pledged by the county's depository banks at January 20, 1998, was insufficient by approximately \$540,000 to cover monies in the custody of the County Treasurer and County Collector.

Recommendation:

The County Commission ensure collateral securities pledged by the depository banks are sufficient to protect monies at all times.

Status:

Implemented.

7. Circuit Clerk's Records and Procedures

- A. Monthly listings of open items prepared by the former Circuit Clerk were not accurate and were approximately \$10,000 less than the reconciled bank balance of

the fee account. In addition, the open items listing included negative open items which represented overpayments of fee collected.

- B. Outstanding checks written on the child support account were not adequately followed up on.
- C. The child support account had \$1,073 of unclaimed payments for which the Circuit Clerk had not been able to locate the custodial parents, and contained an unidentified balance of \$2,050 which apparently dates back to 1988. In addition, bad check fees and other bank charges incurred since 1993 had not been pursued or collected.
- D. The duties of receiving, recording, depositing and disbursing monies, and reconciling the bank accounts were not adequately segregated, nor was adequate supervisory review performed.

Recommendation:

The Circuit Clerk:

- A. Prepare accurate monthly open-items listings and reconcile them to the fee account bank balances. Differences between the open-items listings and the reconciled bank balances should be investigated and, if applicable, any unidentified monies should be disposed of in accordance with state law. In addition, the Circuit Clerk should attempt to collect the negative open items and establish procedures to routinely follow up on older open items.
- B. Adopt procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, the monies should be distributed to the state's Unclaimed Property Section.
- C. Disburse the unclaimed child support as required by state law and attempt to obtain reimbursement for the bad checks and the bank deposit slip fees.
- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Circuit Clerk should perform documented reviews of the accounting records.

Status:

- A-C. Not implemented. See MAR No. 4.
- D. Partially implemented. Duties have been adequately segregated for the fee account, but not for the child support account. See MAR No. 4.

8. Ex Officio Recorder of Deeds' Records and Procedures

- A. Bank reconciliations were not prepared for the fee account.

- B. Monthly listings of open items (liabilities) were not prepared, and \$1,207 of unidentified monies existed. In addition, interest earned was not disbursed to the county.
- C. Duties were not adequately segregated.

Recommendation:

The Ex Officio Recorder of Deeds:

- A. Prepare monthly bank reconciliations.
- B. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any monies remaining unidentified should be disbursed in accordance with state law. In addition, interest earned should be turned over to the county periodically.
- C. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Ex Officio Recorder of Deeds should perform documented reviews of the accounting records.

Status:

A-C. Implemented.

9. Prosecuting Attorney's Records and Procedures

- A. Receipt slips were not issued for checks and money orders.
- B. Monthly reports of bad check fees collected were not prepared.
- C. Checks and money orders were not restrictively endorsed immediately upon receipt.
- D. Duties were not adequately segregated, nor was an adequate supervisory review performed.

Recommendation:

The Prosecuting Attorney:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.
- B. Prepare monthly reports of bad check fees received as required by state law.
- C. Restrictively endorse checks and money orders immediately upon receipt.

- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.

Status:

A,B,  
&D. Not implemented. See MAR No. 3.

C. Implemented.

10. County Clerk's Records and Procedures

A. The County Clerk did not maintain an account book with the County Collector.

B. Controls over property tax additions needed improvement.

Recommendation

A. Establish and maintain an account book of the county collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

B. Prepare all additions to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.

Status:

Not implemented. See MAR No. 5.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# CEDAR COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1845, the county of Cedar was named for its abundance of cedar trees. Cedar County is a county-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Stockton.

Cedar County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Cedar County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 199,558   | 10         | 196,733   | 13         |
| Sales taxes               | 387,641      | 19         | 366,216   | 25         |
| Federal and state aid     | 1,128,410    | 55         | 671,524   | 46         |
| Fees, interest, and other | 342,461      | 16         | 229,030   | 16         |
| Total                     | \$ 2,058,070 | 100        | 1,463,503 | 100        |

The following chart shows how Cedar County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 465,012   | 23         | 499,881   | 38         |
| Public safety             | 370,520      | 19         | 363,114   | 27         |
| Highways and roads        | 1,161,050    | 58         | 462,818   | 35         |
| Total                     | \$ 1,996,582 | 100        | 1,325,813 | 100        |

The county maintains approximately 64 county bridges and 513 miles of county roads.

The county's population was 9,424 in 1970 and 12,093 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 65.1                    | 61.5 | 37.8  | 15.5   | 10.8   |
| Personal property      |    | 26.3                    | 25.0 | 11.5  | 7.2    | 4.1    |
| Railroad and utilities |    | 6.2                     | 5.6  | 2.6   | 2.4    | 1.1    |
| Total                  | \$ | 97.6                    | 92.1 | 51.9  | 25.1   | 16.0   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Cedar County's property tax rates per \$100 of assessed valuations were as follows:

|                               |    | Year Ended December 31, |      |
|-------------------------------|----|-------------------------|------|
|                               |    | 1999                    | 1998 |
| General Revenue Fund          | \$ | .14                     | .10  |
| Special Road and Bridge Fund* |    | .24                     | .24  |
| Hospital Fund                 |    | .15                     | .15  |

\* The county retains all tax proceeds from areas not within road districts. The county has seventeen road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                              | Year Ended February 28 (29), |                  |
|------------------------------|------------------------------|------------------|
|                              | 2000                         | 1999             |
| State of Missouri            | \$ 30,043                    | 28,103           |
| General Revenue Fund         | 138,257                      | 97,299           |
| Road funds                   | 424,619                      | 401,557          |
| Assessment Fund              | 37,825                       | 35,166           |
| Schools                      | 2,812,602                    | 2,642,034        |
| Library district             | 79,570                       | 74,815           |
| Hospital Fund                | 148,284                      | 138,979          |
| Ambulance district           | 100,545                      | 94,077           |
| Cities                       | 33,119                       | 30,779           |
| County Clerk                 | 187                          | 170              |
| County Employees' Retirement | 24,083                       | 22,057           |
| Commissions and fees:        |                              |                  |
| General Revenue Fund         | 68,407                       | 63,565           |
| Total                        | <u>\$ 3,897,541</u>          | <u>3,628,601</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28 (29), |        |
|------------------------|------------------------------|--------|
|                        | 2000                         | 1999   |
| Real estate            | 92.2 %                       | 92.0 % |
| Personal property      | 90.8                         | 90.3   |
| Railroad and utilities | 99.9                         | 100.0  |

Cedar County also has the following sales taxes; rates are per \$1 of retail sales:

|         | Rate     | Expiration Date | Required Property Tax Reduction |
|---------|----------|-----------------|---------------------------------|
| General | \$ 0.005 | None            | 50 %                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:                                  |        |        |        |
| Kenneth Whitesell Jr., Presiding Commissioner           | \$     | 17,757 | 14,868 |
| Richard L. Wood, Associate Commissioner                 |        | 15,758 | 14,868 |
| Marvin Yarnell, Associate Commissioner                  |        | 15,758 | 14,868 |
| Sheryl D. Swopes, County Clerk                          |        | 28,204 | 26,612 |
| Donald W. Berry, County Clerk                           |        |        | 725    |
| Michael L. Ash, Prosecuting Attorney                    |        | 32,341 |        |
| Rebecca Elliston, Prosecuting Attorney                  |        |        | 31,157 |
| Aaron Spillman, Sheriff                                 |        | 29,037 | 29,037 |
| Joe Lee Levi, County Treasurer                          |        | 19,852 | 19,125 |
| C.W. (Bill) Neale, County Coroner                       |        | 4,054  | 4,054  |
| Janice Cagle, Public Administrator *                    |        | 23,657 | 12,090 |
| Barbara Bobbett, County Collector **                    |        |        |        |
| year ended February 28, (29)                            | 28,661 | 28,281 |        |
| Paul E. (Eddie) Johnson, County Assessor *** year ended |        |        |        |
| August 31,  |        | 30,408 | 31,129 |
| Claud Hoffman, County Surveyor ****                     |        | N/A    |        |
| Chad Pyle, County Surveyor ****                         |        |        | N/A    |

\* Includes fees received from probate cases. The Public Administrator's salary was adjusted in 1999 for an overpayment in 1997

\*\* The County Collector was underpaid \$392 in 1999. This was corrected in 2000.

\*\*\* Includes \$900 annual compensation received from the state. The County Assessor was underpaid \$721 in 1999. This was corrected in 2000.

\*\*\*\* Compensation on a fee basis.

State-Paid Officials:

|   |  |        |        |
|---|--|--------|--------|
| Melinda Gumm, Circuit Clerk and             |  |        |        |
| Ex Officio Recorder of Deeds                |  | 44,292 |        |
| Jane A. Zumwalt, Circuit Clerk and          |  |        |        |
| Ex Officio Recorder of Deeds                |  |        | 42,183 |
| Joseph B. Phillips, Associate Circuit Judge |  | 87,234 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office  | Number of Employees Paid by |          |
|---|-----------------------------|----------|
|   | County                      | State    |
| County Commission                               | 1                           | 0        |
| Circuit Clerk and Ex Officio Recorder of Deeds* | 2                           | 5        |
| County Clerk                                    | 2                           | 0        |
| Prosecuting Attorney                            | 2                           | 0        |
| Sheriff   | 11                          | 0        |
| County Collector *                              | 1                           | 0        |
| County Assessor                                 | 4                           | 0        |
| Road and Bridge                                 | 12                          | 0        |
| Total   | <u>35</u>                   | <u>5</u> |

\* Includes one part-time employee

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Cedar County's share of the Twenty-Eighth Judicial Circuit's expenses is 24.24 percent.



TWENTY-NINTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
JASPER COUNTY, MISSOURI

JANUARY 1, 1998 THROUGH MAY 31, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-93  
September 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**During our audit of the Twenty-Ninth Judicial Circuit, Associate Division V, Jasper County, Missouri, we identified the following problems.**

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The Twenty-Ninth Judicial Circuit, Associate Division V, Jasper County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with the court proceedings in that division. In May 2000, the Missouri State Highway Patrol and Jasper County Prosecuting Attorney contacted the State Auditor's office indicating some monies received by the court had not been deposited to the court's accounts.

On April 6, 2000, court employees noted discrepancies in five criminal case files. Fines and costs totaling \$1,502, related to these cases had been turned over to the court by the Sheriff's department between January and early April 2000, but these monies had not been properly receipted or deposited by the court.

On April 11, 2000, Lynette Weathers, court clerk, repaid \$2,502 to the court. According to the Judge, she admitted to taking the \$1,502 noted above as well as a \$1,000 cash bond. This bond, received from the Sheriff's department on March 21, 2000, had been properly receipted, but not deposited into the bond account. Ms. Weathers has been charged with felony stealing related to these transactions. Ms. Weathers continued to work until May 5, 2000, at which time she went on paid maternity leave. She resigned on July 31, 2000.

In addition to those discrepancies discovered by the court, one additional transaction was not accounted for properly. According to the Sheriff's records, a \$538 fines and costs transaction was transmitted in cash to Ms. Weathers on November 15, 1999; however, this transaction was not properly receipted and deposited until February 18, 2000.

Various accounting and procedural weaknesses existed in the court, some of which allowed the discrepancies to occur without being detected on a timely basis. The Sheriff's department collects cash bonds, as well as fines and costs, which are transmitted to the associate division. These monies are recorded by the Sheriff's department when received and then transmitted to the associate division. Because the monies are not deposited into a Sheriff's department bank account significant amounts of cash are transmitted to the associate division. No independent reviews are performed comparing the monies transmitted by the Sheriff's department to the court's receipt records.

(over)

The Criminal and Civil Fee Account should include only undistributed fines and fees and

YELLOW SHEET

accumulated interest at the end of the month. The bank reconciliations prepared for this account were not accurate and did not take into consideration all outstanding checks. In addition, the bank balances were not reconciled to any undistributed fines and fees and accumulated interest. As a result of not properly performing these reconciliations, the court was unaware this account was short by approximately \$5,680 at May 31, 2000, as a result of two disbursement errors.

The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated.

A book balance is not documented in the bond ledger at month end. As a result, activity recorded in the bond ledger cannot be reconciled to the bank balance or to a listing of open items. In addition, monthly listings of open items are not prepared for the Bond Account. It appears there is currently over \$3,800 in unidentified money in that account and there is a significant amount of old bonds on the open items list which have not been disposed of properly.

Receipts are not always deposited on a timely basis. Receipts for fines and costs were often held two to three weeks before being deposited and included significant amounts of cash.

As noted in the previous report, procedures to monitor and collect old accrued costs could be improved. No work has been done to collect accrued costs on many cases where monies are owed. Without the active and timely pursuit of accrued costs, revenues to the state and county could be lost.

During a review of cases opened during the last five months of 1999 and the first five months of 2000, court employees could not locate the case files related to eleven cases.

In the court's response to the various recommendations to address these problems, the judge generally indicated these recommendations had already been implemented or would be implemented.

TWENTY-NINTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
JASPER COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Presiding Circuit Judge  
and  
Associate Circuit Judge, Division V  
Twenty-Ninth Judicial Circuit  
Jasper County, Missouri

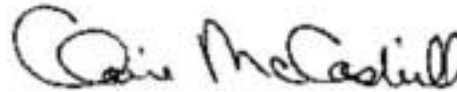
We have audited the books, records, and accounts of the Twenty-Ninth Judicial Circuit, Associate Division V, Jasper County, Missouri. The scope of this audit included, but was not limited to, the period January 1, 1998 through May 31, 2000. The objectives of this audit were to:

1. Investigate discrepancies in that court's Criminal and Civil Fee Account and Bond Account.
2. Determine the amount of court funds misappropriated.
3. Review and evaluate certain controls and procedures regarding the collection of and accounting for various court receipts.
4. Follow up on action taken on findings in our prior audit report.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of the Associate Division V, interviewed personnel of the division, and examined other records and documents as we considered necessary.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations concerning the Twenty-Ninth Judicial Circuit, Associate Division V, Jasper County, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

July 19, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                               |
|---------------------|-------------------------------|
| Director of Audits: | Karen Laves, CPA              |
| Audit Manager:      | Gregory A. Slinkard, CPA, CIA |
| In-Charge Auditor:  | Charles Van Loo, CPA          |
| Audit Staff:        | Julie Vollmer                 |
|                     | Keegan Pieper                 |

## EXECUTIVE SUMMARY

TWENTY-NINTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
JASPER COUNTY, MISSOURI  
EXECUTIVE SUMMARY

Weaknesses in the internal controls and record keeping system of the Associate Division V allowed the misappropriation of approximately \$2,502 of court receipts to occur.

The misappropriations could have been prevented or detected on a more timely basis if adequate oversight and review had been performed and if proper internal controls as noted in the prior audit findings and the accompanying Management Advisory Report had been established.

Jon Dermott serves as Presiding Circuit Judge of the Twenty-Ninth Judicial Circuit. Richard Copeland serves as the Associate Circuit Judge of Division V. Lynette Weathers, the clerk responsible for handling these monies, admitted to taking \$2,502, repaid the monies, and has been charged with felony stealing. She was placed on paid maternity leave on May 5, 2000, and she resigned on July 31, 2000.

## MANAGEMENT ADVISORY REPORT



TWENTY-NINTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
JASPER COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

The Twenty-Ninth Judicial Circuit, Associate Division V, Jasper County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with the court proceedings in that division. Three bank accounts are maintained: one for fines and court costs related to criminal and civil cases; one for bonds related to criminal cases; and one for fees and garnishments related to small claims cases. Collections deposited into these accounts in 1999 totaled approximately \$398,000, \$170,000, and \$27,000 for the Criminal and Civil Fee Account, Bond Account, and Small Claims Account, respectively.

In May 2000, the Missouri State Highway Patrol and Jasper County Prosecuting Attorney contacted the State Auditor's office indicating some monies received by the court had not been deposited to the court's accounts. This audit was performed to review these discrepancies and more fully determine the extent of misappropriated court funds.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over receipts of the Associate Division V court.

|           |                              |
|-----------|------------------------------|
| <b>1.</b> | <b>Misappropriated Funds</b> |
|-----------|------------------------------|

On April 6, 2000, court employees noted discrepancies in five criminal case files. Fines and costs totaling \$1,502, related to these cases had been turned over to the court by the Sheriff's department between January and early April 2000, but these monies had not been properly receipted or deposited by the court.

On April 11, 2000, Lynette Weathers, court clerk, repaid \$2,502 to the court. According to the Judge, she admitted to taking the \$1,502 noted above as well as a \$1,000 cash bond. This bond, received from the Sheriff's department on March 21, 2000, had been properly receipted, but not deposited into the bond account. Ms. Weathers continued to work until May 5, 2000, at which time she went on paid maternity leave.

In addition to those discrepancies discovered by the court, one additional transaction was not accounted for properly. According to the Sheriff's records, a \$538 fines and costs transaction was transmitted in cash to Ms. Weathers on November 15, 1999; however, this transaction was not properly receipted and deposited until February 18, 2000.

The misappropriated funds and the other discrepancy noted above were not detected, or were not detected on a timely basis, due to various internal control weaknesses, including the failure to compare monies transmitted from the Sheriff's department to the court records (See Management Advisory Report [MAR] No. 2).

**WE RECOMMEND** the Associate Division V Judge work with the various law enforcement authorities regarding the criminal prosecution of this matter.

**AUDITEE'S RESPONSE**

*The Judge concurs.*

|  |
|--|
| <b>2. Accounting Controls and Procedures</b> |
|--|

- A. The Sheriff's department collects cash bonds, as well as fines and costs, which are transmitted to the associate division. These monies are recorded by the Sheriff's department when received and then transmitted to the associate division. Because the monies are not deposited into a Sheriff's department bank account significant amounts of cash are transmitted to the associate division. No independent reviews are performed comparing the monies transmitted by the Sheriff's department to the court's receipt records. Had such reviews been performed, most of the discrepancies noted in MAR No. 1 would have been detected.

To safeguard against possible loss or misuse of funds and to ensure that receipts are properly recorded, an independent review should be performed periodically comparing the monies received by the Sheriff to what is recorded as received in the court's records. In addition, the court should request these monies be turned over by check.

- B. The duties of receiving, recording, depositing, and disbursing monies are not adequately segregated. One court clerk is responsible for collecting civil fees and another is responsible for collecting criminal fees and bonds. Each clerk performs essentially all of these duties for the monies they collect. Neither the Judge nor another person independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the court clerks.

Better internal control could have been achieved by segregating the duties of recording transactions from the duties of cash custody and by ensuring periodic independent reviews are performed.

- C. The Criminal and Civil Fee Account should include only undistributed fines and fees and accumulated interest at the end of the month. While an effort was made to reconcile this bank account each month, the bank reconciliations prepared for this account were not accurate and did not take into consideration all outstanding checks as of the date of the reconciliations. In addition, the bank balances were not reconciled to any undistributed fines and fees and accumulated interest at those dates.

As a result of not properly performing these reconciliations, the court was unaware this account was short by approximately \$5,680 at May 31, 2000. This shortage was the result of two disbursement errors. In July 1999, the court disbursed \$8,868 in what were believed to be unidentified monies to the State Treasurer's office as unclaimed property. However, there was only about \$3,600 in unidentified monies in the account at that time, considerably less than the amount of this disbursement. Because the clerk did not properly consider undistributed fines and fees in the account when calculating the turnover to the State Treasurer's office, the court disbursed an excessive amount as unclaimed property. In addition, an excess payment of \$464 made in January 2000 (as a result of a recording error to the one-write ledger) contributed to the shortage in the account. Had proper reconciliations been performed, the court would have avoided or detected the errors noted above, thus preventing the current shortage in this account.

Accurate bank reconciliations should be performed on a monthly basis and the reconciled balance should be agreed to any undistributed fines and fees and accumulated interest. Such reconciliations are necessary to ensure the records are in balance and sufficient funds are available for the payment of all liabilities.

- D. A book balance is not documented in the bond ledger at month end. As a result, activity recorded in the bond ledger cannot be reconciled to the bank balance or to a listing of open items.

A book balance should be documented monthly in the bond ledger and reconciled to the bank balance and open items. Had a book balance been maintained in the bond ledger and had proper reconciliations been performed, the undeposited \$1,000 cash bond noted in MAR No. 1 would have been detected.

- E. Monthly listings of open items are not prepared for the Bond Account. The balance of this account was approximately \$49,904 at May 31, 2000. The office of State Courts Administrator prepared an open items list for the Bond Account as of July 31, 2000. The reconciled bank balance in that account exceeded the open items listing and accumulated interest at that date by over \$3,800. In addition, it appears there was a significant amount of old bonds on the open items list which have not been disposed of properly.

Monthly listings of open items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance the records are in balance and that sufficient cash is available for payment of all liabilities. In addition, any old or unidentified monies in the account should be disposed of properly.

- F. Receipts are not always deposited on a timely basis. Receipts for fines and costs were often held two to three weeks before being deposited and included significant amounts of cash.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.

- G. The court accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. Although the mode of payment is noted on receipt slips, this is not reconciled to the composition of bank deposits.

To ensure all monies are deposited intact and to reduce the potential for loss, theft, or misuse of funds, the composition of receipt slips should be reconciled to the composition of bank deposits.

- H. Procedures to monitor and collect old accrued costs could be improved. In January 1998, the division began issuing warrants for older cases with defendants' names starting with the letters A through H. However, since that time only limited additional warrants have been issued. As of July 2000, the court had only issued additional warrants for cases with defendants' names starting from I through Mc. No work has been done to collect accrued costs on cases with names starting after Mc.

Without the active and timely pursuit of accrued costs, revenues to the state and county could be lost.

- I. During a review of cases opened during the last five months of 1999 and the first five months of 2000, court employees could not locate the case files related to eleven cases.

Case files include all relevant information related to court cases, and they should be properly controlled and filed to ensure that they are readily accessible when needed.

Conditions similar to B., C., E., G., and H. were noted in the prior audit report.

**WE RECOMMEND** the Associate Division V Judge ensure:

- A. Independent comparisons between the Sheriff's records and the court records are performed. The court should request these monies be turned over by check.
- B. The duties of recording transactions are adequately segregated from cash custody, and perform and document periodic reviews of the accounting records maintained and reconciliations prepared.

- C. Proper and accurate bank reconciliations are performed monthly for the Criminal and Civil Fee Account and reconciled to any undistributed fines and fees and accumulated interest. In addition, the court should request the refund of the two overpayments made.
- D. A book balance is documented in the bond ledger. That balance should be reconciled monthly to the bank balance and a listing of open items.
- E. Monthly open-items listings are prepared for the bond account and reconciled to the book and bank balances. Differences should be investigated on a timely basis. In addition, any old or unidentified monies should be disposed of in an appropriate manner.
- F. Receipts are deposited daily or when accumulated receipts exceed \$100.
- G. The composition of receipts is properly reconciled to the composition of bank deposits on a periodic basis.
- H. The associate division makes a greater effort to pursue the collection of all accrued costs.
- I. An effort is made to find the case files which could not be located. In addition, the court should ensure the case files are properly controlled and filed so they are accessible when needed.

#### **AUDITEE'S RESPONSE**

- A. *The Judge indicated the Sheriff's department is now transmitting all monies by checks written on a bank account maintained by that department. It is believed this change in procedures will correct the control weakness that previously existed.*
- B. *The Judge concurs with this recommendation and indicated an effort will be made immediately to better segregate duties in the court.*
- C. *The Judge agrees with the need for proper reconciliations and these procedures will be established in conjunction with the current implementation of the new Banner System. In addition, he indicated the two overpayments noted have already been recovered.*
- D. *The Judge indicated this recommendation has been implemented through the new Banner System.*
- E. *The Judge indicated monthly open items listings are now generated through the new Banner System and are agreed to bank and book balances. The old or unidentified monies noted will be disposed of within six months.*

- F. The Judge indicated that effective immediately receipts will be deposited daily.*
- G. The Judge indicated that effective immediately the composition of receipts will be reconciled to the composition of deposits on a periodic basis.*
- H. The Judge indicated an effort will be made to implement this recommendation as time permits.*
- I. The Judge indicated he will ensure the missing case files are located and the court will make an effort to ensure all case files are properly controlled and filed.*

This report is intended for the information of the management of the Twenty-Ninth Judicial Circuit, Associate Division V of Jasper County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

TWENTY-NINTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION V  
JASPER COUNTY, MISSOURI  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Twenty-Ninth Judicial Circuit, Associate Division V, Jasper County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the court should consider implementing these recommendations.

Associate Circuit Division – Joplin (Division V)

- A. Procedures to monitor and collect old accrued costs needed to be improved. The court had not adequately pursued collection of accrued costs.
- B. Monthly listings of open items were not prepared for the fee account and it included unidentified monies at December 31, 1997. In addition, there was also unidentified money in the bond account at that date.
- C. The receipt slips issued for the small claims account did not always indicate the method of payment received.
- D. The duties of receiving, recording, depositing and disbursing monies, and reconciling the bank accounts were not adequately segregated.

Recommendation:

The Associate Circuit Division – Joplin (Division V):

- A. Establish procedures to follow up and obtain collection of all costs that accrue to the court.
- B. Prepare monthly open-item listings and reconcile to the bank balances of each account. Differences between the open-items listings and the reconciled bank balances should be investigated.
- C. Indicate the method of payment on all receipt slips issued, and reconcile total cash, checks, and money orders received to bank deposits.
- D. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, there should be supervisory or independent documented reviews performed of the accounting records.



Status:

- A. Partially implemented. Some cases have been pursued since the prior audit; however, no follow up has been performed for many cases. See MAR No. 2.
- B. Not implemented. See MAR No. 2.
- C. Partially implemented. Although the method of payment is generally indicated on the receipt slips of the small claims account, the composition of recorded receipts is not reconciled to the composition of deposits for any of the court accounts. See MAR No. 2.
- D. Not implemented. See MAR No. 2.

\* \* \* \* \*



KNOX COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-92  
September 18, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Knox, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Knox County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As similarly noted in prior audit reports, the financial condition of the county's General Revenue Fund remains weak. Although a half-cent law enforcement sales tax became effective January 1999 and allowed law enforcement expenses to be moved to a new Law Enforcement Sales Tax Fund, the cash balance of the General Revenue Fund only increased \$12,117. Our prior audit report also noted that approximately \$236,000 was owed to the Special Road and Bridge Fund from the General Revenue Fund as a result of excessive administrative transfers. The county reduced the debt by approximately \$12,000 and indicated it plans to repay \$6,128 in 2000, but does not plan to repay the remaining excess amounts due to the Special Road and Bridge Fund because the General Revenue Fund cannot afford it.
- The county did not prepare a complete and accurate schedule of expenditures of federal awards for each year of the audit period as required. Without an accurate schedule of expenditures of federal awards, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds. Also, as in the prior audit report, problems were noted regarding the county's handling of federal bridge funds. The county has not established procedures to ensure these federal monies are disbursed to contractors on a timely basis. In addition, there was no documentation to indicate that the County Commission considered three engineering firms when procuring engineering services as required by state statute.

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- The County Clerk does not prepare adequate records of County Commission meetings. In January 2000, the County Clerk discontinued preparing records of the meetings. State statutes require the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission and the Sunshine Law requires that each public governmental body shall make that body's public records available for inspection and copying by the public.
- Although hourly-paid employees prepare time sheets, such records of actual time worked are not maintained by salaried employees representing about one half of the county employees. The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Also, included in the audit are recommendations to improve the accounting controls and procedures for the Health Center, County Clerk, Prosecuting Attorney, Ex Officio Recorder of Deeds, and Sheriff. The accounting control and procedure issues applicable to the Ex Officio Recorder of Deeds and County Clerk have been noted similarly in prior audits. The audit also suggested improvements be made in the county's budgetary and expenditure procedures, and apportionment of railroad and utility taxes.

**Copies of the audit are available upon request.**

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Knox County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Knox County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Knox County.

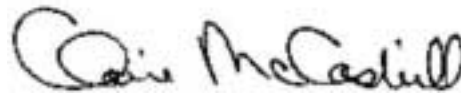
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Knox County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 24, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Knox County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Jeannette Eaves, CPA  |
| In-Charge Auditor:  | Karen A. Wolf         |
| Audit Staff:        | Carl E. Zilch, Jr.    |
|                     | A. Dailey             |
|                     | Scott L. Fontana      |
|                     | Tirennia C. Miller    |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Knox County, Missouri

We have audited the special-purpose financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

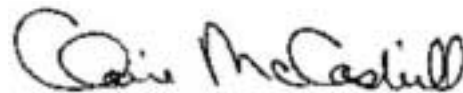
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Knox County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Knox County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Knox County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 24, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

KNOX COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                          | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue               | \$ 1,455           | 460,318   | 447,588       | 14,185               |
| Special Road and Bridge       | 153,544            | 1,073,062 | 1,018,105     | 208,501              |
| Assessment                    | 37                 | 73,265    | 73,127        | 175                  |
| Law Enforcement Training      | 873                | 1,473     | 1,510         | 836                  |
| Prosecuting Attorney Training | 227                | 225       | 100           | 352                  |
| Sheriff Fees                  | 1,096              | 5,263     | 3,867         | 2,492                |
| Recorder's User Fee           | 5,400              | 3,624     | 7,549         | 1,475                |
| Health Center                 | 128,801            | 284,654   | 320,313       | 93,142               |
| Circuit Clerk Interest        | 1,520              | 820       | 0             | 2,340                |
| Prosecuting Attorney Crime    | 1,269              | 951       | 896           | 1,324                |
| Children's Trust              | 1,439              | 184       | 0             | 1,623                |
| Law Enforcement Sales Tax     | 0                  | 143,547   | 143,327       | 220                  |
| Law Library                   | 471                | 420       | 305           | 586                  |
| Total                         | \$ 296,132         | 2,047,806 | 2,016,687     | 327,251              |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit A-2

KNOX COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                          | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue               | \$ 2,068           | 500,489   | 501,102       | 1,455                |
| Special Road and Bridge       | 265,156            | 1,239,153 | 1,350,765     | 153,544              |
| Assessment                    | 828                | 67,123    | 67,914        | 37                   |
| Law Enforcement Training      | 254                | 1,276     | 657           | 873                  |
| Prosecuting Attorney Training | 81                 | 246       | 100           | 227                  |
| Sheriff Fees                  | 1,484              | 5,667     | 6,055         | 1,096                |
| Recorder's User Fee           | 7,804              | 2,298     | 4,702         | 5,400                |
| Health Center                 | 307,844            | 342,462   | 521,505       | 128,801              |
| Circuit Clerk Interest        | 1,088              | 1,706     | 1,274         | 1,520                |
| Prosecuting Attorney Crime    | 1,235              | 896       | 862           | 1,269                |
| Children's Trust              | 1,259              | 180       | 0             | 1,439                |
| Law Library                   | 389                | 410       | 328           | 471                  |
| Total                         | \$ 589,490         | 2,161,906 | 2,455,264     | 296,132              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

KNOX COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |         |  |         |         |  |
|--|-------------------------|---------|--|---------|---------|--|
|  | 1999                    |         |  | 1998    |         |  |
|  | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                                |                         |         |  |         |         |  |
| Property taxes                                 | \$ 103,400              | 107,230 | 3,830                                  | 122,000 | 134,957 | 12,957                                 |
| Sales taxes                                    | 220,000                 | 205,984 | (14,016)                               | 235,000 | 206,537 | (28,463)                               |
| Intergovernmental                              | 4,600                   | 9,308   | 4,708                                  | 12,500  | 11,510  | (990)                                  |
| Charges for services                           | 88,894                  | 85,450  | (3,444)                                | 91,267  | 90,731  | (536)                                  |
| Interest                                       | 5,000                   | 2,694   | (2,306)                                | 6,000   | 3,633   | (2,367)                                |
| Other  | 19,404                  | 15,289  | (4,115)                                | 25,850  | 16,463  | (9,387)                                |
| Transfers in                                   | 34,363                  | 34,363  | 0                                      | 39,258  | 36,658  | (2,600)                                |
| Total Receipts                                 | 475,661                 | 460,318 | (15,343)                               | 531,875 | 500,489 | (31,386)                               |
| <b>DISBURSEMENTS</b>                           |                         |         |  |         |         |  |
| County Commission                              | 40,253                  | 41,612  | (1,359)                                | 36,840  | 36,519  | 321                                    |
| County Clerk                                   | 43,872                  | 43,916  | (44)                                   | 41,363  | 40,601  | 762                                    |
| Elections                                      | 0                       | 470     | (470)                                  | 10,000  | 9,911   | 89                                     |
| Buildings and grounds                          | 73,450                  | 48,856  | 24,594                                 | 52,632  | 50,145  | 2,487                                  |
| Employee fringe benefits                       | 41,000                  | 29,585  | 11,415                                 | 36,700  | 36,932  | (232)                                  |
| County Treasurer                               | 18,633                  | 18,602  | 31                                     | 15,366  | 15,038  | 328                                    |
| County Collector                               | 44,997                  | 44,953  | 44                                     | 42,785  | 43,232  | (447)                                  |
| Circuit Clerk and Ex Officio Recorder of Deeds | 15,112                  | 11,267  | 3,845                                  | 14,104  | 11,863  | 2,241                                  |
| Associate Circuit Court                        | 4,700                   | 1,698   | 3,002                                  | 4,600   | 1,562   | 3,038                                  |
| Court administration                           | 1,081                   | 558     | 523                                    | 2,113   | 1,239   | 874                                    |
| Public Administrator                           | 17,363                  | 21,030  | (3,667)                                | 15,402  | 15,661  | (259)                                  |
| Sheriff  | 0                       | 0       | 0                                      | 72,025  | 75,161  | (3,136)                                |
| Jail   | 0                       | 0       | 0                                      | 40,444  | 37,593  | 2,851                                  |
| Prosecuting Attorney                           | 45,446                  | 45,433  | 13                                     | 40,741  | 40,306  | 435                                    |
| Juvenile Officer                               | 32,952                  | 35,156  | (2,204)                                | 35,301  | 37,846  | (2,545)                                |
| County Coroner                                 | 7,499                   | 4,391   | 3,108                                  | 6,675   | 4,125   | 2,550                                  |
| Public Defender                                | 46,250                  | 31,810  | 14,440                                 | 35,252  | 30,425  | 4,827                                  |
| Other  | 3,300                   | 350     | 2,950                                  | 4,000   | 3,824   | 176                                    |
| Court Reporter                                 | 365                     | 151     | 214                                    | 342     | 119     | 223                                    |
| Transfers out                                  | 23,410                  | 67,750  | (44,340)                               | 26,923  | 9,000   | 17,923                                 |
| Total Disbursements                            | 459,683                 | 447,588 | 12,095                                 | 533,608 | 501,102 | 32,506                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS            | 15,978                  | 12,730  | (3,248)                                | (1,733) | (613)   | 1,120                                  |
| CASH, JANUARY 1                                | 1,455                   | 1,455   | 0                                      | 2,068   | 2,068   | 0                                      |
| CASH, DECEMBER 31                              | \$ 17,433               | 14,185  | (3,248)                                | 335     | 1,455   | 1,120                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

KNOX COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 299,500              | 295,957   | (3,543)                                | 287,700   | 286,231   | (1,469)                                |
| Sales taxes                           | 110,000                 | 102,902   | (7,098)                                | 115,000   | 103,284   | (11,716)                               |
| Intergovernmental                     | 543,569                 | 574,902   | 31,333                                 | 881,234   | 770,577   | (110,657)                              |
| Interest                              | 12,000                  | 11,660    | (340)                                  | 15,000    | 18,580    | 3,580                                  |
| Other                                 | 64,000                  | 87,641    | 23,641                                 | 24,500    | 60,481    | 35,981                                 |
| Total Receipts                        | 1,029,069               | 1,073,062 | 43,993                                 | 1,323,434 | 1,239,153 | (84,281)                               |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 254,064                 | 232,496   | 21,568                                 | 250,000   | 245,224   | 4,776                                  |
| Employee fringe benefits              | 44,000                  | 32,280    | 11,720                                 | 42,000    | 41,608    | 392                                    |
| Supplies                              | 118,250                 | 100,764   | 17,486                                 | 122,600   | 113,868   | 8,732                                  |
| Insurance                             | 15,000                  | 500       | 14,500                                 | 11,000    | 12,383    | (1,383)                                |
| Road and bridge materials             | 355,000                 | 314,877   | 40,123                                 | 333,000   | 424,929   | (91,929)                               |
| Equipment repairs                     | 15,000                  | 33,942    | (18,942)                               | 20,000    | 12,321    | 7,679                                  |
| Rentals                               | 5,000                   | 4,047     | 953                                    | 20,000    | 61,010    | (41,010)                               |
| Equipment purchases                   | 132,000                 | 131,447   | 553                                    | 202,000   | 138,821   | 63,179                                 |
| Construction, repair, and maintenance | 69,069                  | 132,637   | (63,568)                               | 415,934   | 259,565   | 156,369                                |
| Other                                 | 1,350                   | 752       | 598                                    | 1,350     | 1,028     | 322                                    |
| Transfers out                         | 34,363                  | 34,363    | 0                                      | 39,158    | 40,008    | (850)                                  |
| Total Disbursements                   | 1,043,096               | 1,018,105 | 24,991                                 | 1,457,042 | 1,350,765 | 106,277                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (14,027)                | 54,957    | 68,984                                 | (133,608) | (111,612) | 21,996                                 |
| CASH, JANUARY 1                       | 153,544                 | 153,544   | 0                                      | 265,156   | 265,156   | 0                                      |
| CASH, DECEMBER 31                     | \$ 139,517              | 208,501   | 68,984                                 | 131,548   | 153,544   | 21,996                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

KNOX COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Intergovernmental                   | \$ 59,661 | 60,052        | 48,074 | 57,654 | 9,580         |  |
| Interest                            | 469       | 363           | 1,160  | 469    | (691)         |  |
| Transfers in                        | 16,310    | 12,850        | 26,923 | 9,000  | (17,923)      |  |
| Total Receipts                      | 76,440    | 73,265        | 76,157 | 67,123 | (9,034)       |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Assessor                            | 76,440    | 73,127        | 76,157 | 67,914 | 8,243         |  |
| Total Disbursements                 | 76,440    | 73,127        | 76,157 | 67,914 | 8,243         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 138           | 0      | (791)  | (791)         |  |
| CASH, JANUARY 1                     | 37        | 37            | 828    | 828    | 0             |  |
| CASH, DECEMBER 31                   | \$ 37     | 175           | 828    | 37     | (791)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

KNOX COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Intergovernmental                   | \$ 0   | 528           | 0      | 279    | 279           |  |
| Charges for services                | 980    | 945           | 950    | 980    | 30            |  |
| Interest                            | 17     | 0             | 25     | 17     | (8)           |  |
| Other                               | 203    | 0             | 250    | 0      | (250)         |  |
| Total Receipts                      | 1,200  | 1,473         | 1,225  | 1,276  | 51            |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Sheriff                             | 1,500  | 1,510         | 1,225  | 657    | 568           |  |
| Total Disbursements                 | 1,500  | 1,510         | 1,225  | 657    | 568           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (300)  | (37)          | 0      | 619    | 619           |  |
| CASH, JANUARY 1                     | 873    | 873           | 254    | 254    | 0             |  |
| CASH, DECEMBER 31                   | \$ 573 | 836           | 254    | 873    | 619           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

KNOX COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 310 | 212           | 375    | 240    | (135)         |  |
| Interest                            | 10     | 13            | 15     | 6      | (9)           |  |
| Total Receipts                      | 320    | 225           | 390    | 246    | (144)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 310    | 100           | 400    | 100    | 300           |  |
| Total Disbursements                 | 310    | 100           | 400    | 100    | 300           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 10     | 125           | (10)   | 146    | 156           |  |
| CASH, JANUARY 1                     | 227    | 227           | 81     | 81     | 0             |  |
| CASH, DECEMBER 31                   | \$ 237 | 352           | 71     | 227    | 156           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

KNOX COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF FEES FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 5,400 | 5,263         | 3,000  | 5,512  | 2,512         |  |
| Interest                            | 100      | 0             | 20     | 155    | 135           |  |
| Total Receipts                      | 5,500    | 5,263         | 3,020  | 5,667  | 2,647         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 5,500    | 3,867         | 3,020  | 6,055  | (3,035)       |  |
| Total Disbursements                 | 5,500    | 3,867         | 3,020  | 6,055  | (3,035)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 1,396         | 0      | (388)  | (388)         |  |
| CASH, JANUARY 1                     | 1,096    | 1,096         | 1,484  | 1,484  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,096 | 2,492         | 1,484  | 1,096  | (388)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

KNOX COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 RECORDER'S USER FEE FUND

|                                     |    | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|----|-------------------------|---------|--|---------|---------|--|
|                                     |    | 1999                    |         |  | 1998    |         |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |    |                         |         |  |         |         |  |
| Charges for services                | \$ | 2,000                   | 1,842   | (158)                                  | 2,000   | 1,962   | (38)                                   |
| Interest                            |    | 350                     | 254     | (96)                                   | 500     | 336     | (164)                                  |
| Other                               |    | 0                       | 1,528   | 1,528                                  | 0       | 0       | 0                                      |
| Total Receipts                      |    | 2,350                   | 3,624   | 1,274                                  | 2,500   | 2,298   | (202)                                  |
| <b>DISBURSEMENTS</b>                |    |                         |         |  |         |         |  |
| Ex Officio Recorder of Deeds        |    | 3,000                   | 7,549   | (4,549)                                | 3,686   | 4,702   | (1,016)                                |
| Total Disbursements                 |    | 3,000                   | 7,549   | (4,549)                                | 3,686   | 4,702   | (1,016)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (650)                   | (3,925) | (3,275)                                | (1,186) | (2,404) | (1,218)                                |
| CASH, JANUARY 1                     |    | 5,400                   | 5,400   | 0                                      | 7,804   | 7,804   | 0                                      |
| CASH, DECEMBER 31                   | \$ | 4,750                   | 1,475   | (3,275)                                | 6,618   | 5,400   | (1,218)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit I

KNOX COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |          |  |         |           |  |
|-------------------------------------|-------------------------|----------|--|---------|-----------|--|
|                                     | 1999                    |          |  | 1998    |           |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |         |           |  |
| Property taxes                      | \$ 40,000               | 47,818   | 7,818                                  | 40,000  | 46,218    | 6,218                                  |
| Intergovernmental                   | 352,671                 | 222,561  | (130,110)                              | 376,828 | 272,294   | (104,534)                              |
| Charges for services                | 7,500                   | 4,254    | (3,246)                                | 7,500   | 11,930    | 4,430                                  |
| Interest                            | 22,000                  | 6,553    | (15,447)                               | 1,200   | 9,083     | 7,883                                  |
| Other                               | 2,000                   | 3,468    | 1,468                                  | 3,000   | 2,937     | (63)                                   |
| Total Receipts                      | 424,171                 | 284,654  | (139,517)                              | 428,528 | 342,462   | (86,066)                               |
| DISBURSEMENTS                       |                         |          |  |         |           |  |
| Salaries                            | 283,125                 | 225,052  | 58,073                                 | 284,125 | 265,852   | 18,273                                 |
| Office expenditures                 | 20,700                  | 24,688   | (3,988)                                | 26,640  | 18,963    | 7,677                                  |
| Equipment and supplies              | 22,000                  | 1,800    | 20,200                                 | 24,000  | 16,370    | 7,630                                  |
| Mileage and training                | 14,500                  | 10,529   | 3,971                                  | 14,000  | 12,418    | 1,582                                  |
| Principal and interest              | 10,000                  | 14,604   | (4,604)                                | 0       | 154,984   | (154,984)                              |
| Other                               | 73,350                  | 43,640   | 29,710                                 | 79,150  | 52,918    | 26,232                                 |
| Total Disbursements                 | 423,675                 | 320,313  | 103,362                                | 427,915 | 521,505   | (93,590)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 496                     | (35,659) | (36,155)                               | 613     | (179,043) | (179,656)                              |
| CASH, JANUARY 1                     | 127,587                 | 128,801  | 1,214                                  | 291,097 | 307,844   | 16,747                                 |
| CASH, DECEMBER 31                   | \$ 128,083              | 93,142   | (34,941)                               | 291,710 | 128,801   | (162,909)                              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

KNOX COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

|                                     |    | Year Ended December 31, |        |               |        |        |               |
|-------------------------------------|----|-------------------------|--------|---------------|--------|--------|---------------|
|                                     |    | 1999                    |        |               | 1998   |        |               |
|                                     |    |                         |        | Variance      |        |        | Variance      |
|                                     |    |                         |        | Favorable     |        |        | Favorable     |
|                                     |    | Budget                  | Actual | (Unfavorable) | Budget | Actual | (Unfavorable) |
| RECEIPTS                            |    |                         |        |               |        |        |               |
| Interest                            | \$ | 800                     | 820    | 20            | 500    | 1,706  | 1,206         |
| Total Receipts                      |    | 800                     | 820    | 20            | 500    | 1,706  | 1,206         |
| DISBURSEMENTS                       |    |                         |        |               |        |        |               |
| Circuit Clerk                       |    | 1,500                   | 0      | 1,500         | 0      | 1,274  | (1,274)       |
| Total Disbursements                 |    | 1,500                   | 0      | 1,500         | 0      | 1,274  | (1,274)       |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (700)                   | 820    | 1,520         | 500    | 432    | (68)          |
| CASH, JANUARY 1                     |    | 1,484                   | 1,520  | 36            | 1,088  | 1,088  | 0             |
| CASH, DECEMBER 31                   | \$ | 784                     | 2,340  | 1,556         | 1,588  | 1,520  | (68)          |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

KNOX COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY CRIME FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 890   | 885    | (5)                                    |
| Interest                            | 70       | 66     | (4)                                    |
| Total Receipts                      | 960      | 951    | (9)                                    |
| DISBURSEMENTS                       |          |        |  |
| Prosecuting Attorney                | 890      | 896    | (6)                                    |
| Total Disbursements                 | 890      | 896    | (6)                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 70       | 55     | (15)                                   |
| CASH, JANUARY 1                     | 1,269    | 1,269  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,339 | 1,324  | (15)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

KNOX COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILDREN'S TRUST FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 100   | 114    | 14                                     |
| Interest                            | 50       | 70     | 20                                     |
| Total Receipts                      | 150      | 184    | 34                                     |
| DISBURSEMENTS                       |          |        |  |
| Shelters                            | 0        | 0      | 0                                      |
| Total Disbursements                 | 0        | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 150      | 184    | 34                                     |
| CASH, JANUARY 1                     | 1,439    | 1,439  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,589 | 1,623  | 34                                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

KNOX COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT SALES TAX FUND

|                                     | Year Ended December 31, |         |  |
|-------------------------------------|-------------------------|---------|--|
|                                     | 1999                    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |
| Sales taxes                         | \$ 110,000              | 88,459  | (21,541)                               |
| Interest                            | 0                       | 68      | 68                                     |
| Other                               | 0                       | 120     | 120                                    |
| Transfers in                        | 7,100                   | 54,900  | 47,800                                 |
| Total Receipts                      | 117,100                 | 143,547 | 26,447                                 |
| DISBURSEMENTS                       |                         |         |  |
| Salaries                            | 82,353                  | 94,974  | (12,621)                               |
| Office expenditures                 | 2,000                   | 2,229   | (229)                                  |
| Equipment                           | 3,000                   | 884     | 2,116                                  |
| Mileage                             | 9,000                   | 7,037   | 1,963                                  |
| Board of prisoners                  | 15,000                  | 29,281  | (14,281)                               |
| Other                               | 5,700                   | 8,922   | (3,222)                                |
| Total Disbursements                 | 117,053                 | 143,327 | (26,274)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 47                      | 220     | 173                                    |
| CASH, JANUARY 1                     | 0                       | 0       | 0                                      |
| CASH, DECEMBER 31                   | \$ 47                   | 220     | 173                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

KNOX COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Knox County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                     | <u>Years Ended December 31,</u> |
|---------------------------------|---------------------------------|
| Law Library Fund                | 1999 and 1998                   |
| Prosecuting Attorney Crime Fund | 1998                            |
| Children's Trust Fund           | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                     | <u>Years Ended December 31,</u> |
|---------------------------------|---------------------------------|
| Recorder's User Fee Fund        | 1999 and 1998                   |
| Law Enforcement Training Fund   | 1999                            |
| Prosecuting Attorney Crime Fund | 1999                            |
| Law Enforcement Sales Tax Fund  | 1999                            |
| Sheriff Fees Fund               | 1998                            |
| Health Center Fund              | 1998                            |
| Circuit Clerk Interest Fund     | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                 | <u>Years Ended December 31,</u> |
|-----------------------------|---------------------------------|
| Health Center Fund          | 1999 and 1998                   |
| Circuit Clerk Interest Fund | 1999 and 1998                   |
| Children's Trust Fund       | 1999 and 1998                   |
| Law Library Fund            | 1999 and 1998                   |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.



In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The health center's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

## Supplementary Schedule

## Schedule

KNOX COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                           | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |               |
|---|--|---|-------------------------|---------------|
|   |  |   | Year Ended December 31, |               |
|   |  |   | 1999                    | 1998          |
| U. S. DEPARTMENT OF AGRICULTURE                     |  |   |                         |               |
| Passed through state:                               |  |   |                         |               |
| Department of Health -                              |  |   |                         |               |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-0152                                     | \$ 5,353                | 3,144         |
|   |  | ER0045-9152                                     | 12,883                  | 11,075        |
|   | Program Total  |   | <u>18,236</u>           | <u>14,219</u> |
| U.S. DEPARTMENT OF DEFENSE                          |  |   |                         |               |
| Passed through state:                               |  |   |                         |               |
| Department of Public Safety -                       |  |   |                         |               |
| 12.unknown  | Surplus property   | N/A   | 0                       | 821           |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT |  |   |                         |               |
| Passed through state:                               |  |   |                         |               |
| Department of Economic Development -                |  |   |                         |               |
| 14.228  | Community Development Block Grants/State's<br>Program                      | 96-PF-19  | 16,232                  | 5,602         |
| U.S. DEPARTMENT OF JUSTICE                          |  |   |                         |               |
| Passed through:                                     |  |   |                         |               |
| State Department of Public Safety -                 |  |   |                         |               |
| 16.592  | Local Law Enforcement Block Grants Program                                 | 97-LBG-050                                      | 0                       | 5,220         |
| Missouri Sheriffs' Association -                    |  |   |                         |               |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 697                     | 1,204         |

## Schedule

KNOX COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title          | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---|---|---|-------------------------|----------------|
|   |   |   | Year Ended December 31, |                |
|   |   |   | 1999                    | 1998           |
| U. S. DEPARTMENT OF TRANSPORTATION            |   |   |                         |                |
|   | Passed through state Highway and Transportation Commission: |   |                         |                |
| 20.205  | Highway Planning and Construction                           | BRO-052(10)                                     | 19,151                  | 1,480          |
|   |   | BRO-052(12)                                     | 62,995                  | 257,337        |
|   |   | BRO-052(13)                                     | 0                       | 1,228          |
|   |   | BRO-052(14)                                     | 34,259                  | 0              |
|   | Program Total   |   | <u>116,405</u>          | <u>260,045</u> |
| GENERAL SERVICES ADMINISTRATION               |   |   |                         |                |
|   | Passed through state Office of Administration -             |   |                         |                |
| 39.003  | Donation of Federal Surplus Personal Property               | N/A   | 0                       | 733            |
| FEDERAL EMERGENCY MANAGEMENT AGENCY           |   |   |                         |                |
|   | Passed through state Department of Public Safety:           |   |                         |                |
| 83.534  | Emergency Management - State and Local Assistance           | N/A   | 350                     | 3,824          |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |   |                         |                |
|   | Direct program -  |   |                         |                |
| 93.268  | Immunization Grants   | N/A   | 708                     | 0              |
|   | Passed through state:                                       |   |                         |                |
|   | Department of Health -                                      |   |                         |                |
| 93.268  | Immunization Grants   | PG0064-9152IAP                                  | 330                     | 0              |
|   |   | PG0064-8152IAP                                  | 0                       | 2,455          |
|   |   | N/A   | 6,346                   | 3,537          |
|   | Program Total   |   | <u>6,676</u>            | <u>5,992</u>   |
|   | Department of Social Services -                             |   |                         |                |
| 93.563  | Child Support Enforcement                                   | N/A   | 693                     | 28             |

## Schedule

KNOX COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---------------------------|---|---|-------------------------|----------------|
|                           |   |   | Year Ended December 31, |                |
|                           |   |   | 1999                    | 1998           |
| Department of Health -    |   |   |                         |                |
| 93.575                    | Child Care and Development Block Grant                          | PGA067-0152C                                    | 921                     | 0              |
|                           |   | ERO146-9152CCH&SC                               | 1,808                   | 0              |
|                           |   | ERO146-8152CCH&SC                               | 0                       | 1,389          |
|                           |   | PGA067-0152S                                    | 180                     | 0              |
|                           |   | PG0067-9152                                     | 650                     | 110            |
|                           |   | PG0067-8152                                     | 0                       | 380            |
|                           | Program Total   |   | <u>3,559</u>            | <u>1,879</u>   |
| 93.991                    | Preventive Health and Health Services Block Grant               | N/A   | 76                      | 92             |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States | ERS146-0152MCH                                  | 2,831                   | 0              |
|                           |   | ERO146-9152MCH                                  | 10,473                  | 1,983          |
|                           |   | ERO146-8152MCH                                  | 0                       | 10,310         |
|                           |   | N/A   | 378                     | 322            |
|                           | Program Total   |   | <u>13,682</u>           | <u>12,615</u>  |
|                           | Total Expenditures of Federal Awards                            |   | <u>\$ 177,314</u>       | <u>312,274</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

KNOX COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Knox County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and the Department of Public Safety - Surplus Property Program (CFDA number 12. unknown) represent the estimated fair market value of property at the time of receipt.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$6,346 and \$3,537 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$378 and \$322 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.



FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Knox County, Missouri

Compliance

We have audited the compliance of Knox County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Knox County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with

OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

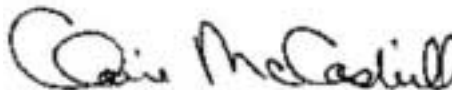
#### Internal Control Over Compliance

The management of Knox County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Knox County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 24, 2000 (fieldwork completion date)

Schedule

KNOX COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major program:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?   x   yes        none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major program:

|                   |                                   |
|-------------------|-----------------------------------|
| CFDA or           |                                   |
| Other Identifying |                                   |
| <u>Number</u>     | <u>Program Title</u>              |
| 20.205            | Highway Planning and Construction |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes        x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|             |                       |
|-------------|-----------------------|
| <b>99-1</b> | <b>Federal Awards</b> |
|-------------|-----------------------|

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation                                     |
| Pass-Through Grantor: | State Highway and Transportation Commission                           |
| Federal CFDA Number:  | 20.205  |
| Program Title:        | Highway Planning and Construction                                     |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO – 052 (10); BRO – 052 (12); BRO – 052 (13);<br>and BRO – 052 (14) |
| Award Year:           | 1999 and 1998   |
| Questioned Costs:     | \$62,161  |

- A. Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have specific procedures in place to track federal assistance for preparation of the SEFA. During the years ended December 31, 1999 and 1998, the county's SEFA understated expenditures by \$44,328 and \$19,887, respectively. The primary problem for 1999 was that federal expenditures of the Health Center totaling \$42,937 were not included on the SEFA submitted by the County Clerk. Upon our request, the Health Center prepared a SEFA for 1999.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

- B. During the two years ended December 31, 1999, the county received reimbursements from the Missouri Department of Transportation for bridge replacement and rehabilitation expenditures under the Highway Planning and Construction Program. We noted several reimbursements were held by the county for excessive periods before the related payments were made to the contractor. For example, we noted one reimbursement of \$19,150 which was held for 306 days before the related payment was made to the contractor. Several other reimbursements were held by the county for two to three weeks. While the liability was incurred prior to the reimbursement, payment was not made to the vendor on a timely basis.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that federal funds shall be disbursed by the county within two days of receipt.

- C. The county incurred \$62,161 in engineering costs related to various county bridge projects during the audit period. These expenditures were all made to the same engineering firm. There was no documentation to indicate that the County Commission considered other engineering firms when procuring these services.

Sections 8.289 and 8.291, RSMo, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have presented the \$62,161 as questioned costs.

Conditions B and C were also noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. And the County Clerk and the Health Center prepare a complete and accurate schedule of expenditures of federal awards.
- B. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.
- C. Resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.



### **AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. We will try to prepare a complete and accurate schedule of expenditures of federal awards in January 2001. We will obtain a schedule from the Health Center.*
- B. Beginning with the next receipt of federal monies, we will try to minimize the time elapsed between the receipt of federal monies and the disbursement. We will consider paying bills more than once a month and will obtain receipt information from the County Treasurer.*
- C. Beginning with our next bridge project, we will try to consider three engineering firms. If the Missouri Department of Transportation contacts us to resolve the questioned costs, we will work with them.*

*The Health Center Administrator provided the following response:*

- A. In January 2001, we will provide a schedule of expenditures of federal awards to the County Clerk.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

KNOX COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Knox County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1997.

4. Administrative Service Fee Transfers

At December 31, 1997, \$236,377 was due from the General Revenue Fund to the Special Road and Bridge Fund for excess administrative service fee transfers.

Recommendation:

The County Commission develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund. Additionally, the County Commission should ensure future administrative transfers do not exceed 3 percent of actual disbursements.

Status:

Partially implemented. The County Commission reduced the administrative transfers made from the Special Road and Bridge Fund to the General Revenue Fund during the two years ended December 31, 1999 by \$12,287. In addition, the 2000 budget reflects \$6,128 to be repaid to the Road and Bridge Fund. No repayment plan exists for the remaining excess administrative transfers because the General Revenue Fund is in a poor financial condition. The County Commission currently calculates administrative transfers based on 3 percent of the prior year's actual disbursements. See MAR No. 1.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

KNOX COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

3.A. Federal Financial Assistance

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U. S. Department of Transportation          |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO-052(10), BRO-052(11), and BRO-052(13)   |
| Award Year:           | 1997 and 1996                               |
| Questioned Costs:     | Not Applicable                              |

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U. S. Department of Housing and Urban Development       |
| Pass-Through Grantor: | Department of Economic Development                      |
| Federal CFDA Number:  | 14.219  |
| Program Title:        | Community Development Block Grants/Small Cities Program |
| Pass-Through Entity   |   |
| Identifying Number:   | 96-PF-19  |
| Award Year:           | 1997 and 1996   |
| Questioned Costs:     | Not Applicable  |

Reimbursements from the Missouri Department of Transportation for Highway Planning and Construction were held for several days before the related payments were made. In addition, a reimbursement from the Department of Economic Development for a Community Development Block Grant project was held for 39 days before the related payment was made.

Recommendation:

The County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

Status:

Not implemented. See finding number 99-1.

3.B. Federal Financial Assistance

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U. S. Department of Transportation          |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO-052(10), BRO-052(11) and BRO-052(13)    |
| Award Year:           | 1997 and 1996                               |
| Questioned Costs:     | \$15,450                                    |

The same engineering firm was used for all bridge projects and there was no documentation to indicate that the County Commission obtained information from other engineering firms.

Recommendation:

The County Commission resolve the questioned costs with the grantor agency and, obtain required information before contracting for engineering services.

Status:

Not implemented. See finding number 99-1.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings



KNOX COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Knox County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 24, 2000. We also have audited the compliance of Knox County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 24, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Knox County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|           |                            |
|-----------|----------------------------|
| <b>1.</b> | <b>Financial Condition</b> |
|-----------|----------------------------|

---

As similarly noted in prior audit reports, the financial condition of the county's General Revenue Fund remains weak. It may appear the General Revenue Fund's financial condition has improved because the cash balance increased \$12,117 from January 1, 1998 to December 31, 1999; however, a review of the actual transactions reveals there are still reasons for concern.

The change in the cash balance has been effected by a half-cent law enforcement sales tax approved by county voters which became effective January 1999. The new sales tax generated receipts of approximately \$90,000 for the Law Enforcement Sales Tax (LEST) Fund. This allowed a significant amount of law enforcement expenses to be moved to the LEST Fund. It was only necessary to transfer \$54,900 from the General Revenue Fund to the LEST Fund to subsidize law enforcement expenditures of the Sheriff's department. However, even with this decrease in General Revenue Fund Sheriff's department expenditures, the cash balance has only increased \$12,117 in two years. Additionally, for 2000 the balance is expected to decrease to \$9,827.

Our prior audit report also noted that approximately \$236,377 was owed to the Special Road and Bridge Fund from the General Revenue Fund as a result of excessive administrative transfers. During the two years ended December 31, 1999, the county adjusted transfers and \$12,287 of the debt has been eliminated. The county also indicated it plans to repay \$6,128 in 2000 but does not plan to repay the remaining excess amounts due to the Special Road and Bridge Fund because the General Revenue Fund cannot afford it. Consequently, while it appears the General Revenue Fund's financial condition has stabilized, the county needs to monitor LEST Fund expenditures and the necessary subsidies. Additionally, at the expense of the Special Road and Bridge Fund and only because of non-compliance with state laws, does the county have any cash balance at all.

**WE AGAIN RECOMMEND** the County Commission consider the various alternatives of increasing receipts and/or reducing disbursements.

#### **AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*We believe that in 2000 the law enforcement sales tax is relieving the General Revenue Fund of expenditures and therefore, the General Revenue Fund cash balance should increase. However, in the future, we will need to spend General Revenue Fund monies on various courthouse improvements.*

**2.****County Expenditures**

- A. Actual expenditures exceeded budgeted amounts for the following funds:

| <u>Fund</u>                | <u>Year Ended December 31,</u> |             |
|----------------------------|--------------------------------|-------------|
|                            | <u>1999</u>                    | <u>1998</u> |
| Law Enforcement Training   | \$ 10                          | N/A         |
| Sheriff Fees               | N/A                            | 3,035       |
| Recorder's User Fee        | 4,549                          | 1,016       |
| Health Center              | N/A                            | 93,590      |
| Circuit Clerk Interest     | N/A                            | 1,274       |
| Prosecuting Attorney Crime | 6                              | N/A         |
| Law Enforcement Sales Tax  | 26,274                         | N/A         |

While budget to actual data is provided to the County Commission monthly, the county's procedures and reports are not resulting in effective monitoring of various budgets.

The Health Center redeemed certificates of deposits totaling \$110,000 during the year ended December 31, 1998 and applied the proceeds to a bank loan. The Health Center did not budget for these loan payments.

It was ruled in *State ex rel. Strong v. Cribb*, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cumulative Supp. 1999, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- B. The County Commission approved some payments to vendors, including payments for rock, steel, and culverts, without requiring acknowledgment of receipt of goods or services. The County Commission has no procedures to require Road and Bridge Department employees to sign invoices to indicate the receipt of goods and/or services. As a result, the county does not always have adequate assurance it is paying for actual goods and services received.

To ensure the validity and propriety of expenditures, adequate supporting documentation, including acknowledgment that the specific goods and/or services were in fact received, should be maintained for all payments to vendors.

- C. Vendor invoices or other documentation were not available to support \$32,296 in expenditures that were approved for payment. These expenditures include the purchase of rock for \$22,296 and \$10,000 for hauling rock. The County Commission indicated invoices for these expenditures were present and properly reviewed at the time of payment but have since been lost or misfiled. At our request, the County Clerk obtained these invoices from the vendor.

**WE RECOMMEND** the County Commission:

- A. And the Health Center Board of Trustees not authorize warrants in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended and filed with the State Auditor's office.
- B. Require acknowledgment of receipt of goods and/or services prior to payment.
- C. Ensure supporting documentation is maintained for all expenditures.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *In the future, we will amend budgets as necessary.*
- B. *When a load of rock is received by a county employee, a ticket is signed. We will request the vendor to provide copies of the tickets with the invoices. For other goods, we will request acknowledgement of receipt.*
- C. *This will be implemented.*

*The Health Center Administrator provided the following response:*

- A. *In the future, budget amendments will be prepared and filed if necessary.*

|  |
|--|
| <b>3. County Financial Statements and Commission Minutes</b> |
|--|

- A. The annual published financial statements of the county did not include the financial activity of some county funds as required. Sections 50.800 and 50.810, RSMo 1994, provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.
- B. The County Clerk does not prepare adequate records of County Commission meetings. During the two years ended December 31, 1999, the minutes showed who

was present and included a few sentences to document the discussions held, however, the minutes were not formally written and were not approved by the County Commissioners. In January 2000, the County Clerk discontinued preparing records of the meetings.

Section 51.120, RSMo 1994, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

In addition, Section 610.023 (part of the Sunshine Law) prescribes that each public governmental body shall make that body's public records available for inspection and copying by the public. The intent of the Sunshine Law is to ensure that public governmental bodies conduct their business in a manner that is open to public scrutiny. To comply with the Sunshine Law, each public governmental body must keep an accurate record of the business conducted.

**WE RECOMMEND** the County Commission:

- A. Ensure financial information for all county funds is properly reported in the annual published financial statements.
- B. Ensure a complete record of meetings is prepared and approved on a timely basis.

#### **AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *When we publish the next financial statement, we will try to obtain information from the applicable officials and will request the health center to publish their own financial statement.*
- B. *We will try to implement proper procedures.*

*The Health Center Administrator provided the following response:*

- A. *In March of each year, we will publish the financial statements for the preceding year.*

|   |
|---|
| <b>4. Apportionment of Railroad and Utility Taxes</b> |
|---|

During our review, we noted a calculation error in the apportionment of 1999 railroad and utility taxes by the County Clerk. The County Clerk used the wrong assessed valuation for one school district. This error resulted in incorrect payments of railroad and utility taxes to

the various school districts. The following table indicates the amount over or (under) paid to the various school districts for 1999 tax collections:

| <u>School District</u> | <u>Due To (From) District</u> |
|------------------------|-------------------------------|
| Knox County R-I        | \$ 3,146                      |
| LaPlata R-II           | (322)                         |
| Adair County R-II      | (2,824)                       |

**WE RECOMMEND** the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

### **AUDITEE'S RESPONSE**

*The County Clerk provided the following response:*

*I have already contacted the school districts and plan to adjust future apportionments.*

|   |
|---|
| <b>5. Personnel and Payroll Policies and Procedures</b> |
|---|

- A. Although hourly-paid employees prepare time sheets, time sheets or other records of actual time worked are not maintained by salaried employees representing about one half of the county employees. As a result, the County Commission has no documentation to support these payroll expenditures.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time sheets should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

- B. Centralized records of leave balances and leave used and earned are not maintained. The County Clerk and County Commission indicated leave records are to be maintained by each individual officeholder but our review noted some employees maintain their own leave records. These employees are salaried and therefore are not required to prepare time sheets. As a result, there is no assurance that the leave recorded and taken by these individuals is appropriate.

Without centralized records, the County Commission cannot ensure that employees' vacation leave, sick leave, and compensatory time balances are accurate and that all employees are treated equitably. Centralized leave records also aid in determining unused vacation leave upon termination of employment.

- C. One Road and Bridge employee is allowed to use a county vehicle to commute to and from work. The County Commission indicated this employee is on-call 24 hours a

day for emergency situations; however, the county does not keep records of mileage incurred on the county vehicle for commuting purposes.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- D. Several county employees from various offices with access to money are not covered by an employee bond. Properly bonding all persons with access to monies would better protect the official and county from risk of loss.

**WE RECOMMEND** the County Commission:

- A. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Maintain centralized records of leave earned, used, and accumulated for all county employees.
- C. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.
- D. Consider obtaining adequate bond coverage for all employees with access to monies.

**AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

- A. *Within the next 30 days, we will request all salaried employees prepare time sheets.*
- B. *If we receive time sheets, then the County Clerk's office can maintain centralized leave records.*
- C. *It will be recommended to the Road and Bridge supervisor that a log be maintained.*
- D. *We will consider obtaining adequate bond coverage for all employees with access to monies.*

|   |
|---|
| <b>6. County Clerk's Accounting Controls and Procedures</b> |
|---|

- A. As noted in our three prior reports, the County Clerk neither prepares nor verifies the tax books. Both the current and back tax books are generated from the computer by the County Collector. The County Clerk stated that he believed the County Collector was doing a good job and did not plan to implement the recommendation; however state law requires the County Clerk to prepare the tax books, and charge the County Collector with those taxes. Failure of the County Clerk to verify the tax books could result in errors or intentional misstatements going undetected.
- B. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly statements of collections, and the tax books, would enable the County Clerk to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate.

Section 51.150(2), RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book could be used by the County Commission to verify the County Collector's annual settlements.

This condition was also noted in our two prior reports.

In addition to being required by state law, such procedures provide additional controls over the property tax system. The County Clerk should perform his statutory duties to improve the controls in this area.

**WE AGAIN RECOMMEND** the County Clerk:

- A. Verify the tax books generated by the County Collector's office.
- B. Establish and maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.

**AUDITEE'S RESPONSE**

*The County Clerk provided the following responses:*

- A. *When the tax books are generated, I will recalculate some taxes and will document my review.*



- B. *I will check with other County Clerks and will try to set up an account book when the 2000 tax books are generated. Once an account book is established, I will use it to verify the County Collector's annual settlements.*

|   |
|---|
| <b>7. Prosecuting Attorney's Accounting Controls and Procedures</b> |
|---|

The Prosecuting Attorney collects cash and money orders for restitution and administrative fees on bad checks. Our review of the accounting controls and procedures indicated the following areas of concern:

- A. Receipt slips are only issued for bad check restitution monies when payments are made in cash. To ensure receipts are deposited intact and to lessen the risk of monies being misplaced or stolen, receipt slips should be issued for all monies received. The method of payment (cash, check, or money order) should be indicated on the receipt slip and monies deposited should be reconciled to the corresponding receipt slips.

This condition was noted in our prior report. During the prior audit, the Prosecuting Attorney responded that this recommendation had been implemented. However, our review indicated receipt slips were still not being issued for all monies received.

- B. Monthly bank reconciliations are not compared to the check register. The Prosecuting Attorney has a computer program that is used to reconcile the bank statement but the reconciled balance is not compared to the check register. Complete and accurate bank reconciliations are necessary to ensure accounting records are in balance and to ensure errors are identified and corrected on a timely basis.
- C. Monthly listings of open items (liabilities) are not prepared and, consequently, liabilities are not reconciled with the cash balance on a periodic basis. Monthly open item listings should be prepared and reconciled to the cash balance to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities.
- D. Receipts are not always kept in a secured location until the deposit. In addition, money orders are not restrictively endorsed until the deposit is prepared, rather than when received. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be restrictively endorsed upon receipt and kept in a secure location until deposited.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Ensure all monies received are recorded on prenumbered receipt slips. In addition, the method of payment should be recorded on these receipt slips and reconciled to deposits.

- B. Ensure monthly bank reconciliations are performed and compared to the check register.
- C. Prepare monthly listings of open items and reconcile the listings to the cash balances.
- D. Restrictively endorse money orders immediately upon receipt and keep receipts in a secure location until deposited.

### **AUDITEE'S RESPONSE**

*The Prosecuting Attorney provided the following responses:*

- A. *We will implement this.*
- B. *We have started using Quick books and this has been implemented. We no longer maintain the manual check register.*
- C. *Open items have been identified and we will document on the monthly bank reconciliation.*
- D. *Receipts are now kept in a desk drawer until deposited. We plan to purchase a stamp to restrictively endorse money orders.*

|   |
|---|
| <b>8. Ex Officio Recorder of Deeds Accounting Controls and Procedures</b> |
|---|

The Ex Officio Recorder of Deeds accepts cash and checks for payment of fees. These receipts are recorded in the abstract of fees; however, the method of payment is not consistently indicated on the abstract of fees. In addition, monies are not deposited intact as cash refunds are made for overpayments of fees paid by check. Overpayments requiring a refund are properly recorded at the net receipt amount, however, no record is currently maintained of the actual amount received and the amount refunded.

To properly reconcile receipts to deposits and ensure all monies are deposited intact, the method of payment should be recorded on the abstract of fees and the composition of receipts should be reconciled to the composition of deposits. Depositing receipts intact and issuing any refunds by check is necessary to ensure the proper accounting of all receipts and disbursements.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the Ex Officio Recorder of Deeds record the method of payment on the abstract of fees and reconcile the composition of receipts to the composition of bank deposits. In addition, the Ex Officio Recorder of Deeds should deposit all monies intact and write checks for refunds of overpayments.

## **AUDITEE'S RESPONSE**

*The Ex Officio Recorder of Deeds provided the following response:*

*We now record the method of payment on the abstract of fees and record cash refunds given. This allows us to reconcile the composition of receipts to the composition of deposits.*

|                         |
|-------------------------|
| <b>9. Health Center</b> |
|-------------------------|

- A. Receipt slips are not prenumbered and are not issued for some monies received. Receipt slips are written for cash receipts but are only written for checks if requested by the payor. To adequately account for receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly.
- B. The Health Center calculates overtime worked by employees covered under the Fair Labor Standards Act at straight time rather than time and one-half. The Fair Labor Standards Act provides that all covered employees working overtime are entitled to time and one-half in wages or compensatory time.
- C. During the two years ended December 31, 1999, the Health Center did not update its property records, and did not number, tag, or otherwise identify property items. In addition, annual inventories of property were not performed.

Adequate general fixed asset records and procedures are necessary to secure better internal controls over property and provide a basis for determining proper insurance coverage. Inventories and proper tagging of property are necessary to ensure fixed asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets.

**WE RECOMMEND** the Health Center Board of Trustees:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of those receipt slips.
- B. Ensure overtime pay or compensatory time earned is calculated in accordance with the Fair Labor Standards Act.
- C. Maintain property records for general fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition, if applicable. In addition, an actual physical inventory of the various property items should be performed periodically.

**AUDITEE'S RESPONSE**

*The Health Center Administrator provided the following responses:*

A,B,  
&C. *These recommendations have been implemented.*

|   |
|---|
| <b>10. Sheriff's Accounting Controls and Procedures</b> |
|---|

Formal bank reconciliations were not prepared on a timely basis. As of May 2000, the sheriff's fee account had not been reconciled since May 1999. Timely preparation of bank reconciliations is necessary to ensure accounting records and bank records are in agreement and allows for timely detection and correction of errors.

**WE RECOMMEND** the Sheriff prepare bank reconciliations monthly and reconcile to accounting records.

**AUDITEE'S RESPONSE**

*The Sheriff provided the following response:*

*This recommendation has been implemented. We have reconciled January 2000 to current.*

This report is intended for the information of the management of Knox County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## KNOX COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Knox County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. Finding numbers 3.A, 3.B, and 4 are omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Financial Condition of Knox County

The county's General Revenue Fund was in poor financial condition.

#### Recommendation:

The County Commission take the necessary steps to improve the financial condition of the General Revenue Fund.

#### Status:

Partially implemented. A half-cent law enforcement sales tax became effective January 1999. However the cash balance has increased only \$12,117 in two years. See MAR No. 1.

### 2. County Expenditure Procedures and Practices

- A. Bids were not always solicited nor was bid documentation always retained for various purchases (totaling \$200,648) made by the county.
- B. The Prosecuting Attorney maintained an office outside the courthouse, which was used for both county business and his private practice. The county did not have a written agreement with the Prosecuting Attorney outlining what costs would be paid and what office personnel and equipment would be provided by the county and what would be provided by the private practice. In addition, the county paid part of the salary of a secretary and no timesheet was submitted to the county to document time worked on county business versus private practice business.
- C. The county had not established procedures to ensure IRS Forms 1099-MISC were issued as required by the Internal Revenue Code.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with Section 50.660, RSMo. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. Enter into a written agreement with the Prosecuting Attorney and prepare and retain documentation of the allocation of resources between the county and the private practice to ensure there is a clear distinction between them. In addition, the secretary should prepare a time sheet documenting time worked and submit the time sheet monthly to the county.
- C. Establish procedures to ensure IRS Forms 1099-MISC are issued as required by the Internal Revenue Code.

Status:

- A. Partially implemented. Bids are generally solicited for purchases, however, we noted services for hauling rock were not bid and the reasons were not documented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The county has entered into a written agreement with the Prosecuting Attorney, which documents the allocation of resources between the county and the private practice. The written agreement indicates a part of the secretary's salary is to be paid by the county, however, the amount of time to be worked for the county is not noted and the secretary does not prepare a monthly time sheet. See MAR No. 5.
- C. Implemented.

3.C. Federal Financial Assistance

The county failed to bid a crawler loader that was purchased for \$34,250, of which \$9,146 was federal funds. As a result, \$9,146 was questioned.

Recommendation:

The County Commission resolve the questioned costs with the grantor agency.

Status:

Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Prosecuting Attorney's Accounting Controls and Procedures

- A. Receipt slips were not issued for some monies received.
- B. The method of payment was not documented on the cash control.

Recommendation:

The Prosecuting Attorney:

- A. Issue receipt slips for all monies received.
- B. Ensure the method of payment is indicated on the cash control. The composition of receipts should be reconciled to the composition of deposits.

Status:

A&B. Not implemented. See MAR No. 7.

6. County Clerk's Accounting Controls and Procedures

- A. The County Clerk did not prepare or verify the back tax books.
- B. The County Clerk did not maintain an account book with the County Collector.
- C. Procedures were inadequate to ensure fixed asset purchases were included in the general fixed asset records.

Recommendation:

The County Clerk:

- A. Prepare the back tax books or verify back tax books generated by the County Collector's office.
- B. Establish and maintain an account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.



- C. Establish procedures to ensure fixed asset purchases are properly recorded on the general fixed asset records and take a complete inventory annually. This inventory should then be compared to asset records and any discrepancies investigated.

Status:

A&B. Not implemented. See MAR No. 6.

- C. Partially implemented. The County Clerk did record several fixed asset purchases on the general fixed asset records, however, we noted four sheriff radios totaling approximately \$5,000 and a donated truck were not added to the general fixed asset records. Although not repeated in the current MAR, our recommendation remains as stated above. However, based on statutory changes, effective August 28, 1999, County Commissioners or their designee now need to examine and inspect county land and buildings. Additionally, county officials or their designees need to inspect and inventory personal property of the county.

7. Ex Officio Recorder of Deeds Accounting Controls and Procedures

The method of payment was not recorded on the abstract of fees.

Recommendation:

The Ex Officio Recorder of Deeds record the method of payment on the abstract of fees and reconcile the composition of receipts to the composition of deposits.

Status:

Partially implemented. The Ex Officio Recorder of Deeds has implemented procedures to record the method of payment on the abstract of fees, however, we noted instances where the method of payment was not indicated. See MAR No. 8.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# KNOX COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1845, the county of Knox was named after Henry Knox, a General of the American Revolution. Knox County is a county-organized, third-class county and is part of the Second Judicial Circuit. The county seat is Edina.

Knox County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Knox County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 403,187   | 26         | 421,188   | 24         |
| Sales taxes               | 308,886      | 20         | 309,821   | 18         |
| Federal and state aid     | 584,210      | 38         | 782,087   | 45         |
| Fees, interest, and other | 237,097      | 16         | 226,546   | 13         |
| Total                     | \$ 1,533,380 | 100        | 1,739,642 | 100        |

The following chart shows how Knox County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 330,798   | 23         | 275,646   | 15         |
| Public safety             | 116,790      | 8          | 225,456   | 12         |
| Highways and roads        | 1,018,105    | 69         | 1,350,765 | 73         |
| Total                     | \$ 1,465,693 | 100        | 1,851,867 | 100        |

The county received \$88,647 for the Law Enforcement Sales Tax Fund for the year ended

December 31, 1999 to be used for public safety purposes.

The county maintains approximately 500 county bridges and 521 miles of county roads.

The county's population was 5,692 in 1970 and 4,482 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        | Year Ended December 31, |      |       |        |        |
|------------------------|-------------------------|------|-------|--------|--------|
|                        | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        | (in millions)           |      |       |        |        |
| Real estate            | \$ 29.2                 | 28.6 | 26.7  | 13.2   | 11.0   |
| Personal property      | 10.7                    | 10.0 | 6.5   | 5.1    | 3.0    |
| Railroad and utilities | 10.2                    | 9.5  | 9.0   | 6.1    | 6.2    |
| Total                  | \$ 50.1                 | 48.1 | 42.2  | 24.4   | 20.2   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Knox County's property tax rates per \$100 of assessed valuations were as follows:

|                              | Year Ended December 31, |      |
|------------------------------|-------------------------|------|
|                              | 1999                    | 1998 |
| General Revenue Fund         | \$ .29                  | .27  |
| Special Road and Bridge Fund | .62                     | .62  |
| Health Center Fund           | .10                     | .10  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. The county voluntarily rolled back the Special Road and Bridge Fund tax levy by 1 cent in 1998 and 2 cents in 1999. Taxes collected were distributed as follows:

|                              | Year Ended February 28, |                  |
|------------------------------|-------------------------|------------------|
|                              | 2000                    | 1999             |
| State of Missouri            | \$ 15,054               | 14,323           |
| General Revenue Fund         | 145,228                 | 129,315          |
| Special Road and Bridge Fund | 308,446                 | 293,671          |
| Assessment Fund              | 26,940                  | 25,665           |
| Health Center Fund           | 49,683                  | 47,327           |
| School districts             | 1,791,768               | 1,731,033        |
| Library district             | 49,683                  | 47,327           |
| Ambulance district           | 188,211                 | 179,044          |
| Nursing homes                | 73,644                  | 56,630           |
| Troublesome Creek Watershed  | 9,546                   | 9,672            |
| Cities                       | 29,178                  | 30,992           |
| County Clerk                 | 61                      | 65               |
| County Employees' Retirement | 12,225                  | 11,362           |
| Commissions and fees:        |                         |                  |
| General Revenue Fund         | 40,476                  | 38,562           |
| Collector                    | 204                     | 247              |
| Total                        | <u>\$ 2,740,347</u>     | <u>2,615,235</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |      |
|------------------------|-------------------------|------|
|                        | 2000                    | 1999 |
| Real estate            | 93 %                    | 95 % |
| Personal property      | 92                      | 92   |
| Railroad and utilities | 100                     | 96   |

Knox County also has the following sales taxes; rates are per \$1 of retail sales:

|                                     | Rate     | Expiration Date | Required Property Tax Reduction |
|-------------------------------------|----------|-----------------|---------------------------------|
| General                             | \$ .0050 | None            | 50 %                            |
| General                             | .0050    | 2001            | None                            |
| Road and Bridge Capital Improvement | .0050    | 2002            | None                            |
| Law Enforcement Sales Tax           | .0050    | 2002            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| L.P. Mayfield, Presiding Commissioner                           | \$     | 14,693 | 11,280 |
| Terry Marble, Associate Commissioner                            |        | 11,618 | 11,280 |
| Michael McGinnis, Associate Commissioner                        |        | 11,618 |        |
| Ann Greenley, Associate Commissioner                            |        |        | 11,280 |
| Bill Baker, County Clerk  |        | 23,772 | 23,079 |
| William Alberty, Prosecuting Attorney                           |        | 29,266 | 25,526 |
| Dan Bishop, Sheriff   |        | 25,483 | 24,750 |
| Allen Gudehus, County Treasurer                                 |        | 17,063 | 13,752 |
| Allen G. Rimer, County Coroner (Son)                            |        | 3,895  |        |
| A.G. Rimer, County Coroner (Father)                             |        |        | 4,125  |
| Kathy Poore, Public Administrator *                             |        | 3,940  |        |
| Julie McCurren, Public Administrator *                          |        | 15,795 | 15,028 |
| Brenton Karhoff, County Collector**,<br>year ended February 28, | 27,456 | 26,756 |        |
| Vance Parrish, County Assessor ***, year ended<br>August 31,    |        | 26,298 | 25,650 |

\* Includes fees received from probate cases.

\*\* Includes \$204 and \$247, respectively, of commissions earned for collecting city property taxes.

\*\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

|  |        |        |
|--|--------|--------|
| James Gibbons, Circuit Clerk and<br>Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Garry Lewis, Associate Circuit Judge                             | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds * | 1                           | 1        |
| County Clerk                                     | 1                           | 0        |
| Prosecuting Attorney                             | 1                           | 0        |
| Sheriff **                                       | 6                           | 0        |
| County Collector                                 | 1                           | 0        |
| County Assessor                                  | 2                           | 0        |
| Associate Division                               | 0                           | 1        |
| Probate Division **                              | 0                           | 1        |
| Road and Bridge                                  | 15                          | 0        |
| Health Center *                                  | 8                           | 0        |
| Total  | <u>35</u>                   | <u>3</u> |

\* Includes two part-time employees

\*\* Includes one part-time employee

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Knox County's share of the 2nd Judicial Circuit's expenses is 11.4 percent.





CHARITON COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-91  
September 15, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Chariton, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Chariton County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As noted in two prior audit reports, the County Commission does not maintain adequate minutes of its meetings. The County Clerk has not typed the minutes into the official record book or submitted them to the County Commissioners for their approval since September 18, 1995. The only record of commission meetings available to the public is some unofficial notes. State statutes require that each public governmental body shall make available for inspection and copying by the public of that body's public records. The County Clerk is to maintain an accurate record of orders, rulings, and proceedings of the County Commission. Maintaining an accurate record of commission proceedings helps demonstrate compliance with statutory provisions related to issues such as budget approval, the Sunshine Law, bidding, and purchasing decisions.
- As similarly discussed in several prior audit reports, formal procedures have not been established to ensure all accrued costs (court costs, incarceration costs, court-ordered restitution, and fines) pertaining to criminal cases are adequately identified and pursued. A listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. As a result, more than \$3,500 was never billed to the state, more than \$1,500 of over and under billings were noted and thousands of dollars in unpaid restitution are not being pursued.

(over)

YELLOW SHEET

- As Proposition C adjustments for school property tax collections were not considered when determining assessment withholdings, the General Revenue Fund has funded a larger portion of assessment costs than was necessary. For the months of December 1999 and 1998, amounts not withheld from school tax collections totaled approximately \$4,500.
- As similarly noted in two prior audit reports, bids were not always solicited nor was sufficient bid documentation always retained for some significant purchases made by the county. Additionally, the county needs to improve and better document its process for handling drainage district improvements.
- The county's personnel policies manual has not been updated since 1989. Some of the policies contained in the manual are unclear and/or outdated and are not being followed consistently among the various county departments.
- While several prior audit reports addressed the inadequacy of the county's general fixed assets records and procedures, it was again determined that the various required inventories and inspections have not been performed and no reports have been filed with the County Clerk. Property tags are not affixed to county property.

Also, included in the audit are recommendations to improve the accounting controls and procedures for the Sheriff and Circuit Clerk .

**Copies of the audit are available upon request.**

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## FINANCIAL SECTION



## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Chariton County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Chariton County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Chariton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Chariton County.

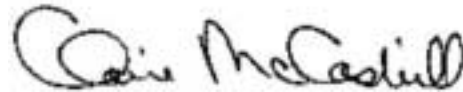
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Chariton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 26, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Chariton County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 26, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Regina Pruitt, CPA    |
| In-Charge Auditor:  | Charles Van Loo, CPA  |
| Audit Staff:        | Terese Summers, CPA   |
|                     | Julie Vollmer         |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Chariton County, Missouri

We have audited the special-purpose financial statements of various funds of Chariton County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

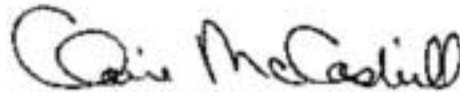
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Chariton County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Chariton County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Chariton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 26, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

CHARITON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 386,568         | 1,082,223 | 1,337,102     | 131,689              |
| Special Road and Bridge             | 701,119            | 820,443   | 751,223       | 770,339              |
| Assessment                          | 0                  | 140,860   | 140,860       | 0                    |
| Law Enforcement Training            | 3,234              | 4,045     | 5,723         | 1,556                |
| Law Enforcement Sales Tax           | 597,954            | 408,110   | 156,166       | 849,898              |
| Prosecuting Attorney Training       | 613                | 557       | 704           | 466                  |
| Prosecuting Attorney Bad Check      | 11,803             | 4,810     | 32            | 16,581               |
| Prosecuting Attorney Delinquent Tax | 6,693              | 822       | 0             | 7,515                |
| Domestic Violence                   | 2,695              | 670       | 0             | 3,365                |
| Recorder User Fee                   | 7,585              | 4,718     | 2,167         | 10,136               |
| Health Center                       | 148,892            | 366,945   | 347,778       | 168,059              |
| Law Library                         | 449                | 1,380     | 1,371         | 458                  |
| Circuit Clerk Interest              | 483                | 379       | 470           | 392                  |
| Drainage Districts                  | 100,752            | 27,859    | 7,085         | 121,526              |
| Senate Bill 40 Board                | 121,273            | 56,467    | 50,768        | 126,972              |
| Sheriff Fund                        | 1,066              | 6,267     | 5,301         | 2,032                |
| FEMA Fund                           | 0                  | 104,746   | 104,746       | 0                    |
| Total                               | \$ 2,091,179       | 3,031,301 | 2,911,496     | 2,210,984            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CHARITON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 403,616         | 1,213,107 | 1,230,155     | 386,568              |
| Special Road and Bridge             | 727,150            | 1,284,265 | 1,310,296     | 701,119              |
| Assessment                          | 0                  | 120,028   | 120,028       | 0                    |
| Law Enforcement Training            | 5,530              | 3,414     | 5,710         | 3,234                |
| Law Enforcement Sales Tax           | 345,088            | 393,097   | 140,231       | 597,954              |
| Prosecuting Attorney Training       | 466                | 603       | 456           | 613                  |
| Prosecuting Attorney Bad Check      | 8,161              | 4,060     | 418           | 11,803               |
| Prosecuting Attorney Delinquent Tax | 6,303              | 390       | 0             | 6,693                |
| Domestic Violence                   | 2,257              | 438       | 0             | 2,695                |
| Recorder User Fee                   | 35,420             | 4,730     | 32,565        | 7,585                |
| Health Center                       | 124,573            | 361,342   | 337,023       | 148,892              |
| Law Library                         | 1,360              | 1,218     | 2,129         | 449                  |
| Circuit Clerk Interest              | 643                | 390       | 550           | 483                  |
| Drainage Districts                  | 106,363            | 28,264    | 33,875        | 100,752              |
| Senate Bill 40 Board                | 113,153            | 53,207    | 45,087        | 121,273              |
| Sheriff Fund                        | 1,137              | 4,825     | 4,896         | 1,066                |
| Total                               | \$ 1,881,220       | 3,473,378 | 3,263,419     | 2,091,179            |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit B

CHARITON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |           |  |           |           |  |
|--|-------------------------|-----------|--|-----------|-----------|--|
|  | 1999                    |           |  | 1998      |           |  |
|  | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                                |                         |           |  |           |           |  |
| Property taxes                                 | \$ 268,700              | 264,529   | (4,171)                                | 254,600   | 263,363   | 8,763                                  |
| Sales and use taxes                            | 250,000                 | 216,255   | (33,745)                               | 250,000   | 269,800   | 19,800                                 |
| Intergovernmental                              | 327,480                 | 376,765   | 49,285                                 | 332,095   | 430,256   | 98,161                                 |
| Charges for services                           | 129,800                 | 143,486   | 13,686                                 | 120,800   | 140,485   | 19,685                                 |
| Interest                                       | 23,000                  | 15,621    | (7,379)                                | 26,000    | 27,138    | 1,138                                  |
| Other  | 45,825                  | 35,567    | (10,258)                               | 46,925    | 49,951    | 3,026                                  |
| Transfers in                                   | 32,700                  | 30,000    | (2,700)                                | 33,620    | 32,114    | (1,506)                                |
| Total Receipts                                 | 1,077,505               | 1,082,223 | 4,718                                  | 1,064,040 | 1,213,107 | 149,067                                |
| <b>DISBURSEMENTS</b>                           |                         |           |  |           |           |  |
| County Commission                              | 71,852                  | 70,290    | 1,562                                  | 39,500    | 38,480    | 1,020                                  |
| County Clerk                                   | 98,600                  | 86,558    | 12,042                                 | 90,500    | 60,057    | 30,443                                 |
| Elections                                      | 15,700                  | 11,085    | 4,615                                  | 35,050    | 26,332    | 8,718                                  |
| Buildings and grounds                          | 199,160                 | 86,131    | 113,029                                | 202,010   | 105,718   | 96,292                                 |
| Employee fringe benefits                       | 134,600                 | 138,324   | (3,724)                                | 111,200   | 130,473   | (19,273)                               |
| County Treasurer                               | 72,950                  | 65,965    | 6,985                                  | 71,165    | 46,228    | 24,937                                 |
| Ex Officio County Collector                    | 3,000                   | 1,859     | 1,141                                  | 2,500     | 2,334     | 166                                    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 33,100                  | 70,338    | (37,238)                               | 32,930    | 59,306    | (26,376)                               |
| Associate and Probate Circuit Court            | 12,650                  | 10,118    | 2,532                                  | 11,000    | 4,863     | 6,137                                  |
| Court administration                           | 15,780                  | 11,149    | 4,631                                  | 15,780    | 3,773     | 12,007                                 |
| Public Administrator                           | 17,075                  | 13,931    | 3,144                                  | 12,025    | 17,567    | (5,542)                                |
| Sheriff  | 349,375                 | 358,363   | (8,988)                                | 310,850   | 334,844   | (23,994)                               |
| Jail   | 90,100                  | 74,756    | 15,344                                 | 69,500    | 85,494    | (15,994)                               |
| Prosecuting Attorney                           | 63,112                  | 59,712    | 3,400                                  | 45,022    | 42,310    | 2,712                                  |
| Juvenile Officer                               | 34,406                  | 29,025    | 5,381                                  | 50,367    | 45,836    | 4,531                                  |
| County Coroner                                 | 12,475                  | 10,017    | 2,458                                  | 12,475    | 9,391     | 3,084                                  |
| Public health and welfare services             | 0                       | 0         | 0                                      | 250       | 0         | 250                                    |
| Other  | 77,250                  | 64,353    | 12,897                                 | 64,150    | 63,211    | 939                                    |
| Transfers out                                  | 176,500                 | 175,128   | 1,372                                  | 180,400   | 153,938   | 26,462                                 |
| Emergency Fund                                 | 32,400                  | 0         | 32,400                                 | 32,000    | 0         | 32,000                                 |
| Total Disbursements                            | 1,510,085               | 1,337,102 | 172,983                                | 1,388,674 | 1,230,155 | 158,519                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS            | (432,580)               | (254,879) | 177,701                                | (324,634) | (17,048)  | 307,586                                |
| CASH, JANUARY 1                                | 386,568                 | 386,568   | 0                                      | 403,616   | 403,616   | 0                                      |
| CASH, DECEMBER 31                              | \$ (46,012)             | 131,689   | 177,701                                | 78,982    | 386,568   | 307,586                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

CHARITON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |         |  |           |           |  |
|---------------------------------------|-------------------------|---------|--|-----------|-----------|--|
|                                       | 1999                    |         |  | 1998      |           |  |
|                                       | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |         |  |           |           |  |
| Intergovernmental                     | 913,000                 | 777,731 | (135,269)                              | 1,279,000 | 1,242,037 | (36,963)                               |
| Interest                              | 39,500                  | 38,850  | (650)                                  | 40,000    | 39,665    | (335)                                  |
| Other                                 | 200                     | 3,862   | 3,662                                  | 0         | 2,563     | 2,563                                  |
| Total Receipts                        | 952,700                 | 820,443 | (132,257)                              | 1,319,000 | 1,284,265 | (34,735)                               |
| DISBURSEMENTS                         |                         |         |  |           |           |  |
| Salaries                              | 185,000                 | 167,220 | 17,780                                 | 160,000   | 150,037   | 9,963                                  |
| Employee fringe benefits              | 57,100                  | 50,113  | 6,987                                  | 44,250    | 46,588    | (2,338)                                |
| Supplies                              | 15,000                  | 9,235   | 5,765                                  | 12,150    | 8,802     | 3,348                                  |
| Insurance                             | 10,500                  | 8,012   | 2,488                                  | 11,000    | 8,211     | 2,789                                  |
| Equipment repairs                     | 41,500                  | 7,534   | 33,966                                 | 8,000     | 4,892     | 3,108                                  |
| Equipment purchases                   | 22,000                  | 3,435   | 18,565                                 | 78,000    | 26,733    | 51,267                                 |
| Construction, repair, and maintenance | 967,200                 | 450,344 | 516,856                                | 724,000   | 537,646   | 186,354                                |
| Federal bridge expenditures           | 28,000                  | 25,330  | 2,670                                  | 524,000   | 497,387   | 26,613                                 |
| Transfers out                         | 30,000                  | 30,000  | 0                                      | 0         | 30,000    | (30,000)                               |
| Total Disbursements                   | 1,356,300               | 751,223 | 605,077                                | 1,561,400 | 1,310,296 | 251,104                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (403,600)               | 69,220  | 472,820                                | (242,400) | (26,031)  | 216,369                                |
| CASH, JANUARY 1                       | 701,119                 | 701,119 | 0                                      | 727,150   | 727,150   | 0                                      |
| CASH, DECEMBER 31                     | \$ 297,519              | 770,339 | 472,820                                | 484,750   | 701,119   | 216,369                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Intergovernmental                   | \$ 122,000 | 115,150       | 120,500 | 114,645 | (5,855)       |  |
| Interest                            | 1,100      | 135           | 1,000   | 1,100   | 100           |  |
| Other                               | 300        | 447           | 300     | 345     | 45            |  |
| Transfers in                        | 26,500     | 25,128        | 29,400  | 3,938   | (25,462)      |  |
| Total Receipts                      | 149,900    | 140,860       | 151,200 | 120,028 | (31,172)      |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Assessor                            | 149,900    | 140,860       | 151,200 | 120,028 | 31,172        |  |
| Total Disbursements                 | 149,900    | 140,860       | 151,200 | 120,028 | 31,172        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 0             | 0       | 0       | 0             |  |
| CASH, JANUARY 1                     | 0          | 0             | 0       | 0       | 0             |  |
| CASH, DECEMBER 31                   | \$ 0       | 0             | 0       | 0       | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Charges for services                | \$ 3,000 | 3,176         | 3,000   | 3,188   | 188           |  |
| Intergovernmental                   | 1,000    | 780           | 0       | 0       | 0             |  |
| Interest                            | 200      | 89            | 350     | 226     | (124)         |  |
| Total Receipts                      | 4,200    | 4,045         | 3,350   | 3,414   | 64            |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Sheriff                             | 7,400    | 5,723         | 7,000   | 5,710   | 1,290         |  |
| Total Disbursements                 | 7,400    | 5,723         | 7,000   | 5,710   | 1,290         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,200)  | (1,678)       | (3,650) | (2,296) | 1,354         |  |
| CASH, JANUARY 1                     | 3,234    | 3,234         | 5,530   | 5,530   | 0             |  |
| CASH, DECEMBER 31                   | \$ 34    | 1,556         | 1,880   | 3,234   | 1,354         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit F

CHARITON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT SALES TAX FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         | 1998                                   |         |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Sales taxes                         | \$ 220,000 | 221,295 | 1,295                                  | 215,000 | 218,213 | 3,213                                  |
| Interest                            | 30,000     | 36,815  | 6,815                                  | 15,000  | 24,225  | 9,225                                  |
| Other                               | 0          | 0       | 0                                      | 0       | 659     | 659                                    |
| Transfers in                        | 150,000    | 150,000 | 0                                      | 150,000 | 150,000 | 0                                      |
| Total Receipts                      | 400,000    | 408,110 | 8,110                                  | 380,000 | 393,097 | 13,097                                 |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Jail lease payments                 | 145,500    | 136,516 | 8,984                                  | 148,000 | 136,759 | 11,241                                 |
| Equipment and supplies              | 26,125     | 16,255  | 9,870                                  | 10,000  | 3,472   | 6,528                                  |
| Other                               | 10,000     | 3,395   | 6,605                                  | 11,000  | 0       | 11,000                                 |
| Total Disbursements                 | 181,625    | 156,166 | 25,459                                 | 169,000 | 140,231 | 28,769                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 218,375    | 251,944 | 33,569                                 | 211,000 | 252,866 | 41,866                                 |
| CASH, JANUARY 1                     | 597,954    | 597,954 | 0                                      | 345,088 | 345,088 | 0                                      |
| CASH, DECEMBER 31                   | \$ 816,329 | 849,898 | 33,569                                 | 556,088 | 597,954 | 41,866                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |                       |        |        |                       |
|-------------------------------------|----|-------------------------|--------|-----------------------|--------|--------|-----------------------|
|                                     |    | 1999                    |        |                       | 1998   |        |                       |
|                                     |    |                         |        | Variance<br>Favorable |        |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual | (Unfavorable)         | Budget | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |        |                       |        |        |                       |
| Charges for services                | \$ | 350                     | 534    | 184                   | 500    | 575    | 75                    |
| Interest                            |    | 30                      | 23     | (7)                   | 25     | 28     | 3                     |
| Total Receipts                      |    | 380                     | 557    | 177                   | 525    | 603    | 78                    |
| DISBURSEMENTS                       |    |                         |        |                       |        |        |                       |
| Prosecuting Attorney                |    | 950                     | 704    | 246                   | 950    | 456    | 494                   |
| Total Disbursements                 |    | 950                     | 704    | 246                   | 950    | 456    | 494                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (570)                   | (147)  | 423                   | (425)  | 147    | 572                   |
| CASH, JANUARY 1                     |    | 613                     | 613    | 0                     | 466    | 466    | 0                     |
| CASH, DECEMBER 31                   |    | \$ 43                   | 466    | 423                   | 41     | 613    | 572                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | \$ 4,000  | 4,145         | 2,500  | 3,579  | 1,079         |  |
| Interest                            | 400       | 665           | 300    | 481    | 181           |  |
| Total Receipts                      | 4,400     | 4,810         | 2,800  | 4,060  | 1,260         |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Prosecuting Attorney                | 5,250     | 32            | 1,750  | 418    | 1,332         |  |
| Total Disbursements                 | 5,250     | 32            | 1,750  | 418    | 1,332         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (850)     | 4,778         | 1,050  | 3,642  | 2,592         |  |
| CASH, JANUARY 1                     | 11,803    | 11,803        | 8,161  | 8,161  | 0             |  |
| CASH, DECEMBER 31                   | \$ 10,953 | 16,581        | 9,211  | 11,803 | 2,592         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | \$ 100   | 488           | 200    | 72     | (128)         |  |
| Interest                            | 200      | 334           | 350    | 318    | (32)          |  |
| Total Receipts                      | 300      | 822           | 550    | 390    | (160)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 1,000    | 0             | 1,000  | 0      | 1,000         |  |
| Total Disbursements                 | 1,000    | 0             | 1,000  | 0      | 1,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (700)    | 822           | (450)  | 390    | 840           |  |
| CASH, JANUARY 1                     | 6,693    | 6,693         | 6,303  | 6,303  | 0             |  |
| CASH, DECEMBER 31                   | \$ 5,993 | 7,515         | 5,853  | 6,693  | 840           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit J

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 300   | 525           | 250    | 320    | 70            |  |
| Interest                            | 110      | 145           | 100    | 118    | 18            |  |
| Total Receipts                      | 410      | 670           | 350    | 438    | 88            |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Other                               | 1,000    | 0             | 1,000  | 0      | 1,000         |  |
| Total Disbursements                 | 1,000    | 0             | 1,000  | 0      | 1,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (590)    | 670           | (650)  | 438    | 1,088         |  |
| CASH, JANUARY 1                     | 2,695    | 2,695         | 2,257  | 2,257  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,105 | 3,365         | 1,607  | 2,695  | 1,088         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER USER FEE FUND

| Year Ended December 31,             |           |               |          |          |               |  |
|-------------------------------------|-----------|---------------|----------|----------|---------------|--|
| 1999                                |           |               | 1998     |          |               |  |
|                                     |           | Variance      |          |          | Variance      |  |
|                                     |           | Favorable     |          |          | Favorable     |  |
|                                     |           | (Unfavorable) |          |          | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget   | Actual   |               |  |
| RECEIPTS                            |           |               |          |          |               |  |
| Charges for services                | \$ 4,000  | 4,308         | 4,000    | 4,148    | 148           |  |
| Interest                            | 450       | 410           | 150      | 582      | 432           |  |
| Total Receipts                      | 4,450     | 4,718         | 4,150    | 4,730    | 580           |  |
| DISBURSEMENTS                       |           |               |          |          |               |  |
| Ex OfficioRecorder of Deeds         | 1,000     | 2,167         | 31,700   | 32,565   | (865)         |  |
| Total Disbursements                 | 1,000     | 2,167         | 31,700   | 32,565   | (865)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 3,450     | 2,551         | (27,550) | (27,835) | (285)         |  |
| CASH, JANUARY 1                     | 7,585     | 7,585         | 35,420   | 35,420   | 0             |  |
| CASH, DECEMBER 31                   | \$ 11,035 | 10,136        | 7,870    | 7,585    | (285)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit L

CHARITON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
|                                     | 1999       |         |  | 1998    |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Property taxes                      | \$ 91,285  | 92,056  | 771                                    | 89,861  | 92,999  | 3,138                                  |
| Intergovernmental                   | 194,339    | 219,287 | 24,948                                 | 212,412 | 216,188 | 3,776                                  |
| Charges for services                | 19,000     | 25,558  | 6,558                                  | 20,800  | 21,942  | 1,142                                  |
| Interest                            | 5,251      | 5,899   | 648                                    | 5,250   | 5,693   | 443                                    |
| Other                               | 18,194     | 24,145  | 5,951                                  | 21,585  | 24,520  | 2,935                                  |
| Total Receipts                      | 328,069    | 366,945 | 38,876                                 | 349,908 | 361,342 | 11,434                                 |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Salaries                            | 290,350    | 284,384 | 5,966                                  | 274,019 | 274,019 | 0                                      |
| Office expenditures                 | 59,750     | 46,393  | 13,357                                 | 50,482  | 50,482  | 0                                      |
| Mileage and training                | 16,000     | 15,486  | 514                                    | 11,806  | 11,806  | 0                                      |
| Other                               | 2,100      | 1,515   | 585                                    | 716     | 716     | 0                                      |
| Total Disbursements                 | 368,200    | 347,778 | 20,422                                 | 337,023 | 337,023 | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (40,131)   | 19,167  | 59,298                                 | 12,885  | 24,319  | 11,434                                 |
| CASH, JANUARY 1                     | 148,892    | 148,892 | 0                                      | 124,573 | 124,573 | 0                                      |
| CASH, DECEMBER 31                   | \$ 108,761 | 168,059 | 59,298                                 | 137,458 | 148,892 | 11,434                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,200 | 1,380         | 1,200  | 1,218  | 18            |  |
| Total Receipts                      | 1,200    | 1,380         | 1,200  | 1,218  | 18            |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Books                               | 1,000    | 1,371         | 1,000  | 2,129  | (1,129)       |  |
| Total Disbursements                 | 1,000    | 1,371         | 1,000  | 2,129  | (1,129)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 200      | 9             | 200    | (911)  | (1,111)       |  |
| CASH, JANUARY 1                     | 449      | 449           | 1,360  | 1,360  | 0             |  |
| CASH, DECEMBER 31                   | \$ 649   | 458           | 1,560  | 449    | (1,111)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Interest                            | \$ 450 | 379           | 500    | 390    | (110)         |  |
| Total Receipts                      | 450    | 379           | 500    | 390    | (110)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Office equipment                    | 810    | 470           | 1,143  | 550    | 593           |  |
| Total Disbursements                 | 810    | 470           | 1,143  | 550    | 593           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (360)  | (91)          | (643)  | (160)  | 483           |  |
| CASH, JANUARY 1                     | 483    | 483           | 643    | 643    | 0             |  |
| CASH, DECEMBER 31                   | \$ 123 | 392           | 0      | 483    | 483           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit O

CHARITON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 DRAINAGE DISTRICTS FUND

|                                     |    | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|----|-------------------------|---------|--|----------|---------|--|
|                                     |    | 1999                    |         |  | 1998     |         |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |  |          |         |  |
| Property taxes                      | \$ | 21,701                  | 22,163  | 462                                    | 21,501   | 22,467  | 966                                    |
| Interest                            |    | 4,394                   | 5,696   | 1,302                                  | 3,800    | 5,797   | 1,997                                  |
| Total Receipts                      |    | 26,095                  | 27,859  | 1,764                                  | 25,301   | 28,264  | 2,963                                  |
| DISBURSEMENTS                       |    |                         |         |  |          |         |  |
| Supplies                            |    | 200                     | 89      | 111                                    | 650      | 70      | 580                                    |
| Maintenance and repairs             |    | 80,160                  | 6,996   | 73,164                                 | 104,167  | 33,805  | 70,362                                 |
| Total Disbursements                 |    | 80,360                  | 7,085   | 73,275                                 | 104,817  | 33,875  | 70,942                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (54,265)                | 20,774  | 75,039                                 | (79,516) | (5,611) | 73,905                                 |
| CASH, JANUARY 1                     |    | 100,752                 | 100,752 | 0                                      | 106,363  | 106,363 | 0                                      |
| CASH, DECEMBER 31                   | \$ | 46,487                  | 121,526 | 75,039                                 | 26,847   | 100,752 | 73,905                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

CHARITON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENATE BILL 40 BOARD FUND

| Year Ended December 31,             |            |         |  |          |         |  |
|-------------------------------------|------------|---------|--|----------|---------|--|
| 1999                                |            |         | 1998                                   |          |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |         |  |
| Property taxes                      | \$ 47,035  | 46,621  | (414)                                  | 46,647   | 47,062  | 415                                    |
| Interest                            | 5,085      | 4,846   | (239)                                  | 5,392    | 5,145   | (247)                                  |
| Other                               | 2,000      | 5,000   | 3,000                                  | 2,000    | 1,000   | (1,000)                                |
| Total Receipts                      | 54,120     | 56,467  | 2,347                                  | 54,039   | 53,207  | (832)                                  |
| DISBURSEMENTS                       |            |         |  |          |         |  |
| Contract services                   | 58,540     | 50,230  | 8,310                                  | 58,540   | 33,994  | 24,546                                 |
| Repair/upkeep                       | 15,600     | 457     | 15,143                                 | 12,000   | 5,871   | 6,129                                  |
| Miscellaneous                       | 210        | 81      | 129                                    | 707      | 5,222   | (4,515)                                |
| Total Disbursements                 | 74,350     | 50,768  | 23,582                                 | 71,247   | 45,087  | 26,160                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (20,230)   | 5,699   | 25,929                                 | (17,208) | 8,120   | 25,328                                 |
| CASH, JANUARY 1                     | 121,273    | 121,273 | 0                                      | 113,153  | 113,153 | 0                                      |
| CASH, DECEMBER 31                   | \$ 101,043 | 126,972 | 25,929                                 | 95,945   | 121,273 | 25,328                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

CHARITON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 4,500 | 6,208         | 4,500  | 4,780  | 280           |  |
| Interest                            | 50       | 59            | 50     | 45     | (5)           |  |
| Total Receipts                      | 4,550    | 6,267         | 4,550  | 4,825  | 275           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 5,610    | 5,301         | 4,500  | 4,896  | (396)         |  |
| Total Disbursements                 | 5,610    | 5,301         | 4,500  | 4,896  | (396)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,060)  | 966           | 50     | (71)   | (121)         |  |
| CASH, JANUARY 1                     | 1,066    | 1,066         | 1,137  | 1,137  | 0             |  |
| CASH, DECEMBER 31                   | \$ 6     | 2,032         | 1,187  | 1,066  | (121)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Notes to the Financial Statements

CHARITON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Chariton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the FEMA Fund for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>            | <u>Years Ended December 31,</u> |
|------------------------|---------------------------------|
| Recorder User Fee Fund | 1999 and 1998                   |
| Law Library Fund       | 1999 and 1998                   |
| Sheriff Fund           | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the year ended December 31, 1999. However, the budget of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 1999, did not include the FEMA Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

Of the Health Center Board's bank balance at December 31, 1999, \$ 155,052 was covered by federal depositary insurance or by collateral securities held by the Health Center Board's custodial bank in the health center board's name, and \$23,499 was uninsured and uncollateralized. Of the Health Center Board's bank balance at December 31, 1998, \$160,772 was covered by federal depositary insurance or by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name, and \$2,998 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

The SB 40 Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the SB 40 Board's custodial bank in the SB 40 Board's name.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

CHARITON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                               | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                              |
|--|--|---|-------------------------|------------------------------|
|  |  |   | Year Ended December 31, |                              |
|  |  |   | 1999                    | 1998                         |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |                              |
| Passed through state:  |  |   |                         |                              |
| Department of Health -   |  |   |                         |                              |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children       | ER0045-9120<br>ER0045-8120                      | 12,672                  | 12,586                       |
| U.S. DEPARTMENT OF DEFENSE                                     |  |   |                         |                              |
| Direct Program -   |  |   |                         |                              |
| 12.105   | Protection of essential highways, highway bridge approaches,<br>and public works | N/A   | 2,500                   | 114,385                      |
| U.S. DEPARTMENT OF THE INTERIOR                                |  |   |                         |                              |
| Direct Program -   |  |   |                         |                              |
| 15.unknown   | Refuge Revenue Sharing Act   | N/A   | 21,889                  | 23,259                       |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |                              |
| Direct program -   |  |   |                         |                              |
| 16.unknown   | Equitable Sharing of Seized and Forfeited Property                               | N/A   | 780                     | 0                            |
| Passed through:  |  |   |                         |                              |
| State Department of Public Safety -                            |  |   |                         |                              |
| 16.579   | Byrne Formula Grant Program  | 98-NCD2-073<br>99-NCD2-073                      | 32,501                  | 11,296                       |
| Missouri Sheriffs' Association -                               |  |   |                         |                              |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program                                | N/A   | 991                     | 1,013                        |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |                              |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |                              |
| 20.205   | Highway Planning and Construction  | BRO-21 (23)<br>BRO-21 (24)<br>BRO-21 (25)       | 6,960<br>13,305<br>0    | 42,433<br>146,881<br>207,841 |
|  | Program Total  |   | <u>20,265</u>           | <u>397,155</u>               |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                            |  |   |                         |                              |
| Passed through state Department of Public Safety:              |  |   |                         |                              |
| 83.534   | Emergency Management - State and Local Assistance                                | 1253-DR-MO                                      | 104,746                 | 9,908                        |

## Schedule

CHARITON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |         |
| Direct program -                              |  |   |                         |         |
| 93.268  | Immunization Grants  | N/A   | 688                     | 688     |
| Passed through state:                         |  |   |                         |         |
| Department of Health -                        |  |   |                         |         |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ER0146-9120                                     | 322                     | 0       |
| 93.268  | Immunization Grants  | N/A   | 13,450                  | 7,964   |
| Department of Social Services -               |  |   |                         |         |
| 93.563  | Child Support Enforcement  | N/A   | 1,240                   | 414     |
| Department of Health -                        |  |   |                         |         |
| 93.575  | Child Care and Development Block Grant   | N/A   | 2,193                   | 2,385   |
| Department of Health -                        |  |   |                         |         |
| 93.919  | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs   | ER0161-90002                                    | 3,887                   | 3,263   |
| 93.991  | Preventive Health and Health Services Block Grant  | N/A   | 147                     | 141     |
| 93.994  | Maternal and Child Health Services Block Grant to the States   | ER0146-9120<br>ER0146-8120                      | 14,632                  | 14,986  |
| 93.994  | Comprehensive Family Planning  | ER0175-9120FP<br>ER0175-8120FP                  | 2,657                   | 4,071   |
| Total Expenditures of Federal Awards          |  |   | \$ 235,560              | 603,514 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule



CHARITON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Chariton County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$12,370

and \$5,414 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$147 and \$141 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$736 and \$492 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission  
and  
Officeholders of Chariton County, Missouri

Compliance

We have audited the compliance of Chariton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

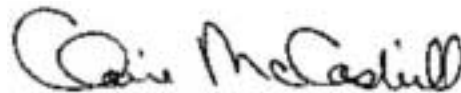
In our opinion, Chariton County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998.

### Internal Control Over Compliance

The management of Chariton County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Chariton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

April 26, 2000 (fieldwork completion date)

Schedule

CHARITON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes      x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Noncompliance material to the financial statements  
noted? \_\_\_\_\_ yes      x   no

Federal Awards

Internal control over major programs:

Material weakness identified? \_\_\_\_\_ yes      x   no

Reportable condition identified that is  
not considered to be material weakness? \_\_\_\_\_ yes      x   none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133? \_\_\_\_\_ yes      x   no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>              |
|---|-----------------------------------|
| 15.unknown                                      | Refuge Revenue Sharing Act        |
| 20.205  | Highway Planning and Construction |



Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

CHARITON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

CHARITON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

CHARITON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Chariton County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 26, 2000. We also have audited the compliance of Chariton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 26, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Chariton County but do not meet the criteria for inclusion in the written report on compliance and on internal control over



financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

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| <b>1. County Commission Minutes</b> |
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As noted in our prior two audit reports, the County Commission does not maintain adequate minutes of its meetings. Unofficial notes from the meetings are kept by one of the commissioners in a handwritten minutes book. These unofficial notes did not always include a record of votes taken as required by Section 610.020(6), RSMo Cumulative Supp. 1999, and were generally vague and barely legible. The County Clerk has not typed the minutes into the official record book or submitted them to the County Commissioners for their approval since September 18, 1995. As a result, there is less assurance these notes represent a correct record of matters discussed and actions taken. Section 610.023(2), RSMo Cumulative Supp. 1999, states that each public governmental body shall make available for inspection and copying by the public of that body's public records. By not maintaining an official minutes book, the only record of commission meetings available to the public is the unofficial notes. By maintaining an accurate record of commission proceedings the county demonstrates compliance with statutory provisions related to issues such as budget approval, the Sunshine Law (Chapter 610, RSMo), bidding, and purchasing decisions. The minutes should also serve as a reference source should questions arise from the public, employees, contractors, etc.

Pursuant to Section 51.120, RSMo 1994, the county clerk is to maintain an accurate record of orders, rulings, and proceedings of the county commission. In addition, timely approval not only adds assurance to the authenticity of official minutes, but allows a review of the contents to ensure the minutes include all important information regarding the meetings held.

**WE AGAIN RECOMMEND** the County Commission ensure a formal and complete record of commission meetings is made and approved on a timely basis.

**AUDITEE'S RESPONSE**

*The County Clerk has typed January through June 1998 minutes, and is current for the year 2000. By December 31, 2000, the minutes for July 1998 through December 1999 will be finished. The remainder of 1995 through December 1997 minutes will hopefully be completed by September 30, 2001.*

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| <b>2. County Expenditures</b> |
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- A. Bids were not always solicited nor was sufficient bid documentation always retained for some significant purchases made by the county. These purchases included a

booking system with camera costing \$6,250, tank cars costing \$15,500, and a sheriff's patrol vehicle costing \$11,500. Additionally, it was noted that the Sheriff made food purchases totaling \$30,953 during 1999 and 1998 from one vendor without soliciting bids.

The County Commission indicated bids were often solicited by phone or items were sometimes purchased from sole source suppliers (i.e. aware of no other vendor providing the good or service, or no other vendor in the county provides the good or service). However, they frequently failed to retain adequate documentation of their efforts and reasons for decisions made.

Section 50.660, RSMo Cumulative Supp.1999, requires the advertisement of bids for all purchases of \$4,500 or more, and the solicitation of bids for purchases greater than \$4,500 from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence that the county's established purchasing procedures, as well as statutory requirements, are being followed. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, newspaper publication notices when applicable, bids received, the basis and justification for awarding bids, and documentation of all discussions with vendors.

- B. Pursuant to Section 243.020, RSMo 1994, the County Commission established eleven drainage districts for the purpose of draining and protecting any land or other property within the respective districts. Section 243.220, RSMo 1994, outlines the procedures for landowners to request repairs and improvements and the county commission's role in verifying their need and monitoring completion of the work. Statutory provisions require that five or more landowners must file a written maintenance report with the County Commission. The County Commission is to select an engineer to observe the district land and prepare a report of estimated costs of the proposed repairs and improvements which are deemed necessary. Upon approval of this report, the County Commission should then authorize the engineer to proceed with the needed repairs. An itemized report detailing the actual costs of labor and supplies incurred to complete the work is to be prepared by the engineer and submitted to the county. These costs are to be paid from the applicable drainage district's funds.

The county's procedures do not comply with the various statutory provisions described above. Written maintenance reports are not submitted. Rather, when repairs or improvements are needed, individual landowners from drainage districts, after apparently consulting with the district's advisory board, verbally request

approval from the County Commission to make the repair. County Commission considerations and approvals of such requests are not always documented in commission minutes. In some cases the county hires and pays the contractor directly.

In other cases, the landowner hires a contractor or performs the work himself, and upon completion, the landowner submits applicable invoices to the county for reimbursement.

Without the independent review of an engineer, documentation of the district advisory board's or County Commission's approval, and written maintenance reports, there is less assurance all repairs and maintenance are necessary and appropriate. Considering the fact that county procedures do not comply with statutory provisions, thorough documentation of the County Commission's role and involvement regarding drainage district repairs and improvements is essential in case concerns arise.

Conditions similar to A and B were noted in our prior two reports.

**WE RECOMMEND** the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If bids cannot be obtained and/or sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Ensure that the process for approving, completing, and monitoring repairs and improvements made to drainage districts complies with state law. In addition, information in the County Commission minutes regarding drainage district decisions needs to be improved.

**AUDITEE'S RESPONSE**

- A. *Bidding procedures have already been corrected with careful documentation of bids solicited by newspaper and phone advertising when necessary. All officials have been made aware of the need for compliance with state law. We will try to obtain bids recommended as soon as we get a list of specifications (i.e.; prisoner food and milk).*
- B. *The County Commission will consider the recommendation to hire an engineer and to have an itemized report detailing actual costs incurred to complete the work prepared by the engineer for the drainage districts. Written maintenance letters are now being submitted to the County Commission from landowners requesting work to be done. The county is paying all contractors directly and requiring bids for the labor and materials. Requests for work and bids are being documented in the County Commission minutes.*

**3.****General Fixed Assets**

Several prior audit reports have addressed the inadequacy of the county's general fixed assets records and procedures. Although the county has continually responded that efforts will be made to implement the recommendations, problems still exist in this area.

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Our review determined that the various required inventories and inspections have not been performed and no reports have been filed with the County Clerk. Property tags are not affixed to county property.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo Cumulative Supp. 1999, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all general fixed assets should be tagged or otherwise identified as county-owned property.

**AUDITEE'S RESPONSE**

*The County Commission will work on a written policy for the handling and accounting for fixed assets to be completed by December 2000. Our goal for getting all property tagged will be December 2001.*

**4.****County Personnel Policies**

The county's personnel policies manual has not been updated since 1989. Some of the policies contained in the manual are unclear and/or outdated and are not being followed consistently among the various county departments.

The county does not have a formal policy regarding county phone usage. Employees are allowed to use county phones for personal calls with the understanding that the calls will be tracked and the county reimbursed for any long distance charges incurred. Although some county officials require reimbursement to the county for personal calls, there is no evidence that all offices within the courthouse follow this procedure. We noted one month where 120 minutes of long distance personal phone calls were made from the Prosecuting Attorney's office, however, the county was not reimbursed for the expense. A policy is needed to ensure county phones are only used for business purposes, or to establish a reimbursement procedure if the County Commission continues to authorize personal use of county phones.

A current and comprehensive personnel policies manual is necessary to clearly outline the expectations and benefits of employment, and can also help ensure that management's policies are fairly and consistently applied to all county employees. If inconsistent application of policies or instances of non-compliance with established policies are identified, timely action should be taken to determine the cause and rectify the problem.

**WE RECOMMEND** the County Commission establish and formally adopt an updated county-wide personnel policies manual that reflects current county policies. Policies regarding county phone usage should be developed and included. In addition, the County Commission should review telephone usage in the various county offices and request reimbursements as deemed appropriate.

**AUDITEE'S RESPONSE**

*By June 2001, the county will have an updated personnel policy to include, among other things, employee phone usage and address the reimbursement thereof.*

**5.****Assessment Withholdings**

The costs pertaining to the assessment of properties within the county is a shared expense. Section 137.750, RSMo 1994, provides the basis for funding assessment maintenance costs. The state reimburses the county for expenses incurred subject to a minimum or maximum per parcel. Funding from the county comes from one percent of taxes collected by all taxing authorities within the county, and the general revenue of the county.

Section 50.338, RSMo 1994, states that no fund shall lose revenue because of a reduction in school tax levies due to Proposition C. The Ex Officio Collector determines the 1 percent to be withheld prior to adjusting school property tax collections for the effects of Proposition C, resulting in incorrect assessment withholdings. For the months of December 1999 and 1998, amounts not withheld from school tax collections totaled approximately \$4,500.

The General Revenue Fund is required to fund assessment costs not funded by the state and other taxing authorities in the county. As a result of the Ex Officio Collector not considering Proposition C adjustments when determining the one percent assessment withholdings, the General Revenue Fund has funded a larger portion of assessment costs than was necessary. This condition also pertains to some previous years and the county should consider recalculating for past years to determine any necessary adjustments.

**WE RECOMMEND** the Ex Officio Collector adjust the amounts withheld from school tax collections to take into consideration the effects of Proposition C and withhold the appropriate portion for assessment purposes as provided by statute. In addition, the county should consider recalculating the assessment withholding amounts for past years and withhold appropriate amounts from future school property tax distributions.

#### **AUDITEE'S RESPONSE**

*We have implemented a schedule to reimburse the Assessment Fund for 1999 and 1998. Of the approximate \$4,400 due to the fund, all but \$37 has been withheld from current school tax distributions. We have determined that approximately \$5,600 is due to the Assessment Fund for 1997 and 1996. Reimbursement to the fund will be made as taxes are collected.*

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| <b>6. Circuit Court Liabilities</b> |
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As discussed in several prior audit reports, the Circuit Clerk does not prepare a monthly listing of liabilities. The most recent listing of liabilities was prepared as of December 31, 1995, and indicated the reconciled cash balance exceeded the listing by approximately \$3,065. The reconciled bank balance of the fee account was approximately \$25,275 at December 31, 1999.

Monthly listings of liabilities are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of differences.

**WE RECOMMEND** the Circuit Clerk establish and maintain an accurate monthly listing of liabilities which can be reconciled to the appropriate accounting records.

## **AUDITEE'S RESPONSE**

*We will be implementing this recommendation when preparing the August 2000 bank reconciliation.*

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| <b>7. Circuit Court Accrued Costs Records and Procedures</b> |
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As similarly discussed in several prior audit reports, formal procedures have not been established to ensure all accrued costs (court costs, incarceration costs, court-ordered restitution, and fines) pertaining to criminal cases are adequately identified and pursued. A listing of accrued costs owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. When a case is closed and the costs determined, the Circuit Clerk prepares and sends a cost bill to the defendant. If payment is not received, the Circuit Clerk does not initiate any further collection procedures. In addition, summary records are not maintained of accrued cost balances and the Circuit Clerk does not periodically determine total accrued costs. An estimate of the total accrued costs could not be determined by the Circuit Clerk. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.

- A. Our review of criminal cases with accrued costs and the related billings prepared by the Circuit Clerk and sent to defendants, the state, or other counties revealed some concerns.
- 1) The Circuit Clerk maintains separate fee sheets for cases where amounts are still due. Our scan of these fee sheets identified twelve cases where payments were not being made as required by the court order. Additional follow up efforts appeared necessary, however, for eight of these cases appropriate actions had not been taken by the court to collect these costs from the defendant or bill the state when appropriate. As of March 2000, accrued costs related to these cases totaled approximately \$5,365.
  - 2) Section 221.105, RSMo Cumulative Supp. 1999, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing and submitting cost bills to the state for reimbursement. The revenue generated by these billings is received by the county. Section 33.120, RSMo Cumulative Supp. 1999, requires all such bills to be submitted to the state's Office of Administration within two years of the date of judgment and sentence.

The Circuit Clerk does not submit criminal cost billings to the state for incarceration costs related to defendants where the court retained the option of granting probation to the defendant after 120 days pursuant to Section 559.115, RSMo Cumulative Supp. 1999. However, if the defendant violates

probation and returns to the Department of Corrections for the original sentence period the Circuit Clerk will then bill the state. Although it appears the Circuit Clerk's Office generally ensured that other applicable cases (non-120 day cases) were properly billed, we noted one such case for 1996, involving billable incarceration costs of \$3,526, which was never billed to the state. Since the two year time limit has expired on this case, this represents revenue which has been lost to the county. In addition, after we brought it to the Circuit Clerk's attention, a billing for a similar case with costs totaling \$682 was submitted to the state one day prior to the two year allowable period expiring.

- 3) Criminal cost billings prepared by the Circuit Clerk and sent to defendants, the state, or other counties are not always completed properly. For 10 of 22 cost billings tested, the incorrect number of days of incarceration or the incorrect cost per day were used in the computation. This resulted in the county both over and under billing for some cases with a net over billing of approximately \$1,500. Problems resulted from errors made by both the Circuit Clerk's office and Sheriff's department. For some cases, the Sheriff's department submitted amended certifications to the court; however, amended billings were not prepared. The Circuit Clerk needs to ensure the number of incarceration days is correct and in agreement with the Sheriff's certification, and that the proper billing rate is utilized in the computation. Careful scrutiny of billing information by both the Circuit Clerk and Sheriff would provide the county with greater assurance that it is being reimbursed properly.

To ensure criminal cost reimbursements received by the county are maximized and amounts are correct, all allowable costs should be billed in a timely manner, cost billings should be thoroughly examined for accuracy by the Circuit Clerk, and all methods available to the court to pursue unpaid costs should be exercised regularly and timely.

- B. When an order of probation or a specified court order includes the payment of victim restitution, the Circuit Judge may order that the restitution be paid through the Sheriff's department. While reviewing the restitution case files at the Sheriff's department it was determined that there was approximately \$88,000 in outstanding restitution due as of February 2000. Our review of thirteen of these restitution case files (which account for approximately \$67,000 or 76 percent of the February 2000 outstanding restitution total) revealed that ten defendants were not making payments in accordance with their order of probation or specified court order. Of the ten defendants that were not making payments, two were on probation under the supervision of the court, one was never placed on probation, and seven were under the supervision of a probation and parole officer. Our review of the related case files noted some concerns.



- 1) For the two defendants under court supervision payments were not being made as ordered and appropriate follow-up action was not taken. For one of these cases \$2,216 of restitution and \$476 of court costs were due from 1992. Three payments totaling \$100 were made during 1992. For the other case the defendant was ordered to pay full restitution totaling \$1,305 within sixty days in 1991. No payments have been made. Despite the lack of payment, there is no evidence in either of these case files of further efforts by the Sheriff or Circuit Court to pursue monies due.
- 2) In May 1995 a defendant pled guilty and was ordered to pay fines and court costs of \$634 and restitution of \$3,149 within thirty days. This defendant was not placed on probation. While case records indicate the fines and court costs were paid during 1995, there was no evidence that restitution was paid or appropriate follow-up action taken.
- 3) For defendants placed on supervised probation and required to report to a Department of Corrections probation and parole officer, regular case summary reports are to be filed with the court. These reports indicate whether or not the defendants are adhering to the conditions of probation. In addition, if the defendant violates any of the conditions of probation, a violation report should be filed with the court. Upon signing the order of probation, the defendant is made aware that a violation of probation could result in executing the original sentence.

A review of file documentation pertaining to three of these cases indicated that regular case summary reports and violation reports were on file and included various recommendations made by probation and parole officers, some of which were intended to improve the possibility of collecting more or all of the unpaid restitution or to further penalize the defendant for lack of payment. There was no documentation in these files to document the court's consideration of these recommendations and reasons for not applying them. In addition, there was no documentation that the court actively pursued other options available to collect restitution monies owed. These defendants were discharged from probation during 1993, 1996, and 1998, with significant restitution balances of \$8,532, \$4,145, and \$12,000 still owed.

A review of file documentation pertaining to the other four cases where defendants were on supervised probation indicated no particular concerns regarding the court's actions.

From our review it appeared the court did not always use various options available to collect unpaid monies, including probation and parole officer recommendations, periodic rebillings, show cause orders, and requesting the Circuit Judge to issue warrants. In addition, the Circuit Clerk and Sheriff need to improve communications

regarding the status of restitution cases to ensure that the court can implement appropriate actions in a timely manner. Ineffective monitoring of cases with accrued costs and the failure to utilize available options in a timely manner can result in lost revenues.

To ensure that all applicable monies are received by the Circuit Court and/or Sheriff's department, formal procedures should be established and records of accrued cost balances should be maintained. These records should be periodically reviewed to ensure that accrued costs are identified and followed up on in a timely manner.

**WE RECOMMEND** the Circuit Clerk:

- A.1. Establish adequate procedures to monitor and collect accrued costs.
- 2. Take timely action to ensure any unbilled costs pertaining to past 120 day cases are billed to the state before the two-year time limit expires. In addition, in the future, the Circuit Clerk should ensure all billable criminal costs are billed to the state on a timely basis.
- 3. Work with the Sheriff to ensure the accuracy of cost billings to defendants and other political subdivisions.
- B. Work with the Circuit Judge and Sheriff to ensure that the status of cases with restitution balances are monitored and all appropriate actions are taken to pursue any unpaid amounts due.

**AUDITEE'S RESPONSE**

- A.1. *I have started placing defendants with accrued case costs on the Circuit Judge's show cause docket. If the defendant fails to appear in court a warrant is issued for their arrest with a bond that is set in excess of the accrued case costs to cover the costs of issuing the arrest warrant.*
- 2. *I will immediately bill all applicable costs to the state and will try to recover the costs from the defendant if they should happen to be placed on probation.*
- 3. *I will immediately begin working with the Sheriff to ensure the accuracy of the cost billings. However, if there is an error on a cost billing that is submitted to the state the state will correct the error and send the appropriate reimbursement.*
- B. *A copy of all probation violation reports is submitted to the Circuit Judge, the Prosecuting Attorney, and retained by my office. I will discuss the violation reports with the Circuit Judge to determine his expectations concerning these cases and violation reports in general.*

## **AUDITOR'S COMMENT**

- A.3. Errors were noted in billings to defendants and other political subdivisions, not just billings to the state. If inappropriate information regarding dates of incarceration are submitted to the state, errors may not be detected. The court should not rely on the state to correct its errors.

|  |
|--|
| <b>8. Sheriff's Accounting Records, Controls, and Procedures</b> |
|--|

During our review of the Sheriff's office we noted the following areas of concern in the accounting controls and procedures:

- A.1. Accounting and record keeping duties are not properly segregated. All employees in the sheriff's department collect receipts and have access to monies received. The bookkeeper, who has primary responsibilities for collecting receipts, also prepares and makes deposits, prepares checks, maintains the various records, and performs month-end reconciliations. Neither the Sheriff nor anyone else independent of these processes performs periodic comparisons of receipts records to deposits or reviews the month-end reconciliations.
2. The sheriff's department also receives monies from employees and visitors for the purchase of snacks and sodas. The monies received from the sales are not properly controlled or accounted for and are simply placed in cans in the booking area.

To establish accountability and adequately protect monies from loss, theft or misuse, monies should be secured in a location with access limited to the individual responsible for the monies, records should be maintained for all monies received, and independent reviews of the monthly bank reconciliations and comparisons of deposits and accounting records performed.

- B. The Chariton County Sheriff's Department receives personal monies for inmates and operates a commissary to purchase snacks and soda for prisoners. During our review of procedures relating to these monies, we noted the following concerns:
- 1) Although prenumbered receipt slips are issued when prisoner monies are received, the method of payment is not always indicated on the receipt slips and they are not properly controlled and accounted for.
  - 2) Each prisoner has his/her own ledger sheet which records information such as deposits, purchases, and balance. Although these subsidiary ledger sheets are maintained, they are not reconciled to the inmate bank account balance.

Upon our request, a March 9, 2000, listing of individual inmate balances was prepared. The listing revealed a difference of approximately \$38 between the bank balance and the Sheriff's subsidiary records.

- 3) Snack and soda inventories are purchased with county General Revenue Fund monies. However, a periodic comparison of county purchases to total sales (comprised of sales to inmates and sales to employees and visitors as discussed above in A.2.) and monies periodically remitted to the County Treasurer is not performed.

To help ensure that all monies are properly received and accounted for, and to reduce the risk of loss or misuse of funds, receipt slips should indicate the method of payment, they should be properly controlled, and their numerical sequence should be properly accounted for. To also assist in accounting for monies received, a listing of individual inmate balances should be prepared and maintained to explain bank balances. In addition, periodic comparisons of county purchases to sales and transmittals are needed to better account for items sold, evaluate the reasonableness of any profits made, and account for monies transmitted to the County Treasurer.

**WE RECOMMEND** the Sheriff:

- A. Limit the access to monies received, maintain records of all monies received and disbursed, compare the composition of receipts to deposits, and properly review and approve the monthly bank reconciliations.
- B.1. Indicate the method of payment on all receipt slips, properly control receipt slips, and properly account for their numerical sequence.
2. Investigate the reason for the unreconcilable difference between the subsidiary ledger sheets and inmate account and prepare a monthly listing of individual inmate balances to document what comprises the bank balance.
3. Perform periodic comparisons of county purchases to overall sales and transmittals to the County Treasurer.

**AUDITEE'S RESPONSE**

- A. *I will designate a person per shift to take money and issue receipt slips. I will also designate an alternate person to receive money. Although the report states that I do not perform periodic comparisons of records, I do look over records every quarter. I will start to initial each record after I check them.*
- B.1. *We will write on each receipt slip if we received cash, check, or money order, and put the check or money order number on the receipt slip. Receipt slips will be properly accounted*

*for.*

2. *I will investigate the \$38 and ensure a listing of inmate balances is prepared each month.*
3. *I will work with the County Treasurer on this each quarter, rather than yearly as is done at this time.*

*All of the recommendations will be implemented during August 2000.*

This report is intended for the information of the management of Chariton County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## CHARITON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Chariton County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR.

### 1. County Financial Statements and Commission Minutes

- A. The county's published financial statements did not include activity for the Health Center Fund or the Senate Bill 40 Board Fund.
- B. The County Commission did not approve meeting minutes until they were entered into the official record book and the County Clerk had not typed the minutes into the official record book since September 18, 1995. The unofficial handwritten notes from the meetings were kept by one of the commissioners and did not always include a record of commissioners present or absent, or a record of votes taken.

#### Recommendation:

The County Commission:

- A. Ensure the published financial statements include all county funds as required by state law.
- B. Ensure a complete record of commission meetings is made and approved on a timely basis.

#### Status:

- A. Implemented.
- B. Not implemented. See MAR No. 1.

### 2. County Expenditures

- A. Bids were not always solicited nor was the selection process always documented for various purchases made by the county.
- B. The county did not issue Forms 1099-MISC.
- C. The county's procedures for making repairs and improvements to drainage districts did not comply with state law.

- D. The county provided funding totaling \$11,188 to three local public service organizations without entering into written agreements with those organizations.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Establish procedures to ensure IRS Forms 1099-MISC are issued as required by the Internal Revenue Code.
- C. Ensure repairs and improvements are made to drainage districts in accordance with state law.
- D. Refrain from providing public funds to local public service organizations unless the funding is provided under written agreements which adequately detail the duties and responsibilities of the parties.

Status:

A&C. Not implemented. See MAR No. 2.

B&D. Implemented.

3. General Fixed Assets

- A. An annual inventory of all general fixed assets and quarterly inspections of all lands and buildings were not being conducted by the County Clerk.
- B. The property records did not contain totals.
- C. County asset items were not numbered, tagged, or otherwise identified as county property.

Recommendation:

The County Clerk:



- A. Perform an annual inventory of all general fixed asset items and quarterly inspections of buildings and land in accordance with Section 51.155, RSMo 1997 Cum. Supp. Records should be maintained to document the inventory and inspections.
- B. Provide control totals in the general fixed asset records and reconcile additions and deletions to fixed asset purchases and dispositions to ensure the accuracy of the fixed asset records.
- C. Tag or otherwise identify each property item as being property of Chariton County.

Status:

- A,B,  
&C. Not implemented. However, legislation passed in 1999 changed responsibilities for county officials concerning fixed asset records. For related comments, see MAR No. 3.

4. Circuit Clerk's Accounting Records, Controls, and Procedures

- A. No formal procedures had been established to ensure all accrued costs are adequately identified and pursued.
- B.1. The Circuit Clerk did not prepare a monthly listing of liabilities.
  - 2. Old, inactive cases dating back twenty years or more had not yet been disbursed.
- C. The Circuit Clerk did not follow up on outstanding checks.

Recommendation:

The Circuit Clerk:

- A. Establish adequate procedures to follow up and collect costs that accrue to the court.
- B.1. Establish and maintain an accurate monthly listing of liabilities which can be reconciled to the appropriate accounting records. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state statute.
  - 2. Along with the Circuit Judge, review the older cases and determine the appropriate disposition of inactive cases.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

Status:

- A. Partially implemented. The Circuit Clerk follows up on civil cases. However, proper follow-up is not performed for criminal cases. See MAR No. 7.
- B.1. Not implemented. See MAR No. 6.
- B.2.
- &C. Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

CHARITON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1820, the county of Chariton was named after the Chariton River or possibly after John Charvette, a fur trader who drowned in what is now the Chariton River. Chariton County is a township-organized, third-class county and is part of the Ninth Judicial Circuit. The county seat is Keytesville.

Chariton County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Chariton County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 264,529   | 14         | 263,363   | 11         |
| Sales taxes               | 216,255      | 11         | 269,800   | 11         |
| Federal and state aid     | 1,154,496    | 61         | 1,672,293 | 67         |
| Fees, interest, and other | 267,386      | 14         | 291,916   | 11         |
| Total                     | \$ 1,902,666 | 100        | 2,497,372 | 100        |

The following chart shows how Chariton County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 805,229   | 39         | 712,280   | 28         |
| Public safety             | 531,873      | 25         | 517,875   | 20         |
| Highways and roads        | 751,223      | 36         | 1,310,296 | 52         |
| Total                     | \$ 2,088,325 | 100        | 2,540,451 | 100        |

In addition, Chariton County has a Law Enforcement Sales Tax Fund, with sales tax and interest receipts of \$258,110 and \$243,097 and disbursements of \$156,166 and \$140,231, for the years ended December 31, 1999 and 1998, respectively. This fund is being used to make interest and principal payments related to the jail building lease-purchase agreement.

The county maintains approximately 225 county bridges and the townships maintain approximately 800 miles of county roads.

The county's population was 11,084 in 1970 and 9,202 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 44.8                    | 41.5 | 46.2  | 28.4   | 22.3   |
| Personal property      |    | 22.8                    | 21.9 | 10.9  | 11.2   | 6.7    |
| Railroad and utilities |    | 30.7                    | 31.3 | 31.8  | 24.5   | 20.1   |
| Total                  | \$ | 98.3                    | 94.7 | 88.9  | 64.1   | 49.1   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Chariton County's property tax rates per \$100 of assessed valuations were as follows:

|                           |    | Year Ended December 31, |      |
|---------------------------|----|-------------------------|------|
|                           |    | 1999                    | 1998 |
| General Revenue Fund      | \$ | .30                     | .28  |
| Health Center Fund        |    | .10                     | .10  |
| Senate Bill 40 Board Fund |    | .05                     | .05  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most local governments. Taxes collected were distributed as follows:

|                              |    | Year Ended February 28(29), |                  |
|------------------------------|----|-----------------------------|------------------|
|                              |    | 2000                        | 1999             |
| State of Missouri            | \$ | 29,713                      | 28,164           |
| General Revenue Fund         |    | 310,634                     | 283,798          |
| Special Road and Bridge Fund |    | 696,968                     | 658,710          |
| Assessment Fund              |    | 51,670                      | 45,038           |
| Health Center Fund           |    | 97,154                      | 92,882           |
| Senate Bill 40 Board Fund    |    | 49,198                      | 47,031           |
| School districts             |    | 3,573,364                   | 3,361,822        |
| Townships                    |    | 98,366                      | 94,038           |
| Ambulance district           |    | 254,920                     | 243,705          |
| Fire protection district     |    | 90,206                      | 68,948           |
| Drainage districts           |    | 21,528                      | 22,332           |
| Watershed district           |    | 0                           | 40               |
| Cities                       |    | 37,602                      | 43,430           |
| County Clerk                 |    | 271                         | 298              |
| County Employees' Retirement |    | 14,393                      | 11,324           |
| Commissions and fees:        |    |                             |                  |
| Township Collectors          |    | 38,797                      | 37,863           |
| General Revenue Fund         |    | 68,472                      | 62,233           |
| Total                        | \$ | <u>5,433,256</u>            | <u>5,101,656</u> |

Percentages of current taxes collected were as follows:

|                        |  | Year Ended February 28(29). |        |
|------------------------|--|-----------------------------|--------|
|                        |  | 2000                        | 1999   |
| Real estate            |  | 96.4 %                      | 96.3 % |
| Personal property      |  | 95.0                        | 94.9   |
| Railroad and utilities |  | 100.0                       | 100.0  |
| Drainage districts     |  | 95.8                        | 97.8   |

Chariton County also has the following sales taxes; rates are per \$1 of retail sales:

|                 | Rate     | Expiration Date | Required Property Tax Reduction |
|-----------------|----------|-----------------|---------------------------------|
| General         | \$ .0050 | None            | 50                              |
| Law Enforcement | .0050    | None            | None                            |
| Use Tax         | .0100    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| Larry R. Peters, Presiding Commissioner   | \$     | 23,384 | 11,700 |
| Gail Brown, Associate Commissioner  |        | 21,384 | 11,700 |
| Ray Dowell, Associate Commissioner  |        | 21,384 | 11,700 |
| Susan Littleton, County Clerk   |        | 32,400 | 25,500 |
| Julie Fox, Prosecuting Attorney   |        | 38,700 | 25,226 |
| Christopher Hughes, Sheriff   |        | 35,000 | 35,000 |
| William Leatherwood, County Coroner   |        | 5,500  | 5,500  |
| Patti Yung, Public Administrator *  |        | 12,639 | 16,362 |
| Beverly Vasser, Treasurer and Ex Officio County Collector, year ended March 31, | 28,745 | 28,745 |        |
| Jerry Hayes, County Assessor **, year ended August 31,                          |        | 33,300 | 33,300 |
| Marcus Magee, County Surveyor ***   |        |        |        |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

\*\*\* Compensation on a fee basis.

State-Paid Officials:

|   |        |        |
|---|--------|--------|
| Robert Widmer, Circuit Clerk and Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Michael Midyett, Associate Circuit Judge                      | 87,235 | 85,158 |



A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 1                           | 1        |
| County Clerk                                   | 2                           | 0        |
| Prosecuting Attorney                           | 1                           | 0        |
| Sheriff  | 19 *                        | 0        |
| County Coroner                                 | 1 **                        | 0        |
| Treasurer and Ex Officio County Collector      | 1                           | 0        |
| County Assessor                                | 3                           | 0        |
| Associate and Probate Division                 | 0                           | 2 ***    |
| Road and Bridge                                | 6                           | 0        |
| Health Center                                  | 10 ****                     | 0        |
| Total  | <u>44</u>                   | <u>3</u> |

\* Includes five part-time employees

\*\* Part-time employee

\*\*\* Includes one part-time employee

\*\*\*\* Includes four part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Chariton County's share of the Ninth Judicial Circuit's expenses is 31.28 percent.

Following the completion of the jail in 1995, the county entered into a 20 year lease-purchase agreement to pay for the building. At December 31, 1999, the county owed \$1,420,000 in principal and \$974,367 in interest for a total of \$2,394,367.

\* \* \* \* \*



MONTGOMERY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-90  
September 14, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Montgomery, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Montgomery County included additional areas of county operations, as well as the elected county officials. Some of the current recommendations are similar to prior recommendations that were not implemented by county officials. The following concerns were noted as part of the audit:

- During the two years ended December 31, 1999, the General Revenue Fund's cash balances were maintained at significantly low levels. Additionally, based on the county's budget for the year ended December 31, 2000, the ending cash balance of the General Revenue Fund is projected to be only \$5,300. While receipts increased significantly in 1998, disbursements have steadily risen each year. The county has not been able to set aside any of the increased receipts, but has used those additional funds. The audit report suggested that the County Commission consider various alternatives of increasing receipts or decreasing disbursements to improve the financial condition and maintain an adequate cash reserve.
- Calculation errors were made in the apportionments of the 1997, 1998, and 1999 railroad and utility taxes. Erroneous information used in 1997 was carried forward, causing the 1998 and 1999 errors.
- The County does not have a procedure in place to track federal awards for preparation of the schedule of federal awards. The information presented by the County Clerk for some of the programs did not agree with the county's expenditure records. Without a timely and accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

As in the prior audit report, the audit also included recommendations to improve records and procedures for fixed assets. Also, included in the audit are recommendations to improve the accounting controls and procedures for the Circuit Clerk, Associate Circuit/Probate Division, Prosecuting Attorney, and Sheriff.

**Copies of the audit are available upon request.**

YELLOW SHEET

# MONTGOMERY COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Montgomery County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Montgomery County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Montgomery County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Montgomery County.

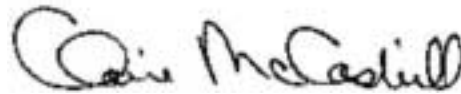
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Montgomery County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended

December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 14, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Montgomery County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 14, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                              |
|---------------------|------------------------------|
| Director of Audits: | Thomas J. Kremer, CPA        |
| Audit Manager:      | Douglas J. Porting, CPA      |
| In-Charge Auditor:  | Gayle A. Garrison            |
| Audit Staff:        | Heather Thompson             |
|                     | Susan M. Cessac              |
|                     | Jerry C. Lamprecht, Jr., CPA |
|                     | Stephen M. Garner, Jr.       |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Montgomery County, Missouri

We have audited the special-purpose financial statements of various funds of Montgomery County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

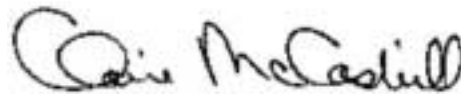
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Montgomery County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Montgomery County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Montgomery County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 14, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 76,704          | 1,704,121 | 1,753,015     | 27,810               |
| Special Road and Bridge             | 148,934            | 1,315,642 | 1,269,885     | 194,691              |
| Assessment                          | 9,541              | 133,404   | 136,866       | 6,079                |
| DARE Program                        | 2,729              | 329       | 938           | 2,120                |
| Emergency Preparedness              | 4,331              | 36,387    | 38,287        | 2,431                |
| Emergency 911                       | 68,161             | 98,916    | 73,043        | 94,034               |
| Prosecuting Attorney Bad Check      | 11,497             | 7,760     | 4,769         | 14,488               |
| Capital Improvement                 | 269,985            | 466,201   | 381,943       | 354,243              |
| Law Enforcement Training            | 8,891              | 18,815    | 4,894         | 22,812               |
| Prosecuting Attorney Training       | 20,744             | 1,622     | 3,217         | 19,149               |
| Johnson Grass                       | 5,973              | 0         | 74            | 5,899                |
| Recorder's User Fee                 | 4,428              | 6,333     | 6,406         | 4,355                |
| Sheriff Forfeiture                  | 2,148              | 60        | 1,518         | 690                  |
| Local Emergency Planning            | 8,262              | 4,775     | 92            | 12,945               |
| Sheriff's Operation                 | 15,819             | 29,107    | 39,466        | 5,460                |
| Children's Trust                    | 3,943              | 522       | 0             | 4,465                |
| Law Library                         | 4,321              | 4,951     | 3,733         | 5,539                |
| Circuit Clerk Interest              | 4,635              | 908       | 972           | 4,571                |
| Associate Circuit Interest          | 14,009             | 889       | 0             | 14,898               |
| Prosecuting Attorney Delinquent Tax | 6,299              | 214       | 0             | 6,513                |
| Law Enforcement Block Grant         | 0                  | 4,051     | 4,019         | 32                   |
| Health Center                       | 130,704            | 447,130   | 393,979       | 183,855              |
| POST Commission                     | 3,721              | 1,933     | 5,562         | 92                   |
| Total                               | \$ 825,779         | 4,284,070 | 4,122,678     | 987,171              |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit A-2

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 6,911           | 1,737,378 | 1,667,585     | 76,704               |
| Special Road and Bridge             | 130,420            | 1,071,499 | 1,052,985     | 148,934              |
| Assessment                          | 5,292              | 121,396   | 117,147       | 9,541                |
| DARE Program                        | 3,713              | 1,308     | 2,292         | 2,729                |
| Emergency Preparedness              | 9,492              | 29,592    | 34,753        | 4,331                |
| Emergency 911                       | 46,673             | 91,762    | 70,274        | 68,161               |
| Prosecuting Attorney Bad Check      | 18,153             | 6,559     | 13,215        | 11,497               |
| Capital Improvement                 | 114,854            | 488,542   | 333,411       | 269,985              |
| Law Enforcement Training            | 9,307              | 13,760    | 14,176        | 8,891                |
| Prosecuting Attorney Training       | 19,611             | 1,657     | 524           | 20,744               |
| Johnson Grass                       | 6,162              | 0         | 189           | 5,973                |
| Recorder's User Fee                 | 4,715              | 6,120     | 6,407         | 4,428                |
| Sheriff Forfeiture                  | 2,094              | 54        | 0             | 2,148                |
| Local Emergency Planning            | 8,668              | 3,925     | 4,331         | 8,262                |
| Sheriff's Operation                 | 3,228              | 18,861    | 6,270         | 15,819               |
| Children's Trust                    | 3,507              | 436       | 0             | 3,943                |
| Law Library                         | 1,181              | 5,957     | 2,817         | 4,321                |
| Circuit Clerk Interest              | 4,391              | 685       | 441           | 4,635                |
| Associate Circuit Interest          | 15,914             | 1,093     | 2,998         | 14,009               |
| Prosecuting Attorney Delinquent Tax | 6,050              | 249       | 0             | 6,299                |
| Law Enforcement Block Grant         | 6                  | 0         | 6             | 0                    |
| Health Center                       | 135,255            | 479,037   | 483,588       | 130,704              |
| POST Commission                     | 1,623              | 2,098     | 0             | 3,721                |
| Total                               | \$ 557,220         | 4,081,968 | 3,813,409     | 825,779              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Property taxes                      | \$ 281,917              | 284,093   | 2,176                                  | 227,471   | 218,283   | (9,188)                                |
| Sales taxes                         | 560,263                 | 554,718   | (5,545)                                | 534,795   | 551,271   | 16,476                                 |
| Intergovernmental                   | 619,591                 | 583,813   | (35,778)                               | 616,172   | 486,510   | (129,662)                              |
| Charges for services                | 224,250                 | 233,132   | 8,882                                  | 203,250   | 221,342   | 18,092                                 |
| Interest                            | 8,000                   | 11,289    | 3,289                                  | 12,500    | 8,872     | (3,628)                                |
| Other                               | 47,549                  | 32,076    | (15,473)                               | 107,900   | 121,100   | 13,200                                 |
| Transfers in                        | 87,500                  | 5,000     | (82,500)                               | 25,000    | 130,000   | 105,000                                |
| Total Receipts                      | 1,829,070               | 1,704,121 | (124,949)                              | 1,727,088 | 1,737,378 | 10,290                                 |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| County Commission                   | 77,354                  | 77,459    | (105)                                  | 60,543    | 60,704    | (161)                                  |
| County Clerk                        | 81,199                  | 83,869    | (2,670)                                | 77,576    | 73,249    | 4,327                                  |
| Elections                           | 0                       | 0         | 0                                      | 16,640    | 9,814     | 6,826                                  |
| Buildings and grounds               | 49,357                  | 66,580    | (17,223)                               | 93,319    | 90,618    | 2,701                                  |
| County Treasurer                    | 32,997                  | 32,051    | 946                                    | 24,834    | 24,686    | 148                                    |
| County Collector                    | 63,730                  | 59,593    | 4,137                                  | 60,223    | 54,230    | 5,993                                  |
| Circuit Clerk                       | 29,382                  | 26,288    | 3,094                                  | 33,434    | 26,497    | 6,937                                  |
| Associate Circuit                   | 20,003                  | 16,519    | 3,484                                  | 21,483    | 14,254    | 7,229                                  |
| Court administration                | 16,903                  | 13,522    | 3,381                                  | 17,133    | 11,126    | 6,007                                  |
| Public Administrator                | 7,124                   | 7,310     | (186)                                  | 7,402     | 7,477     | (75)                                   |
| Sheriff                             | 301,829                 | 300,456   | 1,373                                  | 318,860   | 317,119   | 1,741                                  |
| Jail                                | 448,678                 | 441,941   | 6,737                                  | 381,137   | 352,129   | 29,008                                 |
| Prosecuting Attorney                | 100,524                 | 100,305   | 219                                    | 94,057    | 83,537    | 10,520                                 |
| Juvenile Officer                    | 89,823                  | 67,713    | 22,110                                 | 92,750    | 94,713    | (1,963)                                |
| County Coroner                      | 10,444                  | 9,927     | 517                                    | 11,029    | 8,293     | 2,736                                  |
| Court Reporter                      | 5,885                   | 156       | 5,729                                  | 5,885     | 177       | 5,708                                  |
| Communications center               | 187,023                 | 203,411   | (16,388)                               | 190,584   | 182,918   | 7,666                                  |
| Planning and zoning                 | 29,019                  | 23,147    | 5,872                                  | 22,836    | 22,255    | 581                                    |
| Other                               | 129,638                 | 140,930   | (11,292)                               | 119,662   | 125,705   | (6,043)                                |
| Transfers out                       | 86,000                  | 70,000    | 16,000                                 | 22,000    | 100,000   | (78,000)                               |
| Emergency Fund                      | 53,007                  | 11,838    | 41,169                                 | 51,813    | 8,084     | 43,729                                 |
| Total Disbursements                 | 1,819,919               | 1,753,015 | 66,904                                 | 1,723,200 | 1,667,585 | 55,615                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 9,151                   | (48,894)  | (58,045)                               | 3,888     | 69,793    | 65,905                                 |
| CASH, JANUARY 1                     | 76,704                  | 76,704    | 0                                      | 6,911     | 6,911     | 0                                      |
| CASH, DECEMBER 31                   | \$ 85,855               | 27,810    | (58,045)                               | 10,799    | 76,704    | 65,905                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 587,487              | 588,854   | 1,367                                  | 545,763   | 550,399   | 4,636                                  |
| Intergovernmental                     | 710,711                 | 697,686   | (13,025)                               | 715,032   | 483,698   | (231,334)                              |
| Charges for services                  | 3,739                   | 90        | (3,649)                                | 1,500     | 6,333     | 4,833                                  |
| Interest                              | 15,322                  | 16,197    | 875                                    | 15,700    | 15,621    | (79)                                   |
| Other                                 | 15,180                  | 11,315    | (3,865)                                | 34,500    | 15,448    | (19,052)                               |
| Transfers in                          | 0                       | 1,500     | 1,500                                  | 0         | 0         | 0                                      |
| Total Receipts                        | 1,332,439               | 1,315,642 | (16,797)                               | 1,312,495 | 1,071,499 | (240,996)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 320,000                 | 328,109   | (8,109)                                | 325,027   | 308,801   | 16,226                                 |
| Employee fringe benefits              | 56,680                  | 55,785    | 895                                    | 65,415    | 54,206    | 11,209                                 |
| Supplies                              | 103,900                 | 94,221    | 9,679                                  | 106,000   | 87,529    | 18,471                                 |
| Insurance                             | 10,050                  | 12,773    | (2,723)                                | 12,000    | 8,977     | 3,023                                  |
| Road and bridge materials             | 284,000                 | 277,370   | 6,630                                  | 284,000   | 257,863   | 26,137                                 |
| Equipment repairs                     | 60,000                  | 47,441    | 12,559                                 | 50,000    | 62,456    | (12,456)                               |
| Rentals                               | 3,000                   | 500       | 2,500                                  | 3,000     | 3,728     | (728)                                  |
| Equipment purchases                   | 159,600                 | 195,214   | (35,614)                               | 160,000   | 142,113   | 17,887                                 |
| Construction, repair, and maintenance | 382,000                 | 256,982   | 125,018                                | 311,300   | 107,312   | 203,988                                |
| Other                                 | 4,500                   | 1,490     | 3,010                                  | 0         | 0         | 0                                      |
| Transfers out                         | 12,500                  | 0         | 12,500                                 | 20,000    | 20,000    | 0                                      |
| Total Disbursements                   | 1,396,230               | 1,269,885 | 126,345                                | 1,336,742 | 1,052,985 | 283,757                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (63,791)                | 45,757    | 109,548                                | (24,247)  | 18,514    | 42,761                                 |
| CASH, JANUARY 1                       | 148,934                 | 148,934   | 0                                      | 130,420   | 130,420   | 0                                      |
| CASH, DECEMBER 31                     | \$ 85,143               | 194,691   | 109,548                                | 106,173   | 148,934   | 42,761                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Intergovernmental                   | \$ 126,360              | 129,694 | 3,334                                  | 121,219 | 118,996 | (2,223)                                |
| Charges for services                | 1,200                   | 2,300   | 1,100                                  | 1,000   | 889     | (111)                                  |
| Interest                            | 1,000                   | 1,302   | 302                                    | 800     | 1,170   | 370                                    |
| Other                               | 340                     | 108     | (232)                                  | 0       | 341     | 341                                    |
| Transfers in                        | 11,000                  | 0       | (11,000)                               | 22,000  | 0       | (22,000)                               |
| Total Receipts                      | 139,900                 | 133,404 | (6,496)                                | 145,019 | 121,396 | (23,623)                               |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Assessor                            | 140,993                 | 136,866 | 4,127                                  | 144,053 | 117,147 | 26,906                                 |
| Total Disbursements                 | 140,993                 | 136,866 | 4,127                                  | 144,053 | 117,147 | 26,906                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,093)                 | (3,462) | (2,369)                                | 966     | 4,249   | 3,283                                  |
| CASH, JANUARY 1                     | 9,541                   | 9,541   | 0                                      | 5,292   | 5,292   | 0                                      |
| CASH, DECEMBER 31                   | \$ 8,448                | 6,079   | (2,369)                                | 6,258   | 9,541   | 3,283                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DARE PROGRAM FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Interest                            | \$ 0     | 69            | 75     | 93     | 18            |  |
| Other                               | 2,000    | 260           | 5,000  | 1,215  | (3,785)       |  |
| Total Receipts                      | 2,000    | 329           | 5,075  | 1,308  | (3,767)       |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Supplies                            | 3,500    | 938           | 4,700  | 2,292  | 2,408         |  |
| Total Disbursements                 | 3,500    | 938           | 4,700  | 2,292  | 2,408         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,500)  | (609)         | 375    | (984)  | (1,359)       |  |
| CASH, JANUARY 1                     | 2,729    | 2,729         | 3,713  | 3,713  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,229 | 2,120         | 4,088  | 2,729  | (1,359)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit F

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY PREPAREDNESS FUND

| Year Ended December 31,             |          |         |  |         |         |  |
|-------------------------------------|----------|---------|--|---------|---------|--|
| 1999                                |          |         | 1998                                   |         |         |  |
|                                     | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |         |  |         |         |  |
| Intergovernmental                   | \$ 4,000 | 4,681   | 681                                    | 6,000   | 3,559   | (2,441)                                |
| Charges for services                | 30,554   | 30,669  | 115                                    | 25,507  | 25,507  | 0                                      |
| Interest                            | 500      | 695     | 195                                    | 500     | 503     | 3                                      |
| Other                               | 100      | 342     | 242                                    | 200     | 23      | (177)                                  |
| Total Receipts                      | 35,154   | 36,387  | 1,233                                  | 32,207  | 29,592  | (2,615)                                |
| DISBURSEMENTS                       |          |         |  |         |         |  |
| Salaries                            | 23,657   | 23,830  | (173)                                  | 22,696  | 22,130  | 566                                    |
| Office expenditures                 | 4,740    | 4,667   | 73                                     | 6,414   | 3,246   | 3,168                                  |
| Equipment                           | 1,680    | 2,051   | (371)                                  | 2,000   | 2,027   | (27)                                   |
| Mileage and training                | 1,400    | 2,218   | (818)                                  | 4,000   | 1,224   | 2,776                                  |
| Other                               | 1,600    | 521     | 1,079                                  | 1,000   | 1,126   | (126)                                  |
| Transfers out                       | 5,000    | 5,000   | 0                                      | 5,000   | 5,000   | 0                                      |
| Total Disbursements                 | 38,077   | 38,287  | (210)                                  | 41,110  | 34,753  | 6,357                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,923)  | (1,900) | 1,023                                  | (8,903) | (5,161) | 3,742                                  |
| CASH, JANUARY 1                     | 4,331    | 4,331   | 0                                      | 9,492   | 9,492   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,408 | 2,431   | 1,023                                  | 589     | 4,331   | 3,742                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY 911 FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 82,000                  | 94,837 | 12,837                                 | 88,281 | 88,276 | (5)                                    |
| Interest                            |    | 2,500                   | 3,204  | 704                                    | 1,500  | 2,431  | 931                                    |
| Other                               |    | 1,000                   | 875    | (125)                                  | 0      | 1,055  | 1,055                                  |
| Total Receipts                      |    | 85,500                  | 98,916 | 13,416                                 | 89,781 | 91,762 | 1,981                                  |
| <b>DISBURSEMENTS</b>                |    |                         |        |  |        |        |  |
| Salaries                            |    | 13,746                  | 13,831 | (85)                                   | 13,205 | 12,783 | 422                                    |
| Supplies                            |    | 4,500                   | 584    | 3,916                                  | 5,500  | 1,041  | 4,459                                  |
| Equipment                           |    | 62,500                  | 51,692 | 10,808                                 | 62,260 | 54,519 | 7,741                                  |
| Mileage and training                |    | 1,500                   | 362    | 1,138                                  | 1,410  | 506    | 904                                    |
| Other                               |    | 18,000                  | 5,074  | 12,926                                 | 3,500  | 1,425  | 2,075                                  |
| Transfers out                       |    | 0                       | 1,500  | (1,500)                                | 0      | 0      | 0                                      |
| Total Disbursements                 |    | 100,246                 | 73,043 | 27,203                                 | 85,875 | 70,274 | 15,601                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (14,746)                | 25,873 | 40,619                                 | 3,906  | 21,488 | 17,582                                 |
| CASH, JANUARY 1                     |    | 68,161                  | 68,161 | 0                                      | 46,673 | 46,673 | 0                                      |
| CASH, DECEMBER 31                   | \$ | 53,415                  | 94,034 | 40,619                                 | 50,579 | 68,161 | 17,582                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |               |        |         |               |  |
|-------------------------------------|-----------|---------------|--------|---------|---------------|--|
| 1999                                |           |               | 1998   |         |               |  |
|                                     |           | Variance      |        |         | Variance      |  |
|                                     |           | Favorable     |        |         | Favorable     |  |
|                                     |           | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |           |               |        |         |               |  |
| Charges for services                | \$ 5,400  | 7,322         | 5,000  | 5,967   | 967           |  |
| Interest                            | 200       | 438           | 425    | 592     | 167           |  |
| Total Receipts                      | 5,600     | 7,760         | 5,425  | 6,559   | 1,134         |  |
| DISBURSEMENTS                       |           |               |        |         |               |  |
| Salaries                            | 2,053     | 2,224         | 1,850  | 8,656   | (6,806)       |  |
| Supplies                            | 300       | 890           | 300    | 265     | 35            |  |
| Equipment                           | 2,500     | 1,655         | 400    | 4,294   | (3,894)       |  |
| Total Disbursements                 | 4,853     | 4,769         | 2,550  | 13,215  | (10,665)      |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 747       | 2,991         | 2,875  | (6,656) | (9,531)       |  |
| CASH, JANUARY 1                     | 11,497    | 11,497        | 18,153 | 18,153  | 0             |  |
| CASH, DECEMBER 31                   | \$ 12,244 | 14,488        | 21,028 | 11,497  | (9,531)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit I

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CAPITAL IMPROVEMENT FUND

| Year Ended December 31,             |            |         |  |          |         |  |
|-------------------------------------|------------|---------|--|----------|---------|--|
| 1999                                |            |         | 1998                                   |          |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |         |  |
| Sales taxes                         | \$ 376,327 | 376,280 | (47)                                   | 355,000  | 374,156 | 19,156                                 |
| Interest                            | 11,330     | 17,648  | 6,318                                  | 10,000   | 12,010  | 2,010                                  |
| Other                               | 0          | 2,273   | 2,273                                  | 3,600    | 2,376   | (1,224)                                |
| Transfers in                        | 75,000     | 70,000  | (5,000)                                | 0        | 100,000 | 100,000                                |
| Total Receipts                      | 462,657    | 466,201 | 3,544                                  | 368,600  | 488,542 | 119,942                                |
| DISBURSEMENTS                       |            |         |  |          |         |  |
| Salaries                            | 20,170     | 19,359  | 811                                    | 12,858   | 19,163  | (6,305)                                |
| Supplies                            | 5,635      | 0       | 5,635                                  | 0        | 0       | 0                                      |
| Equipment                           | 34,111     | 47,609  | (13,498)                               | 55,800   | 36,421  | 19,379                                 |
| Debt service                        | 315,595    | 311,019 | 4,576                                  | 312,730  | 172,827 | 139,903                                |
| Other                               | 3,500      | 3,956   | (456)                                  | 0        | 0       | 0                                      |
| Transfers out                       | 70,000     | 0       | 70,000                                 | 0        | 105,000 | (105,000)                              |
| Total Disbursements                 | 449,011    | 381,943 | 67,068                                 | 381,388  | 333,411 | 47,977                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 13,646     | 84,258  | 70,612                                 | (12,788) | 155,131 | 167,919                                |
| CASH, JANUARY 1                     | 269,985    | 269,985 | 0                                      | 114,854  | 114,854 | 0                                      |
| CASH, DECEMBER 31                   | \$ 283,631 | 354,243 | 70,612                                 | 102,066  | 269,985 | 167,919                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Charges for services                | \$ 12,000 | 4,852         | 3,500   | 4,024  | 524           |  |
| Interest                            | 0         | 573           | 0       | 183    | 183           |  |
| Other                               | 0         | 13,390        | 6,500   | 9,553  | 3,053         |  |
| Total Receipts                      | 12,000    | 18,815        | 10,000  | 13,760 | 3,760         |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Sheriff                             | 16,000    | 4,894         | 14,500  | 14,176 | 324           |  |
| Total Disbursements                 | 16,000    | 4,894         | 14,500  | 14,176 | 324           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,000)   | 13,921        | (4,500) | (416)  | 4,084         |  |
| CASH, JANUARY 1                     | 8,891     | 8,891         | 9,307   | 9,307  | 0             |  |
| CASH, DECEMBER 31                   | \$ 4,891  | 22,812        | 4,807   | 8,891  | 4,084         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | \$ 1,700  | 938           | 1,525  | 1,002  | (523)         |  |
| Interest                            | 500       | 684           | 500    | 655    | 155           |  |
| Total Receipts                      | 2,200     | 1,622         | 2,025  | 1,657  | (368)         |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Prosecuting Attorney                | 6,000     | 3,217         | 575    | 524    | 51            |  |
| Total Disbursements                 | 6,000     | 3,217         | 575    | 524    | 51            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,800)   | (1,595)       | 1,450  | 1,133  | (317)         |  |
| CASH, JANUARY 1                     | 20,744    | 20,744        | 19,611 | 19,611 | 0             |  |
| CASH, DECEMBER 31                   | \$ 16,944 | 19,149        | 21,061 | 20,744 | (317)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
JOHNSON GRASS FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Other                               | \$ 0     | 0             | 0      | 0      | 0             |  |
| Total Receipts                      | 0        | 0             | 0      | 0      | 0             |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Supplies                            | 250      | 74            | 400    | 189    | 211           |  |
| Total Disbursements                 | 250      | 74            | 400    | 189    | 211           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (250)    | (74)          | (400)  | (189)  | 211           |  |
| CASH, JANUARY 1                     | 5,973    | 5,973         | 6,162  | 6,162  | 0             |  |
| CASH, DECEMBER 31                   | \$ 5,723 | 5,899         | 5,762  | 5,973  | 211           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 5,374 | 6,218         | 5,000   | 6,046  | 1,046         |  |
| Interest                            | 0        | 85            | 0       | 74     | 74            |  |
| Other                               | 0        | 30            | 0       | 0      | 0             |  |
| Total Receipts                      | 5,374    | 6,333         | 5,000   | 6,120  | 1,120         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Ex Officio Recorder of Deeds        | 9,802    | 6,406         | 7,146   | 6,407  | 739           |  |
| Total Disbursements                 | 9,802    | 6,406         | 7,146   | 6,407  | 739           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,428)  | (73)          | (2,146) | (287)  | 1,859         |  |
| CASH, JANUARY 1                     | 4,428    | 4,428         | 4,715   | 4,715  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 4,355         | 2,569   | 4,428  | 1,859         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF FORFEITURE FUND

| Year Ended December 31,             |         |               |        |        |               |  |
|-------------------------------------|---------|---------------|--------|--------|---------------|--|
| 1999                                |         |               | 1998   |        |               |  |
|                                     |         | Variance      |        |        | Variance      |  |
|                                     |         | Favorable     |        |        | Favorable     |  |
|                                     |         | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |         |               |        |        |               |  |
| Interest                            | \$ 0    | 60            | 0      | 54     | 54            |  |
| Other                               | 200     | 0             | 4,000  | 0      | (4,000)       |  |
| Total Receipts                      | 200     | 60            | 4,000  | 54     | (3,946)       |  |
| DISBURSEMENTS                       |         |               |        |        |               |  |
| Equipment                           | 2,000   | 1,518         | 4,000  | 0      | 4,000         |  |
| Total Disbursements                 | 2,000   | 1,518         | 4,000  | 0      | 4,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,800) | (1,458)       | 0      | 54     | 54            |  |
| CASH, JANUARY 1                     | 2,148   | 2,148         | 2,094  | 2,094  | 0             |  |
| CASH, DECEMBER 31                   | \$ 348  | 690           | 2,094  | 2,148  | 54            |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

MONTGOMERY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL EMERGENCY PLANNING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 3,500 | 4,452  | 952                                    | 4,200  | 3,654  | (546)                                  |
| Interest                            | 270      | 323    | 53                                     | 100    | 271    | 171                                    |
| Total Receipts                      | 3,770    | 4,775  | 1,005                                  | 4,300  | 3,925  | (375)                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Salaries                            | 1,600    | 0      | 1,600                                  | 1,500  | 0      | 1,500                                  |
| Mileage and training                | 1,975    | 33     | 1,942                                  | 1,025  | 320    | 705                                    |
| Equipment                           | 1,800    | 0      | 1,800                                  | 0      | 3,923  | (3,923)                                |
| Other                               | 150      | 59     | 91                                     | 0      | 88     | (88)                                   |
| Total Disbursements                 | 5,525    | 92     | 5,433                                  | 2,525  | 4,331  | (1,806)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,755)  | 4,683  | 6,438                                  | 1,775  | (406)  | (2,181)                                |
| CASH, JANUARY 1                     | 8,262    | 8,262  | 0                                      | 8,668  | 8,668  | 0                                      |
| CASH, DECEMBER 31                   | \$ 6,507 | 12,945 | 6,438                                  | 10,443 | 8,262  | (2,181)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S OPERATION FUND

|                                     | Year Ended December 31, |          |  |        |        |  |
|-------------------------------------|-------------------------|----------|--|--------|--------|--|
|                                     | 1999                    |          |  | 1998   |        |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |        |        |  |
| Charges for services                | \$ 12,000               | 13,318   | 1,318                                  | 15,000 | 13,233 | (1,767)                                |
| Interest                            | 0                       | 399      | 399                                    | 500    | 119    | (381)                                  |
| Other                               | 0                       | 15,390   | 15,390                                 | 14,500 | 5,509  | (8,991)                                |
| Total Receipts                      | 12,000                  | 29,107   | 17,107                                 | 30,000 | 18,861 | (11,139)                               |
| DISBURSEMENTS                       |                         |          |  |        |        |  |
| Salaries                            | 0                       | 0        | 0                                      | 7,649  | 0      | 7,649                                  |
| Supplies                            | 2,000                   | 1,092    | 908                                    | 100    | 0      | 100                                    |
| Equipment                           | 8,000                   | 37,126   | (29,126)                               | 6,363  | 4,530  | 1,833                                  |
| Grant matching                      | 5,000                   | 400      | 4,600                                  | 0      | 0      | 0                                      |
| Other                               | 7,000                   | 848      | 6,152                                  | 4,269  | 1,740  | 2,529                                  |
| Total Disbursements                 | 22,000                  | 39,466   | (17,466)                               | 18,381 | 6,270  | 12,111                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (10,000)                | (10,359) | (359)                                  | 11,619 | 12,591 | 972                                    |
| CASH, JANUARY 1                     | 15,819                  | 15,819   | 0                                      | 3,228  | 3,228  | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,819                | 5,460    | (359)                                  | 14,847 | 15,819 | 972                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit Q

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILDREN'S TRUST FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Other                               | \$ 400   | 522    | 122                                    |
| Total Receipts                      | 400      | 522    | 122                                    |
| DISBURSEMENTS                       |          |        |  |
| Services to children                | 0        | 0      | 0                                      |
| Total Disbursements                 | 0        | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 400      | 522    | 122                                    |
| CASH, JANUARY 1                     | 3,943    | 3,943  | 0                                      |
| CASH, DECEMBER 31                   | \$ 4,343 | 4,465  | 122                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 4,575 | 4,951  | 376                                    |
| Total Receipts                      | 4,575    | 4,951  | 376                                    |
| DISBURSEMENTS                       |          |        |  |
| Law library                         | 4,000    | 3,733  | 267                                    |
| Total Disbursements                 | 4,000    | 3,733  | 267                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 575      | 1,218  | 643                                    |
| CASH, JANUARY 1                     | 3,935    | 4,321  | 386                                    |
| CASH, DECEMBER 31                   | \$ 4,510 | 5,539  | 1,029                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |         |        |               |
|-------------------------------------|---------|--------|---------------|
| 1999                                |         |        |               |
|                                     |         |        | Variance      |
|                                     | Budget  | Actual | Favorable     |
|                                     |         |        | (Unfavorable) |
| RECEIPTS                            |         |        |               |
| Interest                            | \$ 480  | 908    | 428           |
| Total Receipts                      | 480     | 908    | 428           |
| DISBURSEMENTS                       |         |        |               |
| Circuit Clerk                       | 5,056   | 972    | 4,084         |
| Total Disbursements                 | 5,056   | 972    | 4,084         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,576) | (64)   | 4,512         |
| CASH, JANUARY 1                     | 4,576   | 4,635  | 59            |
| CASH, DECEMBER 31                   | \$ 0    | 4,571  | 4,571         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT INTEREST FUND

| Year Ended December 31,             |           |        |  |
|-------------------------------------|-----------|--------|--|
| 1999                                |           |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |
| Interest                            | \$ 500    | 889    | 389                                    |
| Total Receipts                      | 500       | 889    | 389                                    |
| DISBURSEMENTS                       |           |        |  |
| Associate Circuit Clerk             | 0         | 0      | 0                                      |
| Total Disbursements                 | 0         | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 500       | 889    | 389                                    |
| CASH, JANUARY 1                     | 13,972    | 14,009 | 37                                     |
| CASH, DECEMBER 31                   | \$ 14,472 | 14,898 | 426                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |          |        |               |
|-------------------------------------|----------|--------|---------------|
| 1999                                |          |        |               |
|                                     |          |        | Variance      |
|                                     | Budget   | Actual | Favorable     |
|                                     |          |        | (Unfavorable) |
| RECEIPTS                            |          |        |               |
| Interest                            | \$ 0     | 214    | 214           |
| Total Receipts                      | 0        | 214    | 214           |
| DISBURSEMENTS                       |          |        |               |
| Prosecuting Attorney                | 0        | 0      | 0             |
| Total Disbursements                 | 0        | 0      | 0             |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 214    | 214           |
| CASH, JANUARY 1                     | 6,299    | 6,299  | 0             |
| CASH, DECEMBER 31                   | \$ 6,299 | 6,513  | 214           |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

MONTGOMERY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT BLOCK GRANT

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1998                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Intergovernmental                   | \$ 0   | 0      | 0                                      |
| Total Receipts                      | 0      | 0      | 0                                      |
| DISBURSEMENTS                       |        |        |  |
| Sheriff                             | 0      | 6      | (6)                                    |
| Total Disbursements                 | 0      | 6      | (6)                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | (6)    | (6)                                    |
| CASH, JANUARY 1                     | 6      | 6      | 0                                      |
| CASH, DECEMBER 31                   | \$ 6   | 0      | (6)                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit W

MONTGOMERY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Property taxes                      | \$ 175,000              | 185,546 | 10,546                                 | 176,000  | 167,484 | (8,516)                                |
| Intergovernmental                   | 199,880                 | 215,695 | 15,815                                 | 304,005  | 267,911 | (36,094)                               |
| Charges for services                | 18,700                  | 18,903  | 203                                    | 18,400   | 19,862  | 1,462                                  |
| Interest                            | 7,500                   | 7,917   | 417                                    | 6,000    | 10,037  | 4,037                                  |
| Other                               | 11,000                  | 19,069  | 8,069                                  | 9,000    | 13,743  | 4,743                                  |
| Total Receipts                      | 412,080                 | 447,130 | 35,050                                 | 513,405  | 479,037 | (34,368)                               |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Salaries                            | 313,545                 | 310,617 | 2,928                                  | 384,584  | 358,019 | 26,565                                 |
| Office expenditures                 | 18,500                  | 16,324  | 2,176                                  | 20,800   | 17,717  | 3,083                                  |
| Equipment                           | 2,600                   | 2,758   | (158)                                  | 3,000    | 2,395   | 605                                    |
| Mileage and training                | 9,535                   | 7,736   | 1,799                                  | 16,725   | 10,217  | 6,508                                  |
| Building construction               | 0                       | 0       | 0                                      | 44,936   | 38,935  | 6,001                                  |
| Utilities                           | 4,000                   | 3,560   | 440                                    | 4,200    | 3,651   | 549                                    |
| Medical supplies                    | 10,100                  | 8,662   | 1,438                                  | 12,500   | 10,072  | 2,428                                  |
| Core                                | 10,000                  | 9,264   | 736                                    | 12,000   | 6,455   | 5,545                                  |
| Other                               | 41,570                  | 35,058  | 6,512                                  | 45,900   | 36,127  | 9,773                                  |
| Emergency                           | 1,000                   | 0       | 1,000                                  | 5,000    | 0       | 5,000                                  |
| Total Disbursements                 | 410,850                 | 393,979 | 16,871                                 | 549,645  | 483,588 | 66,057                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,230                   | 53,151  | 51,921                                 | (36,240) | (4,551) | 31,689                                 |
| CASH, JANUARY 1                     | 130,704                 | 130,704 | 0                                      | 135,255  | 135,255 | 0                                      |
| CASH, DECEMBER 31                   | \$ 131,934              | 183,855 | 51,921                                 | 99,015   | 130,704 | 31,689                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



MONTGOMERY COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Montgomery County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                      | <u>Years Ended December 31,</u> |
|----------------------------------|---------------------------------|
| Law Enforcement Block Grant Fund | 1999                            |
| POST Commission Fund             | 1999 and 1998                   |
| Children's Trust Fund            | 1998                            |
| Law Library Fund                 | 1998                            |
| Circuit Clerk Interest Fund      | 1998                            |
| Associate Circuit Interest Fund  | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| Emergency Preparedness Fund         | 1999                            |
| Sheriff's Operation Fund            | 1999                            |
| Prosecuting Attorney Bad Check Fund | 1998                            |
| Local Emergency Planning Fund       | 1998                            |
| Law Enforcement Block Grant Fund    | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 1999 and 1998, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$1,121,219 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$3,563,991 was covered by collateral pledged by one bank and held by a correspondent bank but not in the county's name.

Of the county's bank balance at December 31, 1998, \$1,017,747 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$2,689,258 was covered by collateral pledged by one bank and held by a correspondent bank but not in the county's name.

The Health Center's deposits at December 31, 1999 were entirely covered by federal depositary insurance.

Of the Health Center's bank balance at December 31, 1998, \$155,679 was covered by federal depositary insurance and \$2,211 was covered by collateral pledged by one bank and held by a correspondent bank but not in the Health Center Board's name.

## Supplementary Schedule

## Schedule

MONTGOMERY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title  | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|---|---|---|-------------------------|--------|
|   |   |   | Year Ended December 31, |        |
|   |   |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF AGRICULTURE               |   |   |                         |        |
|   | Passed through state Department of Health -   |   |                         |        |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children  | ER0045-8170                                     | \$ 0                    | 16,655 |
|   |   | ER0045-9170                                     | 17,326                  | 5,953  |
|   |   | ER0045-0170                                     | 7,849                   | 0      |
|   | Program Total   |   | 25,175                  | 22,608 |
| U.S.DEPARTMENT OF JUSTICE                     |   |   |                         |        |
|   | Passed through:   |   |                         |        |
|   | State Department of Public Safety   |   |                         |        |
| 16.592  | Local Law Enforcement Block Grants Program  | 98-LBG-062                                      | 3,600                   | 0      |
|   | Missouri Sheriffs' Association -  |   |                         |        |
| 16.unknown                                    | Domestic Cannabis Eradication/Suppression Program   | N/A   | 650                     | 751    |
| U. S. DEPARTMENT OF TRANSPORTATION            |   |   |                         |        |
|   | Passed through state Highway and Transportation<br>Commission:  |   |                         |        |
| 20.205  | Highway Planning and Construction   | BRO-070(10)                                     | 202,367                 | 0      |
| GENERAL SERVICES ADMINISTRATION               |   |   |                         |        |
|   | Passed through state Office of Administration -   |   |                         |        |
| 39.003  | Donation of Federal Surplus Personal Property   | N/A   | 1,561                   | 633    |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |   |                         |        |
|   | Passed through state:   |   |                         |        |
|   | Department of Health -  |   |                         |        |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State<br>and Community-Based Childhood Lead Poisoning<br>Prevention and Surveillance of Blood Lead Levels<br>in Children | ERO146-9170CLPP                                 | 971                     | 424    |
|   |   | ERO146-0170CLPP                                 | 459                     | 0      |
|   | Program Total   |   | 1,430                   | 424    |

## Schedule

MONTGOMERY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures<br>Year Ended December 31, |               |
|---------------------------|--|---|---|---------------|
|                           |  |   | 1999  | 1998          |
| 93.217                    | Family Planning Services                           | ERO175-8170FP                                   | 0   | 9,035         |
|                           |  | ERO175-9170FP                                   | 10,444  | 3,380         |
|                           |  | ERS175-0170FP                                   | 3,309   | 0             |
|                           | Program Total                                      |   | <u>13,753</u>                                   | <u>12,415</u> |
| 93.268                    | Immunization Grants                                | ERO146-8170GPH                                  | 0   | 2,855         |
|                           |  | ERO146-9170IMM                                  | 1,350   | 1,530         |
|                           |  | N/A   | 16,111  | 9,629         |
|                           | Program Total                                      |   | <u>17,461</u>                                   | <u>14,014</u> |
|                           | Department of Social Services -                    |   |   |               |
| 93.563                    | Child Support Enforcement                          | N/A   | 21,912  | 19,356        |
|                           | Department of Health -                             |   |   |               |
| 93.575                    | Child Care and Development Block Grant             | 8894-84-2415MCH                                 | 0   | 1,018         |
|                           |  | 8923-84-2415CCDF                                | 1,948   | 364           |
|                           |  | 80513-89-0923CCDF                               | 445   | 0             |
|                           | Program Total                                      |   | <u>2,393</u>                                    | <u>1,382</u>  |
|                           | Department of Health -                             |   |   |               |
| 93.991                    | Preventive Health and Health Services Block Grant  | N/A   | 192   | 250           |
| 93.994                    | Maternal and Child Health Services                 | ERO146-8170MCH                                  | 0   | 11,585        |
|                           | Block Grant to the States                          | ERO146-9170MCH                                  | 8,454   | 2,333         |
|                           |  | ERS146-0170MCH                                  | 4,241   | 0             |
|                           |  | N/A   | 959   | 875           |
|                           | Program Total                                      |   | <u>13,654</u>                                   | <u>14,793</u> |
|                           | Total Expenditures of Federal Awards               |   | <u>\$ 304,148</u>                               | <u>86,626</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

MONTGOMERY COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Montgomery County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.



Of the pass-through amounts for the Immunization Grants program (CFDA number 93.268), \$16,111 and \$9,629, represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$192 and \$250 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$959 and \$875 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Montgomery County, Missouri

Compliance

We have audited the compliance of Montgomery County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Montgomery County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

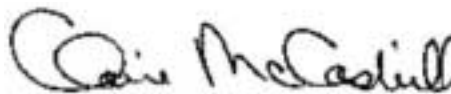
#### Internal Control Over Compliance

The management of Montgomery County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Montgomery County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

June 14, 2000 (fieldwork completion date)

Schedule

MONTGOMERY COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major program:

Material weaknesses identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major program:

|                   |                                   |
|-------------------|-----------------------------------|
| CFDA or           |                                   |
| Other Identifying |                                   |
| <u>Number</u>     | <u>Program Title</u>              |
| 20.205            | Highway Planning and Construction |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|  |
|--|
| <b>99-1.                                      Schedule of Expenditures of Federal Awards</b> |
|--|

Federal Grantor: U.S. Department of Transportation

Pass-Through Grantor: State Highway and Transportation Commission

Federal CFDA Number: 20.205

Program Title: Highway Planning and Construction

Pass-Through Entity

Identifying Number: BRO 070(10)

Award Year: 1999

Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The County does not have a procedure in place to track federal awards for preparation of the SEFA. The county did not prepare and submit a SEFA to the State Auditor's Office for the year ended December 31, 1998. The county prepared a SEFA for the year ended December 31, 1999; however, the schedule included only six of the twelve federal programs in which the county participated during the year. In addition, the information presented by the County Clerk for some of the programs did not agree with the county's expenditure records.

Without a timely and accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's Office as a part of the annual budget.



**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission and the County Clerk responded as follows:*

*We concur with this recommendation. The County Clerk will request information regarding federal funds from all county officials by letter during preparation of the county budgets and SEFA schedule. This recommendation will be implemented when the next SEFA schedule is prepared in January 2001.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

MONTGOMERY COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

MONTGOMERY COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

MONTGOMERY COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Montgomery County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 14, 2000. We also have audited the compliance of Montgomery County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 14, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Montgomery County Developmental Disabilities Assistance Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the years ended December 31, 1998 and 1997.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned



Costs. These findings resulted from our audit of the special-purpose financial statements of Montgomery County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

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| <b>1.</b> | <b>County Financial Condition</b> |
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Our prior report for the two years ended December 31, 1997, indicated that Montgomery County's General Revenue Fund was experiencing declining cash balances and increasing disbursements. Similarly, during the two years ended December 31, 1999, the General Revenue Fund's cash balances were also maintained at significantly low levels, and increases in receipts were consumed by corresponding increases in disbursements. The following chart shows General Revenue Fund receipts, disbursements, interfund loan transactions, and cash balances for the three years ended December 31, 1999.

|  |    | Year Ended December 31, |                  |              |
|--|----|-------------------------|------------------|--------------|
|  |    | 1999                    | 1998             | 1997         |
| Cash Balance, January 1                | \$ | 76,704                  | 6,911            | 147,698      |
| Receipts                               |    | 1,704,121               | 1,632,378        | 1,142,104    |
| Loans from Capital Improvement fund    |    | 0                       | 105,000          | 65,000       |
| Disbursements                          |    | (1,683,015)             | (1,567,585)      | (1,347,891)  |
| Repayments to Capital Improvement Fund |    | <u>(70,000)</u>         | <u>(100,000)</u> | <u>0</u>     |
| Cash Balance, December 31              | \$ | <u>27,810</u>           | <u>76,704</u>    | <u>6,911</u> |

Based on the county's budget for the year ended December 31, 2000, the ending cash balance of the General Revenue Fund is projected to be only \$5,300. The low cash balances have led to periodic cash flow problems and interfund borrowing. In addition, in 1998 the Commission temporarily laid off some employees paid by the General Revenue Fund; however, these employees were subsequently rehired or replaced. The County Commission indicated that the new jail, which became operational and revenue producing in the spring of 1998, has succeeded in producing a positive cash flow to supplement the General Revenue Fund. As evidenced by the preceding table, while receipts increased significantly in 1998, disbursements have steadily risen each year. The county has not been able to set aside any of the increased receipts, but has used those additional funds. The County Commission has not made any significant long term reductions in discretionary disbursements or increases in other receipts during the two years ended December 31, 1999 as recommended in our prior report.

The County Commission should review discretionary disbursements to ensure efficient use of resources available to the county and to determine if long term reductions in discretionary

disbursements are possible. In addition, the County Commission should attempt to maximize receipts from all sources.

**WE AGAIN RECOMMEND** the County Commission consider various alternatives of increasing receipts and/or reducing disbursements to ensure that the General Revenue Fund's financial condition improves and is able to maintain an adequate operating cash reserve.

### **AUDITEE'S RESPONSE**

*We agree with the recommendation. We do continually scrutinize the budgets and operations of the county. We will continue to pursue other receipt sources and methods of controlling and reducing discretionary disbursements as much as possible. We also feel a new sales tax issue, possibly restricted for law enforcement, will need to be considered for presentation to the voters in order to provide additional resources and free up other general revenue money to establish and maintain an adequate operating cash reserve.*

## **2. Apportionment of Railroad and Utility Taxes**

During our review, we noted calculation errors in the apportionments of the 1997, 1998, and 1999 railroad and utility taxes. The county began using new software in 1997 to make these calculations. Erroneous information used that year was carried forward, also causing the 1998 and 1999 errors. These errors resulted in incorrect payments to the various school districts. The following table indicates the total amounts over or (under) paid to the various school districts for 1997, 1998, and 1999 tax collections:

| <u>School District</u>    | <u>Over (Under) Paid</u> |
|---------------------------|--------------------------|
| Community R-VI            | \$ 1,449                 |
| Gasconade Co. R-I         | 26,666                   |
| Troy R-III                | 243                      |
| Wellsville Middletown R-I | 26,775                   |
| Montgomery County R-II    | (55,133)                 |

**WE RECOMMEND** the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

### **AUDITEE'S RESPONSE**

*I agree with this recommendation. I have already contacted each of the school districts to notify them of the errors and am in the process of working out arrangements for repayments. At this point, I cannot determine when this issue will be fully resolved.*

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. Currently, the County Clerk maintains a computerized inventory listing of fixed assets held by county officials. Our review of the fixed asset records and control procedures noted the following concerns:

- A. The computerized listing is provided to each officeholder, who is then responsible for conducting the physical inventory in his/her office. The County Clerk indicated that he or his staff perform procedures to verify the accuracy of the physical inventories to the fixed asset records. However, the last physical inventory was completed December 1997.
- B. Additions and deletions of fixed assets are not recorded in the property control records as they occur. The fixed assets purchased during the two years ended December 31, 1999 were not included on the fixed asset records. In addition, fixed asset purchases per the expenditure records are not reconciled to additions per the inventory records.
- C. Fixed assets are not numbered, tagged, or otherwise identified as county property immediately upon receipt. Properly tagged items help improve accountability and assure the county that all county property is identified as belonging to the county.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo Cumulative Supp. 1999, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

Similar conditions were noted in the prior report.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition all general fixed assets should be tagged or identified as county-owned property.

## **AUDITEE'S RESPONSE**

*We agree with this recommendation and will establish a written policy regarding fixed assets within two months. We also will require an inventory to be performed in October 2000, and during that inventory process we will attempt to identify and tag all applicable county fixed assets.*

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| <b>4. Circuit Clerk's Controls and Procedures</b> |
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The Circuit Clerk is responsible for assessing, collecting, and distributing monies in connection with circuit court proceedings. Receipts totaled approximately \$92,000 and \$94,000 during the years ended December 31, 1999 and 1998, respectively. Our review of the Circuit Clerk's records and procedures noted the following concerns:

- A. Receipts are not deposited on a timely basis. During the two months reviewed, receipts were deposited approximately six times per month. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- B. The Circuit Clerk and Associate Circuit/Probate Division offices are participating in a pilot project for the state's BANNER court financial and case management computer system. The Circuit Clerk's financial data went on-line with BANNER in January 1998.

Formal bank reconciliations for the fee account are not prepared on a timely basis. As of June 2000, bank reconciliations have not been prepared since June 1999. The Circuit Clerk indicated that bank reconciliations for the new BANNER account are to be prepared by the Office of the State Courts Administrator (OSCA) and sent to the county. In addition, she stated that she contacted OSCA numerous times and the reconciliations could not be prepared due to problems with the BANNER system that occurred during a system upgrade in December 1999. The Circuit Clerk has not maintained any manual records to compensate for the BANNER system problems and has not attempted to perform any manual reconciliations between the bank information and system transactions processed by her office.

Timely preparation of bank reconciliations is necessary to ensure accounting records and bank records are in agreement, allow for the timely correction of errors, and provide the basis for a monthly comparison of cash balances to open items listings.

### **WE RECOMMEND** the Circuit Clerk:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Ensure formal bank reconciliations are prepared on a monthly basis. Any differences should be investigated and resolved in a timely manner.

### **AUDITEE'S RESPONSE**

- A. *I agree that the deposits were not always timely, but I was told by OSCA because of the problems with BANNER to not deposit some evenings until BANNER deposits and actual deposits agreed. Most of these problems have been corrected and we are now again making the regular deposits as of about August 14, 2000.*
- B. *The statement that manual records should have been done to compensate for OSCA not completing the bank reconciliations was not possible. I was informed to not do manual records by OSCA and that the problems with BANNER were being corrected and then bank reconciliations would be completed.*

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| <b>5. Associate Circuit /Probate Division's Controls and Procedures</b> |
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The Associate Circuit/Probate Division processed receipts for civil cases, criminal cases, traffic tickets, bonds, and probate cases. Receipts totaled approximately \$350,000 and \$355,000 for the years ended December 31, 1999 and 1998, respectively. We noted the following concerns regarding Associate Circuit/Probate Division operations:

- A. Receipts are not deposited timely. During the months reviewed we noted deposits were made approximately five times per month. In addition, bond monies received from the Sheriff's Office are held until charges are filed by the Prosecuting Attorney. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when the accumulated receipts exceed \$100.
- B. Accounting duties are not adequately segregated. Two individuals are primarily responsible for receiving, disbursing, and depositing monies, preparing bank reconciliations, and maintaining the accounting records. There were no documented reviews of the accounting records performed by the Associate Circuit/Probate Division Judge.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by having one clerk prepare the daily cash reconciliations and deposit the monies and having the other clerk vouch the daily closeout and prepare the bank reconciliation. If proper segregation of duties cannot be achieved, at a minimum, periodic independent reviews of the records should be performed and documented.

**WE RECOMMEND** the Associate Circuit/Probate Division:

- A. Ensure that deposits are made intact daily or when accumulated receipts exceed \$100.
- B. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.

## **AUDITEE'S RESPONSE**

*The Associate Circuit Judge responded as follows:*

- A. *I do not agree with this recommendation. We will not deposit daily because we need to have cash available (from daily receipts) to make change on large docket days, especially our large traffic dockets which occur two times per month. We believe that retaining these receipts for these large docket days is a better alternative than maintaining a large change fund throughout the month. Regarding the bonds, we will consider contacting the Office of State Courts Administrator to determine if bonds can now be entered in the Banner System prior to when charges are filed and a case is established so that the monies can be deposited and tied to the court's accounting records.*
- B. *We will consider alternatives to perform independent reviews of daily deposit closeouts and monthly bank reconciliations. I will try to review the daily deposit closeouts on a test basis to ensure receipts are being deposited. We will begin implementing these procedures by the end of September 2000.*

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| <b>6. Prosecuting Attorney's Accounting Controls and Procedures</b> |
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The Prosecuting Attorney's office receives monies for bad check restitution payments. During 1998 and 1999 there were four different individuals that served as the county's prosecuting attorney. The current prosecuting attorney was appointed to the office in October 1999. We reviewed the accounting controls and procedures of the office and noted the following concerns.

- A. Receipts are not always deposited timely and intact. For example, as of April 12, 2000, the Prosecuting Attorney had \$890 of receipts on hand and had not made a deposit since February 18, 2000. In addition, we noted that receipts were not always deposited in the order in which they were received. Also, money orders and cashier's checks for administrative fees are not restrictively endorsed immediately upon receipt.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100. In addition, applicable checks and money orders should be restrictively endorsed when received.

- B. The Prosecuting Attorney requires restitution to be made in the form of either money order or cashier's check made payable to the merchant. On April 12, 2000, the Prosecuting Attorney was holding over \$5,000 in checks and money orders, some of which had been in the Prosecuting Attorney's possession for over four months. In addition, the Prosecuting Attorney does not obtain documentation from the merchant when the restitution checks are turned over.

To reduce the risk of loss, theft or misuse of funds, the Prosecuting Attorney should turn over restitution checks to the merchants on a timely basis and receive documentation from the merchant when the checks are turned over.

- C. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, has not been established. The bad check complaints are not assigned sequential control numbers nor are they recorded on an initial log or listing as they are received.

To ensure all bad checks turned over to the Prosecuting Attorney are properly handled, a sequential number should be assigned to each bad check complaint received and a log should be maintained listing each complaint and its disposition. The log should contain information such as the complaint number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition.

- D. The Prosecuting Attorney has not established a formal policy specifying when unpaid bad check complaints should be filed as a court case. During our review of bad check files, we noted that collection procedures and efforts are not always made timely and there is no clear policy of follow-up collection efforts to be taken or timing of the efforts.

The Prosecuting Attorney should establish written procedures for collection of unpaid restitution and fees. Such procedures should consist of generating periodic reports of complaints with balances due and following up on those for which payments are not being made. In addition, information regarding complaints with delinquent payments and significant balances due should be regularly provided to the Prosecuting Attorney for review and assessment of follow-up collection efforts or other court action which may be necessary.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Deposit all monies intact daily or when accumulated receipts exceed \$100. Also, restrictively endorse all money orders and cashier checks immediately upon receipt.
- B. Remit restitution received to victims more timely and obtain documentation from the vendor when the checks are turned over to them.
- C. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.
- D. Maintain a complete and accurate listing of delinquent bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such complaints, including when to file as court cases.



### **AUDITEE'S RESPONSE**

- A. *I agree with this recommendation. We now endorse checks immediately upon receipt. We are also now trying to make deposits at least once a week.*
- B. *I agree with this recommendation. Staff responsibilities have been reassigned and we are now trying to distribute restitution to the vendors once a week. We will begin obtaining signatures on photocopies of money orders remitted to vendors who pick up restitution in person. The vendor remittance letter sent when restitution is mailed out to vendors will be modified to include a return receipt. We will try to have these procedures implemented by the end of November 2000.*
- C. *I agree with this recommendation. We will begin assigning a sequential number to each complaint form. This number will then be recorded on the complaint log. The complaint log will be modified and used to track the status and ultimate disposition of each complaint. We will begin assigning the sequential complaint numbers and tracking complaint dispositions by the end of November 2000.*
- D. *I agree with this recommendation. We now try to review unpaid bad check complaints once a week to determine if charges need to be filed, but we are not always able to do this weekly due to workload constraints. We will develop a method of tracking unpaid restitution and fees, possibly by using the control log. Also, written procedures for processing bad check complaints will be developed as recommended. We will try to have these recommendations implemented by the end of November 2000.*

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| <b>7. Sheriff's Controls and Procedures</b> |
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The Sheriff maintains individual cash accounts containing personal funds held for each inmate placed in the Montgomery County jail by the U.S. Immigration and Naturalization Service (INS) because many of these inmates are not U.S. citizens and are not able to cash refund checks upon their release or deportation. The Sheriff also maintains an Inmate Account for the deposit of personal funds received from non-INS inmates. These funds are held in trust for the inmates and may be used by the inmates during commissary sales. Finally, the Sheriff maintains a Fee Account for the receipt of monies from bonds, gun permits, garnishments, and fees from court cases.

In addition, full time employees of the Sheriff's Department process commissary and other financial transactions through the Reserve Deputy Association's Reserve Account and maintain all financial information of the Reserve Account. As a result, our review included the Sheriff's controls and procedures related to the Reserve Account. During our review of these accounts, we noted the following concerns:

- A. Receipt slips are not issued for prisoner monies received and deposited into the Inmate Account or held in cash for INS inmates. Pre-numbered receipt slips would



help establish the monies for which the Sheriff's Department is accountable when money is submitted by, or on behalf of, inmates. This is especially critical given that a lot of activity, related to INS prisoners, is handled solely in cash.

To adequately account for all monies received, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.

- B. Monies received from prisoners are not always deposited into the Inmate Account on a timely basis or intact and a reconciliation between receipts and deposits is not performed. In addition, transfers from the Inmate Account and INS cash accounts after commissary sales to the Reserve Account are also not made intact. Money orders received from INS prisoners are sometimes cashed from other receipts, and monies on hand are sometimes used for commissary sale transfers or for cash refunds to non-INS inmates.

To properly safeguard cash receipts and reduce the risk of loss, theft, or misuse of funds, all non-INS monies received should be deposited intact daily or when accumulated receipts exceed \$100. Transfers from the Inmate Account and INS cash funds should be made by check and cash, respectively and should not be commingled with other transactions. Also, refunds to non-INS prisoners should only be made by check.

- C. Disbursements made to inmates are authorized by the inmate's signature on their individual ledger sheet. We noted several instances where inmate signatures were not obtained for distributions made to them from their accounts.
- D. An open-items list of individual prisoner balances is not periodically prepared. Additionally, an open-items list or the control ledger total is not reconciled to the bank balance and cash on hand. An open-items list should be prepared and reconciled to the bank and cash balances to ensure the individual inmate balances agree to the control ledger total and to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the bank and cash balances provides assurance that the records are in balance and that sufficient money is available for payment of all liabilities.
- E. Accounting duties are not adequately segregated. Two individuals are primarily responsible for receiving, disbursing, and depositing monies, preparing bank reconciliations, and maintaining the accounting records. One clerk is stationed in the Sheriff's main office and handles activity in the Fee Account and the other clerk is stationed in the jail and handles activity in the Inmate Account and Reserve Account.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a

minimum, periodic independent reviews of the records should be performed and documented. These reviews could be achieved by having the clerks periodically review each other's records and prepare each other's bank reconciliations.

**WE RECOMMEND** the Sheriff:

- A. Issue prenumbered receipt slips for all prisoner monies received and account for the numerical sequence.
- B. Make deposits intact daily or when accumulated receipts exceed \$100 and ensure that amounts spent at the commissary by inmates are transferred intact (by check from the Inmate Account for regular inmates and by cash from INS envelopes for INS inmates) into the Reserve Account. In addition, a reconciliation between receipts and deposits (in total and by composition) should be performed. Receipts should not be used for cashing INS money orders, transferring commissary sales, or refunding inmate cash balances. Any refunds to non-INS inmates should be made by check.
- C. Obtain inmate signatures on the individual ledger pages for all distributions.
- D. Prepare a monthly open-items list and reconcile the list to the control ledger total and to cash on hand and in the bank.
- E. Adequately segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.

**AUDITEE'S RESPONSE**

- A. *I agree. We are now issuing prenumbered receipt slips for inmate monies and are accounting for the numerical sequence.*
- B. *I agree. We are now depositing receipts intact and deposits are now being made two or three times per week. Commissary transfers are now being made intact and a reconciliation between receipts and deposits is performed at the time of deposit. All refunds to non-INS inmates are now being made by check.*
- C. *I agree. We do try to do this and will continue to do so.*
- D. *I agree. We have now begun preparing periodic open items lists and we reconcile those lists to the control ledger balance and the cash on hand and in the bank.*
- E. *I agree. We can try to alter procedures to provide for independent reviews of each clerk's records. We will try to implement these procedures by the end of October 2000.*

This report is intended for the information of the management of Montgomery County, Missouri, and other applicable government officials. However, this report is a matter of public record and its

distribution is not limited.

## Follow-Up on Prior Audit Findings

## MONTGOMERY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Montgomery County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendation has not been repeated, the county should consider implementing this recommendation.

### 1. County Financial Condition

The county's General Revenue Fund cash balance decreased significantly in 1997. While receipts stayed about the same, disbursements increased significantly in 1997. The following were also noted regarding the General Revenue Fund's financial condition:

- 1) The General Revenue Fund borrowed monies from the Capital Improvement Fund during 1997 and 1998. The repayment of these loans was not properly budgeted.
- 2) The county did not adequately estimate board bill and miscellaneous fees receipts in the 1998 budget.
- 3) Commissions received from the jail telephone were credited to the Law Enforcement Training Fund and the DARE Fund rather than the General Revenue Fund.
- 4) The new planning and zoning operation incurred disbursements well in excess of receipts.

#### Recommendation:

The County Commission continue to consider the various alternatives of increasing receipts and/or reducing disbursements.

#### Status:

Partially implemented. It appears that the financial condition of the General Revenue Fund has stabilized since the prior audit; however, the cash balance is still very low. No loans were made to the General Revenue Fund in 1999. Board bill budgeted receipts were more closely estimated in the 1999 budget, and planning and zoning receipts and disbursements were approximately \$15,000 and \$23,000, respectively in the year ended December 31, 1999. See MAR No. 1.

2. Budgetary Practices

- A. Formal budgets were not prepared and filed with the State Auditor's Office for a number of county funds for the years ended December 31, 1997 and 1996.
- B. Expenditures in excess of approved budgeted expenditures were made from several funds.

Recommendation:

- A. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.
- B. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

Status:

- A. Implemented. In 1999, all but two funds were budgeted. The budget package prepared for 2000 includes a budget for all applicable funds.
- B. Not implemented. However, fewer funds were overspent by smaller amounts. Although not repeated in our current MAR, our recommendation remains as stated above.

3. General Fixed Asset Records and Procedures

General fixed asset records were not maintained on a current basis and annual physical inventories were not conducted.

Recommendation:

The County Clerk ensure the general fixed asset records are maintained on a current basis. In addition, an annual physical inventory of all county-owned property should be conducted and reconciled to the general fixed asset records.

Status:

Not implemented. See MAR No. 4.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information



MONTGOMERY COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1818, the county of Montgomery was named after Richard Montgomery, a Revolutionary War General. Montgomery County is a county-organized, third-class county and is part of the 12th Judicial Circuit. The county seat is Montgomery City.

Montgomery County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Montgomery County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 872,947   | 29         | 768,682   | 27         |
| Sales taxes               | 554,718      | 18         | 551,271   | 20         |
| Federal and state aid     | 1,281,499    | 43         | 970,208   | 35         |
| Fees, interest, and other | 310,599      | 10         | 518,716   | 18         |
| Total                     | \$ 3,019,763 | 100        | 2,808,877 | 100        |

The following chart shows how Montgomery County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 629,262   | 21         | 628,876   | 23         |
| Public safety             | 1,123,753    | 37         | 1,038,709 | 38         |
| Highways and roads        | 1,269,885    | 42         | 1,052,985 | 39         |
| Total                     | \$ 3,022,900 | 100        | 2,720,570 | 100        |

In addition, significant sales tax receipts and principal and interest payments are accounted for

in the Capital Improvement Fund. Receipts of the Capital Improvement Fund were \$396,201 and \$388,542 and disbursements were \$381,943 and \$228,411 for the years ended December 31, 1999 and 1998, respectively.

The county maintains approximately 100 county bridges and 520 miles of county roads.

The county's population was 11,097 in 1970 and 11,355 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        | Year Ended December 31, |       |       |        |        |
|------------------------|-------------------------|-------|-------|--------|--------|
|                        | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        | (in millions)           |       |       |        |        |
| Real estate            | \$ 71.7                 | 69.5  | 49.2  | 27.2   | 16.5   |
| Personal property      | 25.9                    | 22.7  | 9.5   | 7.4    | 4.9    |
| Railroad and utilities | 31.0                    | 30.5  | 25.7  | 15.2   | 9.8    |
| Total                  | \$ 128.6                | 122.7 | 84.4  | 49.8   | 31.2   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Montgomery County's property tax rates per \$100 of assessed valuations were as follows:

|                               | Year Ended December 31, |      |
|-------------------------------|-------------------------|------|
|                               | 1999                    | 1998 |
| General Revenue Fund          | \$ .23                  | .23  |
| Special Road and Bridge Fund* | .58                     | .56  |
| Health Center Fund            | .15                     | .15  |
| Senate Bill 40 Board Fund     | .10                     | .10  |

\* The county retains all tax proceeds from areas not within road districts. The county has two special road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                                   | Year Ended February 28, |                  |
|-----------------------------------|-------------------------|------------------|
|                                   | 2000                    | 1999             |
| State of Missouri                 | \$ 38,533               | 37,065           |
| General Revenue Fund              | 294,359                 | 278,365          |
| Road funds                        | 713,869                 | 662,649          |
| Assessment Fund                   | 67,032                  | 64,509           |
| Health Center Fund                | 189,725                 | 181,795          |
| Senate Bill 40 Board Fund         | 126,606                 | 121,757          |
| School districts                  | 4,290,007               | 3,756,621        |
| Ambulance districts               | 324,181                 | 311,174          |
| Fire protection districts         | 93,011                  | 86,233           |
| Tri-County Levee district         | 141,101                 | 141,239          |
| Surtax                            | 124,237                 | 122,098          |
| TIF District                      | 11,909                  | 10,886           |
| Cities                            | 91,307                  | 85,255           |
| County Clerk                      | 2,121                   | 2,022            |
| County Employees' Retirement Fund | 38,222                  | 39,802           |
| Commissions and fees:             |                         |                  |
| General Revenue Fund              | 100,682                 | 97,096           |
| Total                             | <u>\$ 6,646,902</u>     | <u>5,998,566</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |      |
|------------------------|-------------------------|------|
|                        | 2000                    | 1999 |
| Real estate            | 92 %                    | 92 % |
| Personal property      | 89                      | 91   |
| Railroad and utilities | 100                     | 100  |

Montgomery County also has the following sales taxes; rates are per \$1 of retail sales:

|                      | Rate     | Expiration Date | Required Property Tax Reduction |
|----------------------|----------|-----------------|---------------------------------|
| General              | \$ .0050 | None            | 50 %                            |
| Capital improvements | .0050    | 2014            | None                            |
| Dispatching          | .0025    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| J. Eric Harness, Presiding Commissioner                          | \$     |        | 18,000 |
| Charles Korman, Presiding Commissioner                           |        | 24,372 |        |
| Dorsey McCoy, Associate Commissioner                             |        | 22,572 | 18,000 |
| Vincent Eldringhoff, Associate Commissioner                      |        | 22,572 | 18,000 |
| William Waddell, County Clerk                                    |        | 34,200 | 30,500 |
| David Dowling, Prosecuting Attorney                              |        |        | 35,000 |
| Phil York, Prosecuting Attorney                                  |        | 27,900 |        |
| Mark Bradley, Prosecuting Attorney                               |        | 5,088  |        |
| Kelly Broniec, Prosecuting Attorney                              |        | 7,512  |        |
| Robert Davis, Sheriff  |        | 36,000 | 36,000 |
| Kermit Ellis, Jr., County Treasurer                              |        | 25,308 | 20,870 |
| Johnny B. Fry, County Coroner                                    |        | 6,000  | 6,000  |
| LeNell Britt, Public Administrator *                             |        | 10,602 | 8,770  |
| Robert L. Schmidt, County Collector,<br>year ended February 28,  | 34,200 | 30,250 |        |
| Jerome P. Overkamp, County Assessor **, year ended<br>August 31, |        | 38,900 | 38,900 |
| Dennis Kallash, County Surveyor ***                              |        | 3,635  | 0      |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

\*\*\* Compensation on a fee basis.

State-Paid Officials:

|   |        |        |
|---|--------|--------|
| Patricia Bufka, Circuit Clerk and<br>Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Roy L. Richter, Associate Circuit Judge                           | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office  | Number of Employees Paid by |          |
|---|-----------------------------|----------|
|   | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds* | 1                           | 3        |
| County Clerk                                    | 2                           | 0        |
| Prosecuting Attorney*                           | 3                           | 0        |
| Sheriff **                                      | 27                          | 0        |
| County Collector                                | 1                           | 0        |
| County Assessor ***                             | 7                           | 0        |
| Associate Division                              | 0                           | 1        |
| Probate Division                                | 0                           | 1        |
| Road and Bridge ****                            | 19                          | 0        |
| Health Center*****                              | 18                          | 0        |
| Senate Bill 40 Board*****                       | 17                          | 0        |
| Emergency Management                            | 1                           | 0        |
| Planning and Zoning                             | 1                           | 0        |
| Emergency 911/Dispatching                       | 11                          | 0        |
| Capital Improvement                             | 1                           | 0        |
| Building and Grounds                            | 1                           | 0        |
| Juvenile Office                                 | 1                           | 0        |
| Total   | <u>111</u>                  | <u>5</u> |

\* Includes one part-time employee.

\*\* Includes two part-time employees.

\*\*\* Includes four part-time employees.

\*\*\*\* Includes three part-time employees.

\*\*\*\*\* Includes nine part-time employees.

\*\*\*\*\* Includes six part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Montgomery County's share of the 12th Judicial Circuit's expenses is 20.84 percent.

The county entered into a revised lease agreement with a not-for-profit corporation on June 1, 1998. The terms of the agreement allowed the corporation to refund outstanding 1994 series bonds totaling \$3,155,000 and outstanding 1997 series bonds totaling \$190,000 by issuing new bonds totaling \$3,680,000. The original bonds were used to construct a new jail and renovate the courthouse. The lease payments made by the county to the corporation are used by the corporation to make principal and interest payments on the outstanding bonds. The bonds are scheduled to be paid off in 2015. The remaining principal and interest due on the bonds at December 31, 1999, was \$3,550,000 and \$1,613,153, respectively.

\* \* \* \* \*



CHRISTIAN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-89  
September 12, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Christian, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Christian County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

- The county does not have adequate procedures to ensure budgets are prepared for all county funds. Budgets were not prepared for various county funds for the years ended December 31, 1999 and 1998 resulting in a significant omission to the county's financial statements. Receipts which were not budgeted totaled \$1.59 million and \$1.25 million, while disbursements which were not budgeted totaled \$1.54 million and \$1.98 million in 1999 and 1998, respectively.
- The county receives funding from the Missouri Department of Transportation (MODOT) for highway planning and construction. During the year ended December 31, 1998, approximately \$355,000 was expended directly by the county under this program. One reimbursement claim for \$111,147 was submitted to MODOT in June 1998, however, reimbursement was not received by the county.

The county does not have follow-up procedures in place to ensure requested funds are received by the county, and no other attempts were made to follow up on this reimbursement request.

- The county does not have specific procedures in place to track federal assistance for preparation of the schedule of expenditures of federal awards (SEFA). The county's schedule contained numerous errors and omissions. The county reported federal revenues but did not report any federal expenditures on their schedule including \$355,394 of the Highway and Planning and Construction program expenditures.

(over)

YELLOW SHEET

For the federal financial schedule to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal financial expenditures be properly reported.

- The county did not publish a financial statement for the year ended December 31, 1999. This is a significant violation of state law, as the county financial statement is intended to inform the public of the county's financial activity on an annual basis.
- The Sheriff's Department purchased a truck (\$15,500) and a lie detector (\$8,815) with federal forfeiture proceeds without soliciting bids or proposals or retaining documentation to support the solicitation of bids.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**



CHRISTIAN COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Christian County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Christian County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Christian County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Christian County.

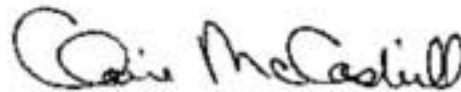
As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash – budget and actual for various funds totaling \$1,590,036 and \$1,255,759 in receipts, and \$1,546,773 and \$1,938,287 in disbursements for the years ended December 31, 1999 and 1998, respectively.

Statements of receipts, disbursements, and changes in cash – budget and actual are required by the comprehensive basis of accounting discussed in Note 1.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Christian County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 4, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill  
State Auditor

May 4, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | David Holtmann, CPA   |
| In-Charge Auditor:  | April McHaffie, CPA   |
| Audit Staff:        | Rachael Little        |
|                     | Amy Fast              |
|                     | Curtis Gannon         |





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Christian County, Missouri

We have audited the special-purpose financial statements of various funds of Christian County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 4, 2000. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Christian County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-1 and 99-2. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

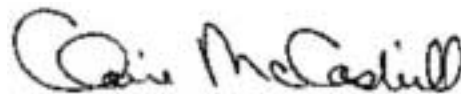
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Christian County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on

the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 99-1 to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Christian County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

May 4, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

CHRISTIAN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                    | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                         | \$ 944,081         | 2,195,011 | 2,002,430     | 1,136,662            |
| Special Road and Bridge                 | 981,984            | 2,467,221 | 2,811,988     | 637,217              |
| Assessment                              | 389                | 398,940   | 398,830       | 499                  |
| Law Enforcement Training                | 909                | 12,120    | 11,221        | 1,808                |
| Prosecuting Attorney Training           | 983                | 4,715     | 4,917         | 781                  |
| CART                                    | 1,210              | 16,126    | 13,086        | 4,250                |
| County Law Enforcement                  | 7,292              | 1,543,103 | 1,479,335     | 71,060               |
| Emergency 911                           | 67,351             | 295,162   | 257,722       | 104,791              |
| Criminal Abatement #1                   | 24,366             | 149,411   | 162,387       | 11,390               |
| Family Violence                         | 0                  | 2,300     | 2,300         | 0                    |
| Prosecuting Attorney Administrative Fee | 7,700              | 28,961    | 18,701        | 17,960               |
| Building                                | 1,203,711          | 37,162    | 347,394       | 893,479              |
| Recycling                               | 10,735             | 915       | 6,860         | 4,790                |
| Local Emergency Planning Commission     | 8,555              | 2,823     | 5,116         | 6,262                |
| Direct Sales Tax Distribution           | 0                  | 1,114,440 | 1,114,440     | 0                    |
| Direct CART Distribution                | 0                  | 303,282   | 303,282       | 0                    |
| Record Retention                        | 32,838             | 88,852    | 63,823        | 57,867               |
| Sheriff Civil Fee                       | 100                | 0         | 0             | 100                  |
| Criminal Abatement #2                   | 0                  | 55,120    | 55,120        | 0                    |
| Health Center                           | 240,677            | 637,602   | 575,462       | 302,817              |
| Senate Bill 40 Board                    | 136,061            | 331,801   | 432,221       | 35,641               |
| Associate Circuit Division I Interest   | 4,290              | 853       | 1,791         | 3,352                |
| Associate Circuit Division II Interest  | 792                | 577       | 175           | 1,194                |
| Circuit Clerk Interest                  | 46,467             | 12,915    | 0             | 59,382               |
| Law Library                             | 18,381             | 13,860    | 7,967         | 24,274               |
| Probate Division Interest               | 979                | 137       | 175           | 941                  |
| Total                                   | \$ 3,739,851       | 9,713,409 | 10,076,743    | 3,376,517            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CHRISTIAN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                    | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                         | \$ 544,332         | 2,311,084 | 1,911,335     | 944,081              |
| Special Road and Bridge                 | 636,886            | 2,897,872 | 2,552,774     | 981,984              |
| Assessment                              | 1,927              | 346,423   | 347,961       | 389                  |
| Law Enforcement Training                | 2,703              | 12,782    | 14,576        | 909                  |
| Prosecuting Attorney Training           | 3,769              | 5,345     | 8,131         | 983                  |
| CART                                    | (827)              | 140,129   | 138,092       | 1,210                |
| County Law Enforcement                  | 2,692              | 1,399,851 | 1,395,251     | 7,292                |
| Emergency 911                           | 45,586             | 267,139   | 245,374       | 67,351               |
| Criminal Abatement #1                   | 14,992             | 53,355    | 43,981        | 24,366               |
| Family Violence                         | 0                  | 2,295     | 2,295         | 0                    |
| Prosecuting Attorney Administrative Fee | 16,439             | 8,284     | 17,023        | 7,700                |
| Building                                | 1,072,503          | 212,931   | 81,723        | 1,203,711            |
| Recycling                               | (304)              | 13,206    | 2,167         | 10,735               |
| Sales Tax                               | 4,213              | 61,114    | 65,327        | 0                    |
| Direct Sales Tax Distribution           | 0                  | 913,007   | 913,007       | 0                    |
| Direct CART Distribution                | 0                  | 230,620   | 230,620       | 0                    |
| Local Emergency Planning Commission     | 5,499              | 4,260     | 1,204         | 8,555                |
| Record Retention                        | 30,151             | 39,329    | 36,642        | 32,838               |
| Sheriff Civil Fee                       | 100                | 0         | 0             | 100                  |
| Local Use Tax                           | 755,400            | 40,444    | 795,844       | 0                    |
| Health Center                           | 193,330            | 631,325   | 583,978       | 240,677              |
| Senate Bill 40 Board                    | 51,026             | 310,308   | 225,273       | 136,061              |
| Associate Circuit Division I Interest   | 3,086              | 1,281     | 77            | 4,290                |
| Associate Circuit Division II Interest  | 688                | 141       | 37            | 792                  |
| Circuit Clerk Interest                  | 32,182             | 14,285    | 0             | 46,467               |
| Law Library                             | 12,019             | 12,155    | 5,793         | 18,381               |
| Probate Division Interest               | 805                | 237       | 63            | 979                  |
| Total                                   | \$ 3,429,197       | 9,929,202 | 9,618,548     | 3,739,851            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |           |  |           |           |  |
|--|-------------------------|-----------|--|-----------|-----------|--|
|  | 1999                    |           |  | 1998      |           |  |
|  | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                                   |                         |           |  |           |           |  |
| Property taxes                             | \$ 8,000                | 1,724     | (6,276)                                | 235,000   | 248,622   | 13,622                                 |
| Sales taxes                                | 810,000                 | 899,467   | 89,467                                 | 740,000   | 787,061   | 47,061                                 |
| Intergovernmental                          | 180,700                 | 245,831   | 65,131                                 | 201,000   | 237,478   | 36,478                                 |
| Charges for services                       | 846,000                 | 890,350   | 44,350                                 | 757,000   | 874,805   | 117,805                                |
| Interest                                   | 45,000                  | 67,688    | 22,688                                 | 25,000    | 57,839    | 32,839                                 |
| Other                                      | 94,500                  | 89,951    | (4,549)                                | 83,400    | 105,279   | 21,879                                 |
| Total Receipts                             | 1,984,200               | 2,195,011 | 210,811                                | 2,041,400 | 2,311,084 | 269,684                                |
| DISBURSEMENTS                              |                         |           |  |           |           |  |
| County Commission                          | 111,800                 | 110,100   | 1,700                                  | 84,600    | 83,954    | 646                                    |
| County Clerk                               | 123,000                 | 108,752   | 14,248                                 | 121,696   | 111,411   | 10,285                                 |
| Elections                                  | 100,438                 | 79,919    | 20,519                                 | 133,286   | 105,533   | 27,753                                 |
| Buildings and grounds                      | 74,180                  | 67,495    | 6,685                                  | 66,600    | 64,401    | 2,199                                  |
| Employee fringe benefits                   | 259,000                 | 211,534   | 47,466                                 | 236,000   | 220,898   | 15,102                                 |
| County Treasurer                           | 55,720                  | 53,610    | 2,110                                  | 44,870    | 43,048    | 1,822                                  |
| County Collector                           | 142,845                 | 129,077   | 13,768                                 | 126,655   | 115,623   | 11,032                                 |
| Circuit Clerk Ex Officio Recorder of Deeds | 122,576                 | 114,571   | 8,005                                  | 117,452   | 111,169   | 6,283                                  |
| Associate Circuit Court                    | 26,250                  | 23,541    | 2,709                                  | 22,300    | 19,443    | 2,857                                  |
| Associate Circuit (Probate)                | 41,360                  | 45,332    | (3,972)                                | 39,600    | 38,492    | 1,108                                  |
| Court administration                       | 62,350                  | 64,439    | (2,089)                                | 54,200    | 46,273    | 7,927                                  |
| Public Administrator                       | 35,710                  | 36,276    | (566)                                  | 27,180    | 30,146    | (2,966)                                |
| University Extension Office                | 45,990                  | 44,942    | 1,048                                  | 43,730    | 42,662    | 1,068                                  |
| Planning and Zoning                        | 103,380                 | 80,084    | 23,296                                 | 111,996   | 83,347    | 28,649                                 |
| Other                                      | 85,217                  | 52,294    | 32,923                                 | 77,001    | 44,087    | 32,914                                 |
| Prosecuting Attorney                       | 270,645                 | 243,514   | 27,131                                 | 236,560   | 225,936   | 10,624                                 |
| Juvenile Officer                           | 145,544                 | 116,968   | 28,576                                 | 166,949   | 139,692   | 27,257                                 |
| County Coroner                             | 22,000                  | 19,120    | 2,880                                  | 22,000    | 15,489    | 6,511                                  |
| Emergency Management                       | 6,550                   | 5,217     | 1,333                                  | 4,500     | 3,932     | 568                                    |
| Transfers out                              | 572,960                 | 395,645   | 177,315                                | 538,000   | 361,741   | 176,259                                |
| Emergency Fund                             | 100,000                 | 0         | 100,000                                | 150,000   | 4,058     | 145,942                                |
| Total Disbursements                        | 2,507,515               | 2,002,430 | 505,085                                | 2,425,175 | 1,911,335 | 513,840                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | (523,315)               | 192,581   | 715,896                                | (383,775) | 399,749   | 783,524                                |
| CASH, JANUARY 1                            | 944,081                 | 944,081   | 0                                      | 544,332   | 544,332   | 0                                      |
| CASH, DECEMBER 31                          | \$ 420,766              | 1,136,662 | 715,896                                | 160,557   | 944,081   | 783,524                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Sales taxes                           | \$ 1,426,410            | 1,583,962 | 157,552                                | 1,282,000 | 1,384,795 | 102,795                                |
| Intergovernmental                     | 771,040                 | 806,411   | 35,371                                 | 786,000   | 972,690   | 186,690                                |
| Interest                              | 22,000                  | 49,997    | 27,997                                 | 28,000    | 40,113    | 12,113                                 |
| Other                                 | 35,000                  | 26,851    | (8,149)                                | 30,000    | 56,507    | 26,507                                 |
| Interfund loans                       | 0                       | 0         | 0                                      | 37,707    | 37,707    | 0                                      |
| Transfers in                          | 0                       | 0         | 0                                      | 322,000   | 406,060   | 84,060                                 |
| Total Receipts                        | 2,254,450               | 2,467,221 | 212,771                                | 2,485,707 | 2,897,872 | 412,165                                |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 335,000                 | 291,561   | 43,439                                 | 315,000   | 265,108   | 49,892                                 |
| Employee fringe benefits              | 125,000                 | 98,877    | 26,123                                 | 110,000   | 83,333    | 26,667                                 |
| Supplies                              | 110,000                 | 76,783    | 33,217                                 | 103,000   | 74,976    | 28,024                                 |
| Insurance                             | 20,000                  | 9,059     | 10,941                                 | 18,000    | 7,707     | 10,293                                 |
| Road and bridge materials             | 1,333,000               | 1,655,906 | (322,906)                              | 1,352,000 | 1,208,023 | 143,977                                |
| Equipment repairs                     | 95,000                  | 93,176    | 1,824                                  | 95,000    | 75,593    | 19,407                                 |
| Rentals                               | 21,000                  | 3,594     | 17,406                                 | 14,000    | 1,608     | 12,392                                 |
| Equipment purchases                   | 175,000                 | 188,222   | (13,222)                               | 97,000    | 9,867     | 87,133                                 |
| Construction, repair, and maintenance | 300,000                 | 89,788    | 210,212                                | 600,000   | 734,533   | (134,533)                              |
| Other                                 | 386,500                 | 298,722   | 87,778                                 | 303,000   | 88,026    | 214,974                                |
| Transfers out                         | 0                       | 6,300     | (6,300)                                | 4,000     | 4,000     | 0                                      |
| Total Disbursements                   | 2,900,500               | 2,811,988 | 88,512                                 | 3,011,000 | 2,552,774 | 458,226                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (646,050)               | (344,767) | 301,283                                | (525,293) | 345,098   | 870,391                                |
| CASH, JANUARY 1                       | 981,984                 | 981,984   | 0                                      | 636,886   | 636,886   | 0                                      |
| CASH, DECEMBER 31                     | \$ 335,934              | 637,217   | 301,283                                | 111,593   | 981,984   | 870,391                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Intergovernmental                   | \$ 316,360              | 349,013 | 32,653                                 | 303,552 | 308,506 | 4,954                                  |
| Interest                            | 2,000                   | 2,665   | 665                                    | 1,200   | 2,917   | 1,717                                  |
| Other                               | 0                       | 1,262   | 1,262                                  | 0       | 0       | 0                                      |
| Transfers in                        | 124,960                 | 46,000  | (78,960)                               | 92,000  | 35,000  | (57,000)                               |
| Total Receipts                      | 443,320                 | 398,940 | (44,380)                               | 396,752 | 346,423 | (50,329)                               |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Assessor                            | 443,320                 | 398,830 | 44,490                                 | 396,555 | 347,961 | 48,594                                 |
| Total Disbursements                 | 443,320                 | 398,830 | 44,490                                 | 396,555 | 347,961 | 48,594                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 110     | 110                                    | 197     | (1,538) | (1,735)                                |
| CASH, JANUARY 1                     | 389                     | 389     | 0                                      | 1,527   | 1,927   | 400                                    |
| CASH, DECEMBER 31                   | \$ 389                  | 499     | 110                                    | 1,724   | 389     | (1,335)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit E

CHRISTIAN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Intergovernmental                   | \$ 3,500 | 4,743         | 2,000   | 4,032   | 2,032         |  |
| Charges for services                | 8,000    | 7,078         | 6,050   | 8,686   | 2,636         |  |
| Interest                            | 50       | 96            | 25      | 64      | 39            |  |
| Other                               | 0        | 203           | 0       | 0       | 0             |  |
| Total Receipts                      | 11,550   | 12,120        | 8,075   | 12,782  | 4,707         |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Sheriff                             | 12,000   | 11,221        | 10,000  | 14,576  | (4,576)       |  |
| Total Disbursements                 | 12,000   | 11,221        | 10,000  | 14,576  | (4,576)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (450)    | 899           | (1,925) | (1,794) | 131           |  |
| CASH, JANUARY 1                     | 909      | 909           | 2,703   | 2,703   | 0             |  |
| CASH, DECEMBER 31                   | \$ 459   | 1,808         | 778     | 909     | 131           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit F

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |         |         |  |
|-------------------------------------|----|-------------------------|--------|--|---------|---------|--|
|                                     |    | 1999                    |        |  | 1998    |         |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |         |         |  |
| Intergovernmental                   | \$ | 2,500                   | 2,877  | 377                                    | 2,000   | 2,254   | 254                                    |
| Charges for services                |    | 2,200                   | 1,764  | (436)                                  | 2,650   | 2,173   | (477)                                  |
| Interest                            |    | 120                     | 13     | (107)                                  | 25      | 168     | 143                                    |
| Other                               |    | 0                       | 61     | 61                                     | 0       | 750     | 750                                    |
| Total Receipts                      |    | 4,820                   | 4,715  | (105)                                  | 4,675   | 5,345   | 670                                    |
| DISBURSEMENTS                       |    |                         |        |  |         |         |  |
| Prosecuting Attorney                |    | 4,800                   | 4,917  | (117)                                  | 6,000   | 8,131   | (2,131)                                |
| Total Disbursements                 |    | 4,800                   | 4,917  | (117)                                  | 6,000   | 8,131   | (2,131)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 20                      | (202)  | (222)                                  | (1,325) | (2,786) | (1,461)                                |
| CASH, JANUARY 1                     |    | 983                     | 983    | 0                                      | 3,769   | 3,769   | 0                                      |
| CASH, DECEMBER 31                   | \$ | 1,003                   | 781    | (222)                                  | 2,444   | 983     | (1,461)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

CHRISTIAN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CART FUND

| Year Ended December 31,             |           |               |           |         |               |  |
|-------------------------------------|-----------|---------------|-----------|---------|---------------|--|
| 1999                                |           |               | 1998      |         |               |  |
|                                     |           | Variance      |           |         | Variance      |  |
|                                     |           | Favorable     |           |         | Favorable     |  |
|                                     |           | (Unfavorable) |           |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget    | Actual  |               |  |
| RECEIPTS                            |           |               |           |         |               |  |
| Intergovernmental                   | \$ 25,000 | 15,942        | 1,057,000 | 140,036 | (916,964)     |  |
| Interest                            | 40        | 184           | 1,000     | 93      | (907)         |  |
| Total Receipts                      | 25,040    | 16,126        | 1,058,000 | 140,129 | (917,871)     |  |
| DISBURSEMENTS                       |           |               |           |         |               |  |
| Road signs                          | 25,000    | 13,086        | 25,000    | 18,668  | 6,332         |  |
| Other                               | 0         | 0             | 0         | 35,424  | (35,424)      |  |
| Transfers out                       | 0         | 0             | 1,032,000 | 84,000  | 948,000       |  |
| Total Disbursements                 | 25,000    | 13,086        | 1,057,000 | 138,092 | 918,908       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 40        | 3,040         | 1,000     | 2,037   | 1,037         |  |
| CASH, JANUARY 1                     | 1,210     | 1,210         | (827)     | (827)   | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,250  | 4,250         | 173       | 1,210   | 1,037         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 COUNTY LAW ENFORCEMENT FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Sales taxes                         | \$ 810,000              | 888,977   | 78,977                                 | 740,000   | 785,829   | 45,829                                 |
| Intergovernmental                   | 117,151                 | 116,469   | (682)                                  | 133,008   | 141,162   | 8,154                                  |
| Interest                            | 200                     | 1,276     | 1,076                                  | 100       | 310       | 210                                    |
| Other                               | 8,000                   | 43,381    | 35,381                                 | 8,000     | 11,550    | 3,550                                  |
| Transfers in                        | 593,000                 | 493,000   | (100,000)                              | 581,000   | 461,000   | (120,000)                              |
| Total Receipts                      | 1,528,351               | 1,543,103 | 14,752                                 | 1,462,108 | 1,399,851 | (62,257)                               |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| Salaries                            | 909,720                 | 912,121   | (2,401)                                | 833,776   | 825,631   | 8,145                                  |
| Fringe benefits                     | 242,711                 | 226,352   | 16,359                                 | 223,737   | 210,831   | 12,906                                 |
| Board of prisoners                  | 95,500                  | 93,298    | 2,202                                  | 123,500   | 108,652   | 14,848                                 |
| Office expenditures                 | 53,500                  | 49,312    | 4,188                                  | 55,680    | 52,269    | 3,411                                  |
| Insurance                           | 45,000                  | 37,925    | 7,075                                  | 45,000    | 32,578    | 12,422                                 |
| Equipment                           | 156,794                 | 135,720   | 21,074                                 | 164,488   | 105,634   | 58,854                                 |
| Mileage and training                | 13,000                  | 15,084    | (2,084)                                | 10,000    | 10,417    | (417)                                  |
| Other                               | 11,950                  | 9,523     | 2,427                                  | 6,000     | 11,491    | (5,491)                                |
| Interfund loan                      | 0                       | 0         | 0                                      | 0         | 37,707    | (37,707)                               |
| Transfers out                       | 0                       | 0         | 0                                      | 0         | 41        | (41)                                   |
| Total Disbursements                 | 1,528,175               | 1,479,335 | 48,840                                 | 1,462,181 | 1,395,251 | 66,930                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 176                     | 63,768    | 63,592                                 | (73)      | 4,600     | 4,673                                  |
| CASH, JANUARY 1                     | 7,292                   | 7,292     | 0                                      | 2,692     | 2,692     | 0                                      |
| CASH, DECEMBER 31                   | \$ 7,468                | 71,060    | 63,592                                 | 2,619     | 7,292     | 4,673                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY 911 FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Charges for services                | \$ 270,000              | 292,192 | 22,192                                 | 280,000 | 263,759 | (16,241)                               |
| Interest                            | 2,000                   | 2,970   | 970                                    | 1,000   | 3,373   | 2,373                                  |
| Other                               | 0                       | 0       | 0                                      | 0       | 7       | 7                                      |
| Total Receipts                      | 272,000                 | 295,162 | 23,162                                 | 281,000 | 267,139 | (13,861)                               |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 15,000                  | 15,000  | 0                                      | 14,000  | 14,000  | 0                                      |
| Employee fringe benefits            | 5,000                   | 4,687   | 313                                    | 5,000   | 4,487   | 513                                    |
| Phone line charges                  | 95,000                  | 73,265  | 21,735                                 | 95,000  | 73,685  | 21,315                                 |
| Office expenditures                 | 1,150                   | 812     | 338                                    | 4,950   | 2,793   | 2,157                                  |
| Equipment                           | 10,000                  | 18,086  | (8,086)                                | 10,000  | 14,611  | (4,611)                                |
| Mileage and trainging               | 800                     | 872     | (72)                                   | 800     | 798     | 2                                      |
| Transfers out                       | 145,000                 | 145,000 | 0                                      | 135,000 | 135,000 | 0                                      |
| Total Disbursements                 | 271,950                 | 257,722 | 14,228                                 | 264,750 | 245,374 | 19,376                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 50                      | 37,440  | 37,390                                 | 16,250  | 21,765  | 5,515                                  |
| CASH, JANUARY 1                     | 67,351                  | 67,351  | 0                                      | 45,586  | 45,586  | 0                                      |
| CASH, DECEMBER 31                   | \$ 67,401               | 104,791 | 37,390                                 | 61,836  | 67,351  | 5,515                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

CHRISTIAN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CRIMINAL ABATEMENT # 1 FUND

| Year Ended December 31,             |            |               |         |        |               |  |
|-------------------------------------|------------|---------------|---------|--------|---------------|--|
| 1999                                |            |               | 1998    |        |               |  |
|                                     |            | Variance      |         |        | Variance      |  |
|                                     |            | Favorable     |         |        | Favorable     |  |
|                                     |            | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |            |               |         |        |               |  |
| Intergovernmental                   | \$ 300,000 | 147,875       | 0       | 53,000 | 53,000        |  |
| Interest                            | 100        | 1,536         | 0       | 355    | 355           |  |
| Total Receipts                      | 300,100    | 149,411       | 0       | 53,355 | 53,355        |  |
| DISBURSEMENTS                       |            |               |         |        |               |  |
| Sheriff                             | 96,500     | 162,387       | 9,700   | 43,981 | (34,281)      |  |
| Total Disbursements                 | 96,500     | 162,387       | 9,700   | 43,981 | (34,281)      |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 203,600    | (12,976)      | (9,700) | 9,374  | 19,074        |  |
| CASH, JANUARY 1                     | 24,366     | 24,366        | 14,992  | 14,992 | 0             |  |
| CASH, DECEMBER 31                   | \$ 227,966 | 11,390        | 5,292   | 24,366 | 19,074        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

CHRISTIAN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FAMILY VIOLENCE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,300 | 2,300         | 2,400  | 2,295  | (105)         |  |
| Total Receipts                      | 2,300    | 2,300         | 2,400  | 2,295  | (105)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Domestic violence shelter           | 2,300    | 2,300         | 2,400  | 2,295  | 105           |  |
| Total Disbursements                 | 2,300    | 2,300         | 2,400  | 2,295  | 105           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 0             | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0        | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 0             | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

CHRISTIAN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY ADMINISTRATIVE FEE FUND

| Year Ended December 31,             |    |               |        |        |               |          |
|-------------------------------------|----|---------------|--------|--------|---------------|----------|
| 1999                                |    |               | 1998   |        |               |          |
|                                     |    | Variance      |        |        | Variance      |          |
|                                     |    | Favorable     |        |        | Favorable     |          |
|                                     |    | (Unfavorable) |        |        | (Unfavorable) |          |
| Budget                              |    | Actual        | Budget |        | Actual        |          |
| RECEIPTS                            |    |               |        |        |               |          |
| Intergovernmental                   | \$ | 0             | 15,000 | 0      | 0             | 0        |
| Charges for services                |    | 8,000         | 12,984 | 8,000  | 7,555         | (445)    |
| Interest                            |    | 400           | 977    | 0      | 729           | 729      |
| Total Receipts                      |    | 8,400         | 28,961 | 8,000  | 8,284         | 284      |
| DISBURSEMENTS                       |    |               |        |        |               |          |
| Prosecuting Attorney                |    | 16,000        | 18,701 | 6,000  | 17,023        | (11,023) |
| Total Disbursements                 |    | 16,000        | 18,701 | 6,000  | 17,023        | (11,023) |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (7,600)       | 10,260 | 2,000  | (8,739)       | (10,739) |
| CASH, JANUARY 1                     |    | 7,700         | 7,700  | 16,439 | 16,439        | 0        |
| CASH, DECEMBER 31                   | \$ | 100           | 17,960 | 18,439 | 7,700         | (10,739) |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit M

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 BUILDING FUND

|   |    | Year Ended December 31, |           |  |             |           |  |
|---|----|-------------------------|-----------|--|-------------|-----------|--|
|   |    | 1999                    |           |  | 1998        |           |  |
|   |    | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget      | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                         |    |                         |           |  |             |           |  |
| Interest                                | \$ | 50,000                  | 37,102    | (12,898)                               | 40,000      | 53,285    | 13,285                                 |
| Reimbursement of misappropriated monies |    | 0                       | 0         | 0                                      | 0           | 154,837   | 154,837                                |
| Other                                   |    | 0                       | 60        | 60                                     | 0           | 4,809     | 4,809                                  |
| Total Receipts                          |    | 50,000                  | 37,162    | (12,838)                               | 40,000      | 212,931   | 172,931                                |
| <b>DISBURSEMENTS</b>                    |    |                         |           |  |             |           |  |
| Buildings and grounds                   |    | 1,240,000               | 347,394   | 892,606                                | 970,000     | 78,123    | 891,877                                |
| Transfers out                           |    | 0                       | 0         | 0                                      | 140,000     | 3,600     | 136,400                                |
| Total Disbursements                     |    | 1,240,000               | 347,394   | 892,606                                | 1,110,000   | 81,723    | 1,028,277                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS     |    | (1,190,000)             | (310,232) | 879,768                                | (1,070,000) | 131,208   | 1,201,208                              |
| CASH, JANUARY 1                         |    | 1,203,711               | 1,203,711 | 0                                      | 1,072,503   | 1,072,503 | 0                                      |
| CASH, DECEMBER 31                       | \$ | 13,711                  | 893,479   | 879,768                                | 2,503       | 1,203,711 | 1,201,208                              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 RECYCLING FUND

| Year Ended December 31,             |           |         |  |        |        |  |
|-------------------------------------|-----------|---------|--|--------|--------|--|
| 1999                                |           |         |  | 1998   |        |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |        |        |  |
| Intergovernmental                   | \$ 12,000 | 0       | (12,000)                               | 0      | 189    | 189                                    |
| Interest                            | 50        | 290     | 240                                    | 0      | 41     | 41                                     |
| Other                               | 2,000     | 625     | (1,375)                                | 400    | 0      | (400)                                  |
| Transfer in                         | 0         | 0       | 0                                      | 20,000 | 12,976 | (7,024)                                |
| Total Receipts                      | 14,050    | 915     | (13,135)                               | 20,400 | 13,206 | (7,194)                                |
| DISBURSEMENTS                       |           |         |  |        |        |  |
| Equipment                           | 12,510    | 2,667   | 9,843                                  | 505    | 373    | 132                                    |
| Mileage and training                | 550       | 154     | 396                                    | 550    | 326    | 224                                    |
| Other                               | 9,500     | 4,039   | 5,461                                  | 7,500  | 1,468  | 6,032                                  |
| Total Disbursements                 | 22,560    | 6,860   | 15,700                                 | 8,555  | 2,167  | 6,388                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (8,510)   | (5,945) | 2,565                                  | 11,845 | 11,039 | (806)                                  |
| CASH, JANUARY 1                     | 10,735    | 10,735  | 0                                      | (304)  | (304)  | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,225  | 4,790   | 2,565                                  | 11,541 | 10,735 | (806)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit O

CHRISTIAN COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LOCAL EMERGENCY PLANNING COMMISSION FUND

| Year Ended December 31,             |          |         |  |
|-------------------------------------|----------|---------|--|
| 1999                                |          |         |  |
|                                     | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |         |  |
| Intergovernmental                   | \$ 500   | 2,525   | 2,025                                  |
| Interest                            | 100      | 298     | 198                                    |
| Total Receipts                      | 600      | 2,823   | 2,223                                  |
| DISBURSEMENTS                       |          |         |  |
| Office                              | 150      | 1,474   | (1,324)                                |
| Equipment                           | 250      | 2,795   | (2,545)                                |
| Mileage and training                | 500      | 847     | (347)                                  |
| Total Disbursements                 | 900      | 5,116   | (4,216)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (300)    | (2,293) | (1,993)                                |
| CASH, JANUARY 1                     | 8,555    | 8,555   | 0                                      |
| CASH, DECEMBER 31                   | \$ 8,255 | 6,262   | (1,993)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

CHRISTIAN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SALES TAX FUND

|   | 1998         |         |  |
|---|--------------|---------|--|
|   | Budget       | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                                  |              |         |  |
| Sales tax                                 | \$ 2,940,000 | 61,114  | (2,878,886)                            |
| Interest                                  | 0            | 0       | 0                                      |
| Total Receipts                            | 2,940,000    | 61,114  | (2,878,886)                            |
| DISBURSEMENTS                             |              |         |  |
| Distribution to road districts and cities | 2,940,000    | 65,327  | 2,874,673                              |
| Transfers out                             | 0            | 0       | 0                                      |
| Total Disbursements                       | 2,940,000    | 65,327  | 2,874,673                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS       | 0            | (4,213) | (4,213)                                |
| CASH, JANUARY 1                           | 4,213        | 4,213   | 0                                      |
| CASH, DECEMBER 31                         | \$ 4,213     | 0       | (4,213)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit Q

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 177,000              | 181,199 | 4,199                                  | 165,000 | 169,065 | 4,065                                  |
| Intergovernmental                   | 324,877                 | 318,086 | (6,791)                                | 305,438 | 322,733 | 17,295                                 |
| Charges for services                | 106,500                 | 120,922 | 14,422                                 | 119,500 | 122,403 | 2,903                                  |
| Interest                            | 11,000                  | 12,711  | 1,711                                  | 10,000  | 13,620  | 3,620                                  |
| Other                               | 3,750                   | 4,684   | 934                                    | 6,800   | 3,504   | (3,296)                                |
| Total Receipts                      | 623,127                 | 637,602 | 14,475                                 | 606,738 | 631,325 | 24,587                                 |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 486,629                 | 457,056 | 29,573                                 | 466,766 | 461,492 | 5,274                                  |
| Office expenditures                 | 22,600                  | 23,266  | (666)                                  | 16,200  | 17,830  | (1,630)                                |
| Equipment                           | 55,000                  | 61,468  | (6,468)                                | 50,300  | 55,447  | (5,147)                                |
| Mileage and training                | 3,200                   | 2,615   | 585                                    | 3,150   | 3,163   | (13)                                   |
| Buildings and grounds               | 9,500                   | 7,408   | 2,092                                  | 7,000   | 11,659  | (4,659)                                |
| Other                               | 46,198                  | 23,649  | 22,549                                 | 63,322  | 34,387  | 28,935                                 |
| Total Disbursements                 | 623,127                 | 575,462 | 47,665                                 | 606,738 | 583,978 | 22,760                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 62,140  | 62,140                                 | 0       | 47,347  | 47,347                                 |
| CASH, JANUARY 1                     | 240,677                 | 240,677 | 0                                      | 0       | 193,330 | 193,330                                |
| CASH, DECEMBER 31                   | \$ 240,677              | 302,817 | 62,140                                 | 0       | 240,677 | 240,677                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

CHRISTIAN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENATE BILL 40 BOARD

| Year Ended December 31,             |              |               |           |           |               |         |
|-------------------------------------|--------------|---------------|-----------|-----------|---------------|---------|
| 1999                                |              |               | 1998      |           |               |         |
|                                     |              | Variance      |           |           | Variance      |         |
|                                     | Budget       | Favorable     | Budget    | Actual    | Favorable     |         |
|                                     |              | (Unfavorable) |           |           | (Unfavorable) |         |
| RECEIPTS                            |              |               |           |           |               |         |
| Property taxes                      | \$ 0         | 320,550       | 320,550   | 0         | 298,830       | 298,830 |
| Intergovernmental                   | 0            | 504           | 504       | 0         | 465           | 465     |
| Interest                            | 0            | 7,630         | 7,630     | 0         | 6,924         | 6,924   |
| Loan proceeds                       | 0            | 3,117         | 3,117     | 0         | 4,089         | 4,089   |
| Total Receipts                      | 0            | 331,801       | 331,801   | 0         | 310,308       | 310,308 |
| DISBURSEMENTS                       |              |               |           |           |               |         |
| Contractual Services                | 304,240      | 431,393       | (127,153) | 378,640   | 224,505       | 154,135 |
| Office expenditures                 | 2,200        | 828           | 1,372     | 7,200     | 768           | 6,432   |
| Other                               | 25,000       | 0             | 25,000    | 0         | 0             | 0       |
| Total Disbursements                 | 331,440      | 432,221       | (100,781) | 385,840   | 225,273       | 160,567 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (331,440)    | (100,420)     | 231,020   | (385,840) | 85,035        | 470,875 |
| CASH, JANUARY 1                     | 0            | 136,061       | 136,061   | 0         | 51,026        | 51,026  |
| CASH, DECEMBER 31                   | \$ (331,440) | 35,641        | 367,081   | (385,840) | 136,061       | 521,901 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

CHRISTIAN COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Christian County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:



| <u>Fund</u>                                 | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Direct Sales Tax Distribution Fund          | 1999 and 1998                   |
| Direct CART Distribution Fund               | 1999 and 1998                   |
| Local Emergency Planning<br>Commission Fund | 1998                            |
| Local Use Tax Fund                          | 1998                            |
| Record Retention Fund                       | 1999 and 1998                   |
| Sheriff Civil Fee Fund                      | 1999 and 1998                   |
| Criminal Abatement #2 Fund                  | 1999                            |
| Associate Circuit Division I Interest Fund  | 1999 and 1998                   |
| Associate Circuit Division II Interest Fund | 1999 and 1998                   |
| Circuit Clerk Interest Fund                 | 1999 and 1998                   |
| Law Library Fund                            | 1999 and 1998                   |
| Probate Division Interest Fund              | 1999 and 1998                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                                     | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Law Enforcement Training Fund                   | 1998                            |
| Prosecuting Attorney Training Fund              | 1999 and 1998                   |
| Criminal Abatement #1 Fund                      | 1999 and 1998                   |
| Prosecuting Attorney Administrative<br>Fee Fund | 1999 and 1998                   |
| Local emergency Planning<br>Commission Fund     | 1999 and 1998                   |
| Senate Bill 40 Board Fund                       | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the Senate Bill 40 Board Fund for the years ended December 31, 1999 and 1998.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county did not publish a financial statement for the year ended December 31, 1999. In addition, the county's published financial statement for the year ended

December 31, 1998 did not include the Sales Tax Fund, Local Use Tax Fund, Sheriff Civil Fee Fund, Health Center Fund, Senate Bill 40 Board Fund, Associate Circuit Division I Interest Fund, Associate Circuit Division II Interest Fund, Circuit Clerk Interest Fund, Law Library Fund, and Probate Division Interest Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance.

The deposits of the Senate Bill 40 Board at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the custodial bank in the name of the Senate Bill 40 Board. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

CHRISTIAN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |               |
|--|--|---|-------------------------|---------------|
|  |  |   | Year Ended December 31, |               |
|  |  |   | 1999                    | 1998          |
| U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY                    |  |   |                         |               |
| Passed through State Department of Public Safety               |  |   |                         |               |
| 07.PMWP551   | High Intensity Drug Trafficking Area - Task Forces                         | 97-HIDTA-551-03                                 | 51,437                  | 62,680        |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |               |
| Passed through state:  |  |   |                         |               |
| Department of Health -   |  |   |                         |               |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ERO45-6121 \$                                   | 122,973                 | 123,095       |
| Office of Administration -                                     |  |   |                         |               |
| 10.665   | Schools and Roads - Grants to<br>States                                    | N/A   | 81,046                  | 69,175        |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |               |
| Direct programs:   |  |   |                         |               |
| 16.710   | Public Safety Partnership and Community Policing Grants                    | 97-UM-WX-0638                                   | 64,422                  | 78,342        |
| 16.unknown   | Equitable Sharing of Seized and Forfeited Property                         | N/A   | 162,387                 | 43,981        |
| Passed through:  |  |   |                         |               |
| State Department of Public Safety -                            |  |   |                         |               |
| 16.579   | Byrne Formula Grant Program  | 97-NCD10-0085                                   | 0                       | 15,305        |
|  |  | 980NCD10-059                                    | 8,921                   | 6,593         |
|  |  | 98-NCD10-068                                    | 3,298                   | 0             |
|  | Program Total  |   | <u>12,219</u>           | <u>21,898</u> |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |               |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |               |
| 20.205   | Highway Planning and Construction  | BRO-022-5                                       | 0                       | 355,394       |
| U. S. DEPARTMENT OF TREASURY                                   |  |   |                         |               |
| Direct programs:   |  |   |                         |               |
| 21.unknown   | Equitable Sharing of Seized and Forfeited Property                         | N/A   | 55,120                  | 0             |

CHRISTIAN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                         | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---|---|---|-------------------------|----------------|
|   |   |   | Year Ended December 31, |                |
|   |   |   | 1999                    | 1998           |
| FEDERAL EMERGENCY MANAGEMENT AGENCY               |   |   |                         |                |
| Passed through state Department of Public Safety: |   |   |                         |                |
| 83.534  | Emergency Management - State and Local Assistance               | N/A   | 1,066                   | 0              |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES     |   |   |                         |                |
| Direct program -                                  |   |   |                         |                |
| 93.268  | Immunization Grants   | N/A   | 4,907                   | 4,816          |
| Passed through state:                             |   |   |                         |                |
| Department of Health -                            |   |   |                         |                |
| 93.268  | Immunization Grants   | N/A   | 54,174                  | 46,384         |
| Department of Social Services -                   |   |   |                         |                |
| 93.563  | Child Support Enforcement                                       | N/A   | 26,368                  | 22,448         |
| 93.667  | Social Services Block Grant                                     | ERO172081                                       | 50                      | 81             |
|   |   | ERO172082                                       | 8,641                   | 7,118          |
|   |   | ERO172019                                       | 6,621                   | 9,070          |
|   |   | ERO172118                                       | 9,839                   | 17,841         |
|   | Program Total   |   | <u>25,151</u>           | <u>34,110</u>  |
| Department of Health -                            |   |   |                         |                |
| 93.991  | Preventive Health and Health Services Block Grant               | N/A   | 575                     | 930            |
| 93.994  | Maternal and Child Health Services<br>Block Grant to the States | ERO146-7121                                     | 39,238                  | 43,043         |
|   | Total Expenditures of Federal Awards                            |   | <u>\$ 701,083</u>       | <u>906,296</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

CHRISTIAN COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Christian County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$48,285 and \$35,799 represent the original acquisition cost of other vaccines purchased by the

Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$575 and \$930 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,874 and \$3,254 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.



FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Christian County, Missouri

Compliance

We have audited the compliance of Christian County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Christian County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years

ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-3 through 99-4.

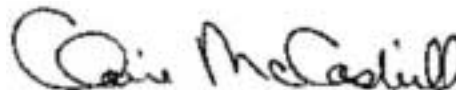
#### Internal Control Over Compliance

The management of Christian County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-3 through 99-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Christian County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

May 4, 2000 (fieldwork completion date)

Schedule

CHRISTIAN COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness identified? X yes        no

Reportable condition identified that is  
not considered to be a material weakness?        yes X none reported

Noncompliance material to the financial statements  
noted? X yes        no

Federal Awards

Internal control over major programs:

Material weakness identified?        yes X no

Reportable condition identified that is  
not considered to be a material weakness? X yes        none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133? X yes        no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>   |
|---|--|
| 10.557  | Special Supplemental Nutrition Program for Women, Infants, and<br>Children |



The county did not publish a financial statement for the year ended December 31, 1999. In addition, the county's published financial statement for the year ended December 31, 1998 did not include several county funds. This is a significant violation of state law which is intended to inform the public of the county's financial activity on an annual basis.

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts, disbursements, and beginning and ending balances for each fund.

**WE RECOMMEND** the County Commission ensure complete financial statements are prepared and published annually.

### **AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN**

*The 1999 Financial Statement will be published August 30, 2000. We will continue to request the financial information for these funds controlled by other offices and boards.*

### **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Agriculture  |
| Pass-Through Grantor: | Department of Health  |
| Federal CFDA Number:  | 10.557  |
| Program Title:        | Special Supplemental Nutrition Program for Women, Infants, and Children |
| Pass-Through Entity   |   |
| Identifying Number:   | ERO45-6121  |
| Award Year:           | 1999 and 1998   |
| Questioned Costs:     | Not applicable  |



|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Justice                         |
| Pass-Through Grantor: | Not applicable                                     |
| Federal CFDA Number:  | 16.unknown   |
| Program Title:        | Equitable Sharing of Seized and Forfeited Property |
| Pass-Through Entity   |  |
| Identifying Number:   | Not applicable                                     |
| Award Year:           | 1999 and 1998                                      |
| Questioned Costs:     | Not applicable                                     |

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO-022-5                                   |
| Award Year:           | 1998  |
| Questioned Costs:     | Not applicable                              |

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have specific procedures in place to track federal assistance for preparation of the SEFA. During the years ended December 31, 1999 and 1998, the county's SEFA contained numerous errors and omission. The county reported federal revenues but did not report any federal expenditures on their SEFA schedule including \$355,394 of Highway and Planning and Construction program expenditures for 1998. Also, expenditures from the Schools and Roads-Grants to States program of \$81,046 and \$69,175 for 1999 and 1998 respectively, were not included.

For the federal financial schedules to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal financial expenditures be properly reported. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

#### **AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN**

*We agree and will attempt to ensure all programs are reported in the next years SEFA.*

**99-4.****Federal Sharing Program**

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Justice                         |
| Pass-Through Grantor: | Not applicable                                     |
| Federal CFDA Number:  | 16.unknown   |
| Program Title:        | Equitable Sharing of Seized and Forfeited Property |
| Pass-Through Entity   |  |
| Identifying Number:   | Not applicable                                     |
| Award Year:           | 1999 and 1998                                      |
| Questioned Costs:     | \$24,315   |

Federal funds received from the Equitable Sharing of Seized and Forfeited Property are deposited to the Criminal Abatement #1 Fund to be used for law enforcement purposes. The Sheriff's Department purchased a truck (\$15,500) and lie detector (\$8,815) without soliciting bids or proposals or retaining documentation to support the solicitation of bids. The Sheriff's Department indicated that the lie detector was purchased from a sole source provider; however, this was not documented. OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws and Section 50.660, RSMo Supp. 1999, requires the advertisement of bids for purchases over \$4,500. The county should advertise bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the county should retain documentation of these circumstances.

**WE RECOMMEND** the County Commission and Sheriff work with applicable federal grantor agencies to resolve the questioned costs. In the future, bids should be solicited for applicable purchases.

**AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN**

*We will continue to request that the Sheriff's Department ensure bids are taken in the future.*

**99-5.****Federal Bridge Program**

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO-022-5                                   |
| Award Year:           | 1998  |
| Questioned Costs:     | Not applicable                              |

The county receives funding from the Missouri Department of Transportation (MODOT) for highway planning and construction. During the year ended December 31, 1998, \$355,394 was expended directly by the county under this program. We noted one reimbursement claim in the amount of \$111,147 that was submitted to MODOT in June 1998, however, reimbursement was not received by the county.

The county does not have follow-up procedures in place to ensure requested funds are received by the county, and no other attempts were made to follow up on this reimbursement request. The failure to follow up on claims submitted on a timely basis results in possible unreimbursed costs or potential lost revenues to the county.

**WE RECOMMEND** the County Commission and County Clerk establish records and procedures to adequately monitor program expenditures and reimbursements. In addition, the county should pursue collection of the reimbursement request with the Missouri Department of Transportation.

**AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN**

*We agree and will establish records to track expenditures and reimbursement requests. The county has already contacted MODOT and has received the remaining amounts owed.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

CHRISTIAN COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Christian County, Missouri, on the applicable findings in our prior audit report issued for the two years ended December 31, 1997.

1A. County Sales Tax

The county had not adequately reduced total county property tax levies to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Recommendation:

The County Commission:

Reduce total county property tax levies adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Status:

Implemented. The county was successful in changing their sales tax (removing the restrictive use of the sales tax) and has significantly lowered or eliminated their General and Special Road and Bridge Fund property tax levies.

5. Budgets and Published Financial Statements

B. Budgets were not prepared for some county funds.

C. Actual expenditures exceeded budgeted amounts in several county funds.

Recommendation:

The County Commission:

B. Ensure budgets are prepared or obtained for all county funds as required by state law.

C. Keep expenditures within budgetary limits.

Status:

B. Not implemented. See finding number 99-1.

- C. Partially implemented. Although the county has made some improvement in this area, actual expenditures exceeded budgeted amounts for several funds. See the Letter On Other Matters.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

CHRISTIAN COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

4. Federal Financial Assistance

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Justice                         |
| Pass-Through Grantor: | Not applicable                                     |
| Federal CFDA Number:  | Not applicable                                     |
| Program Title:        | Equitable Sharing of Seized and Forfeited Property |
| Pass-Through Entity   |  |
| Identifying Number:   | Not applicable                                     |
| Award Year:           | 1997 and 1996                                      |
| Questioned Costs:     | \$10,772   |

- D. There was no documentation to indicate bids were advertised or solicited for applicable purchases.

Recommendation:

- D. The County Commission and Sheriff work with applicable federal grantor agencies to resolve the questioned costs. In the future, bids should be solicited for applicable purchases.

Status:

- D. Not implemented. See finding number 99-4.



## SECTION ON OTHER MATTERS

## CHRISTIAN COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Christian County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 4, 2000. We also have audited the compliance of Christian County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 4, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Christian County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Expenditures

The county did not solicit or advertise for bids for some purchases or ensure all efforts to obtain bids were adequately documented. The county does not have procedures to adequately monitor distributions of CART and sales tax monies to special road districts and cities. A Christmas dinner was held each year for county employees at a total cost to the county of approximately \$1,300 annually.

### 2. Written Agreements

The county shares the operation and maintenance cost of the recycling center with the City of Ozark based on a verbal agreement. The county incurred approximately \$9,000 in expenditures for the recycling center during the years ended December 31, 1999 and 1998.

### 3. County Budgets

Actual expenditure amounts exceeded approved budgeted amounts in some county funds for the years ended December 31, 1999 and 1998.

### 4. Payroll Procedures

Payroll duties are not adequately segregated or reviewed by a supervisor. An employee left employment from the county with cafeteria plan reimbursements exceeding payroll withholdings of approximately \$800. The county has not pursued reimbursement from the

former employee. In addition, time sheets prepared by the assistant prosecuting attorneys are not filed with the county clerks office.

5. Commission Meetings

The county did not maintain minutes for closed meetings. In addition, the regular meeting minutes did not always disclose the reason for entering into closed session.

6. General Fixed Assets

Fixed asset records are not properly maintained. Various fixed asset purchases were not recorded on the fixed asset listing.

7. Senate Bill 40 Board

Budgets prepared by the Senate Bill 40 Board were incomplete and not filed with the State Auditor's Office. The budgets included only estimated expenditures and provided no estimated revenues or beginning available resources, resulting in deficit budgeting as noted on Exhibit R. The budgets also did not include the two previous years' actual receipts and expenditures. In addition, the Senate Bill 40 Board approved expenditures in excess of approved budget amounts during the year ended December 31, 1999.

The amount of collateral securities pledged by the board's depository bank was insufficient to cover the boards deposits. The board makes loans to not-for-profit (NFP) organizations, including \$67,363 in December 1999 to a local NFP to assist in the purchase of land for disabled housing units. Minutes of the September 1998 and July 1999 board meetings could not be located.

8. Circuit Clerk Interest Fund

The Circuit Clerk's Interest Fund balance has increased significantly and has a balance of \$59,382 at December 31, 1999. The Circuit Clerk has indicated a significant portion of this balance will be allocated to specific cases being held in trust; however, no determination has been made.

This Letter on Other Matters is intended for the information of the management of Christian County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



WAYNE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-88  
September 8, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Wayne, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Wayne County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The County Commission reduced tax levies for the Special Road and Bridge Fund to provide part of the property tax reduction required by the sales tax ballot passed by Wayne County voters. Prior reports noted Special Road and Bridge property taxes had been reduced a total of \$408,000 from 1991 through 1997 without the county crediting any general sales tax monies to the Special Road and Bridge Fund to replace lost property taxes. During the two years ended December 31, 1999, the county reduced the Special Road and Bridge property tax rate even further which resulted in an additional \$202,000 reduction in property tax revenue without replacement. As a result, more than \$610,000 is due to the Special Road and Bridge Fund from the General Fund at December 31, 1999.

A related audit finding noted the County Commission has been distributing payments in lieu of tax of approximately \$80,000 yearly from the U.S. Department of Interior to the Special Road and Bridge Fund and General Revenue Fund equally for several years. These monies could be used for any government purpose. Given the weak financial condition of the General Revenue Fund, it is questionable why the County Commission elected to distribute any of these monies to the Special Road and Bridge Fund.

(over)

YELLOW SHEET

In its response to these findings, the County Commission indicated that it was unaware that the federal payments were unrestricted monies and that this oversight resulted in the Special Road and Bridge Fund being credited with one half of these monies for at least eighteen years. The County Commission further responded that it intended to use the amounts mistakenly credited to the Special Road Bridge Fund to offset the amount owed by the General Revenue Fund. The audit emphasized that if the County Commission believes it is justified to go back 18 years to correct these problems, it should also consider other improper distributions which occurred during those years. Further, the County Commission now needs to establish and document decisions regarding interfund liabilities and begin operating those funds in a manner which ensures the financial integrity of each fund in the future.

- As noted in the prior audit report, the county has not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Wayne County voters. During the two years ended December 31, 1999, reductions were made, however, to further bring the county into compliance with the sales tax proposal, the County Commission should reduce the 2000 property tax revenues by an additional \$96,290 for the excess property taxes collected in prior years.

The County Commission acted contrary to legal advice when it granted a mid-term raise to the Associate Commissioners. The Prosecuting Attorney concluded that such “a mid-term salary increase for Associate Commissioners would be unconstitutional and is therefore prohibited”. The County Commission said they would abide by the results of a pending lawsuit in another county.

With the exception of road and bridge employees, the County Commission has not established written personnel policies regarding vacation and sick leave, compensatory time, and overtime. Records of leave, overtime worked and compensatory time balances are not centrally maintained. Currently each officeholder is responsible for individual office policies.

Also included in the audit are recommendations to improve county budgetary procedures, depository agreements and some expenditure policies. Contractual procedures of the Senate Bill 40 Board also need improvement. In addition, the audit recommended the County Clerk maintain an account book with the County Collector to provide more controls and help verify annual settlements.

**Copies of the audit are available upon request.**

WAYNE COUNTY, MISSOURI

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WAYNE COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Wayne County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Wayne County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Wayne County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Wayne County.

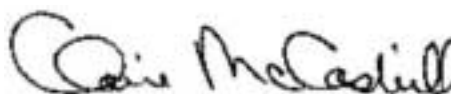
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Wayne County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 11, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Wayne County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

May 11, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | John Luetkemeyer, CPA |
| Audit Staff:        | Rosemarie Edwards     |
|                     | Steve Garner          |
|                     | Francis Verslues      |

Robyn Vogt



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Wayne County, Missouri

We have audited the special-purpose financial statements of various funds of Wayne County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Wayne County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

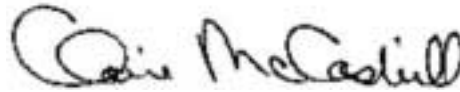
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Wayne County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not



necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Wayne County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 11, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                          | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue               | \$ 2,453           | 994,617   | 1,028,585     | (31,515)             |
| Special Road and Bridge       | 25,013             | 1,496,444 | 1,421,716     | 99,741               |
| Assessment                    | 162                | 124,025   | 123,773       | 414                  |
| Law Enforcement Training      | 6,648              | 5,180     | 9,344         | 2,484                |
| Prosecuting Attorney Training | 430                | 950       | 897           | 483                  |
| Debt Service                  | 12,991             | 19,493    | 31,807        | 677                  |
| Special Law Enforcement       | 6,583              | 7,960     | 14,523        | 20                   |
| Special Prosecuting Attorney  | 358                | 8,548     | 8,896         | 10                   |
| Victims of Domestic Violence  | 111                | 1,123     | 0             | 1,234                |
| Recorder's User Fees          | 9,766              | 6,631     | 3,533         | 12,864               |
| Law Library                   | 6,114              | 6,168     | 4,777         | 7,505                |
| Associate Division's Interest | 481                | 721       | 905           | 297                  |
| Sheriff's Donations           | 5,759              | 12,069    | 16,620        | 1,208                |
| Landfill Trust                | 7,631              | 368       | 0             | 7,999                |
| Sheriff's Civil               | 1,171              | 8,387     | 9,476         | 82                   |
| Circuit Clerk's Interest      | 2,233              | 2,291     | 1,203         | 3,321                |
| Elevator Grant                | 200                | 6,688     | 4,288         | 2,600                |
| Health Center                 | 190,944            | 1,066,950 | 1,027,995     | 229,899              |
| Senate Bill 40 Board          | 92,450             | 69,727    | 54,757        | 107,420              |
| Recorder's Grant              | 23                 | 0         | 23            | 0                    |
| Total                         | \$ 371,521         | 3,838,340 | 3,763,118     | 446,743              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                          | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue               | \$ 98,365          | 939,692   | 1,035,604     | 2,453                |
| Special Road and Bridge       | 69,292             | 1,133,019 | 1,177,298     | 25,013               |
| Assessment                    | 805                | 132,060   | 132,703       | 162                  |
| Law Enforcement Training      | 5,484              | 4,759     | 3,595         | 6,648                |
| Prosecuting Attorney Training | 888                | 860       | 1,318         | 430                  |
| Debt Service                  | 19,575             | 23,323    | 29,907        | 12,991               |
| Special Law Enforcement       | 4,669              | 49,635    | 47,721        | 6,583                |
| Special Prosecuting Attorney  | 41                 | 8,326     | 8,009         | 358                  |
| Victims of Domestic Violence  | 385                | 726       | 1,000         | 111                  |
| Recorder's User Fees          | 9,494              | 7,045     | 6,773         | 9,766                |
| Law Library                   | 8,305              | 4,369     | 6,560         | 6,114                |
| Associate Division's Interest | 1,146              | 714       | 1,379         | 481                  |
| Sheriff's Donations           | 6,969              | 2,608     | 3,818         | 5,759                |
| Landfill Trust                | 7,253              | 378       | 0             | 7,631                |
| Sheriff's Civil               | 3,213              | 9,073     | 11,115        | 1,171                |
| Circuit Clerk's Interest      | 2,903              | 2,059     | 2,729         | 2,233                |
| Elevator Grant                | 0                  | 21,800    | 21,600        | 200                  |
| Health Center                 | 175,363            | 1,006,169 | 990,588       | 190,944              |
| Senate Bill 40 Board          | 72,227             | 64,704    | 44,481        | 92,450               |
| Recorder's Grant              | 1,527              | 8,375     | 9,879         | 23                   |
| Total                         | \$ 487,904         | 3,419,694 | 3,536,077     | 371,521              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

WAYNE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 162,401              | 147,412   | (14,989)                               | 154,959   | 184,283   | 29,324                                 |
| Sales taxes                         | 352,473                 | 362,699   | 10,226                                 | 347,000   | 336,850   | (10,150)                               |
| Intergovernmental                   | 269,957                 | 253,499   | (16,458)                               | 193,014   | 220,736   | 27,722                                 |
| Charges for services                | 146,302                 | 137,484   | (8,818)                                | 135,047   | 130,035   | (5,012)                                |
| Interest                            | 4,750                   | 3,776     | (974)                                  | 9,000     | 5,645     | (3,355)                                |
| Other                               | 49,386                  | 45,443    | (3,943)                                | 50,396    | 38,364    | (12,032)                               |
| Transfers in                        | 44,303                  | 44,304    | 1                                      | 43,579    | 23,779    | (19,800)                               |
| Total Receipts                      | 1,029,572               | 994,617   | (34,955)                               | 932,995   | 939,692   | 6,697                                  |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 65,336                  | 65,334    | 2                                      | 50,780    | 48,412    | 2,368                                  |
| County Clerk                        | 73,320                  | 73,271    | 49                                     | 72,200    | 69,576    | 2,624                                  |
| Elections                           | 5,500                   | 2,787     | 2,713                                  | 46,500    | 51,791    | (5,291)                                |
| Buildings and grounds               | 44,900                  | 59,449    | (14,549)                               | 78,810    | 73,412    | 5,398                                  |
| Employee fringe benefits            | 104,500                 | 113,669   | (9,169)                                | 105,293   | 109,027   | (3,734)                                |
| County Treasurer                    | 23,940                  | 23,674    | 266                                    | 17,367    | 17,176    | 191                                    |
| County Collector                    | 59,869                  | 59,869    | 0                                      | 51,597    | 51,596    | 1                                      |
| Ex Officio Recorder of Deeds        | 17,847                  | 17,845    | 2                                      | 17,907    | 16,287    | 1,620                                  |
| Circuit Clerk                       | 9,000                   | 8,921     | 79                                     | 11,327    | 10,162    | 1,165                                  |
| Associate Circuit Court             | 550                     | 130       | 420                                    | 950       | 186       | 764                                    |
| Associate Circuit (Probate)         | 8,902                   | 8,498     | 404                                    | 8,902     | 8,902     | 0                                      |
| Court administration                | 3,827                   | 2,232     | 1,595                                  | 3,827     | 1,399     | 2,428                                  |
| Public Administrator                | 24,032                  | 21,549    | 2,483                                  | 8,400     | 10,684    | (2,284)                                |
| Sheriff                             | 272,327                 | 272,327   | 0                                      | 253,064   | 254,129   | (1,065)                                |
| Prosecuting Attorney                | 97,247                  | 89,166    | 8,081                                  | 79,135    | 79,042    | 93                                     |
| Juvenile Officer                    | 42,959                  | 32,650    | 10,309                                 | 45,909    | 45,909    | 0                                      |
| County Coroner                      | 5,600                   | 9,056     | (3,456)                                | 8,400     | 5,370     | 3,030                                  |
| Jury                                | 3,000                   | 3,602     | (602)                                  | 8,000     | 19,404    | (11,404)                               |
| Other                               | 142,716                 | 135,556   | 7,160                                  | 135,342   | 132,892   | 2,450                                  |
| Transfers out                       | 26,653                  | 29,000    | (2,347)                                | 26,748    | 30,248    | (3,500)                                |
| Total Disbursements                 | 1,032,025               | 1,028,585 | 3,440                                  | 1,030,458 | 1,035,604 | (5,146)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,453)                 | (33,968)  | (31,515)                               | (97,463)  | (95,912)  | 1,551                                  |
| CASH, JANUARY 1                     | 2,453                   | 2,453     | 0                                      | 98,365    | 98,365    | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | (31,515)  | (31,515)                               | 902       | 2,453     | 1,551                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

WAYNE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 126,824              | 125,738   | (1,086)                                | 117,084   | 124,924   | 7,840                                  |
| Sales taxes                           | 365,000                 | 390,260   | 25,260                                 | 340,000   | 370,885   | 30,885                                 |
| Intergovernmental                     | 984,967                 | 953,605   | (31,362)                               | 973,600   | 619,558   | (354,042)                              |
| Charges for services                  | 10,600                  | 7,308     | (3,292)                                | 20,000    | 8,263     | (11,737)                               |
| Interest                              | 2,400                   | 2,044     | (356)                                  | 1,800     | 2,869     | 1,069                                  |
| Other                                 | 0                       | 17,489    | 17,489                                 | 0         | 6,520     | 6,520                                  |
| Transfers in                          | 0                       | 0         | 0                                      | 150       | 0         | (150)                                  |
| Total Receipts                        | 1,489,791               | 1,496,444 | 6,653                                  | 1,452,634 | 1,133,019 | (319,615)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 320,000                 | 307,393   | 12,607                                 | 280,000   | 299,702   | (19,702)                               |
| Employee fringe benefits              | 96,200                  | 79,085    | 17,115                                 | 90,055    | 79,879    | 10,176                                 |
| Supplies                              | 145,000                 | 168,431   | (23,431)                               | 155,000   | 148,709   | 6,291                                  |
| Insurance                             | 16,000                  | 13,039    | 2,961                                  | 17,500    | 14,405    | 3,095                                  |
| Road and bridge materials             | 191,231                 | 244,181   | (52,950)                               | 200,000   | 322,120   | (122,120)                              |
| Rentals                               | 114,399                 | 115,001   | (602)                                  | 149,119   | 149,119   | 0                                      |
| Equipment purchases                   | 10,000                  | 26,119    | (16,119)                               | 35,000    | 38,797    | (3,797)                                |
| Construction, repair, and maintenance | 492,139                 | 389,863   | 102,276                                | 400,000   | 29,037    | 370,963                                |
| Other                                 | 72,531                  | 34,300    | 38,231                                 | 151,673   | 71,751    | 79,922                                 |
| Transfers out                         | 44,304                  | 44,304    | 0                                      | 43,579    | 23,779    | 19,800                                 |
| Total Disbursements                   | 1,501,804               | 1,421,716 | 80,088                                 | 1,521,926 | 1,177,298 | 344,628                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (12,013)                | 74,728    | 86,741                                 | (69,292)  | (44,279)  | 25,013                                 |
| CASH, JANUARY 1                       | 25,013                  | 25,013    | 0                                      | 69,292    | 69,292    | 0                                      |
| CASH, DECEMBER 31                     | \$ 13,000               | 99,741    | 86,741                                 | 0         | 25,013    | 25,013                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

WAYNE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |         |  |         |         |  |
|-------------------------------------|-----------|---------|--|---------|---------|--|
| 1999                                |           |         | 1998                                   |         |         |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |         |  |
| Intergovernmental                   | \$ 94,316 | 91,522  | (2,794)                                | 99,911  | 96,719  | (3,192)                                |
| Charges for services                | 3,500     | 2,467   | (1,033)                                | 3,500   | 4,619   | 1,119                                  |
| Interest                            | 0         | 249     | 249                                    | 300     | 394     | 94                                     |
| Other                               | 0         | 787     | 787                                    | 100     | 80      | (20)                                   |
| Transfers in                        | 26,653    | 29,000  | 2,347                                  | 26,747  | 30,248  | 3,501                                  |
| Total Receipts                      | 124,469   | 124,025 | (444)                                  | 130,558 | 132,060 | 1,502                                  |
| DISBURSEMENTS                       |           |         |  |         |         |  |
| Assessor                            | 124,631   | 123,773 | 858                                    | 131,363 | 132,703 | (1,340)                                |
| Total Disbursements                 | 124,631   | 123,773 | 858                                    | 131,363 | 132,703 | (1,340)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (162)     | 252     | 414                                    | (805)   | (643)   | 162                                    |
| CASH, JANUARY 1                     | 162       | 162     | 0                                      | 805     | 805     | 0                                      |
| CASH, DECEMBER 31                   | \$ 0      | 414     | 414                                    | 0       | 162     | 162                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

WAYNE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 4,800 | 3,429         | 3,000   | 4,759  | 1,759         |  |
| Interest                            | 0        | 100           | 150     | 0      | (150)         |  |
| Other                               | 0        | 1,651         | 0       | 0      | 0             |  |
| Total Receipts                      | 4,800    | 5,180         | 3,150   | 4,759  | 1,609         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Sheriff                             | 11,448   | 9,344         | 8,634   | 3,595  | 5,039         |  |
| Total Disbursements                 | 11,448   | 9,344         | 8,634   | 3,595  | 5,039         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,648)  | (4,164)       | (5,484) | 1,164  | 6,648         |  |
| CASH, JANUARY 1                     | 6,648    | 6,648         | 5,484   | 5,484  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 2,484         | 0       | 6,648  | 6,648         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit F

WAYNE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 850 | 950           | 1,000  | 860    | (140)         |  |
| Interest                            | 0      | 0             | 20     | 0      | (20)          |  |
| Total Receipts                      | 850    | 950           | 1,020  | 860    | (160)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 1,280  | 897           | 1,908  | 1,318  | 590           |  |
| Total Disbursements                 | 1,280  | 897           | 1,908  | 1,318  | 590           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (430)  | 53            | (888)  | (458)  | 430           |  |
| CASH, JANUARY 1                     | 430    | 430           | 888    | 888    | 0             |  |
| CASH, DECEMBER 31                   | \$ 0   | 483           | 0      | 430    | 430           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

WAYNE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DEBT SERVICE FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Property taxes                      | \$ 18,000 | 19,361        | 20,886  | 22,633  | 1,747         |  |
| Interest                            | 209       | 132           | 650     | 319     | (331)         |  |
| Other                               | 300       | 0             | 100     | 371     | 271           |  |
| Total Receipts                      | 18,509    | 19,493        | 21,636  | 23,323  | 1,687         |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Bond principal and interest payment | 31,500    | 31,807        | 29,950  | 29,907  | 43            |  |
| Total Disbursements                 | 31,500    | 31,807        | 29,950  | 29,907  | 43            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (12,991)  | (12,314)      | (8,314) | (6,584) | 1,730         |  |
| CASH, JANUARY 1                     | 12,991    | 12,991        | 19,575  | 19,575  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0      | 677           | 11,261  | 12,991  | 1,730         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SPECIAL LAW ENFORCEMENT FUND

| Year Ended December 31,             |         |         |               |
|-------------------------------------|---------|---------|---------------|
| 1999                                |         |         |               |
|                                     |         |         | Variance      |
|                                     | Budget  | Actual  | Favorable     |
|                                     |         |         | (Unfavorable) |
| RECEIPTS                            |         |         |               |
| Charges for services                | \$ 0    | 7,960   | 7,960         |
| Total Receipts                      | 0       | 7,960   | 7,960         |
| DISBURSEMENTS                       |         |         |               |
| Law Enforcement                     | 6,583   | 14,523  | (7,940)       |
| Total Disbursements                 | 6,583   | 14,523  | (7,940)       |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,583) | (6,563) | 20            |
| CASH, JANUARY 1                     | 6,583   | 6,583   | 0             |
| CASH, DECEMBER 31                   | \$ 0    | 20      | 20            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SPECIAL PROSECUTING ATTORNEY FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 8,400 | 8,548  | 148                                    |
| Total Receipts                      | 8,400    | 8,548  | 148                                    |
| DISBURSEMENTS                       |          |        |  |
| Prosecuting Attorney                | 8,400    | 8,896  | (496)                                  |
| Total Disbursements                 | 8,400    | 8,896  | (496)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | (348)  | (348)                                  |
| CASH, JANUARY 1                     | 358      | 358    | 0                                      |
| CASH, DECEMBER 31                   | \$ 358   | 10     | (348)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
VICTIMS OF DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Charges for services                | \$ 700 | 1,115  | 415                                    |
| Interest                            | 25     | 8      | (17)                                   |
| Total Receipts                      | 725    | 1,123  | 398                                    |
| DISBURSEMENTS                       |        |        |  |
| Domestic Violence Shelter           | 800    | 0      | 800                                    |
| Total Disbursements                 | 800    | 0      | 800                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (75)   | 1,123  | 1,198                                  |
| CASH, JANUARY 1                     | 111    | 111    | 0                                      |
| CASH, DECEMBER 31                   | \$ 36  | 1,234  | 1,198                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |          |        |               |
|-------------------------------------|----------|--------|---------------|
| 1999                                |          |        |               |
|                                     |          |        | Variance      |
|                                     | Budget   | Actual | Favorable     |
|                                     |          |        | (Unfavorable) |
| RECEIPTS                            |          |        |               |
| Charges for services                | \$ 6,750 | 6,214  | (536)         |
| Interest                            | 403      | 417    | 14            |
| Total Receipts                      | 7,153    | 6,631  | (522)         |
| DISBURSEMENTS                       |          |        |               |
| Recorder                            | 16,918   | 3,533  | 13,385        |
| Total Disbursements                 | 16,918   | 3,533  | 13,385        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (9,765)  | 3,098  | 12,863        |
| CASH, JANUARY 1                     | 9,766    | 9,766  | 0             |
| CASH, DECEMBER 31                   | \$ 1     | 12,864 | 12,863        |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 4,151 | 6,168  | 2,017                                  |
| Interest                            | 200      | 0      | (200)                                  |
| Total Receipts                      | 4,351    | 6,168  | 1,817                                  |
| DISBURSEMENTS                       |          |        |  |
| Law Library                         | 5,000    | 4,777  | 223                                    |
| Total Disbursements                 | 5,000    | 4,777  | 223                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (649)    | 1,391  | 2,040                                  |
| CASH, JANUARY 1                     | 6,114    | 6,114  | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,465 | 7,505  | 2,040                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE DIVISION'S INTEREST FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Interest                            | \$ 540 | 721    | 181                                    |
| Total Receipts                      | 540    | 721    | 181                                    |
| DISBURSEMENTS                       |        |        |  |
| Associate                           | 1,020  | 905    | 115                                    |
| Total Disbursements                 | 1,020  | 905    | 115                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (480)  | (184)  | 296                                    |
| CASH, JANUARY 1                     | 481    | 481    | 0                                      |
| CASH, DECEMBER 31                   | \$ 1   | 297    | 296                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit N

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S DONATIONS FUND

| Year Ended December 31,             |          |         |  |
|-------------------------------------|----------|---------|--|
| 1999                                |          |         |  |
|                                     | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |         |  |
| Charges for services                | \$ 3,020 | 3,128   | 108                                    |
| Interest                            | 165      | 100     | (65)                                   |
| Other                               | 823      | 8,841   | 8,018                                  |
| Total Receipts                      | 4,008    | 12,069  | 8,061                                  |
| DISBURSEMENTS                       |          |         |  |
| Sheriff                             | 9,767    | 16,620  | (6,853)                                |
| Total Disbursements                 | 9,767    | 16,620  | (6,853)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5,759)  | (4,551) | 1,208                                  |
| CASH, JANUARY 1                     | 5,759    | 5,759   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 1,208   | 1,208                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LANDFILL TRUST FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Interest                            | \$ 380   | 368    | (12)                                   |
| Total Receipts                      | 380      | 368    | (12)                                   |
| DISBURSEMENTS                       |          |        |  |
| Other                               | 0        | 0      | 0                                      |
| Total Disbursements                 | 0        | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 380      | 368    | (12)                                   |
| CASH, JANUARY 1                     | 7,631    | 7,631  | 0                                      |
| CASH, DECEMBER 31                   | \$ 8,011 | 7,999  | (12)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S CIVIL FUND

| Year Ended December 31,             |           |         |  |
|-------------------------------------|-----------|---------|--|
| 1999                                |           |         |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |
| Charges for services                | \$ 11,500 | 8,316   | (3,184)                                |
| Interest                            | 167       | 71      | (96)                                   |
| Total Receipts                      | 11,667    | 8,387   | (3,280)                                |
| DISBURSEMENTS                       |           |         |  |
| Sheriff                             | 12,838    | 9,476   | 3,362                                  |
| Total Disbursements                 | 12,838    | 9,476   | 3,362                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,171)   | (1,089) | 82                                     |
| CASH, JANUARY 1                     | 1,171     | 1,171   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0      | 82      | 82                                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK'S INTEREST FUND

| Year Ended December 31,             |          |        |               |
|-------------------------------------|----------|--------|---------------|
| 1999                                |          |        |               |
|                                     |          |        | Variance      |
|                                     | Budget   | Actual | Favorable     |
|                                     |          |        | (Unfavorable) |
| RECEIPTS                            |          |        |               |
| Interest                            | \$ 2,060 | 2,291  | 231           |
| Total Receipts                      | 2,060    | 2,291  | 231           |
| DISBURSEMENTS                       |          |        |               |
| Circuit Clerk                       | 2,220    | 1,203  | 1,017         |
| Total Disbursements                 | 2,220    | 1,203  | 1,017         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (160)    | 1,088  | 1,248         |
| CASH, JANUARY 1                     | 2,233    | 2,233  | 0             |
| CASH, DECEMBER 31                   | \$ 2,073 | 3,321  | 1,248         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

WAYNE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ELEVATOR GRANT FUND

| Year Ended December 31,             |            |        |  |
|-------------------------------------|------------|--------|--|
| 1999                                |            |        |  |
|                                     | Budget     | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |        |  |
| Intergovernmental                   | \$ 253,800 | 2,400  | (251,400)                              |
| Transfers in                        | 18,000     | 4,288  | (13,712)                               |
| Total Receipts                      | 271,800    | 6,688  | (265,112)                              |
| DISBURSEMENTS                       |            |        |  |
| Elevator                            | 271,800    | 4,288  | 267,512                                |
| Total Disbursements                 | 271,800    | 4,288  | 267,512                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 2,400  | 2,400                                  |
| CASH, JANUARY 1                     | 200        | 200    | 0                                      |
| CASH, DECEMBER 31                   | \$ 200     | 2,600  | 2,400                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit S

WAYNE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |           |  |         |           |  |
|-------------------------------------|-------------------------|-----------|--|---------|-----------|--|
|                                     | 1999                    |           |  | 1998    |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |         |           |  |
| Property taxes                      | \$ 78,000               | 76,495    | (1,505)                                | 85,863  | 76,278    | (9,585)                                |
| Intergovernmental                   | 413,410                 | 202,151   | (211,259)                              | 173,131 | 196,778   | 23,647                                 |
| Charges for services                | 649,580                 | 759,968   | 110,388                                | 668,815 | 709,432   | 40,617                                 |
| Interest                            | 11,200                  | 10,206    | (994)                                  | 7,446   | 10,276    | 2,830                                  |
| Other                               | 9,400                   | 18,130    | 8,730                                  | 47,673  | 13,405    | (34,268)                               |
| Total Receipts                      | 1,161,590               | 1,066,950 | (94,640)                               | 982,928 | 1,006,169 | 23,241                                 |
| DISBURSEMENTS                       |                         |           |  |         |           |  |
| Salaries                            | 953,090                 | 856,348   | 96,742                                 | 804,431 | 803,178   | 1,253                                  |
| Office expenditures                 | 53,700                  | 49,473    | 4,227                                  | 47,868  | 48,556    | (688)                                  |
| Equipment                           | 13,000                  | 7,398     | 5,602                                  | 3,257   | 2,315     | 942                                    |
| Mileage and training                | 88,500                  | 69,944    | 18,556                                 | 68,820  | 84,524    | (15,704)                               |
| Other                               | 53,300                  | 44,832    | 8,468                                  | 58,552  | 52,015    | 6,537                                  |
| Total Disbursements                 | 1,161,590               | 1,027,995 | 133,595                                | 982,928 | 990,588   | (7,660)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 38,955    | 38,955                                 | 0       | 15,581    | 15,581                                 |
| CASH, JANUARY 1                     | 190,944                 | 190,944   | 0                                      | 175,363 | 175,363   | 0                                      |
| CASH, DECEMBER 31                   | \$ 190,944              | 229,899   | 38,955                                 | 175,363 | 190,944   | 15,581                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

WAYNE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENATE BILL 40 BOARD FUND

| Year Ended December 31,             |            |         |  |          |        |  |
|-------------------------------------|------------|---------|--|----------|--------|--|
| 1999                                |            |         | 1998                                   |          |        |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |        |  |
| Property taxes                      | \$ 60,000  | 60,149  | 149                                    | 62,479   | 60,850 | (1,629)                                |
| Intergovernmental                   | 0          | 1,621   | 1,621                                  | 2,521    | 10     | (2,511)                                |
| Interest                            | 1,500      | 4,421   | 2,921                                  | 0        | 3,844  | 3,844                                  |
| Other                               | 0          | 3,536   | 3,536                                  | 0        | 0      | 0                                      |
| Total Receipts                      | 61,500     | 69,727  | 8,227                                  | 65,000   | 64,704 | (296)                                  |
| DISBURSEMENTS                       |            |         |  |          |        |  |
| Health and welfare                  | 51,813     | 54,757  | (2,944)                                | 87,050   | 44,481 | 42,569                                 |
| Total Disbursements                 | 51,813     | 54,757  | (2,944)                                | 87,050   | 44,481 | 42,569                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 9,687      | 14,970  | 5,283                                  | (22,050) | 20,223 | 42,273                                 |
| CASH, JANUARY 1                     | 92,450     | 92,450  | 0                                      | 72,227   | 72,227 | 0                                      |
| CASH, DECEMBER 31                   | \$ 102,137 | 107,420 | 5,283                                  | 50,177   | 92,450 | 42,273                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



WAYNE COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Wayne County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                        | <u>Years Ended December 31,</u> |
|------------------------------------|---------------------------------|
| Special Law Enforcement Fund       | 1998                            |
| Special Prosecuting Attorney Fund  | 1998                            |
| Victims of Domestic Violence Fund  | 1998                            |
| Recorder's User Fees Fund          | 1998                            |
| Law Library Fund                   | 1998                            |
| Associate Division's Interest Fund | 1998                            |
| Sheriff's Donations Fund           | 1998                            |
| Landfill Trust Fund                | 1998                            |
| Sheriff's Civil Fund               | 1998                            |
| Circuit Clerk's Interest Fund      | 1998                            |
| Elevator Grant Fund                | 1998                            |
| Recorder's Grant Fund              | 1999 and 1998                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                       | <u>Years Ended December 31,</u> |
|-----------------------------------|---------------------------------|
| General Revenue Fund              | 1998                            |
| Assessment Fund                   | 1998                            |
| Debt Service Fund                 | 1999                            |
| Special Law Enforcement Fund      | 1999                            |
| Special Prosecuting Attorney Fund | 1999                            |
| Sheriff's Donations Fund          | 1999                            |
| Health Center Fund                | 1998                            |
| Senate Bill 40 Board Fund         | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 1999 and 1998, included all funds presented in the accompanying financial statements.

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S.

Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board's, and Senate Bill 40 Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's, Health Center Board's and Senate Bill 40 Board's custodial banks in the county's, Health Center Board's and Senate Bill 40 Board's name.

### 3. Property Taxes

Through December 31, 1999, Wayne County collected \$96,290 in excess property taxes. Section 67.505, RSMo 1994, requires the county to reduce property taxes for a percentage of sales taxes collected. Wayne County voters enacted a 1/2 cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

Also, during 1999 and 1998 and in previous years, the Road and Bridge tax levies were reduced to provide part of the required property tax collection reduction for the general revenue sales tax. However, all of the sales tax revenue was credited to the General Revenue Fund. Revenues of the Special Road and Bridge Fund are required by Section 137.555, RSMo Cum. Supp. 1999, to be used only for improving and maintaining county roads and bridges. As a result, the General Revenue Fund owes the Special Road and Bridge Fund approximately \$610,000 as of December 31, 1999.

## Supplementary Schedule

## Schedule

WAYNE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                 | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                           |  |   |                         |         |
| Passed through state:                                     |  |   |                         |         |
| Department of Health -                                    |  |   |                         |         |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ERO 045-9212                                    | \$ 52,733               | 60,797  |
| Office of Administration -                                |  |   |                         |         |
| 10.665  | Schools and Roads - Grants to<br>States                                    | N/A   | 137,045                 | 117,937 |
| U.S. DEPARTMENT OF DEFENSE                                |  |   |                         |         |
| Passed through state:                                     |  |   |                         |         |
| Office of Administration -                                |  |   |                         |         |
| 12.112  | Payments to States in Lieu of Real Estate Taxes<br>Flood Control           | N/A   | 9,267                   | 11,333  |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT       |  |   |                         |         |
| Passed through state:                                     |  |   |                         |         |
| Department of Economic Development -                      |  |   |                         |         |
| 14.228  | Community Development Block Grants/State's<br>Program                      | N/A   | 2,600                   | 21,600  |
| U.S. DEPARTMENT OF JUSTICE                                |  |   |                         |         |
| Direct programs:  |  |   |                         |         |
| 16.unknown  | Equitable Sharing of Seized and Forfeited Property                         | N/A   | 390                     | 0       |
| Passed through:   |  |   |                         |         |
| State Department of Public Safety -                       |  |   |                         |         |
| 16.592  | Local Law Enforcement Block Grants Program                                 | N/A   | 9,000                   | 0       |
| Missouri Sheriffs' Association -                          |  |   |                         |         |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 836                     | 0       |
| U.S. DEPARTMENT OF LABOR                                  |  |   |                         |         |
| Passed through state Department of Economic Development - |  |   |                         |         |
| 17.250  | Job Training Partnership Act   | N/A   | 9,305                   | 515     |
| U. S. DEPARTMENT OF TRANSPORTATION                        |  |   |                         |         |

## Schedule

WAYNE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
|   | Passed through state Highway and Transportation Commission:  |   |                         |         |
| 20.205  | Highway Planning and Construction  | BRO-111(2)                                      | 0                       | 39,736  |
|   |  | BRO-111(3)                                      | 342,647                 | 15,118  |
|   |  | BRO-111(4)                                      | 18,422                  | 18,757  |
|   | Program Total  |   | 361,069                 | 73,611  |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |         |
|   | Direct program -   |   |                         |         |
| 93.268  | Immunization Grants- Chicken Pox (Non-Monetary)  |   | 354                     | 0       |
|   | Passed through state:  |   |                         |         |
|   | Department of Health -   |   |                         |         |
| 93.268  | Immunization Grants  | PG0064-9212IAP                                  | 13,164                  | 11,116  |
|   | Department of Social Services -  |   |                         |         |
| 93.563  | Child Support Enforcement  | N/A   | 3,354                   | 2,770   |
|   | Department of Health -   |   |                         |         |
| 93.575  | Child Care and Development Block Grant   | ERO146-9212CCH&SCS                              | 2,311                   | 1,460   |
|   | Department of Health -   |   |                         |         |
| 93.919  | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs | N/A   | 13,345                  | 13,333  |
| 93.991  | Preventive Health and Health Services Block Grant  | ERO175-9212FP                                   | 17,382                  | 26,305  |
| 93.994  | Maternal and Child Health Services Block Grant to the States   | ERO146-9212MCH                                  | 18,516                  | 20,606  |
|   | Total Expenditures of Federal Awards   |   | \$ 650,671              | 361,383 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

WAYNE COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Wayne County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

The direct program amounts for Immunization grants (CFDA 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$11,438 and \$7,906



represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$132 and \$205 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$660 and \$719 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Wayne County, Missouri

Compliance

We have audited the compliance of Wayne County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

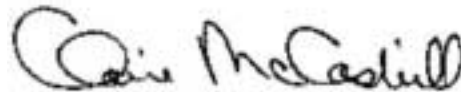
In our opinion, Wayne County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998.

#### Internal Control Over Compliance

The management of Wayne County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Wayne County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 11, 2000 (fieldwork completion date)

Schedule

WAYNE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?   x   yes        no

Federal Awards

Internal control over major programs:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?        yes   x   no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>                                     |
|---|--|
| 20.205  | Off-System Bridge Replacement and Rehabilitation Program |
| 10.665  | Schools and Roads - Grants to States                     |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|              |   |
|--------------|---|
| <b>99-1.</b> | <b>County Sales Tax and Financial Condition</b> |
|--------------|---|

- A. In years past, the county has not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Wayne County voters under the provisions of Section 67.505, RSMo.

As indicated by the following calculations, the net excess property tax revenues collected as of December 31, 1999 and 1998 have decreased since our prior audit.

|  |    | Tax Year Ended December 31, |            |
|--|----|-----------------------------|------------|
|  |    | 1999                        | 1998       |
| ACTUAL SALES TAX REVENUES  | \$ | 362,699                     | 336,850    |
| Required percentage of revenue reduction   | X  | 50%                         | 50%        |
| Required property tax revenue reduction  |    | 181,350                     | 168,425    |
| Assessed Valuation   |    | 86,772,875                  | 80,864,259 |
| General Revenue Fund and Special Road and Bridge Fund tax levy reduction (per \$100 of assessed valuation) | X  | 0.25                        | 0.29       |
| Actual property tax revenue reduction  |    | 216,932                     | 234,506    |
| EXCESS PROPERTY TAX REVENUES COLLECTED   |    | (35,583)                    | (66,081)   |
| Excess property tax revenue collections from prior years   |    | 131,873                     | 197,954    |
| NET EXCESS   | \$ | 96,290                      | 131,873    |

To further bring the county into compliance with the sales tax proposal passed by the Wayne County voters, the County Commission should reduce the 2000 property tax revenues by an additional \$96,290 for the excess property taxes collected in prior



years. Based on the county's prior assessed valuations, this would require an additional reduction of approximately eleven cents to the 2000 tax levies to cover the prior years differences.

- B. As noted above, the County Commission reduced the tax levies for the Special Road and Bridge Fund to provide part of the required property tax collection reduction. In 1999 and 1998, the Special Road and Bridge Fund tax levies were reduced by twelve cents each year, but all general sales tax revenue was credited to the General Revenue Fund. Revenues of the Special Road and Bridge Fund are required by Section 137.555, RSMo Cum. Supp. 1999, to be used only for improving and maintaining county roads and bridges. As a result, it does not appear proper to reduce property taxes restricted for use in the Special Road and Bridge Fund to account for sales tax revenues deposited to the General Revenue Fund.

Our three prior reports noted Special Road and Bridge property taxes had been reduced a total of \$408,000 from 1991 through 1997 without the county depositing any general sales tax monies in the Special Road and Bridge Fund to replace lost property taxes. During the two years ended December 31, 1999, the county reduced the Special Road and Bridge property tax rate even further which resulted in an additional \$202,000 reduction in property tax revenue without replacement. As a result, more than \$610,000 is due to the Special Road and Bridge Fund from the General Fund at December 31, 1999.

The county's budget for fiscal year 2000 still does not include any transfers of general sales tax monies to the Road and Bridge Fund despite these past concerns.

- C.1. As similarly noted in prior audit reports, the financial condition of the county's General Revenue Fund remains weak.

Wayne County's General Revenue Fund is experiencing a declining cash balance. The following shows receipts, disbursements, and ending cash balances for the three years ended December 31, 1999:

|                                 |    |                        |
|---------------------------------|----|------------------------|
| Cash balance, January 1, 1997   | \$ | 126,423                |
| Receipts                        |    | 933,574                |
| Disbursements                   |    | <u>961,632</u>         |
| Cash balance, December 31, 1997 |    | 98,365                 |
| Receipts                        |    | 939,692                |
| Disbursements                   |    | <u>1,035,604</u>       |
| Cash balance, December 31, 1998 |    | 2,453                  |
| Receipts                        |    | 994,617                |
| Disbursements                   |    | <u>1,028,585</u>       |
| Cash balance, December 31, 1999 | \$ | <u><u>(31,515)</u></u> |

Given the county needs to reduce 2000 property tax rates by \$96,290 to comply with the sales tax proposal passed by the voters, the General Revenue Fund owes the Special Road and Bridge Fund over \$610,000 for lost property tax revenue from the last several years, and various other concerns resulting from legal non-compliance, the County Commission will be faced with some very tough decisions to stabilize the financial condition of the General Revenue Fund.

The county voters approved a one-half cent general sales tax in 1985 and an additional one-half cent sales tax for road and bridge purposes in 1993, however, the voters rejected a sales tax for law enforcement purposes in 2000.

Despite our past comments regarding the General Revenue Fund's poor financial condition the county continues to struggle financially and has had to resort to violating state laws to balance its General Revenue Fund budget. The county's 2000 budget reflects the beginning cash balance plus estimated receipts to equal estimated disbursements. As a result, the County Commission has taken no additional action to improve the county's financial condition.

2. The County Commission has been distributing payments in lieu of tax of approximately \$80,000 yearly from the U.S. Department of Interior to the Special Road and Bridge Fund and General Revenue Fund equally for several years. These payments are unrestricted revenue per 31 US Code Sections 6901-6907. Given the financial condition of the General Revenue Fund it is questionable why the County Commission would elect to distribute unrestricted monies to the Special Road and Bridge Fund.

Conditions similar to A., B., and C.1. were also noted in our prior report and have existed since 1988.

**WE AGAIN RECOMMEND** the County Commission:

- A. Ensure appropriate reductions are made to the property tax levies to reflect excess property taxes collected in prior years when setting the 2000 property tax levies.
- B&C. Develop a financial plan to improve the financial condition of the General Revenue Fund and repay \$610,581 to the Special Road and Bridge Fund. In addition, any future reductions of Special Road and Bridge property tax revenues as a result of rollbacks required by sales tax collections should be offset by transfers from the General Revenue Fund.

**AUDITEE'S RESPONSE**

*We are aware of and have tried to solve these financial problems and intend to continue these efforts in the future. We also intend to continue property tax reductions to reduce the excess property tax*

*collection amount. Upon reviewing the past transfers of unrestricted revenues from General Revenue to the Special Road and Bridge Fund, we have determined that since 1982 a total of \$651,085 of unrestricted revenues were transferred from the General Revenue Fund to the Special Road and Bridge Fund. These transfers of one half of the yearly payments from the U.S. Department of Interior to the Special Road and Bridge Fund were made due to a misunderstanding and an oversight of how U.S. Department of Interior revenues were required to be distributed. These revenues were believed to be restricted revenues that were required to be distributed evenly between the General Revenue Fund and the Special Road and Bridge Fund. With the Auditors finding that these revenues are unrestricted revenues, we believe that this oversight of \$651,085 transferred from the General Revenue Fund to the Special Road and Bridge Fund should be applied to the \$610,581 that is owed the Special Road and Bridge Fund for lost property tax revenues.*

### **AUDITOR'S COMMENT**

As noted in this and previous audits, the diversion of monies from the Special Road and Bridge Fund to the General Revenue Fund over the past several years was done in violation of state law. Conversely, the payments in lieu of tax from the federal government were unrestricted revenues and the county had the authority to credit some of these monies to the Special Road and Bridge Fund. Previous audits also noted that the county had not properly distributed flood control monies received from the federal government. Although the 1999 distribution was made correctly, past practices resulted in over \$153,000 being distributed to the General Revenue Fund. The majority of this money should have been distributed to schools and roads. If the County Commission believes it is justified to go back 18 years to resolve interfund liabilities, it should also consider resolving other amounts improperly distributed to the General Revenue Fund at the expense of schools and roads. Regardless, it is important for the County Commission to clearly establish and document what liabilities, if any, currently exist, and how to resolve them, and then operate county funds in a manner that ensures the financial integrity of each of these funds in the future.

### **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

WAYNE COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Wayne County, Missouri, on the applicable findings in our prior audit report issued for the two years ended December 31, 1997.

1.     Financial Condition

The financial condition of the General Revenue Fund remained weak.

Recommendation:

The County Commission consider the various alternatives of increasing receipts and/or reducing disbursements. In addition, the County Commission needs to review discretionary disbursements and evaluate management practices to more efficiently use the resources available to the county.

Status:

Not implemented. See MAR No. 99-1.

4.     County Sales Tax

- A.     The county had not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in a ballot issue passed by the voters of the county.
- B.     The County Commission reduced tax levies for the Special Road and Bridge Fund to provide part of the required property tax collection reduction. However, a like amount of sales tax revenue was not deposited into the Special Road and Bridge Fund. Therefore, more than \$408,000 was due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 1997.
- C.     The county did not include the effective period of the capital improvement sales tax on the ballot as required by state law.

Recommendation:

The County Commission:

- A.     Ensure appropriate reductions are made to the property tax levies to reflect excess property taxes collected in prior years when setting the 1998 property tax levies.

- B. Authorize the County Treasurer to transfer \$408,933 from the General Revenue Fund to the Special Road and Bridge Fund. Any future reductions of Special Road and Bridge property tax revenues as a result of rollbacks required by sales tax collections should be offset by transferring a like amount of sales tax revenue from the General Revenue Fund to the Special Road and Bridge Fund.
- C. Review this situation with the Prosecuting Attorney and take appropriate action to ensure the capital improvement sales tax measure complies with state law.

Status:

A&B. Not implemented. See MAR No. 99-1.

- C. This matter was the subject of litigation which was eventually appealed to the Supreme Court of Missouri. In April 2000, the court handed down its opinion which concluded:

"The trial court correctly determined that sec. 67.700 authorized a tax for capital improvements of an indefinite duration and that any complaint regarding the ballot language was waived by failure to timely assert the claim. The trial court did not err in dismissing plaintiffs' petition. The judgment of the trial court is affirmed."

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

WAYNE COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

WAYNE COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Wayne County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 11, 2000. We also have audited the compliance of Wayne County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 11, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Wayne County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

**1.****Expenditures**

- A. We noted several expenditures which do not appear to be a prudent and necessary use of county funds. These include:

- 1) A \$500 payment was made from the Special Law Enforcement Fund (SLEF) to award a scholarship to a local high school student. The SLEF was established for law enforcement purposes and this does not appear to be a prudent use of this fund. In addition, Art. VI Sec. 23 of the Missouri Constitution prohibits the granting of public money.
- 2) Payments of \$200 and \$2,400 were disbursed from the SLEF for flight lessons and airplane rental, respectively, for the flight training of a Missouri State Highway Patrolman. Payments for the training of a Missouri State Highway Patrolman do not appear to be a necessary use of county funds.

The expenditures noted above do not appear to be necessary costs of operating the county and constitute a questionable use of public funds.

- B. In February 1999, the County Commission voted to give the Associate Commissioners a mid-term raise totaling \$4,752 per year that was retroactively effective to January 1, 1999.

Previously, in January 1999, the County Clerk received a written opinion from the Prosecuting Attorney that concluded that such "a mid-term salary increase for Associate Commissioners would be unconstitutional and is therefore prohibited". The Prosecuting Attorney further noted in his opinion letter that the Wayne County Salary Commission was authorized to enable a pay increase at its 1997 meeting but did not.

As a result, the County Commission acted contrary to legal advice when it granted the mid-term raise to the associate commissioners. The County Commission needs to discuss this issue with the Prosecuting Attorney to properly resolve this situation.

- C. The county unnecessarily incurred interest expenses for warrants protested by the county. The county issues warrants to pay expenditures of the General Revenue Fund. The county's bank treats the warrants as negotiable instruments and charges 7 percent interest until the county redeems the warrants. The county did not always redeem these warrants in a timely manner. In total, the county spent \$1,047 and \$1,710 for interest expense during the years ending December 31, 1998 and 1999, respectively. Interest expenses should be avoided when sufficient funds are available to cover warrants.

Conditions A.1 and C were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Ensure all expenditures made with county monies are prudent and necessary.
- B. Review the appropriateness of the mid-term raise with the Prosecuting Attorney.
- C. And the County Treasurer discontinue the practice of protesting warrants when a sufficient cash balance exists.

**AUDITEE'S RESPONSE**

*The County Commission responded:*

*A&C. We have implemented these recommendations.*

- B. We believe a similar issue is currently being litigated in another county. We intend to abide by the ruling in this case.*

*The Treasurer responded:*

- C. The county cannot discontinue protesting warrants because the county does not always have sufficient funds. At this time warrants are being paid on a timely basis when funds are available.*

|                               |
|-------------------------------|
| <b>2. Budgetary Practices</b> |
|-------------------------------|

Actual disbursements exceeded the originally budgeted amounts in various funds as follows:

| Fund                         | Year Ended December 31, |       |
|------------------------------|-------------------------|-------|
|                              | 1999                    | 1998  |
| General Revenue              | \$ N/A                  | 5,146 |
| Assessment                   | N/A                     | 1,340 |
| Debt Service                 | 307                     | N/A   |
| Special Law Enforcement      | 7,940                   | N/A   |
| Special Prosecuting Attorney | 496                     | N/A   |
| Sheriff's Donation           | 6,853                   | N/A   |
| Health Center                | N/A                     | 7,660 |
| Senate Bill 40 Board         | 2,944                   | N/A   |

It was ruled in State ex rel. v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public

hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo Cum. Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budgets.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the County Commission, the Health Center Board and the Senate Bill 40 Board not authorize warrants in excess of budgeted disbursements. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

### **AUDITEE'S RESPONSE**

*The County Commission responded:*

*We would like to point out that we did correctly amend the General Revenue and Assessment Funds in 1999. The overspending in the other funds was due to unanticipated revenue becoming available. Our failure to amend the budgets in these funds was an oversight. We will fully comply with this recommendation in the future.*

*The Health Center Administrator responded:*

*The Wayne County Health Center Board President and Health Center Administrator will implement the correct procedure in amending the budget as of August 2000, when we next see that we are going to overspend our budgeted disbursements.*

*The Senate Bill 40 Board President responded:*

*We agree and will implement in the next budget year.*

### **3.**

### **Depository Agreements**

The county has monies on deposit in two local banks, but does not have current written depository agreements with these banks. Section 110.130, RSMo Cum. Supp. 1999, requires the County Commission to enter into new agreements with banks selected as depositories during the May term of 1997, and every fourth year thereafter.

Written depositary contracts should be prepared so that both the bank and the county can understand and comply with the requirements of the agreement. The contracts may include costs of bank services and safe deposit boxes, interest charges for borrowed funds, provisions for protesting warrants, and interest to be paid on investments. The contracts should include requirements to ensure adequate collateral securities are pledged by the bank to secure all county monies.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the County Commission enter into written agreements with depositary banks in compliance with state law.

### **AUDITEE'S RESPONSE**

*We have implemented this recommendation.*

|   |
|---|
| <b>4. Personnel Policies and Procedures</b> |
|---|

Our review of the county's personnel policies and records revealed the following:

- A. Except for road and bridge employees, the county commission has not established written personnel policies regarding vacation and sick leave, compensatory time, and overtime. Currently each officeholder is responsible for individual office policies. We noted the county paid a former sheriff's employee for accumulated vacation leave totaling \$678. The Sheriff does have a written leave policy but the policy does not specify how leave is to be paid upon termination/resignation.

Complete and detailed written policies are necessary to provide guidance to county employees and provide a basis for proper compensation. In addition, such policies should be uniformly applied to ensure each employee is treated equitably.

- B. Records of leave, overtime worked, and compensatory time balances are not centrally maintained except for road and bridge employees. Some leave records are maintained by individual officeholders; however, some of these records do not always adequately account for employees' accumulated leave balances. For example, the Sheriff's office did not keep adequate records of overtime accumulated. As a result, the County Commission recently settled a dispute with two former sheriff's deputies regarding overtime. The U.S. Department of Labor ordered the county to pay overtime to the officers in the amount of \$5,044 and \$3,257. As the County Commission had no record of overtime balances, they paid the disputed amount to avoid legal costs.

Centralized records help ensure that the employees' vacation leave and overtime records are accurate, aid in determining final pay for employees leaving county

employment, and better document compliance with the Fair Labor Standards Act (FLSA).

**WE RECOMMEND** the County Commission:

- A. Establish written personnel policies regarding vacation and sick leave, compensatory time, and overtime.
- B. Require the County Clerk to maintain centralized leave and compensatory records for county employees.

**AUDITEE'S RESPONSE**

*We have implemented these recommendations.*

|                                       |
|---------------------------------------|
| <b>5. County Clerk's Account Book</b> |
|---------------------------------------|

The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed and errors could go undetected. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly collection reports, and totals of all charges and credits. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector and reported credits are complete and accurate.

Section 51.150.2, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book would enable the County Clerk and County Commission to verify the County Collector's annual settlements.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the County Clerk maintain an account book with the County Collector and use this information to verify the County Collector's annual settlements.



## **AUDITEE'S RESPONSE**

*I intend to implement this recommendation before the end of the year.*

**6.**

### **Senate Bill 40 Board**

The Senate Bill 40 Board receives approximately \$60,000 in property taxes annually. Section 205.970 RSMo 1994 allows the board to contract with Not for Profit (NFP) corporations to provide services to county residents. Our review of the Board's records noted the following concerns:

- A. The Senate Bill 40 Board disbursed approximately \$35,000 and \$43,000 during the years ended December 31, 1999 and 1998, respectively, to the Services for Extended Employment, Inc. (S.E.E.), a NFP corporation. The contract with S.E.E. requires the Senate Bill 40 Board to "supply monetary assistance as is necessary at such time as S.E.E. makes application therefore".

The contract between the Senate Bill 40 Board and S.E.E. does not provide adequate assurance on how monies are being spent. Additionally, the contract does not guarantee the provision of any specified services to residents of Wayne County or the number of clients to be served in exchange for funding provided by the Senate Bill 40 Board.

- B.1. In 1999, the Senate Bill 40 Board also paid \$15,000 to Cape Arrowhead, another NFP, to aid in providing services to southern Wayne County residents. The Senate Bill 40 Board has not entered into a written contract with this NFP regarding the usage of these monies, nor did the Senate Bill 40 Board review financial records to determine how these monies were used.
2. Three Senate Bill 40 Board members also served on Cape Arrowhead's Board of Directors at the time it received funding. This situation results in a potential conflict of interest.

The potential for misuse, misappropriation and abuse of funds is increased when the Senate Bill 40 Board does not require written contracts to accompany distribution of funds to NFP corporations. In addition, to provide maximum assurance the Senate Bill 40 Board is acting independently and in the best interest of the county, no administrative or financial ties should exist between members of the board and its funding recipients.

The Senate Bill 40 Board should enter into contracts with entities providing services. These contracts should be specific and clearly establish the responsibilities and duties of each party.

**WE RECOMMEND** the Senate Bill 40 Board:

A&

B.1. Enter into written contracts which specify the amounts to be paid, the services to be provided, and the time period covered by the contracts.

B.2. Not have administrative or financial ties with its funding recipients.

**AUDITEE'S RESPONSE**

*The Senate Bill 40 Board President responded:*

A. *We agree and will implement with the next contract.*

B.1. *We agree. We have requested and received a list of expenditures from the Cape Arrowhead Board regarding the \$15,000. In the future, the Senate Bill 40 Board will sign a contract for services as outlined in the recommendation.*

B.2. *We agree. The Senate Bill 40 Board does not currently have any financial or administrative ties with either not-for-profit board.*

This report is intended for the information of the management of Wayne County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## WAYNE COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Wayne County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. Finding numbers 1 and 4 are omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 2. Budgetary Practices

- A. Budgets were not prepared for various funds for the two years ended December 31, 1997.
- B. Disbursements were approved in excess of budgeted amounts.

#### Recommendation:

The County Commission:

- A. Ensure budgets are prepared or obtained for all county funds in accordance with state law.
- B. And Senate Bill 40 Board not authorize warrants in excess of budgeted disbursements. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

#### Status:

- A. Implemented.
- B. Not implemented. See MAR No. 2.

### 3. County Expenditures

- A. The former County Clerk was paid \$2,400 more than the annual salary authorized by the county salary commission for the year ended December 31, 1997.
- B. The county unnecessarily incurred interest expenses totaling \$3,855 for warrants protested by the county for the year ended December 31, 1997.

- C. The Prosecuting Attorney claimed reimbursement for mileage for several trips between Piedmont and Greenville each month of the audit period. The Prosecuting Attorney's private law office and principal residence are located in Piedmont, while the courthouse where he conducts his regular duties as Prosecuting Attorney is located in Greenville.
- D. The county did not ensure all efforts to obtain bids were adequately documented.
- E. Fuel used and on hand was not reconciled to fuel purchases for the Road and Bridge Department.
- F. The Special Law Enforcement Fund (SLEF) was used to award scholarships to high school students.

Recommendation:

The County Commission:

- A. Obtain a legal opinion from the Prosecuting Attorney to determine whether any money is due back to the General Revenue Fund and ensure all county officials are compensated in accordance with the decisions of the county salary commission.
- B. And the County Treasurer discontinue the practice of protesting warrants when a sufficient cash balance exists.
- C. Determine the propriety of paying the Prosecuting Attorney for commuting mileage between Piedmont and the county courthouse in Greenville. If the county continues to pay commuting mileage, it should be reported as a fringe benefit on the Prosecuting Attorney's W-2 form.
- D. Retain documentation of bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.
- E. Ensure fuel used and on hand is reconciled to fuel purchases and maintain adequate documentation of these reconciliations.

The Prosecuting Attorney:

- F. Ensure expenditures from the SLEF are for law enforcement purposes only.

Status:

A. Not implemented. In our prior report the County Commission responded that it would request an opinion from the Prosecuting Attorney, however, no opinion was obtained. Although not repeated in the current MAR, our recommendation remains as stated above.

B&F. Not implemented. See MAR No. 1.

C. While not implemented, in our prior report the County Commission responded that the Prosecuting Attorney performs official business at both locations. The Prosecuting Attorney was reimbursed approximately \$1,600 per year during the two years ended December 31, 1999, for mileage between Piedmont and Greenville.

D. Partially implemented. Most disbursements were bid if applicable. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Distributions

A. The County Commission did not properly distribute flood control monies.

B. The County Clerk did not properly apportion 1996 railroad and utility tax collections to the various school districts.

C. The Tax Sale Overplus Fund at December 31, 1997 included interest and tax sales monies of \$10,918 that had been held by the County Treasurer for more than seven years.

Recommendation:

A. The County Commission review the distribution of flood control monies and ensure compliance with state law.

B. The County Commission consult with the school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct the past errors.

C. The County Treasurer disburse \$10,918 from the Tax Sale Overplus Fund to the school districts and ensure distributions from the Tax Sale Overplus Fund are made on a timely basis.

Status:

- A. Implemented in 1999. In 1998, the flood control monies totaling \$11,332 were distributed seventy percent to General Revenue, twenty percent to various schools, and ten percent to the Road and Bridge Fund.
- B. Implemented. The County Clerk indicated the Missouri Department of Elementary and Secondary Education (DESE) was contacted by phone and DESE recommended deducting the overpayment from future Railroad and Utility taxes. The County Clerk has been following this recommendation, however, based on the amount deducted thus far, it will take another thirty two years before the error is fully corrected.
- C. Implemented.

6. Published Financial Statements and Depositary Contracts

- A. The county's annual published financial statements did not include the financial activity of some county funds.
- B. The county had monies on deposit in two local banks, but did not have current written depositary agreements with these banks.

Recommendation:

The County Commission:

- A. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.
- B. Enter into written agreements with depositary banks in compliance with state law.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 3.

7. County Clerk's Account Book

The County Clerk did not maintain an account book with the County Collector.

Recommendation:

The County Clerk maintain an account book with the County Collector and use this information to verify the County Collector's annual settlements.

Status:

Not implemented. See MAR No. 5.

8. County Collector's Procedures

- A. The County Collector did not deposit receipts intact.
- B. The County Collector made changes to the property tax records. Also, the County Commission did not approve any additions to the tax books.
- C. Penalties for the collection of delinquent and back taxes were not calculated correctly.
- D. Surtax collections were not distributed properly.

Recommendation:

The County Collector:

- A.1. Deposit all monies received intact daily, discontinue the practice of cashing checks, and reconcile the composition of receipts to the composition of deposit slips.
  - 2. Establish a change fund at a set amount and maintain it on an imprest basis.
  - 3. Make all disbursements by check.
- B. Work with the County Commission and County Clerk to revise the addition process so that the County Collector does not have the capability to make changes to the tax books without other controls in place.
- C. Assess penalties on delinquent and back tax collections based on all sums collected.
- D. Adjust the 1998 surtax distributions to reflect amounts incorrectly distributed in prior years. In addition, future distributions of surtax collections should take into consideration the current year's assessed valuation for subclass 3 commercial property of each political subdivision as required by state law.



Status:

Implemented.

9. Sheriff's Controls and Records

- A. Accounting duties were not adequately segregated.
- B. Receipt slips were not always issued immediately upon receiving monies.
- C. Monies received were not always deposited intact.
- D. Bank reconciliations were not prepared on a timely basis.
- E. The bank account had \$982 in outstanding checks that were more than one year old.
- F. Sheriff's Department personnel serving as guards received a per diem and also received a mileage fee from the state in addition to their regular compensation.

Recommendation:

The Sheriff:

- A. Provide for adequate segregation of duties and the performance of independent reconciliations and reviews of accounting records.
- B. Issue receipt slips for all monies immediately upon receipt and reconcile receipt slips to deposit slips on a daily basis.
- C.1. Deposit receipts intact and reconcile the composition of receipts to the composition of deposits.
  - 2. Establish a change fund at a set amount and maintain it on an imprest basis.
- D. Prepare bank reconciliations on a monthly basis.
- E. Attempt to locate the payees of the old outstanding checks and reissue checks if possible. Request a court order to disburse the monies for the closed case and disburse the monies accordingly. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- F. And County Commission review this situation. Sheriff's Department personnel who serve as guards should be paid their normal salary for the amount of time spent, and all payments should be included on W-2 forms.

Status:

A&E. Not implemented. Although not repeated in our current MAR, our recommendations remain as stated above.

B,C,  
&F. Implemented.

10. Health Center

A. The health center approved disbursements of \$20,208 in excess of the budgeted amount for the year ended December 31, 1996.

B. The budget for the for the year ending December 31, 1997 contained several errors.

Recommendation:

The Health Center Board of Trustees:

A. Not authorize warrants in excess of budgeted disbursements. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

B. Ensure the budgets accurately reflect the actual beginning cash balances, and estimated receipts, disbursements, and ending cash balance.

Status:

A. Not implemented. See MAR No. 2.

B. Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# WAYNE COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1818, the county of Wayne was named after Anthony Wayne, a general of the Revolutionary War. Wayne County is a county-organized, third-class county and is part of the Forty-Second Judicial Circuit. The county seat is Greenville.

Wayne County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Wayne County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 273,150   | 11         | 309,207   | 15         |
| Sales taxes               | 752,959      | 30         | 707,735   | 34         |
| Federal and state aid     | 1,207,104    | 49         | 840,294   | 41         |
| Fees, interest, and other | 257,848      | 10         | 215,475   | 10         |
| Total                     | \$ 2,491,061 | 100        | 2,072,711 | 100        |

The following chart shows how Wayne County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 621,784   | 25         | 631,750   | 29         |
| Public safety             | 406,801      | 17         | 403,854   | 18         |
| Highways and roads        | 1,421,716    | 58         | 1,177,298 | 53         |
| Total                     | \$ 2,450,301 | 100        | 2,212,902 | 100        |

The county maintains approximately 80 county bridges and 762 miles of county roads.

The county's population was 8,546 in 1970 and 11,543 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 52.3                    | 48.5 | 29.2  | 10.5   | 5.9    |
| Personal property      |    | 23.1                    | 20.8 | 9.0   | 5.0    | 2.2    |
| Railroad and utilities |    | 11.4                    | 11.6 | 9.3   | 6.4    | 4.6    |
| Total                  | \$ | 86.8                    | 80.9 | 47.5  | 21.9   | 12.7   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Wayne County's property tax rates per \$100 of assessed valuations were as follows:

|                              |    | Year Ended December 31, |      |
|------------------------------|----|-------------------------|------|
|                              |    | 1999                    | 1998 |
| General Revenue Fund         | \$ | .17                     | .13  |
| Special Road and Bridge Fund |    | .11                     | .11  |
| Health Center Fund           |    | .10                     | .10  |
| Senate Bill 40 Board Fund    |    | .08                     | .08  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                                   | Year Ended February 28, |                  |
|-----------------------------------|-------------------------|------------------|
|                                   | 2000                    | 1999             |
| State of Missouri                 | \$ 26,106               | 24,387           |
| General Revenue Fund              | 169,654                 | 132,419          |
| Special Road and Bridge Fund      | 96,800                  | 90,442           |
| Assessment Fund                   | 35,028                  | 32,555           |
| Health Center Fund                | 86,364                  | 80,631           |
| Senate Bill 40 Board Fund         | 69,045                  | 64,503           |
| School districts                  | 2,640,937               | 2,455,982        |
| Debt Service                      | 1,973                   | 23,985           |
| Junior College Fund               | 188,154                 | 175,207          |
| Ambulance District Fund           | 115,461                 | 109,989          |
| Fire protection District Fund     | 86,675                  | 83,718           |
| Cities                            | 8,922                   | 9,015            |
| County Clerk                      | 198                     | 196              |
| County Employees' Retirement Fund | 21,098                  | 20,006           |
| Tax Sale Overplus Fund            | 2,385                   | 21,065           |
| Commissions and fees:             |                         |                  |
| General Revenue Fund              | 60,588                  | 53,530           |
| Total                             | <u>\$ 3,609,388</u>     | <u>3,377,630</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |        |
|------------------------|-------------------------|--------|
|                        | 2000                    | 1999   |
| Real estate            | 92.3 %                  | 94.4 % |
| Personal property      | 89.0                    | 88.2   |
| Railroad and utilities | 100.0                   | 100.0  |

Wayne County also has the following sales taxes; rates are per \$1 of retail sales:

|                      | Rate     | Expiration Date | Required Property Tax Reduction |
|----------------------|----------|-----------------|---------------------------------|
| General              | \$ .0050 | None            | 50 %                            |
| Capital improvements | .0050    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Brian M. Polk, Presiding Commissioner                                | \$     | 21,712 |        |
| Marvin E. Bowles, Presiding Commissioner                             |        |        | 14,960 |
| Bruce W. Keel, Associate Commissioner                                |        | 19,712 | 14,960 |
| Cleo Crawford, Associate Commissioner                                |        | 19,712 | 14,960 |
| Alan R. Lutes, County Clerk  |        | 29,920 |        |
| Glendell Twidwell, County Clerk                                      |        |        | 23,325 |
| Jon A. Kiser, Prosecuting Attorney                                   |        | 36,080 | 25,644 |
| Larry W. Plunkett, Sheriff   |        | 34,320 | 4,654  |
| Ralph Atkins, Sheriff  |        |        | 15,292 |
| Nathan T. Hale, Sheriff  |        |        | 7,480  |
| Sharon B. Hamby, County Treasurer                                    |        | 22,140 | 14,050 |
| Barbara A. Anderson, County Coroner                                  |        | 2,400  | 2,400  |
| Harold Shrum, Public Administrator *                                 |        | 14,286 | 10,801 |
| Mary Hampton - Van Noy, County Collector,<br>year ended February 28, | 29,920 |        |        |
| Lavern H. Daves, County Collector,<br>year ended February 28,        |        | 23,259 |        |
| Michelle M. Holliday, County Assessor **, year ended<br>August 31,   |        | 30,820 | 30,820 |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

|   |        |        |
|---|--------|--------|
| Darren T. Garrison, Circuit Clerk and<br>Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Randy P. Schuller, Associate Circuit Judge                            | 87,235 | 85,158 |



A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 1                           | 3        |
| County Clerk                                   | 2                           | 0        |
| Prosecuting Attorney                           | 3 *                         | 0        |
| Sheriff  | 13 **                       | 0        |
| County Coroner                                 | 1 *                         | 0        |
| County Collector                               | 2 *                         | 0        |
| County Assessor                                | 4 *                         | 0        |
| Associate/Probate Division                     | 0                           | 3 *      |
| Road and Bridge                                | 14                          | 0        |
| Health Center                                  | 55                          | 0        |
| Total  | <u>95</u>                   | <u>6</u> |

\* Includes one part-time employee.

\*\* Includes two part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Wayne County's share of the Forty-Second Judicial Circuit's expenses is 19 percent.

\* \* \* \* \*



LINCOLN COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-87  
September 7, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Lincoln, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Lincoln County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

- As discussed in our prior report, on November 5, 1996, the county passed a ten year Road and Bridge Capital Improvement sales tax of one-half of one percent for the purpose of rehabilitating existing roads and bridges, replacement of bridges, and maintenance of existing gravel roads which became effective in April 1997. Per records obtained from the Missouri Department of Revenue, the county imposed this sales tax under state statute; however, the county also had another one-fourth of one percent Law Enforcement Capital Improvement sales tax levy imposed under this same statute. With the additional Road and Bridge Capital Improvement sales tax, the county is levying three-fourths of one percent which is apparently above the statutory maximum allowed by state law. The county indicated they had reviewed this with their attorney in November 1998, and he indicated that these were handled correctly. However, Attorney General's Opinion, No. 97-99, states that total capital improvement sales tax rates cannot exceed one-half of one percent.
- The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. The county procured bridge replacement engineering services without documentation of consideration of other firms. The procurement of services should comply with state statutes which provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

LINCOLN COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Lincoln County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Lincoln County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

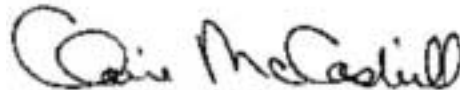
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Lincoln County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Lincoln County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Lincoln County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 28, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Debra S. Lewis, CPA   |
| In-Charge Auditor:  | Douglas E. Brewer     |
| Audit Staff:        | Scott L. Fontana      |
|                     | Monique Williams      |
|                     | Carl Zilch, Jr.       |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Lincoln County, Missouri

We have audited the special-purpose financial statements of various funds of Lincoln County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

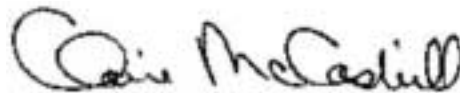
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Lincoln County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Lincoln County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Lincoln County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 28, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

LINCOLN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund  | Cash,<br>January 1 | Receipts   | Disbursements | Cash,<br>December 31 |
|---|--------------------|------------|---------------|----------------------|
| General Revenue                                       | \$ 303,961         | 3,418,852  | 3,176,472     | 546,341              |
| Special Road and Bridge                               | 246,126            | 3,567,079  | 3,278,722     | 534,483              |
| Assessment  | 15,184             | 311,984    | 294,211       | 32,957               |
| Law Enforcement Trust                                 | 152,219            | 2,254,158  | 2,411,707     | (5,330)              |
| Home Health   | 86,492             | 136,846    | 187,753       | 35,585               |
| 911 Communication                                     | 18,145             | 581,953    | 547,170       | 52,928               |
| Law Enforcement Training                              | 4,583              | 14,245     | 14,681        | 4,147                |
| Prosecuting Attorney Training                         | 1,665              | 2,297      | 2,451         | 1,511                |
| Sheltercare   | 6,607              | 5,593      | 5,200         | 7,000                |
| BRO   | 27,757             | 400,073    | 408,065       | 19,765               |
| Jail Debt Service                                     | 379,120            | 754,107    | 611,017       | 522,210              |
| Ridge Road Project One                                | 85,928             | 43,483     | 34,716        | 94,695               |
| Walker Road Community District                        | 59,117             | 29,279     | 21,770        | 66,626               |
| Hospice   | 3,169              | 320        | 728           | 2,761                |
| Sheriff's Civil Fees                                  | 21,699             | 55,028     | 62,845        | 13,882               |
| Prosecuting Attorney Bad Check Fees                   | 2,123              | 19,094     | 20,191        | 1,026                |
| Recorder's User Fee                                   | 14,249             | 22,651     | 10,867        | 26,033               |
| Circuit Clerk Interest                                | 22,818             | 11,340     | 9,570         | 24,588               |
| Prosecuting Attorney Delinquent Tax                   | 1,232              | 3,747      | 2,823         | 2,156                |
| Law Library   | 18,290             | 16,952     | 6,581         | 28,661               |
| Industrial Development Authority Speculative Building | 500                | 0          | 500           | 0                    |
| Federal Drug Forfeiture                               | 382                | 2,337      | 2,330         | 389                  |
| Total   | \$ 1,471,366       | 11,651,418 | 11,110,370    | 2,012,414            |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit A-2

LINCOLN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund  | Cash,<br>January 1 | Receipts   | Disbursements | Cash,<br>December 31 |
|---|--------------------|------------|---------------|----------------------|
| General Revenue                                       | \$ 21,898          | 3,622,260  | 3,340,197     | 303,961              |
| Special Road and Bridge                               | 97,209             | 3,290,322  | 3,141,405     | 246,126              |
| Assessment  | 179                | 312,205    | 297,200       | 15,184               |
| Law Enforcement Trust                                 | (119,543)          | 2,639,907  | 2,368,145     | 152,219              |
| Home Health   | 258,748            | 448,424    | 620,680       | 86,492               |
| 911 Communication                                     | 52,627             | 470,912    | 505,394       | 18,145               |
| Law Enforcement Training                              | 1,751              | 11,931     | 9,099         | 4,583                |
| Prosecuting Attorney Training                         | 1,588              | 2,025      | 1,948         | 1,665                |
| Sheltercare   | 6,255              | 5,352      | 5,000         | 6,607                |
| BRO   | 121                | 38,709     | 11,073        | 27,757               |
| Jail Debt Service                                     | 269,263            | 713,047    | 603,190       | 379,120              |
| Ridge Road Project One                                | 131,322            | 41,091     | 86,485        | 85,928               |
| Walker Road Community District                        | 42,885             | 40,799     | 24,567        | 59,117               |
| Hospice   | 685                | 3,026      | 542           | 3,169                |
| Sheriff's Civil Process Fees                          | 13,344             | 50,324     | 41,969        | 21,699               |
| Prosecuting Attorney Bad Check Fees                   | 589                | 15,683     | 14,149        | 2,123                |
| Recorder's User Fee                                   | 14,996             | 22,417     | 23,164        | 14,249               |
| Circuit Clerk Interest                                | 8,029              | 16,508     | 1,719         | 22,818               |
| Prosecuting Attorney Delinquent Tax                   | 144                | 2,750      | 1,662         | 1,232                |
| Law Library   | 8,181              | 16,492     | 6,383         | 18,290               |
| Industrial Development Authority Speculative Building | 500                | 20,890     | 20,890        | 500                  |
| Federal Drug Forfeiture                               | 0                  | 382        | 0             | 382                  |
| Flood Buyout  | 3,904              | 295,687    | 299,591       | 0                    |
| Total   | \$ 814,675         | 12,081,143 | 11,424,452    | 1,471,366            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 442,600              | 443,036   | 436                                    | 330,500   | 341,871   | 11,371                                 |
| Sales taxes                         | 1,375,000               | 1,421,547 | 46,547                                 | 1,285,000 | 1,297,870 | 12,870                                 |
| Intergovernmental                   | 467,846                 | 458,395   | (9,451)                                | 578,720   | 672,414   | 93,694                                 |
| Charges for services                | 605,750                 | 659,527   | 53,777                                 | 405,600   | 606,071   | 200,471                                |
| Interest                            | 32,000                  | 40,008    | 8,008                                  | 20,000    | 32,171    | 12,171                                 |
| Lease receipts                      | 60,000                  | 60,000    | 0                                      | 60,000    | 60,000    | 0                                      |
| Other                               | 67,530                  | 96,560    | 29,030                                 | 170,827   | 60,038    | (110,789)                              |
| Transfers in                        | 305,283                 | 239,779   | (65,504)                               | 714,709   | 551,825   | (162,884)                              |
| Total Receipts                      | 3,356,009               | 3,418,852 | 62,843                                 | 3,565,356 | 3,622,260 | 56,904                                 |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 149,100                 | 144,203   | 4,897                                  | 129,140   | 128,199   | 941                                    |
| County Clerk                        | 124,240                 | 107,902   | 16,338                                 | 115,130   | 97,888    | 17,242                                 |
| Elections                           | 47,500                  | 38,561    | 8,939                                  | 77,380    | 72,741    | 4,639                                  |
| Buildings and grounds               | 162,044                 | 126,183   | 35,861                                 | 124,478   | 115,989   | 8,489                                  |
| Employee fringe benefits            | 373,500                 | 244,795   | 128,705                                | 352,900   | 310,115   | 42,785                                 |
| County Treasurer                    | 52,188                  | 49,268    | 2,920                                  | 46,120    | 43,506    | 2,614                                  |
| County Collector                    | 176,256                 | 169,172   | 7,084                                  | 160,135   | 155,280   | 4,855                                  |
| Ex Officio Recorder of Deeds        | 122,132                 | 106,322   | 15,810                                 | 107,770   | 100,032   | 7,738                                  |
| Circuit Clerk                       | 39,900                  | 36,858    | 3,042                                  | 36,100    | 32,909    | 3,191                                  |
| Associate Circuit Court             | 29,950                  | 20,999    | 8,951                                  | 30,650    | 23,536    | 7,114                                  |
| Court administration                | 92,780                  | 73,689    | 19,091                                 | 92,400    | 50,012    | 42,388                                 |
| Public Administrator                | 29,650                  | 30,480    | (830)                                  | 30,025    | 29,413    | 612                                    |
| Prosecuting Attorney                | 237,160                 | 243,603   | (6,443)                                | 208,319   | 197,993   | 10,326                                 |
| Juvenile Officer                    | 185,774                 | 168,671   | 17,103                                 | 190,190   | 175,356   | 14,834                                 |
| County Coroner                      | 36,450                  | 30,679    | 5,771                                  | 37,250    | 29,749    | 7,501                                  |
| Industrial development              | 0                       | 0         | 0                                      | 23,000    | 18,968    | 4,032                                  |
| Surveyor                            | 8,400                   | 5,631     | 2,769                                  | 8,400     | 5,657     | 2,743                                  |
| Emergency management                | 38,700                  | 35,920    | 2,780                                  | 25,900    | 29,332    | (3,432)                                |
| Public health and welfare services  | 820,378                 | 745,369   | 75,009                                 | 912,609   | 830,159   | 82,450                                 |
| Other                               | 265,680                 | 229,167   | 36,513                                 | 212,879   | 177,863   | 35,016                                 |
| Transfers out                       | 621,884                 | 569,000   | 52,884                                 | 789,420   | 715,500   | 73,920                                 |
| Emergency Fund                      | 97,651                  | 0         | 97,651                                 | 106,961   | 0         | 106,961                                |
| Total Disbursements                 | 3,711,317               | 3,176,472 | 534,845                                | 3,817,156 | 3,340,197 | 476,959                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (355,308)               | 242,380   | 597,688                                | (251,800) | 282,063   | 533,863                                |
| CASH, JANUARY 1                     | 303,961                 | 303,961   | 0                                      | 21,898    | 21,898    | 0                                      |
| CASH, DECEMBER 31                   | \$ (51,347)             | 546,341   | 597,688                                | (229,902) | 303,961   | 533,863                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 773,000              | 830,365   | 57,365                                 | 720,188   | 721,764   | 1,576                                  |
| Sales taxes                           | 1,375,000               | 1,464,921 | 89,921                                 | 1,285,000 | 1,297,788 | 12,788                                 |
| Intergovernmental                     | 932,500                 | 925,059   | (7,441)                                | 878,000   | 904,751   | 26,751                                 |
| Interest                              | 10,000                  | 29,175    | 19,175                                 | 4,000     | 17,904    | 13,904                                 |
| Other                                 | 254,600                 | 273,669   | 19,069                                 | 261,000   | 292,077   | 31,077                                 |
| Transfers in                          | 64,320                  | 43,890    | (20,430)                               | 70,240    | 56,038    | (14,202)                               |
| Total Receipts                        | 3,409,420               | 3,567,079 | 157,659                                | 3,218,428 | 3,290,322 | 71,894                                 |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 758,000                 | 709,410   | 48,590                                 | 682,066   | 642,124   | 39,942                                 |
| Employee fringe benefits              | 207,300                 | 158,344   | 48,956                                 | 195,500   | 170,377   | 25,123                                 |
| Supplies                              | 187,000                 | 199,587   | (12,587)                               | 195,000   | 149,590   | 45,410                                 |
| Insurance                             | 21,000                  | 16,872    | 4,128                                  | 21,000    | 6,219     | 14,781                                 |
| Road and bridge materials             | 271,000                 | 153,184   | 117,816                                | 260,000   | 243,463   | 16,537                                 |
| Equipment repairs                     | 160,000                 | 252,132   | (92,132)                               | 120,000   | 167,308   | (47,308)                               |
| Rentals                               | 30,000                  | 157,969   | (127,969)                              | 20,000    | 15,323    | 4,677                                  |
| Equipment purchases                   | 475,000                 | 409,291   | 65,709                                 | 575,000   | 514,295   | 60,705                                 |
| Construction, repair, and maintenance | 800,000                 | 679,213   | 120,787                                | 730,000   | 656,934   | 73,066                                 |
| Debt service                          | 0                       | 0         | 0                                      | 74,046    | 74,046    | 0                                      |
| Other                                 | 491,000                 | 440,711   | 50,289                                 | 503,000   | 400,458   | 102,542                                |
| Transfers out                         | 102,009                 | 102,009   | 0                                      | 101,268   | 101,268   | 0                                      |
| Total Disbursements                   | 3,502,309               | 3,278,722 | 223,587                                | 3,476,880 | 3,141,405 | 335,475                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (92,889)                | 288,357   | 381,246                                | (258,452) | 148,917   | 407,369                                |
| CASH, JANUARY 1                       | 246,126                 | 246,126   | 0                                      | 179,389   | 97,209    | (82,180)                               |
| CASH, DECEMBER 31                     | \$ 153,237              | 534,483   | 381,246                                | (79,063)  | 246,126   | 325,189                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Intergovernmental                   | \$ 278,441 | 303,677       | 269,425 | 279,503 | 10,078        |  |
| Charges for services                | 4,000      | 4,664         | 5,000   | 4,865   | (135)         |  |
| Interest                            | 1,000      | 3,643         | 1,400   | 2,837   | 1,437         |  |
| Transfers in                        | 52,884     | 0             | 53,920  | 25,000  | (28,920)      |  |
| Total Receipts                      | 336,325    | 311,984       | 329,745 | 312,205 | (17,540)      |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Assessor                            | 336,325    | 294,211       | 323,895 | 297,200 | 26,695        |  |
| Total Disbursements                 | 336,325    | 294,211       | 323,895 | 297,200 | 26,695        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 17,773        | 5,850   | 15,005  | 9,155         |  |
| CASH, JANUARY 1                     | 15,184     | 15,184        | 179     | 179     | 0             |  |
| CASH, DECEMBER 31                   | \$ 15,184  | 32,957        | 6,029   | 15,184  | 9,155         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit E

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT TRUST FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Sales taxes                         | \$ 1,467,000            | 1,506,131 | 39,131                                 | 1,380,000 | 1,387,047 | 7,047                                  |
| Intergovernmental                   | 140,000                 | 149,219   | 9,219                                  | 63,000    | 194,432   | 131,432                                |
| Charges for services                | 445,000                 | 186,052   | (258,948)                              | 601,500   | 427,926   | (173,574)                              |
| Interest                            | 5,000                   | 5,061     | 61                                     | 1,500     | 5,734     | 4,234                                  |
| Other                               | 38,500                  | 40,695    | 2,195                                  | 24,200    | 59,268    | 35,068                                 |
| Transfers in                        | 367,000                 | 367,000   | 0                                      | 565,500   | 565,500   | 0                                      |
| Total Receipts                      | 2,462,500               | 2,254,158 | (208,342)                              | 2,635,700 | 2,639,907 | 4,207                                  |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| Salaries                            | 1,525,812               | 1,453,950 | 71,862                                 | 1,404,800 | 1,422,541 | (17,741)                               |
| Employee fringe benefits            | 405,500                 | 304,447   | 101,053                                | 372,500   | 338,823   | 33,677                                 |
| Office expenditures                 | 139,000                 | 133,715   | 5,285                                  | 155,100   | 140,655   | 14,445                                 |
| Equipment                           | 20,000                  | 19,867    | 133                                    | 23,000    | 23,481    | (481)                                  |
| Vehicles and maintenance            | 153,500                 | 141,727   | 11,773                                 | 156,000   | 155,093   | 907                                    |
| Jail                                | 230,000                 | 243,037   | (13,037)                               | 275,000   | 178,039   | 96,961                                 |
| Other                               | 65,200                  | 71,074    | (5,874)                                | 74,000    | 53,475    | 20,525                                 |
| Transfers out                       | 66,320                  | 43,890    | 22,430                                 | 70,240    | 56,038    | 14,202                                 |
| Total Disbursements                 | 2,605,332               | 2,411,707 | 193,625                                | 2,530,640 | 2,368,145 | 162,495                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (142,832)               | (157,549) | (14,717)                               | 105,060   | 271,762   | 166,702                                |
| CASH, JANUARY 1                     | 152,219                 | 152,219   | 0                                      | (104,764) | (119,543) | (14,779)                               |
| CASH, DECEMBER 31                   | \$ 9,387                | (5,330)   | (14,717)                               | 296       | 152,219   | 151,923                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit F

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HOME HEALTH FUND

|                                     | Year Ended December 31, |          |  |           |           |  |
|-------------------------------------|-------------------------|----------|--|-----------|-----------|--|
|                                     | 1999                    |          |  | 1998      |           |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |           |           |  |
| Intergovernmental                   | 345,000                 | 128,678  | (216,322)                              | 640,546   | 434,540   | (206,006)                              |
| Charges for services                | 10,000                  | 5,123    | (4,877)                                | 30,000    | 8,321     | (21,679)                               |
| Interest                            | 4,000                   | 2,123    | (1,877)                                | 4,000     | 5,563     | 1,563                                  |
| Other                               | 0                       | 922      | 922                                    | 0         | 0         | 0                                      |
| Total Receipts                      | 359,000                 | 136,846  | (222,154)                              | 674,546   | 448,424   | (226,122)                              |
| DISBURSEMENTS                       |                         |          |  |           |           |  |
| Salaries                            | 100,720                 | 36,715   | 64,005                                 | 128,248   | 96,374    | 31,874                                 |
| Office expenditures                 | 11,400                  | 1,510    | 9,890                                  | 13,500    | 9,868     | 3,632                                  |
| Equipment                           | 1,900                   | 495      | 1,405                                  | 3,600     | 3,889     | (289)                                  |
| Mileage and training                | 35,000                  | 10,777   | 24,223                                 | 41,500    | 33,012    | 8,488                                  |
| Other                               | 27,300                  | 10,486   | 16,814                                 | 60,000    | 36,980    | 23,020                                 |
| Transfers out                       | 195,274                 | 127,770  | 67,504                                 | 603,439   | 440,557   | 162,882                                |
| Total Disbursements                 | 371,594                 | 187,753  | 183,841                                | 850,287   | 620,680   | 229,607                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (12,594)                | (50,907) | (38,313)                               | (175,741) | (172,256) | 3,485                                  |
| CASH, JANUARY 1                     | 86,492                  | 86,492   | 0                                      | 258,748   | 258,748   | 0                                      |
| CASH, DECEMBER 31                   | \$ 73,898               | 35,585   | (38,313)                               | 83,007    | 86,492    | 3,485                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 911 COMMUNICATION FUND

|                                     | Year Ended December 31, |         |  |          |          |  |
|-------------------------------------|-------------------------|---------|--|----------|----------|--|
|                                     | 1999                    |         |  | 1998     |          |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |          |  |
| Charges for services                | \$ 75,160               | 73,692  | (1,468)                                | 66,800   | 63,388   | (3,412)                                |
| Interest                            | 1,000                   | 1,485   | 485                                    | 4,000    | 1,201    | (2,799)                                |
| Telephone tax                       | 282,000                 | 304,300 | 22,300                                 | 297,000  | 280,487  | (16,513)                               |
| Other                               | 800                     | 476     | (324)                                  | 100      | 836      | 736                                    |
| Transfers                           | 202,000                 | 202,000 | 0                                      | 170,000  | 125,000  | (45,000)                               |
| Total Receipts                      | 560,960                 | 581,953 | 20,993                                 | 537,900  | 470,912  | (66,988)                               |
| DISBURSEMENTS                       |                         |         |  |          |          |  |
| Salaries                            | 438,030                 | 433,151 | 4,879                                  | 431,950  | 378,458  | 53,492                                 |
| Office expenditures                 | 86,371                  | 79,452  | 6,919                                  | 82,500   | 77,436   | 5,064                                  |
| Equipment                           | 2,600                   | 2,187   | 413                                    | 5,350    | 1,878    | 3,472                                  |
| Mileage and training                | 11,500                  | 4,430   | 7,070                                  | 11,100   | 7,013    | 4,087                                  |
| Other                               | 40,328                  | 27,950  | 12,378                                 | 51,550   | 40,609   | 10,941                                 |
| Total Disbursements                 | 578,829                 | 547,170 | 31,659                                 | 582,450  | 505,394  | 77,056                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (17,869)                | 34,783  | 52,652                                 | (44,550) | (34,482) | 10,068                                 |
| CASH, JANUARY 1                     | 18,145                  | 18,145  | 0                                      | 52,627   | 52,627   | 0                                      |
| CASH, DECEMBER 31                   | \$ 276                  | 52,928  | 52,652                                 | 8,077    | 18,145   | 10,068                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Intergovernmental                   | \$ | 4,000                   | 4,648  | 648                                    | 0      | 3,965  | 3,965                                  |
| Charges for services                |    | 7,800                   | 8,877  | 1,077                                  | 7,100  | 7,866  | 766                                    |
| Interest                            |    | 100                     | 119    | 19                                     | 50     | 100    | 50                                     |
| Other                               |    | 0                       | 601    | 601                                    | 0      | 0      | 0                                      |
| Total Receipts                      |    | 11,900                  | 14,245 | 2,345                                  | 7,150  | 11,931 | 4,781                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Sheriff                             |    | 14,300                  | 14,681 | (381)                                  | 8,000  | 9,099  | (1,099)                                |
| Total Disbursements                 |    | 14,300                  | 14,681 | (381)                                  | 8,000  | 9,099  | (1,099)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (2,400)                 | (436)  | 1,964                                  | (850)  | 2,832  | 3,682                                  |
| CASH, JANUARY 1                     |    | 4,583                   | 4,583  | 0                                      | 1,751  | 1,751  | 0                                      |
| CASH, DECEMBER 31                   |    | \$ 2,183                | 4,147  | 1,964                                  | 901    | 4,583  | 3,682                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit I

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        |  | 1998   |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Charges for services                | \$ 2,000 | 2,207  | 207                                    | 3,200  | 1,986  | (1,214)                                |
| Interest                            | 0        | 40     | 40                                     | 50     | 39     | (11)                                   |
| Other                               | 0        | 50     | 50                                     | 0      | 0      | 0                                      |
| Total Receipts                      | 2,000    | 2,297  | 297                                    | 3,250  | 2,025  | (1,225)                                |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Prosecuting attorney                | 2,000    | 2,451  | (451)                                  | 2,610  | 1,948  | 662                                    |
| Total Disbursements                 | 2,000    | 2,451  | (451)                                  | 2,610  | 1,948  | 662                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | (154)  | (154)                                  | 640    | 77     | (563)                                  |
| CASH, JANUARY 1                     | 1,665    | 1,665  | 0                                      | 1,588  | 1,588  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,665 | 1,511  | (154)                                  | 2,228  | 1,665  | (563)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHELTERCARE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 5,300 | 5,378         | 4,800  | 5,137  | 337           |  |
| Interest                            | 200      | 215           | 200    | 215    | 15            |  |
| Total Receipts                      | 5,500    | 5,593         | 5,000  | 5,352  | 352           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Health and welfare                  | 5,200    | 5,200         | 5,000  | 5,000  | 0             |  |
| Total Disbursements                 | 5,200    | 5,200         | 5,000  | 5,000  | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 300      | 393           | 0      | 352    | 352           |  |
| CASH, JANUARY 1                     | 6,607    | 6,607         | 6,255  | 6,255  | 0             |  |
| CASH, DECEMBER 31                   | \$ 6,907 | 7,000         | 6,255  | 6,607  | 352           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
BRO FUND

|                                     | Year Ended December 31, |         |  |           |        |  |
|-------------------------------------|-------------------------|---------|--|-----------|--------|--|
|                                     | 1999                    |         |  | 1998      |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |           |        |  |
| Intergovernmental                   | \$ 1,771,000            | 400,067 | (1,370,933)                            | 1,456,000 | 38,709 | (1,417,291)                            |
| Interest                            | 0                       | 0       | 0                                      | 50        | 0      | (50)                                   |
| Other                               | 0                       | 6       | 6                                      | 0         | 0      | 0                                      |
| Total Receipts                      | 1,771,000               | 400,073 | (1,370,927)                            | 1,456,050 | 38,709 | (1,417,341)                            |
| DISBURSEMENTS                       |                         |         |  |           |        |  |
| Chain of Rocks bridge               | 1,442,000               | 404,012 | 1,037,988                              | 1,110,000 | 4,826  | 1,105,174                              |
| Bryant's Creek bridge               | 329,000                 | 4,053   | 324,947                                | 346,000   | 6,247  | 339,753                                |
| Total Disbursements                 | 1,771,000               | 408,065 | 1,362,935                              | 1,456,000 | 11,073 | 1,444,927                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (7,992) | (7,992)                                | 50        | 27,636 | 27,586                                 |
| CASH, JANUARY 1                     | 27,757                  | 27,757  | 0                                      | 121       | 121    | 0                                      |
| CASH, DECEMBER 31                   | \$ 27,757               | 19,765  | (7,992)                                | 171       | 27,757 | 27,586                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
JAIL DEBT SERVICE FUND

| Year Ended December 31,             |            |               |         |         |               |  |
|-------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                |            |               | 1998    |         |               |  |
|                                     |            | Variance      |         |         | Variance      |  |
|                                     |            | Favorable     |         |         | Favorable     |  |
|                                     |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |            |               |         |         |               |  |
| Sales taxes                         | \$ 700,000 | 731,503       | 685,000 | 692,591 | 7,591         |  |
| Interest                            | 12,000     | 22,604        | 10,000  | 20,456  | 10,456        |  |
| Total Receipts                      | 712,000    | 754,107       | 695,000 | 713,047 | 18,047        |  |
| DISBURSEMENTS                       |            |               |         |         |               |  |
| Lease payment                       | 636,235    | 608,608       | 594,101 | 603,175 | (9,074)       |  |
| Administrative expense              | 1,615      | 2,409         | 1,615   | 15      | 1,600         |  |
| Total Disbursements                 | 637,850    | 611,017       | 595,716 | 603,190 | (7,474)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 74,150     | 143,090       | 99,284  | 109,857 | 10,573        |  |
| CASH, JANUARY 1                     | 379,120    | 379,120       | 269,263 | 269,263 | 0             |  |
| CASH, DECEMBER 31                   | \$ 453,270 | 522,210       | 368,547 | 379,120 | 10,573        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 RIDGE ROAD PROJECT ONE FUND

|                                      |    | Year Ended December 31, |        |  |          |          |  |
|--------------------------------------|----|-------------------------|--------|--|----------|----------|--|
|                                      |    | 1999                    |        |  | 1998     |          |  |
|                                      |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                             |    |                         |        |  |          |          |  |
| Assessments                          | \$ | 35,000                  | 40,424 | 5,424                                  | 40,000   | 36,912   | (3,088)                                |
| Interest                             |    | 4,000                   | 3,059  | (941)                                  | 5,000    | 4,179    | (821)                                  |
| Total Receipts                       |    | 39,000                  | 43,483 | 4,483                                  | 45,000   | 41,091   | (3,909)                                |
| DISBURSEMENTS                        |    |                         |        |  |          |          |  |
| Bond payments                        |    | 34,438                  | 34,716 | (278)                                  | 33,136   | 33,540   | (404)                                  |
| Construction, repair and maintenance |    | 0                       | 0      | 0                                      | 60,000   | 52,945   | 7,055                                  |
| Other                                |    | 1,000                   | 0      | 1,000                                  | 200      | 0        | 200                                    |
| Total Disbursements                  |    | 35,438                  | 34,716 | 722                                    | 93,336   | 86,485   | 6,851                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  |    | 3,562                   | 8,767  | 5,205                                  | (48,336) | (45,394) | 2,942                                  |
| CASH, JANUARY 1                      |    | 85,928                  | 85,928 | 0                                      | 132,080  | 131,322  | (758)                                  |
| CASH, DECEMBER 31                    | \$ | 89,490                  | 94,695 | 5,205                                  | 83,744   | 85,928   | 2,184                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
WALKER ROAD COMMUNITY DISTRICT FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Assessments                         | \$ 35,000 | 26,689        | 23,000 | 38,532 | 15,532        |  |
| Interest                            | 2,000     | 2,590         | 2,500  | 2,267  | (233)         |  |
| Total Receipts                      | 37,000    | 29,279        | 25,500 | 40,799 | 15,299        |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Bond payments                       | 21,756    | 21,132        | 22,150 | 21,860 | 290           |  |
| Other                               | 3,000     | 638           | 2,000  | 2,707  | (707)         |  |
| Total Disbursements                 | 24,756    | 21,770        | 24,150 | 24,567 | (417)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 12,244    | 7,509         | 1,350  | 16,232 | 14,882        |  |
| CASH, JANUARY 1                     | 59,117    | 59,117        | 42,885 | 42,885 | 0             |  |
| CASH, DECEMBER 31                   | \$ 71,361 | 66,626        | 44,235 | 59,117 | 14,882        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
HOSPICE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Interest                            | \$ 25    | 89            | 20     | 48     | 28            |  |
| Other                               | 500      | 231           | 500    | 2,978  | 2,478         |  |
| Total Receipts                      | 525      | 320           | 520    | 3,026  | 2,506         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Medical expense                     | 1,500    | 728           | 1,000  | 542    | 458           |  |
| Total Disbursements                 | 1,500    | 728           | 1,000  | 542    | 458           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (975)    | (408)         | (480)  | 2,484  | 2,964         |  |
| CASH, JANUARY 1                     | 3,169    | 3,169         | 685    | 685    | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,194 | 2,761         | 205    | 3,169  | 2,964         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S CIVIL FEES FUND

|                                     | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|-------------------------|---------|--|--------|--------|--|
|                                     | 1999                    |         |  | 1998   |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |        |        |  |
| Charges for services                | \$ 50,000               | 54,412  | 4,412                                  | 50,000 | 49,693 | (307)                                  |
| Interest                            | 300                     | 493     | 193                                    | 500    | 600    | 100                                    |
| Other                               | 0                       | 123     | 123                                    | 0      | 31     | 31                                     |
| Total Receipts                      | 50,300                  | 55,028  | 4,728                                  | 50,500 | 50,324 | (176)                                  |
| DISBURSEMENTS                       |                         |         |  |        |        |  |
| Equipment                           | 39,000                  | 33,918  | 5,082                                  | 10,000 | 15,692 | (5,692)                                |
| Supplies                            | 22,000                  | 16,769  | 5,231                                  | 13,000 | 11,255 | 1,745                                  |
| Training                            | 10,200                  | 6,509   | 3,691                                  | 7,850  | 15,022 | (7,172)                                |
| Inmate housing                      | 0                       | 675     | (675)                                  | 0      | 0      | 0                                      |
| Transfers out                       | 0                       | 4,974   | (4,974)                                | 0      | 0      | 0                                      |
| Total Disbursements                 | 71,200                  | 62,845  | 8,355                                  | 30,850 | 41,969 | (11,119)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (20,900)                | (7,817) | 13,083                                 | 19,650 | 8,355  | (11,295)                               |
| CASH, JANUARY 1                     | 21,699                  | 21,699  | 0                                      | 13,344 | 13,344 | 0                                      |
| CASH, DECEMBER 31                   | \$ 799                  | 13,882  | 13,083                                 | 32,994 | 21,699 | (11,295)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit Q

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK FEES FUND

|                                     |    | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|----|-------------------------|---------|--|--------|--------|--|
|                                     |    | 1999                    |         |  | 1998   |        |  |
|                                     |    |                         |         | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual  |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |         |  |        |        |  |
| Charges for services                | \$ | 15,000                  | 18,996  | 3,996                                  | 14,000 | 15,614 | 1,614                                  |
| Interest                            |    | 65                      | 98      | 33                                     | 100    | 69     | (31)                                   |
| Total Receipts                      |    | 15,065                  | 19,094  | 4,029                                  | 14,100 | 15,683 | 1,583                                  |
| DISBURSEMENTS                       |    |                         |         |  |        |        |  |
| Salaries                            |    | 7,200                   | 11,864  | (4,664)                                | 0      | 7,264  | (7,264)                                |
| Office expenditures                 |    | 4,500                   | 5,207   | (707)                                  | 7,000  | 3,693  | 3,307                                  |
| Mileage and training                |    | 500                     | 167     | 333                                    | 500    | 363    | 137                                    |
| Equipment                           |    | 2,000                   | 1,436   | 564                                    | 6,300  | 2,829  | 3,471                                  |
| Other                               |    | 0                       | 1,517   | (1,517)                                | 0      | 0      | 0                                      |
| Total Disbursements                 |    | 14,200                  | 20,191  | (5,991)                                | 13,800 | 14,149 | (349)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 865                     | (1,097) | (1,962)                                | 300    | 1,534  | 1,234                                  |
| CASH, JANUARY 1                     |    | 2,123                   | 2,123   | 0                                      | 589    | 589    | 0                                      |
| CASH, DECEMBER 31                   |    | \$ 2,988                | 1,026   | (1,962)                                | 889    | 2,123  | 1,234                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Charges for services                | \$ 23,000 | 22,167        | 17,500  | 21,984 | 4,484         |  |
| Interest                            | 450       | 484           | 250     | 433    | 183           |  |
| Total Receipts                      | 23,450    | 22,651        | 17,750  | 22,417 | 4,667         |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Office expense                      | 12,000    | 0             | 8,000   | 10,961 | (2,961)       |  |
| Equipment                           | 2,000     | 867           | 2,000   | 2,203  | (203)         |  |
| Transfers out                       | 10,000    | 10,000        | 10,000  | 10,000 | 0             |  |
| Total Disbursements                 | 24,000    | 10,867        | 20,000  | 23,164 | (3,164)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (550)     | 11,784        | (2,250) | (747)  | 1,503         |  |
| CASH, JANUARY 1                     | 14,249    | 14,249        | 14,996  | 14,996 | 0             |  |
| CASH, DECEMBER 31                   | \$ 13,699 | 26,033        | 12,746  | 14,249 | 1,503         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit S

LINCOLN COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CIRCUIT CLERK INTEREST FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Interest                            | \$ | 2,700                   | 11,340 | 8,640                                  | 2,715  | 16,235 | 13,520                                 |
| Other                               |    | 0                       | 0      | 0                                      | 0      | 273    | 273                                    |
| Total Receipts                      |    | 2,700                   | 11,340 | 8,640                                  | 2,715  | 16,508 | 13,793                                 |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Office expenses                     |    | 0                       | 0      | 0                                      | 0      | 4      | (4)                                    |
| Equipment                           |    | 16,100                  | 8,816  | 7,284                                  | 0      | 1,045  | (1,045)                                |
| Mileage and training                |    | 400                     | 463    | (63)                                   | 1,000  | 347    | 653                                    |
| Other                               |    | 0                       | 291    | (291)                                  | 0      | 323    | (323)                                  |
| Total Disbursements                 |    | 16,500                  | 9,570  | 6,930                                  | 1,000  | 1,719  | (719)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (13,800)                | 1,770  | 15,570                                 | 1,715  | 14,789 | 13,074                                 |
| CASH, JANUARY 1                     |    | 13,815                  | 22,818 | 9,003                                  | 2,870  | 8,029  | 5,159                                  |
| CASH, DECEMBER 31                   | \$ | 15                      | 24,588 | 24,573                                 | 4,585  | 22,818 | 18,233                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

LINCOLN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 2,700 | 3,618  | 918                                    | 3,400  | 2,731  | (669)                                  |
| Interest                            | 20       | 38     | 18                                     | 40     | 19     | (21)                                   |
| Other                               | 30       | 91     | 61                                     | 20     | 0      | (20)                                   |
| Total Receipts                      | 2,750    | 3,747  | 997                                    | 3,460  | 2,750  | (710)                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Prosecuting Attorney                | 1,700    | 2,823  | (1,123)                                | 2,000  | 1,662  | 338                                    |
| Total Disbursements                 | 1,700    | 2,823  | (1,123)                                | 2,000  | 1,662  | 338                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,050    | 924    | (126)                                  | 1,460  | 1,088  | (372)                                  |
| CASH, JANUARY 1                     | 1,232    | 1,232  | 0                                      | 144    | 144    | 0                                      |
| CASH, DECEMBER 31                   | \$ 2,282 | 2,156  | (126)                                  | 1,604  | 1,232  | (372)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

LINCOLN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |           |        |  |
|-------------------------------------|-----------|--------|--|
| 1999                                |           |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |
| Charges for services                | \$ 15,000 | 16,952 | 1,952                                  |
| Total Receipts                      | 15,000    | 16,952 | 1,952                                  |
| DISBURSEMENTS                       |           |        |  |
| Legal books                         | 15,000    | 6,581  | 8,419                                  |
| Total Disbursements                 | 15,000    | 6,581  | 8,419                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 10,371 | 10,371                                 |
| CASH, JANUARY 1                     | 18,290    | 18,290 | 0                                      |
| CASH, DECEMBER 31                   | \$ 18,290 | 28,661 | 10,371                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

LINCOLN COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Lincoln County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                      | <u>Years Ended December 31,</u> |
|----------------------------------|---------------------------------|
| Law Library Fund                 | 1998                            |
| Federal Drug Forfeiture Fund     | 1999 and 1998                   |
| Industrial Development Authority |                                 |
| Speculative Building Fund        | 1999 and 1998                   |
| Flood Buyout Fund                | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Law Enforcement Training Fund            | 1999 and 1998                   |
| Prosecuting Attorney Training Fund       | 1999                            |
| Jail Debt Service Fund                   | 1998                            |
| Walker Road Community District Fund      | 1998                            |
| Sheriff's Civil Fees Fund                | 1998                            |
| Prosecuting Attorney Bad Check Fees Fund | 1999 and 1998                   |
| Recorder's User Fee Fund                 | 1998                            |
| Circuit Clerk Interest Fund              | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the following funds:

| <u>Fund</u>                  | <u>Years Ended December 31,</u> |
|------------------------------|---------------------------------|
| General Revenue Fund         | 1999 and 1998                   |
| Special Road and Bridge Fund | 1998                            |

However, the budgets of those funds also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 1999, did not include the Law Library Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than



depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

### 3. Capital Improvement Sales Taxes

Since 1997, the county has imposed capital improvement sales taxes of one-half of one percent for the purpose of rehabilitating existing roads and bridges, replacement of bridges, and maintenance of existing gravel roads; and one-fourth of one percent for the purpose of building a jail facility. Attorney General's Opinion 97-99, 1999, to Neel has interpreted that in accordance with Section 67.700, RSMo, the total levy for capital improvement sales taxes cannot exceed one-half percent. The combined rates for both of the capital improvement sales taxes results in amounts being collected apparently in excess of those authorized by law. The ultimate outcome of this situation cannot be determined.

## Supplementary Schedule

## Schedule

LINCOLN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                       | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|---|--|---|-------------------------|--------|
|   |  |   | Year Ended December 31, |        |
|   |  |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF AGRICULTURE                                 |  |   |                         |        |
| Passed through state:   |  |   |                         |        |
| Department of Social Services -                                 |  |   |                         |        |
| 10.550  | Food Distribution  | N/A   | \$ 414                  | 1,247  |
| Department of Health -  |  |   |                         |        |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-9157                                     | 73,452                  | 74,010 |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT             |  |   |                         |        |
| Passed through state Department of Economic Development -       |  |   |                         |        |
| 14.228  | Community Development Block Grants/State's<br>Program                      | 93DR034   | 0                       | 34,177 |
|   |  | 94DR034   | 0                       | 7,865  |
|   |  | 96FL001   | 0                       | 20,890 |
|   | Program Total  |   | 0                       | 62,932 |
| U.S. DEPARTMENT OF JUSTICE                                      |  |   |                         |        |
| Direct programs:  |  |   |                         |        |
| 16.710  | Public Safety Partnership and Community Policing Grants                    | 95CFX-2124                                      | 54,799                  | 63,203 |
| 16.unknown  | Equitable Sharing of Seized and Forfeited Property                         | N/A   | 2,330                   | 0      |
| Passed through state Department of Public Safety -              |  |   |                         |        |
| 16.588  | Violence Against Women Formula Grants                                      | 96-VAPA-0066                                    | 0                       | 13,244 |
|   |  | 98-VAWA-0045                                    | 13,926                  | 0      |
|   | Program Total  |   | 13,926                  | 13,244 |
| 16.592  | Local Law Enforcement Block Grants Program                                 | 97-LBG-056                                      | 0                       | 8,820  |
| U. S. DEPARTMENT OF TRANSPORTATION                              |  |   |                         |        |
| Passed through state Highway and Transportation<br>Commission - |  |   |                         |        |
| 20.205  | Highway Planning and Construction  | BRO-057(6)                                      | 478,595                 | 0      |
|   |  | BRO-057(8)                                      | 0                       | 37,937 |
|   | Program Total  |   | 478,595                 | 37,937 |
| GENERAL SERVICES ADMINISTRATION                                 |  |   |                         |        |
| Passed through state Office of Administration -                 |  |   |                         |        |
| 39.003  | Donation of Federal Surplus Personal Property                              | N/A   | 3,185                   | 23,101 |

## Schedule

LINCOLN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                         | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| FEDERAL EMERGENCY MANAGEMENT AGENCY               |  |   |                         |         |
| Passed through state Department of Public Safety: |  |   |                         |         |
| 83.534  | Emergency Management - State and Local Assistance  | (LEPC)  | 4,627                   | 3,440   |
|   |  | SLA-50-50                                       | 1,968                   | 0       |
|   |  | SLA-98-16                                       | 2,037                   | 750     |
|   | Program Total  |   | 8,632                   | 4,190   |
| 83.548  | Hazard Mitigation Grant  | 995-DR-MO                                       | 0                       | 113,768 |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES     |  |   |                         |         |
| Passed through:                                   |  |   |                         |         |
| State Department of Health -                      |  |   |                         |         |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ERO146-057CLPP                                  | 185                     | 0       |
| Missouri Family Health Council, Inc. -            |  |   |                         |         |
| 93.217  | Family Planning - Services   | N/A   | 28,677                  | 27,223  |
| State Department of Health -                      |  |   |                         |         |
| 93.268  | Immunization Grants  | PG0064-9157IAP                                  | 7,140                   | 14,410  |
|   |  | N/A   | 36,600                  | 27,785  |
|   | Program Total  |   | 43,740                  | 42,195  |
| State Department of Social Services -             |  |   |                         |         |
| 93.563  | Child Support Enforcement  | N/A   | 21,647                  | 21,654  |
| State Department of Health -                      |  |   |                         |         |
| 93.575  | Child Care and Development Block Grant   | PG0067-9157                                     | 2,015                   | 0       |
| State Department of Social Services -             |  |   |                         |         |
| 93.667  | Social Services Block Grant  | ERO172-091                                      | 28,554                  | 16,751  |
|   |  | ERO172-092                                      | 23,053                  | 17,387  |
|   | Program Total  |   | 51,607                  | 34,138  |

Schedule

LINCOLN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                       |
|---------------------------|---|---|-------------------------|-----------------------|
|                           |   |   | Year Ended December 31, |                       |
|                           |   |   | 1999                    | 1998                  |
|                           | State Department of Health -                                    |   |                         |                       |
| 93.991                    | Preventive Health and Health Services Block Grant               | N/A   | 436                     | 722                   |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States | ERO146-9157MCH                                  | 14,355                  | 22,082                |
|                           |   | ERO175-9157FP                                   | 15,870                  | 17,078                |
|                           |   | N/A   | 2,178                   | 2,526                 |
|                           | Program Total   |   | <u>32,403</u>           | <u>41,686</u>         |
|                           | Total Expenditures of Federal Awards                            | \$  | <u><u>816,043</u></u>   | <u><u>570,070</u></u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

LINCOLN COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Lincoln County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Distribution (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the State Department of Social Services.

Of the pass-through amounts for Immunization Grants (CFDA number 93.268), \$36,600 and \$27,785 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$436 and \$722 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,179 and \$2,526 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.



FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Lincoln County, Missouri

Compliance

We have audited the compliance of Lincoln County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Lincoln County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-2.

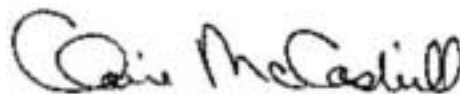
#### Internal Control Over Compliance

The management of Lincoln County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Lincoln County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

April 28, 2000 (fieldwork completion date)

Schedule

LINCOLN COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses?

\_\_\_\_\_ yes        x   none reported

Noncompliance material to the financial statements  
noted?

  x   yes      \_\_\_\_\_ no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

\_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses?

  x   yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for  
major programs:

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?

  x   yes      \_\_\_\_\_ no

Identification of major programs:

CFDA or  
Other Identifying  
Number

Program Title

10.557

Special Supplemental Nutrition Program for Women, Infants, and  
Children

20.205

Highway Planning and Construction

83.548

Hazard Mitigation Assistance

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|  |
|--|
| <b>99-1. Capital Improvement Sales Tax</b> |
|--|

As discussed in our prior report, on November 5, 1996, the county passed a ten year Road and Bridge Capital Improvement sales tax of one-half of one percent for the purpose of rehabilitating existing roads and bridges, replacement of bridges, and maintenance of existing gravel roads which became effective in April 1997.

Per records obtained from the Missouri Department of Revenue (DOR), the county imposed this sales tax under Section 67.700, RSMo 1994; however, the county also had another one-fourth of one percent Law Enforcement Capital Improvement sales tax levy imposed under this law. With the additional Road and Bridge Capital Improvement sales tax, the county is levying three-fourths of one percent which is apparently above the statutory maximum allowed by Section 67.700, RSMo. The County Commission previously indicated they believed these sales taxes were acceptable because they were voted and approved by the citizens, and approved by the DOR. Additionally, the county's legal counsel in November 1998, indicated that he believed both of the separate taxes were legal and valid because the statute does not prohibit separate elections for separate taxes; the only prohibition in the statute is the limitation to three separate percentages of the sales tax that can be submitted to the voters. However, Attorney General's Opinion No. 97-99, 1999 to Neel states that total capital improvement sales tax rates cannot exceed one-half of one percent.

The county needs to review the various capital improvement sales taxes being imposed to determine which are valid. The county may need to eliminate one of these taxes and reallocate the sales tax monies being collected.

**WE RECOMMEND** the County Commission review the overall capital improvement sales taxes being levied in conjunction with Attorney General Opinion No. 97-99, 1999 to Neel and ensure they are in accordance with applicable state statutes.

### **AUDITEE'S RESPONSE**

*The County Commission feels their sales taxes are in compliance with state law. Both taxes have been approved by the voters and the Department of Revenue. In addition, the Commissioners indicated that they had reviewed this with their attorney and he agreed that these were handled correctly.*

### Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|              |  |
|--------------|--|
| <b>99-2.</b> | <b>Highway Planning and Construction</b> |
|--------------|--|

|                       |                                       |
|-----------------------|---------------------------------------|
| Federal Grantor:      | U.S. Department of Transportation     |
| Pass-Through Grantor: | Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                |
| Program Title:        | Highway Planning and Construction     |
| Pass-Through Entity   |                                       |
| Identifying Number:   | BRO-057 (6)(8)                        |
| Award Year:           | 1999 and 1998                         |
| Questioned Costs:     | \$49,112                              |

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded.

During our previous review, we noted the county procured bridge replacement engineering services during the previous audit period without documentation of consideration of other firms. As a result, we have questioned costs of \$49,112 which is the federal share of engineering costs paid during 1999 and 1998 under these prior contracts.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in Part I of the Compliance Supplement, requires that states, and government subrecipients of states, use the same policies and procedures used for procurement on non-federal funds. As a result, the procurement of services should comply with Sections 8.289 and 8.291, RSMo 1994, which provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

**WE RECOMMEND** the County Commission obtain information as required by law when contracting for professional services.

#### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission indicated they did consider various firms for these projects, and will ensure this is documented in the future. In addition, the Commission indicated they have adopted a policy regarding procurement of engineers to ensure future compliance.*



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

LINCOLN COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Lincoln County, Missouri, on the applicable findings in our prior audit report issued for the two years ended December 31, 1997.

|           |                                      |
|-----------|--------------------------------------|
| <b>8.</b> | <b>Capital Improvement Sales Tax</b> |
|-----------|--------------------------------------|

The county passed a Road and Bridge Capital Improvement sales tax of one-half of one percent which became effective April 1997. In addition, the county had another one-fourth of one percent Law Enforcement Capital Improvement sales tax levy imposed. Therefore, the county had levied three-fourths of one percent which apparently exceeded the statutory maximum allowed by state law.

Recommendation:

The County Commission review the overall capital improvement sales taxes being levied and ensure they are in accordance with applicable state statutes.

Status:

Not implemented. See finding number 99-1.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

LINCOLN COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

1. Federal Financial Assistance

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Housing and Urban Development |
| Pass-Through Grantor: | Department of Economic Development               |
| Federal CFDA Number:  | 14.228   |
| Program Title:        | Community Development Grants/State's Program     |
| Pass-Through Entity   |  |
| Identifying Number:   | 93DR034  |
|                       | 94DR052  |
|                       | 94MH105  |
| Award Year:           | 1997 and 1996                                    |
| Questioned Costs:     | N/A  |

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation         |
| Pass-Through Grantor: | Highway and Transportation Commission     |
| Federal CFDA Number:  | 20.205                                    |
| Program Title:        | Highway Planning and Construction Program |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO.057 (6)                               |
| Award Year:           | 1997 and 1996                             |
| Questioned Costs:     | \$27,323                                  |

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Justice                              |
| Pass-Through Grantor: | Department of Public Safety                             |
| Federal CFDA Number:  | 16.710  |
| Program Title:        | Public Safety Partnership and Community Policing Grants |
| Pass-Through Entity   |   |
| Identifying Number:   | 95CFWX2124  |

Award Year: 1997 and 1996  
Questioned Costs: N/A

Federal Grantor: Federal Emergency Management Agency  
Pass-Through Grantor: Department of Public Safety  
Federal CFDA Number: 83.548  
Program Title: Hazard Mitigation Assistance  
Pass-Through Entity  
Identifying Number: 995-DR-MO  
Award Year: 1997 and 1996  
Questioned Costs: N/A

- A.1. The county did not properly monitor disbursements of the Community Development Grant or the Hazard Mitigation Assistance.
- 2. The county did not have written contracts for all payments made to the Boonslick Regional Planning Commission (BRPC), which administered the Community Development Grant and the Hazard Mitigation Assistance.
- 3. The county had not established cash management procedures to ensure minimum time elapses between its receipt of federal program monies and the disbursement of monies for the Community Development Grant and the Hazard Mitigation Assistance.
- B. The county did not have documentation regarding the consideration of at least three engineering firms for bridge projects. This resulted in questioned costs totaling \$27,323.
- D. The county's Schedule of Federal Financial Assistance contained numerous errors and omissions.

Recommendation:

- A.1. Establish procedures to ensure all invoices are reviewed for reasonableness and propriety.
- 2. Document all contract changes in writing. The County Commission should review the payments made to the BRPC and determine if any reimbursements should be sought.
- 3. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.
- B. Obtain the required statutory information for professional services. The County Commission should contact state and federal grantor agencies to resolve the questioned costs.

- D. Ensure all federal financial expenditure amounts are properly recorded on the Schedule of Federal Financial Assistance.

Status:

- A.1-3. Not implemented. Since these programs have now ended, this recommendation will not be repeated in our current report.
- B. Partially implemented. While there was no selection of engineering services during the two years ended December 31, 1999, the County Commission adopted a policy in January 1999, which provides that at least three firms must be considered. See finding number 99-2.
- D. Partially implemented. The county has made significant improvement in preparation of this schedule; however, it still contained errors and omissions.

## SECTION ON OTHER MATTERS

## LINCOLN COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Lincoln County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 28, 2000. We also have audited the compliance of Lincoln County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 28, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Lincoln County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Schedule of Federal Financial Assistance

The county's schedule of expenditures of federal awards (SEFA) contained various errors and omissions for the years ended December 31, 1999 and 1998. The SEFA should be accurately prepared to ensure all federal awards are properly reported.

### 2. Collateral Securities

The amount of collateral securities pledged by the county's depository banks at January 25, 2000 and January 27, 1999 were insufficient to cover monies in the custody of the County Treasurer.

### 3. Sheriff's Procedures

Reimbursement claims for the Community Policing (COPS) grant are not submitted timely. Currently, requests are made on a quarterly basis. In addition, the Sheriff's department does not monitor the reimbursement process.



This Letter on Other Matters is intended for the information of the management of Lincoln County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



ELEVENTH JUDICIAL CIRCUIT  
CITY OF FORISTELL, MISSOURI  
MUNICIPAL DIVISION

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-86  
August 31, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**During our audit of the Eleventh Judicial Circuit, City of Foristell, Missouri, Municipal Division, we identified the following problems.**

---

Monthly listings of open items (liabilities) are prepared for the bond account, however, the listings do not reconcile with the cash balance. As of February 29, 2000, the open items listing exceeded the cash balance by approximately \$280. The difference noted should be investigated and any shortages reimbursed.

Monthly open items listings should be prepared and reconciled to the bank account to ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities.

Monies collected are not deposited on a timely basis. Deposits for fine and cost receipts and bond receipts are generally made one or twice a week and average approximately \$4,000 and \$800, respectively. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

The municipal division accepts cash, checks, and money orders for fines and court costs. Although receipt slips indicate the method of payment received, there is no reconciliation of the composition of receipt slips to the composition of deposits by an individual independent of the receiving process.

Voided receipt slips are not retained. To account for the numerical sequence of all receipt slips, voided receipt slips should be retained.

YELLOW SHEET

ELEVENTH JUDICIAL CIRCUIT  
CITY OF FORISTELL, MISSOURI  
MUNICIPAL DIVISION

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Presiding Judge  
and  
Municipal Judge  
Eleventh Judicial Circuit  
City of Foristell Municipal Division

We have audited certain operations of the city of Foristell Municipal Division of the Eleventh Judicial Circuit. The scope of this audit included, but was not necessarily limited to the two years ended February 29, 2000. The objectives of this audit were to:

1. Determine the internal controls established over the financial transactions of the municipal division.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.
4. Follow up on action taken by the municipal division on the applicable finding in our prior audit report on the municipal divisions of the Eleventh Judicial Circuit.

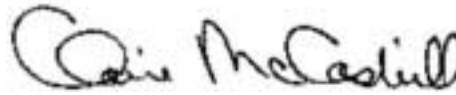
Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the municipal division.

As part of our audit, we assessed the controls of the municipal division to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Foristell Municipal Division of the Eleventh Judicial Circuit.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Karen Laves, CPA        |
| Audit Manager:      | Alice M. Fast, CPA, CIA |
| In-Charge Auditor   | Karen A. Wolf           |
| Audit Staff:        | A. Dailey               |

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS



ELEVENTH JUDICIAL CIRCUIT  
CITY OF FORISTELL, MISSOURI  
MUNICIPAL DIVISION  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

|           |                           |
|-----------|---------------------------|
| <b>1.</b> | <b>Receipt Procedures</b> |
|-----------|---------------------------|

- A. Monies collected are not deposited on a timely basis. Deposits for fine and cost receipts and bond receipts are generally made once or twice a week and average approximately \$4,000 and \$800, respectively. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.
- B. Voided receipt slips are not retained. To account for the numerical sequence of all receipt slips, voided receipt slips should be retained.
- C. The municipal division accepts cash, checks, and money orders for fines and court costs. Although receipt slips indicate the method of payment received, there is no reconciliation of the composition of receipt slips to the composition of deposits by an individual independent of the receiving process.

**WE RECOMMEND** the City of Foristell Municipal Division:

- A. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- B. Retain all voided receipt slips.
- C. Establish a documented review of the reconciliation of the composition of receipt slips to the composition of deposits by an independent person.

**AUDITEE'S RESPONSE**

*The Municipal Judge, the Court Clerk, the City Administrator and the City Treasurer indicated:*

*A&B. These recommendations have been implemented.*

*C. This recommendation will be implemented immediately.*

|           |                   |
|-----------|-------------------|
| <b>2.</b> | <b>Open Items</b> |
|-----------|-------------------|

Monthly listings of open items (liabilities) are prepared for the bond account, however, the listings do not reconcile with the cash balance. As of February 29, 2000, the open items listing exceeded the cash balance by approximately \$280.

Monthly open items listings should be prepared and reconciled to the bank account to ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities.

**WE RECOMMEND** the City of Foristell Municipal Division reconcile the monthly listing of open items to the balance in the bond account. In addition, the difference noted above should be investigated and any shortages reimbursed.

**AUDITEE'S RESPONSE**

*The Municipal Judge, the Court Clerk, the City Administrator and the City Treasurer indicated:*

*This recommendation has been implemented. The difference has been investigated and the shortage will be reimbursed by the city at the end of October 2000.*

This report is intended for the information of the management of the city of Foristell Municipal Division of the Eleventh Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## FOLLOW-UP ON PRIOR AUDIT FINDING

ELEVENTH JUDICIAL CIRCUIT  
CITY OF FORISTELL, MISSOURI  
MUNICIPAL DIVISION  
FOLLOW-UP ON PRIOR AUDIT FINDING

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Foristell Municipal Division on the applicable finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended 1994 and 1993 on the municipal divisions of the Eleventh Judicial Circuit.

The prior recommendations which have not been implemented are repeated in the current MAR.

City of Foristell Municipal Division

- A.1. Checks and money orders were not restrictively endorsed until the deposits were prepared.
- 2. Receipt slips were not obtained from the City Administrator for court monies transmitted to the city.
- 3. Receipt slips issued for the receipt of bond monies were not prenumbered.
- B.1. Neither the police department nor the court maintained adequate records to account for summonses issued and their ultimate disposition.
- 2. Tickets issued were not recorded on a log and ticket books were not assigned in numerical sequence. In addition, the ultimate disposition of some tickets could not be determined.
- 3. The court clerk did not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP).
- 4. The police department and the court clerk were unable to locate three tickets.
- C.1. The \$2 Law Enforcement Training (LET) fee was collected on nonmoving traffic violations.
- 2. The Crime Victims' Compensation (CVC) and LET fees were collected on moving traffic violations, but were not collected on non-traffic violations.
- D. The Municipal Judge did not sign the docket after dispositions were recorded.

**WE RECOMMEND** the City of Foristell Municipal Division:

- A.1. Restrictively endorse all checks and money orders immediately upon receipt.

2. Request a receipt slip from the city for amounts transmitted.
  3. Issue prenumbered receipt slips for all bond monies received and account for the numerical sequence.
- B.1.  
& 2. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses and tickets assigned and issued.
3. Forward records of convictions on traffic offenses to the MSHP as required by state law.
  4. Retain all tickets and summonses in accordance with the supreme court rule.
- C. Assess, collect, and remit the CVC and the LET fees in accordance with state law.
- D. Require the judge's signature on the court dockets.

Status:

A.1,  
A.3,B,  
C&D. Implemented.

- A2. Monies are no longer transmitted to the city, they are deposited into a court account and disbursed to the city monthly by check.

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

ELEVENTH JUDICIAL CIRCUIT  
CITY OF FORISTELL, MISSOURI  
MUNICIPAL DIVISION  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

Organization

The city of Foristell Municipal Division is one of nine municipal divisions within the Eleventh Judicial Circuit, which consists of St. Charles County. The Honorable Ellsworth Curdiffe serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994 and RSMo Cumulative Supp. 1999, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Municipal Division Organization, Personnel, and Financial and Caseload Information

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited by the Court Clerk or City Treasurer to the court's fines and costs bank account and then disbursed monthly. The police department and the Court Clerk collect bond monies. The police department transmits bond monies at least once a week to the Court Clerk. Bond monies are deposited in a separate court bank account pending disposition. Municipal court is held twice a month. A VB has been established to receive payments of fines and court costs at times other than during court.

Personnel

|                 |                  |
|-----------------|------------------|
| Municipal Judge | Joseph Porzenski |
| Court Clerk     | Cindy Holland*   |

\*Sandy Gordinier served as Court Clerk until January 2000. Tonya Bailey served as Court Clerk from January 2000 to February 2000.

Financial and Caseload Information

|                          | <u>Year Ended February 28 (29),</u> |             |
|--------------------------|-------------------------------------|-------------|
|                          | <u>2000</u>                         | <u>1999</u> |
| Receipts                 | \$401,675                           | 182,912     |
| Number of tickets issued | 2,912                               | 1,305       |

\* \* \* \* \*





REVIEW OF THE  
DEPARTMENT OF CORRECTIONS

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-85  
August 31, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of an audit conducted by our office of selected operations of the Central Office of the Department of Corrections.**

---

- According to Department of Corrections policy, all receipts are to be immediately transmitted to the Department of Revenue. However, we noted that as of December 1999 Missouri Vocational Enterprises was holding undeposited receipts totaling over \$1,593,600, including over \$11,500 in cash. Some of the undeposited receipts had been held at Missouri Vocational Enterprises for more than five months. We also noted other instances in which Missouri Vocational Enterprises held selected receipts for several months prior to transmittal to the Department of Revenue for deposit.
- At June 30, 1999, Missouri Vocational Enterprises operated 28 enterprises at 11 of the correctional institutions. Some of those industries show substantial losses while others continually show a net profit. A contributing factor to the inequities in the profits and losses of certain entities is an inadequate charge structure. Part of the reason for the inadequacy of the charge structure is not all of the factories are using a cost accounting system that provides or assembles sufficient data to implement an adequate costing system for all manufactured items. Only eight factories are currently using a system that provides an adequate costing system. In reports for the previous eighteen years, similar deficiencies have been noted in the cost accounting system.
- The Board of Probation and Parole operates a continuum of community supervision programs. One of those programs is the Electronic Monitoring Program. The Electronic Monitoring Program is a program designed to allow certain offenders, as assigned by the Department of Corrections, Board of Probation and Parole, or the courts, to live and work in the community. Offenders in the Electronic Monitoring Program are supervised by Probation and Parole Officers in the area where they live. The offenders are required to pay a portion of their gross earnings to cover the costs of the program. The payments are made to the Department of Corrections Central Office, and according to department procedure are to be deposited by transmittal to the Department of Revenue promptly.

(over)

YELLOW SHEET

These receipts were not always transmitted to the Department of Revenue on a timely basis. During late November 1999, we noted that the Department of Corrections was holding undeposited receipts totaling over \$179,500. These receipts consisted of over 3,300 money orders from offenders that had accumulated since July 1999. After we brought the problem to the department's attention, these payments were promptly deposited.

- The department has a contract with a medical services provider, Correctional Medical Services, to provide all types of medical services, excluding mental health and psychiatric care, to all inmates housed in state institutions except for those inmates assigned to residential treatment facilities, the community release centers, and the electronic monitoring program. The department has contracted with the same provider since December 1992.

The contract between the department and the medical contractor allows the department to issue a notice of deficiency to the medical contractor if the contractor's performance is unacceptable.

To help ensure the integrity and adequacy of the medical services provided to the inmates, the department should establish procedures or criteria which document when and under what circumstances a formal notice of deficiency should be issued to the medical contractor. While these procedures need not identify every possible problem that could result in a deficiency, they should set general parameters that provide general guidelines as to when and under what circumstances a deficiency should be considered.

- The department allowed a backlog of approximately 2,400 second appeals by inmates regarding grievances, to develop and did not clear them within the time frames required by department policy.
- The department retained over \$19,000 in the Inmate Canteen Fund that should be turned over to the State Treasurer as unclaimed property.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Dr. Dora Schriro, Director  
Department of Corrections

We have conducted a review of selected operations of the Department of Corrections, excluding correctional facilities which are reported on separately. The scope of our review included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with applicable statutes, regulations and departmental policy.
2. Review the efficiency and the effectiveness of certain management practices and operations.
3. Review compliance with the medical services contract between the Department of Corrections and Correctional Medical Systems.
4. Determine the extent to which certain prior audit recommendations have been implemented.

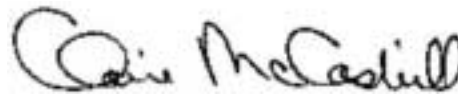
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the department's revenues, expenditures, policies, rules, regulations, contracts, statutes, and other pertinent procedures and documents and interviewed department officials and personnel.

As part of our review, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on these controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the review of the Department of Corrections.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Department of Corrections.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

January 13, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                     |
|---------------------|---------------------|
| Director of Audits: | Kenneth Kuster, CPA |
| Audit Manager:      | James Helton, CPA   |
| In-Charge Auditor:  | Daniel Doerhoff     |
| Audit Staff:        | Jody Vernon         |
|                     | Jennifer Roderick   |
|                     | Thomas Franklin     |

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Current Recommendations

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
SUMMARY OF FINDINGS

1. Missouri Vocational Enterprises Accounting Controls and Procedures (pages 7-9)

Receipts totaling over \$1,593,600 were not transmitted to the Department of Revenue (DOR) for deposit on a timely basis. The Missouri Vocational Enterprises cost accounting systems are inadequate.

2. Electronic Monitoring Program Receipts (pages 9-10)

Program payments totaling over \$179,500 received at the department's Central Office were not transmitted to the DOR for deposit on a timely basis.

3. Inmate Canteen Fund (pages 10-11)

The department has retained monies that should be turned over to the State Treasurer as unclaimed property.

4. Medical Contract (pages 11-12)

Procedures concerning formal notice of deficiencies are in need of improvement.

5. Inmate Grievances (pages 12-13)

The department allowed a backlog of approximately 2,400 second appeals to develop and did not clear them within the time frames required by department policy. In addition, the department provides inmates a rulebook that gives misleading information on grievance procedures.

6. Compensatory Leave Balance (page 14-15)

The department needs to continue to monitor and prevent excessive accrual of compensatory leave balances for correctional officers.

7. State-Owned Vehicles (pages 15-16)

The department's vehicle logs are not always accurate or complete, making it difficult to ensure the vehicles are used as intended or to determine the propriety of fuel or repair costs.

8. Disaster Recovery Plan (pages 16-17)

The department has not developed a formal disaster recovery plan.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

|  |
|--|
| <b>1. Missouri Vocational Enterprises Accounting Controls and Procedures</b> |
|--|

The Working Capital Revolving Fund of the Missouri Vocational Enterprises (MVE), operating under the auspices of the Department of Corrections (DOC), was established by the General Assembly in July 1955 to fund the operations of correctional industries. The statutes provide that accounting records shall be maintained in a manner to report the net profits and losses of the fund. The MVE employs approximately 1,300 inmates who provide a variety of products and services for sale to state agencies, city and county governments, political subdivisions, state employees, and not-for-profit organizations.

During our review of MVE operations, we noted the following areas of concern:

- A. According to DOC policy, all receipts are to be immediately transmitted to the Department of Revenue (DOR). However, MVE receipts were not always transmitted to the DOR for deposit on a timely basis. We noted that, as of December 1999, MVE was holding undeposited receipts totaling over \$1,593,600, including over \$11,500 in cash. Some of the undeposited receipts had been held at MVE for more than five months. We also noted other instances in which MVE held selected receipts for several months prior to transmittal to the DOR for deposit.

MVE personnel indicated they had problems with the state's new SAM II accounting system, delaying payment processing, and they sometimes held receipts for several months if they were unsure how to process the receipt in question. MVE personnel indicated that once questions regarding processing were resolved, collections were transmitted promptly to the DOR.

The untimely transmittal of deposits results in lost interest revenues to the state and exposes the monies to unnecessary risk of loss or misuse. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, transmittals to the DOR should be made on a timely basis.

- B. At June 30, 1999, MVE operated twenty-eight enterprises at eleven of the correctional institutions. In prior reports of the Department of Corrections and the MVE's Working Capital Revolving Fund, we have indicated a wide range of net profit and loss percentages. This trend continued in fiscal year 1999, with net operating profit as a percentage of sales and other income ranging from approximately 1 to 86 percent for certain segments, while other segments operated at a net loss of 1 to 22 percent.

Some industries show substantial losses while others continually show a net profit. For example, the clothing factory at the Jefferson City Correctional Center (JCCC) lost \$99,358 while the clothing factory at the Farmington Correctional Center (FCC) had a profit of \$577,358 during the year ended June 30, 1999. The Laundry segment at the FCC lost over \$51,500 while the laundry segment at the Moberly Correctional Center (MCC) had a profit of over \$264,900 during the year ended June 30, 1999.

A contributing factor to the inequities in the profits and losses of certain entities is an inadequate charge structure. Part of the reason for the inadequacy of the charge structure is not all of the factories are using a cost accounting system that provides or assembles sufficient data to implement an adequate costing system for all manufactured items. Only eight factories are currently using a system that provides an adequate costing system. All of the other factories are using a different accounting system or are unable to implement an adequate costing system. The deficiencies noted in this system were:

1. The system does not provide sufficient controls to obtain job cost information for direct labor and all overhead costs.
2. The system does not provide for analysis of cost variance, and consequently, there is no means of monitoring and identifying inefficiencies in the manufacturing process.
3. Because of items 1 and 2 above, the system does not allocate labor and overhead to work-in-process and finished goods inventories to properly match inventory-related costs to the appropriate period revenues.

As a result of the deficiencies in the cost accounting system, management does not have accurate or complete data with which to evaluate the true profitability of a given product or enterprise.

In our reports for the previous eighteen years, similar deficiencies have been noted in the cost accounting system. Recently, we have noted that some of the factories have been placed on a system that enables them to properly allocate the costs, but a majority are still not using this improved cost accounting system.

The MVE and DOC should continue efforts to improve its cost accounting system as rapidly as possible by converting each enterprise segment to this system. Efforts should also continue to improve the efficiency of the various less profitable enterprise segments.

**WE RECOMMEND:**

- A. The MVE transmit all receipts to the DOR on a timely basis.

- B. The MVE and DOC proceed on a timely basis to implement a cost accounting system to better accumulate costs by major products or the enterprise segments. The system should include sufficient controls to provide accurate job cost information from all factories and actual accumulated costs for raw materials, direct labor, and overhead. Further, the system should provide for a detailed analysis of cost variances.

### **AUDITEE'S RESPONSE**

- A. *The Department concurs with the findings. MVE was behind in its entry of receipts at the time of the audit. MVE's entry of receipts is now timely.*
- B. *The Department concurs with the findings. MVE and DOC are proceeding as planned with programming to provide an interface between the J. D. Edwards computerized business system and the SAM II accounting system to deliver a cost accounting system for all enterprise segments. MVE has contracted with a vendor to develop the interface necessary to fully integrate the business systems by March 2001.*

|  |
|--|
| <b>2. Electronic Monitoring Program Receipts</b> |
|--|

The Board of Probation and Parole operates a continuum of community supervision programs. One of those programs is the Electronic Monitoring Program (EMP). The EMP is a program designed to allow certain offenders, as assigned by the Department of Corrections, Board of Probation and Parole, or the courts to live and work in the community. Offenders in the EMP are supervised by Probation and Parole Officers in the area where they live. The offenders are required to pay a portion of their gross earnings to cover the costs of the program. The payments are made to the department's Central Office, and according to DOC procedure D 3-3.3 are to be deposited by transmittal to the DOR promptly.

These receipts were not always transmitted to the DOR on a timely basis. During late November 1999, we noted that the DOC was holding undeposited receipts totaling over \$179,500. These receipts consisted of over 3,300 money orders from offenders that had accumulated since July 1999.

After we brought this problem to the department's attention, these payments were promptly deposited.

**WE RECOMMEND** the DOC ensure all receipts are transmitted to the DOR on a timely basis.

### **AUDITEE'S RESPONSE**

*The Department concurs with this recommendation. An Electronic Monitoring Program (EMP) Accounts Receivable system maintains accounts for each offender assigned to the EMP. During*

*fiscal year 1999, a new offender information system was implemented and all offenders were assigned new inmate numbers. Consequently, each offender's balance and number in the Accounts Receivable system had to be re-verified and re-entered prior to FY00, a manual process that took longer than anticipated. The backlog is now resolved.*

**3.**

### **Inmate Canteen Fund**

The department's Inmate Finance Office (IFO) provides financial and bookkeeping services for the Inmate Canteen Fund (ICF), the Inmate Account Fund (IAF) and the Coupon Fund. The ICF accounts for the operation of the inmate canteens at the various institutions, while the IAF accounts for monies received by inmates from prison jobs or from sources outside the institutions.

The Coupon Fund is a group of accounts within the ICF that were used in recent years to record the sales of \$5 coupon books which were sold to the inmates for use on weekends and holidays when the regular canteens were not operating. Previously, most inmate purchases were handled through the coupon process. When a coupon book was sold to an inmate, the \$5 cost of the book was deducted from his or her account balance in the IAF and was held in the Coupon Fund to cover the liability to the inmate for the outstanding coupons. When inmates spent or redeemed coupons, the Coupon Fund reimbursed the canteen for the value of the redeemed coupons. The DOC modernized the Coupon Fund system and closed out the "old Coupon Fund" and gave the inmates a limited period of time to redeem the old coupons.

After the old Coupon Fund was discontinued, the fund and accumulated interest totaled over \$19,000 as the result of some old coupons not being redeemed. The \$19,000 remains in the custody of the DOC, but they are unable to identify the inmates who never spent their old coupons. The department has considered several methods to dispose of the money, some of which included departmental direct expenditures. However, this money does not belong to the DOC and its use by the department does not appear appropriate or authorized by statute. Instead, it appears the money should be disposed of in accordance with the state's lost and unclaimed property laws under Chapter 447, RSMo Cumulative Supp. 1999.

**WE RECOMMEND** the DOC dispose of the outstanding coupon monies in compliance with applicable statutory provisions.

### **AUDITEE'S RESPONSE**

*The Department concurs with the auditor's recommendation.*

*Please note DOC sought State Auditor guidance at the time of the last audit. When it was not provided, the Department raised this issue again in conversation with the State Auditor during this visit. The funds will be dispersed by September 1, 2000, as per guidance recently provided.*

## **AUDITOR'S COMMENT**

The DOC has been unable to provide any written record of ever making such a request for guidance.

|                            |
|----------------------------|
| <b>4. Medical Contract</b> |
|----------------------------|

The department has a contract with a medical services provider, Correctional Medical Services, to provide all types of medical services, excluding mental health and psychiatric care, to all inmates housed in state institutions except for those inmates assigned to residential treatment facilities, the community release centers, and the electronic monitoring program. The department has contracted with the same provider since December 1992.

The contract between the department and the medical contractor allows the department to issue a notice of deficiency to the medical contractor if the contractor's performance is unacceptable. The department has a mechanism to evaluate the contractor's performance, however, it has not established any procedures or criteria which document when and under what circumstances a formal notice of deficiency should be issued to the medical contractor.

To help ensure the integrity and adequacy of the medical services provided to the inmates, the department should establish procedures or criteria which document when and under what circumstances a formal notice of deficiency should be issued to the medical contractor. While these procedures need not identify every possible problem that could result in a deficiency, they should set general parameters that provide guidelines as to when and under what circumstances a deficiency should be considered.

A similar condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the DOC establish procedures or criteria that document when and under what circumstances a formal notice of deficiency should be issued to the medical contractor.

## **AUDITEE'S RESPONSE**

*The Department concurs with this finding. Written procedures are not currently in place to address issuance of formal notices of deficiency, rather the Department uses the language provided in the medical contract as guidance in the issuance of notices.*

*The Department is currently revising its medical contract compliance monitoring Standard Operating Procedure to include the circumstances under which a notice of deficiency will be issued. As per our current practice, the procedure will specify a notice of deficiency will be issued when there is evidence of substantial and/or repeated performance failure in the following areas:*

- *To provide an appropriate community standard of care to any one or a group of offenders;*
- *To provide care in a timely manner resulting in adverse patient outcomes;*
- *To provide accurate documentation of care, resulting in adverse patient outcomes or a substantial misrepresentation of contractor performance;*
- *To comply with DOC policies, state statutes or federal law; and*
- *To maintain minimum staffing levels as prescribed by the contract.*

## **5.**

## **Inmate Grievances**

Inmate grievance procedures provide inmates with the opportunity to present complaints about various issues, including the medical care provided by the department's medical contractor. The grievance process includes four separate stages starting with an informal resolution request (stage one) that calls for a response within 30 days. If unsatisfied, an inmate can file a formal grievance (stage two) and should receive a response from the institution superintendent or his designee within 30 days. If the inmate continues to be unsatisfied with the response, a grievance appeal (stage three) can be submitted to the applicable division director who has 30 days to respond. If the inmate continues unsatisfied from this (stage three) grievance appeal, the complaint can be pursued in a court or in a grievance second appeal (stage four) to the Department Director. These procedures are authorized under provisions of the Prison Litigation Reform Act 42USC Section 1997E (a).

Prior to the Department Director receiving the (stage four) second appeal, a Citizen's Advisory Committee must review the appeal and make a recommendation to the Department Director. Under policy, the Department Director's response is to be returned to the inmate within 90 days from the filing of the second appeal. Our review of the grievance procedures resulted in the following concerns:

- A. The department does not respond to the (stage four) second appeals within 90 days as required by its policy. During July 1999, we reviewed sixty grievances and noted seventeen involved second appeals. None of the Department Director's responses to the second appeals were provided within the 90 days allowed. Of the responses provided, all were made six months to a year after the date the second appeal was filed. At the time of our review, twelve were more than a year old and remained open.

Such significant delays are a concern because the grievance appeal form used by the department incorrectly indicates the inmate may not seek relief in Federal Court until the Department Director responds to the (stage four) second appeal. As a result of the failure to respond promptly to the second appeals, inmates are unable to resolve their grievances and in some instances could possibly suffer harm. Such delays prevent the inmate from receiving problem resolution and could potentially result in a greater risk of state liability.



- B. During July 1999, the back log consisted of approximately 2,400 second appeals which were not yet processed. Some of these appeals have been delayed for over a year. When the inmates are admitted to the system and processed they receive an inmate rulebook that incorrectly states that all four stages of the department's grievance procedures must be completed prior to filing a lawsuit. This is misleading because court procedures may begin after an unsatisfactory (stage three) grievance appeal has been received.

To ensure the inmates are not misled by the above inaccuracies on the grievance procedures, the department should correct the form and rulebook errors.

During our March 2000 follow-up review of the second grievance back log, the DOC indicated there were less than 50 second appeals still pending.

**WE RECOMMEND** the DOC:

- A. Ensure it complies with its formal grievance procedures and that inmate grievances are responded to in a timely manner.
- B. Ensure second appeals are handled promptly and provide accurate rules information to the inmates about the grievance procedures.

**AUDITEE'S RESPONSE**

- A. *The Department concurs in part with Finding A.*

*Inmates are not required to exhaust Second Appeals (Step 4) prior to filing with the court and DOC is not required to reply to Step 4 appeals within 90 days. IS8-2.1 Inmate Grievance process, effective January 15, 1992, established the inmates' right, after the first appeal (Step 3) is completed, to proceed in court or to continue with the grievance procedure by filing a second appeal (Step 4); see IS8-2.1. III. M. That section also expresses the Department's desire to respond promptly, however, failure to reply within the suggested time line does violate the policy.*

*The Offender Grievance Appeal form (MO 931-3778 (4-00)) has been revised.*

- B. *The Department concurs with the recommendation.*

*Second appeals (Step 4) had been backlogged due to the significant increase in the offender population without a commensurate increase in FTE authorization. To offset staffing shortfalls and to successfully eliminate the second appeals backlog (Step 4), institutional grievance officers have been temporarily reassigned at various times since 1999 to central office.*

*The Inmate Rulebook is under revision and should be completed by July 2001.*

**6.****Compensatory Leave Balance**

We reviewed the compensatory leave balances of the DOC and found these balances to be excessive for some employees. Compensatory leave is normally earned at the rate of one and one half hours per hour of overtime worked, or one hour for each hour worked when working extra during weeks with holidays. Such overtime is worked to cover for other employees who are sick, taking annual leave, or other days off. The leave can later be used as time off with pay or is paid in full to those who terminate employment with the department.

A supplemental payroll for over \$2.6 million was processed in March 1999 to pay down the accumulated compensatory leave balances. However, the accumulated leave liability at June 30, 1999, had again reached approximately \$1.4 million.

Correctional officers are especially susceptible to accumulating compensatory leave due to working holidays, filling in for other correctional officers or vacant positions, and to provide adequate security coverage. The department's policy states, "Any employee who reaches a balance of 40 hours of compensatory time must be transferred from that job assignment and/or placed on a compensatory time reduction schedule. These employees must be returned to their job assignments when compensatory time has been appropriately reduced."

Because of the department's inability to strictly comply with its policy and avoid incurring the build up of additional employee compensatory leave balances, the department is increasing its liability to provide monetary compensation to these employees upon termination.

A similar condition was noted in our previous report.

**WE RECOMMEND** the DOC continue efforts to manage or control compensatory leave balances and prevent excessive accrual of compensatory leave.

**AUDITEE'S RESPONSE**

*The Department concurs with the recommendation.*

*We will continue to make every effort to manage and control compensatory leave balances within existing resources. It is important to note however, that funds to pay down compensatory time balances in Fiscal Years 1996 through 1999 were not appropriated in Fiscal Years 2000 and 2001. Accordingly, DOC policy D2-8.4 – Compensatory Time is being revised (new language is in bold).*

*Any employee who reaches a balance of 40 hours of compensatory time must be transferred from that job assignment and /or placed on a compensatory time reduction schedule. These employees must be returned to their job assignments when*

*compensatory time has been appropriately reduced. The Department Director may waive this requirement.*

**7.**

### **State-Owned Vehicles**

The DOC has a large fleet of motor vehicles consisting of passenger cars, vans, buses, trucks, and trailers. As of June 30, 1999, the department's fleet consisted of approximately 800 such vehicles. Our review of the department's state-owned vehicles noted the following concerns:

- A.1. The department maintains monthly vehicle travel logs for pool vehicles. A review of 25 pool vehicles indicated that the DOC does not maintain accurate and complete monthly vehicle travel logs.

We reviewed the vehicle logs submitted and noted that 22 of 25 vehicles tested did not indicate the purpose of the trip. In addition, the logs contained gaps in the ending mileage of the previously recorded trip and the beginning mileage of the following trip. Without proper documentation of the purpose and destination of trips, it is not possible to determine if state-owned vehicles are used only for official business.

2. The department does not require monthly vehicle travel logs to be maintained on state vehicles assigned to employees. Without proper documentation of the purpose and destination of trips, it is not possible to monitor usage of state-owned vehicles.

Complete, detailed vehicle travel logs documenting all dates traveled, destinations, and mileage are necessary to ensure state-owned vehicles are only used for authorized purposes and to adequately track vehicle costs. In addition, these vehicle travel logs can be used to distinguish between personal commuting and business mileage. Without this documentation, it is not possible to properly monitor the business or personal use of the state-owned vehicles.

- B. A monthly vehicle operation log is maintained for all DOC vehicles for the purpose of accumulating and tracking vehicle operating costs. These logs are submitted to the department's Fiscal Management Section. We noted that these monthly vehicle operation logs are not accurate and complete since maintenance or repair costs are rarely reported, and in some cases nothing was recorded on these logs.

Without proper documentation of the maintenance and repair costs, it is not possible to determine the propriety of fuel and/or repair billings, or identify the need to replace the vehicle due to excessive maintenance costs.

Similar conditions were also noted in our prior reports.

**WE AGAIN RECOMMEND** the DOC:

- A. Require that complete vehicle travel logs be kept on all assigned and pool vehicles. The department should monitor these logs to determine the reasonableness of mileage incurred, and ensure that use is for authorized purposes.
- B. Ensure comprehensive vehicle operation logs are completed for all state-owned vehicles. Vehicle mileage logs should be monitored for propriety and reasonableness of miles traveled and costs of operation.

**AUDITEE'S RESPONSE**

- A. *The Department has designated an employee as Vehicle Fleet Coordinator. Effective August 2000, the Vehicle Fleet Coordinator will receive on a monthly basis the vehicle travel log for all vehicles. These logs will be monitored for completeness including the destination and purpose of the trip. Mileage will be monitored for appropriate and reasonable use of the vehicles.*
- B. *Effective August 2000, the Vehicle Fleet Coordinator will receive the monthly vehicle operation log for all vehicles. These logs will be monitored for appropriate costs and for documentation of vehicle maintenance.*

*The Vehicle Fleet Coordinator is also responsible for managing the preventive and scheduled maintenance of the vehicles in the Department's Central Office pool.*

|                                  |
|----------------------------------|
| <b>8. Disaster Recovery Plan</b> |
|----------------------------------|

The department's Central Office Information Systems (IS) Section uses large mainframe computer systems for various departmentwide applications and for the inmate banking system. We reviewed certain operating practices and procedures in the computer areas and noted the DOC has not developed a written formal disaster recovery plan for use in the event that a fire or some other disaster were to destroy or incapacitate the department's computer system. The department relies heavily on its data processing system and reports, and any significant interruption in the data processing system's operations could cause serious problems throughout the state's correctional system.

A formal disaster recovery plan would specify recovery actions required to reestablish critical IS operations. Once a disaster recovery plan has been developed and approved, it should be periodically tested and reviewed.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the DOC develop a formal written disaster recovery plan. Once developed, the plan should be periodically tested and reviewed.

**AUDITEE'S RESPONSE**

*The Department concurs in part with the auditor's recommendation. The DOC has not completed a single disaster recovery plan, however, the DOC does have written emergency procedures for staff in the event of an emergency including key vendor and State Data Center contacts necessary to expedite equipment replacement. We also have in place and occasionally test formal processes and programs necessary to restore our central computing environment including application programs and data files. DOC does not have a formal plan to restore the data center environment and the network connectivity and will take steps necessary to comply.*

*Development of a single disaster recovery plan is contingent on availability of appropriate resources. If resources are available at the start of FY 2002, the plan will be completed by January 2002.*

This report is intended for the information of the management of the Department of Corrections and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-up on State Auditor's Prior Recommendations

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Department of Corrections (DOC) on recommendations made in the Management Advisory Report (MAR) for our prior report issued for the three years ended June 30, 1992, and for the prior reports of the Department of Corrections, Medical Services Contract for the three years ended November 30, 1995, and Missouri Vocational Enterprises - Working Capital Revolving Fund for the three years ended June 30, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the department should consider implementing these recommendations.

DEPARTMENT OF CORRECTIONS  
THREE YEARS ENDED JUNE 30, 1992

1. Telephone Fund

The DOC established a Telephone Fund within the Inmate Canteen Fund (ICF) for the deposit of monthly commission income from coinless pay telephones used by inmates at various institutions operated by the DOC. The department deposited to the General Revenue Fund-State (GRF-S) over \$1,777,000 of these commissions but retained over \$473,000 in commissions for use within the ICF for certain personal service costs and other expenditures.

Recommendation:

The DOC discontinue the retention and expenditure of telephone commissions. Further, the department should reimburse the GRF-S for the monies previously withheld from the telephone commissions.

Status:

Partially implemented. The DOC discontinued the retention and expenditure of telephone commissions. The department did not reimburse the GRF-S for the monies previously withheld from the telephone commissions. Although not repeated in the current report, our recommendation remains as stated above.

2. Disbursements

A. The department completed a false receiving report and other documents which indicated the DOC received 1,040 laboratory coats from the Missouri Vocational Enterprises (MVE) Clothing Factory. As a result of issuing the false receiving report, the department was able to process the \$21,320 invoice for payment from

the General Revenue Fund-State appropriations which otherwise would have lapsed.

- B. The DOC and the Board of Probation and Parole (BPP) made other purchases from the MVE costing over \$225,300 that were stored in the DOC Central Warehouse and many were noted to still be in storage.
- C. Central Missouri Correctional Center (CMCC) had several new unused equipment items still stored in the original packaging. The unused items included six lawnmowers, five weed eaters, and two garden tillers.
- D. The DOC incurred obligations in excess of its operating appropriations for the fiscal years 1990, 1991 and 1992 and paid these expenses from following years appropriations.

Recommendation:

The DOC:

- A. Prepare receiving reports and other documentation only for items actually received.
- B. Discontinue the practice of stockpiling goods and supplies at year end for future use.
- C. Limit equipment purchases to only those items needed in the department's current operations.
- D. Discontinue the practice of using funds appropriated for one fiscal year to pay the costs associated with other fiscal years.

Status:

- A&B. Implemented. No similar instances of supplies stockpiling was noted during our current audit. However, the department has experienced an extensive facilities expansion program over several years. Because of the long lead time often required to purchase new facility equipment and supplies, and put them in place, the department has used a funding program called the inmate growth pool allowing various advance initiatives to respond to the significant growth in inmate population.
- C. The status of this recommendation will be reviewed as a part of a future audit of the CMCC.
- D. Implemented. No similar instances were noted during our current audit.



3. Electronic Data Processing Equipment Purchases

The DOC had several items of electronic data processing (EDP) equipment stored at the central office warehouse. Some of the items were stored for over two years. The DOC did not prepare or maintain a written action plan which provided a record of planned changes or improvements in the usage of the various items of stored EDP equipment.

- A. The DOC received ten new printers during June 1990 that were not installed until July 1992, over two years later.
- B. Twelve personal computers were purchased in May 1992 and ten of the twelve were still in the original packaging at the department's central warehouse in September 1992.
- C. The DOC purchased thirty display stations in December 1991. In June 1992, five of the thirty display stations were still stored in the original packaging at the department's central warehouse.

Recommendation:

The DOC properly plan EDP purchases to avoid unnecessary investments in equipment which remains unused for long periods of time.

Status:

Implemented. No such instances were noted during our current review.

4. Cost Allocations Between the DOC and the MVE

The DOC and MVE were separate entities and each was separately funded. The DOC was funded by appropriations from the General Revenue Fund-State while the MVE was funded by appropriations from the Working Capital Revolving Fund (WCRF).

- A. Salaries and benefits of a number of employees of the Department of Corrections-Fiscal Management Unit were paid by the WCRF. The department was unable to provide any documentation to support its allocation of these costs to the WCRF. These workers performed duties related to both the DOC and the MVE.
- B. The MVE rented office space from the DOC. The DOC Construction/Fire and Safety Unit and DOC Internal Audit Section occupied nearly 21.7 percent of this office space, however, the DOC did not pay any of the lease cost.
- C. The department purchased an extensive computerized accounting software system that had many applications for both the DOC and MVE. The entire cost of the software along with related employee training costs were to be paid by the MVE.

Recommendation:

The DOC maintain documentation to support the allocation of costs between the GRF-S and the MVE WCRF. In addition, we recommend the DOC:

- A. Allocate the personal service costs between the DOC and the WCRF based on the actual work performed for each facility.
- B. Allocate lease costs to the GRF-S and the WCRF based on the actual cost of the space used by the DOC and the MVE.
- C. Allocate the costs of the accounting software between the DOC and MVE based on actual or expected usage.

Status:

- A. Not implemented. The DOC charges the costs of three employees to the WCRF and has no documented basis for the charges. Although not repeated in the current report, our recommendation remains as stated above.
- B. Implemented. MVE moved into their own separate headquarters and does not share space with the DOC.
- C. Not implemented. The DOC never reimbursed the MVE for its share of the costs. However, the accounting software is no longer shared between the DOC and the MVE.

5. Electronic Data Processing Procedures

- A. The department did not use off-premises storage for its programs and backup data.
- B. The department's EDP System had security features which would allow supervisory review of unsuccessful attempts to log onto the system and to monitor computer operational logs for possible problems. However, the department indicated it did not use or keep these security records.
- C. The DOC had not developed a written formal disaster recovery plan for use in the event a fire or other major disaster were to disable the department's EDP equipment.

Recommendation:

The DOC:

- A. Establish off-premises storage for computer programs and backup data.

- B. Maintain, monitor, and investigate as necessary security records of unsuccessful log-on attempts and computer operations logs.
- C. Develop a formal written disaster recovery plan. Once developed, the plan should be periodically tested and reviewed.

Status:

A&B. Implemented.

C. Not implemented. See MAR No. 8.

6. Transfer of EDP Equipment

Because of centralization and other related changes in the operation of the department's computer processing systems, two computers and software became available and ownership of this equipment was transferred to the MVE.

- A. The transfer of these computers did not appear to have been necessary or reasonable. The DOC Information Systems (IS) Unit would continue to use the computer transferred to the MVE.
- B. The transfer of the computer system to the MVE Data Entry (DE) segment was unjustified at the time of the transfer. The previous system that was in use was still viable and would not have needed replacement for a minimum of three or four years.
- C. The transfer costs of the computer systems was determined by using current costs of new equipment less the cost of planned upgrading. The transfer costs were excessive based on the market rates for the two used computer systems.
- D. The DOC did not appear to have the authority to obtain or retain the value from such a transfer in the form of a credit against future purchases.

Recommendation:

The DOC:

- A. Retain ownership of the MVE IS computer and allocate the costs between the DOC and MVE based on relative usage. The MVE should be reimbursed for the cost of this computer system and upgrades.
- B. Reconsider the transfer of the DE computer system and reimburse the MVE for all costs incurred in the transaction. If the department has no current need for this

system, it should be disposed of in accordance with state surplus property provisions.

- C. In the future establish reasonable pricing for any equipment that is transferred between the two entities.
- D. Deposit any funds received and retained from the computer system transactions to the General Revenue Fund-State as required by state law.

Status:

- A-D. The status of these recommendations were not determined during the current audit.

7. Fixed Assets

- A. Not all fixed assets of the DOC were recorded in the fixed asset records systems.
  - 1) Land, buildings, and capital improvements purchased by the DOC using General Revenue Fund-State, General Revenue Fund-Federal, Third State Building and Third State Building Trust Fund monies were not recorded in the departmentwide system.
  - 2) Items purchased from the ICF for inmates' recreational or religious benefit were not recorded by the department.
- B. The department failed to conduct adequate inventories of the fixed assets at several operating units.
  - 1) The DOC had not conducted physical inventory counts of fixed assets at the central office for nearly five years.
  - 2) The Board of Probation and Parole (BPP) had not conducted an inventory of the BPP fixed assets for approximately ten years.
  - 3) The DOC Central Office did not conduct periodic test counts at the correctional institutions to ensure the accuracy of the fixed asset counts and records.
  - 4) Periodic inventory counts of the ICF fixed assets were conducted by the same personnel who maintained the ICF fixed asset records.
- C. The dispositions of fixed assets were not always properly authorized or recorded.
- D. Fixed asset balances were not adequately reconciled from period to period.

- E. Duplicate fixed asset systems were maintained. The EDP Information Systems Unit maintained a duplicate record of the department's computer equipment, in addition to the departmentwide system used to account for the same equipment. The BPP also maintained a separate fixed asset record.
- F. The departmentwide property additions were not periodically reconciled to property purchases according to the state's expenditure reports.

Recommendation:

The DOC:

- A. Record all fixed assets on the departmentwide or ICF systems, as applicable.
- B. Conduct regular periodic inventories of all fixed assets ensuring that count personnel are independent of the related record keeping functions. In addition, the DOC Central Office should conduct periodic test counts of the inventories located at the institutions.
- C. Require written supervisory approval and timely notification for all fixed asset dispositions.
- D. Ensure that fixed asset records are properly maintained, that canteen fund financial statements accurately reflect those fixed assets, and that balances are properly reconciled from period to period.
- E. Discontinue the maintenance of duplicate fixed asset records and ensure the departmentwide records are accurately maintained for all classes of assets.
- F. Perform periodic reconciliations between the departmentwide property additions and purchases recorded on the state's expenditure reports.

Status:

- A,D,  
&F. Not implemented. However, the DOC is in the process of changing fixed asset records procedures to correspond to the new SAM II accounting system.
- B. Partially implemented. Regular periodic inventories of all fixed assets are performed. These inventories are not performed by personnel independent of the related record keeping functions. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented.

- E. Partially implemented. Duplicate fixed asset records are no longer maintained by the BPP. The IS unit continues to maintain a duplicate record of the department's computer equipment. Although not repeated in the current report, our recommendation remains as stated above.

8. Drug Inventories

There had been no complete physical inventory count of the central pharmacy. In addition, periodic test counts of non-controlled substances were not performed.

Recommendation:

That if the department maintains any drug inventory that the department establish adequate perpetual inventory records. Further, periodic inventory counts should be performed and the count results should be reconciled to the perpetual inventory records. Any significant differences should be investigated and reported to management for appropriate corrective action.

Status:

The department no longer maintains drug inventories.

9. Probation and Parole Personnel Time and Attendance

The accrual and usage of compensatory time for the Board of Probation and Parole (BPP) employees working in district offices was not documented and the actual hours worked each day was not reported on the time and attendance report.

Recommendation:

The DOC and BPP take steps to ensure that all BPP employees report the actual hours worked.

Status:

We made no visits to BPP district offices during our current review.

10. Personnel Policy

- A. Twelve employees had accepted additional employment outside of the department without requesting permission in writing from their respective division supervisor prior to accepting the additional employment as required by department policy.
- B. Several individual DOC employees were noted to have accumulated excessive compensatory leave balances.

Recommendation:

The DOC:

- A. Enforce its outside employment policy.
- B. Continue attempts to reduce the current accumulated compensatory leave balances and establish policies and procedures, where possible, to monitor and prevent excessive accrual of compensatory leave.

Status:

- A. The status of this recommendation was not determined during the current audit.
- B. Not implemented. See MAR No. 6.

11. State-Owned Vehicles

- A.1. The DOC did not maintain accurate and complete monthly vehicle travel logs for pool vehicles.
- A.2. The department did not require monthly vehicle travel logs to be maintained on assigned vehicles.
- B. DOC central office employees used personal vehicles for DOC business and had mileage claims even though pool vehicles were available.
- C. A monthly vehicle operation log was maintained for all DOC vehicles. Maintenance or repair costs were rarely reported on these vehicle operation logs.
- D.1. Vehicle usage travel logs at five institutions frequently were not completed as required by DOC policy.
- D.2. The superintendent and assistant superintendent at Western Missouri Correctional Center (WMCC) were not submitting monthly reports of DOC vehicle use to the DOC central office as required.

Recommendation:

- A. The DOC require that complete vehicle logs be kept on all assigned and pool vehicles. The department should monitor these logs to determine the reasonableness of mileage incurred, and ensure that use is for official business purposes.
- B. The DOC monitor and enforce the departmental policy requiring employees to use state vehicles for DOC business, whenever possible. The department needs to

monitor its usage of the vehicles assigned to central office to determine whether all vehicles are needed.

- C. The DOC maintain complete operation logs on all vehicles that indicates miles driven, gasoline purchased, maintenance and repair work performed, and applicable costs. The information from the logs should be summarized in a form that will provide management with accurate, up-to-date vehicle cost information.
- D. The DOC and applicable institution:
  - 1. Ensure that vehicle travel logs are completed for all state vehicles.
  - 2. Ensure that personal use of state vehicles is appropriately reported to the DOC central office personnel unit as required by DOC policy.

Status:

A&C. Not implemented. See MAR No. 7.

B. Implemented.

D. The status of this recommendation will be reviewed as a part of future audits of the applicable institutions.

12. Inmate Canteen Coupon Fund

- A. More coupons were redeemed each year of the audit period than were sold to the inmates.
- B. Moberly Correctional Center (MCC) issued unauthorized free coupons to inmates as incentives and prize awards for participation in certain institutional sponsored recreational programs.
- C. The DOC Treasurer's Office did not maintain perpetual inventory records for the coupon books issued to the various institutional canteens for sale to the inmates, and did not reconcile coupon book sales to the coupon redemptions.

Recommendation:

The DOC investigate the excess coupon redemptions to determine the cause(s), take the necessary steps to correct the problem, and establish adequate internal control procedures to ensure all coupon sales are appropriately recorded and accounted for properly. In addition, the DOC should determine how it will fund any excess liability for outstanding, unredeemed coupons in the event this becomes necessary.



Status:

A&C. Not applicable. The department no longer issues canteen coupon books to inmates in the institutions thus eliminating the applicability of these recommendations.

B. The status of this recommendation will be reviewed as a part of a future audit of the MCC.

13. Inmate Finance Office

A. The Inmate Finance Office (IFO) did not cancel or deface the vendors' invoices after payment.

B. The IFO had accumulated excess unused inmate bus fare reimbursements obtained from the General Revenue-State (GRF-S) totaling \$5,200.

Recommendation:

The DOC IFO:

A. Cancel or deface vendor invoices after payment.

B. Return to the GRF-S all excess bus fare reimbursements currently on hand. In the future, such excess funds should be refunded to the GRF-S on a regular, periodic basis.

Status:

A. Implemented.

B. Implemented. The IFO issued a refund to the GRF-S for \$5,000 on June 27, 2000.

14. Underground Storage Tanks

The DOC's Central Office (CO) had taken no action to ensure that the department's underground storage tanks had been registered with the Department of Natural Resources or were in compliance with the various possible stages of leak detection monitoring required.

Recommendation:

The DOC CO review the status of all the department's fuel storage tanks and ensure compliance with registration and tank leakage detection regulations and procedures.

Status:

Implemented.

15. Departmental Rent Income

The DOC did not monitor the amount received from employees who occupied departmental housing to ensure that all the revenues were collected by the various institutions and forwarded to the DOC Central Office.

Recommendation:

The DOC monitor the monthly payments from departmental rentals to ensure it is appropriately received.

Status:

Implemented.

16. Food Inventories

- A. The food service storekeepers who had custody of food inventory at some of the institutions performed the monthly physical counts of food inventories without assistance from a nonfood service employee who would have provided an independent inventory verification.
- B. Not all institutions investigated or documented the reasons for differences between the perpetual food inventory records and the actual physical counts.
- C. Kitchen personnel at the WMCC did not sign kitchen requisitions to indicate they had received the food supplies requisitioned and delivered by the storekeeper who had custody of the food inventories.
- D. The CMCC kitchen requisitions were prepared by kitchen personnel and were appropriately signed by the food service manager. However, when supplies were not sufficient and additional food items were needed, no additional requisitions were prepared. After each meal, the cooks prepared a new requisition form which indicated the total amount of food actually used for the meal.
- E. Five correctional institutions visited were noted to have excess food stocks on hand.

Recommendation:

The DOC and the applicable institutions:

- A. Segregate the duties of inventory taking from the custody of food inventories. An employee who is not assigned to the Food Service Section should observe the inventory and perform test counts.
- B. Document and investigate as appropriate all significant discrepancies between the physical inventory counts and the perpetual inventory records.
- C. Ensure kitchen requisition food requests are signed by the food service manager and kitchen personnel to indicate all appropriate food items that have been delivered from the food storeroom and received by the kitchen.
- D. Require that all food items removed from storage be supported by an authorized requisition and discontinue the preparation of duplicative summary requisitions.
- E. Order food items based on expected usage to reduce excessive food inventories. The institutions should transfer appropriate excessive stock of food items to the DOC central warehouse for redistributions.

Status:

- A-E. The status of these recommendations will be reviewed as a part of future audits of the applicable institutions.

17. Gasoline Inventories and Procedures

- A.1. The Jefferson City Correctional Center (JCCC) did not always require the submission of daily gasoline reports, allowed incomplete monthly gasoline reports which did not document the pump meter readings, and failed to reconcile and investigate the differences between the daily reports and the monthly summaries.
- A.2. The MCC did not compare the gasoline pumps' cumulative meter readings to the energy consumption report or the monthly vehicle logs.
- A.3. The WMCC did not record the cumulative pump meter readings until June 1992 and employees failed to log or record the fuel pumped into institutional vehicles. Unexplained variances between month end inventories and fuel usage logs as high as 400 gallons in one month were noted.
- B. The JCCC did not measure the amount of gasoline in the tanks before and after vendors' deliveries and had no assurance it received all the gasoline purchased and paid for.

Recommendation:

The DOC and the:

- A.1. JCCC ensure a daily gasoline report is prepared and turned in to the business office each day and that the fuel consumption reports document the pump meter readings and estimated usage from inventory levels. The JCCC business office should also perform a monthly reconciliation between the daily summary sheets and the fuel consumption report and investigate any unresolved differences.
- 2. MCC determine the number of gallons dispensed each month from cumulative meter readings on the pumps. The MCC should compare this usage amount to the monthly energy consumption report and usage recorded on the monthly vehicle logs.
- 3.a. WMCC determine the number of gallons dispensed each month from cumulative meter readings on the pumps and compare this usage amount to the usage recorded on the monthly inventory summaries and usage recorded on the fuel usage logs.
- b. WMCC should ensure that all gasoline usage is recorded in the individual vehicle logs or equipment operating records.
- c. WMCC management should investigate and resolve all significant unexplained differences noted during the reconciliations performed by the business office.
- B. JCCC measure the gasoline in the tanks both before and after each delivery.

Status:

- A-B. The status of these recommendations will be reviewed as a part of future audits of the applicable institutions.

18. Canteen Procedures

- A. Inadequate segregation of duties over inmate canteen inventories was noted at four institutions.
- B. Inadequate segregation of duties over inmate canteen inventories was noted at the MCC.
- C. Four institutions priced numerous canteen products in excess of the maximum markup allowed.
- D. JCCC and MCC did not maintain a property record of all items with a value greater than \$100 or that were at high risk of misappropriation.

Recommendation:

The DOC and the applicable institutions:

- A. Establish the necessary segregation of duties over the canteen's purchases and physical inventories.
- B. Segregate the functions of ordering and receiving goods purchased from the Inmate Canteen Fund as required by DOC policy.
- C. Review the pricing structure of canteen resalable inventories and adjust the selling prices to comply with DOC policy.
- D. Maintain the required property records for the canteen equipment and periodically perform a physical count to ensure that the records properly reflect current property on hand. Management should investigate any discrepancies found.

Status:

- A-D. The status of these recommendations will be reviewed as a part of future audits of the applicable institutions.

19. Inmate Canteen Expenses

The department paid civilian employees' salaries and related fringe benefits from the GRF-S. The Inmate Canteen Fund did not reimburse the GRF-S for these payroll and fringe benefit costs.

Recommendation:

The DOC take steps to place the canteen operations on a self-sustaining basis. Until this is totally accomplished, the department should reimburse the GRF-S for any expenses incurred from the monies available in the ICF.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

SPECIAL REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MEDICAL SERVICES CONTRACT  
THREE YEARS ENDED NOVEMBER 30, 1995

1. Medical Financial Arrangements

- A. State employees who worked for the DOC in providing medical care to the inmates prior to the activation of the medical care contract were given the option to retain their status as state employees even though required to work for the medical contractor. The contractor was to provide reimbursement of all salary expenses. However, the department incurred but had not been reimbursed fringe benefit costs of approximately \$1,075,000 through December 31, 1995.
- B. The department paid for a total of \$3,254 of medical related equipment which cost less than \$500 and should have been paid by the medical contractor.

Recommendation:

The department:

- A. Closely review the provision of this medical services contract and pursue, where necessary, reimbursement of \$1,075,000 from the medical contractor on behalf of the state. In addition, the department should require the medical contractor to reimburse the state for the amount of fringe benefits incurred on behalf of medical related employees who continue to work for the department after December 31, 1995.
- B. Request reimbursement from the medical contractor for medical related equipment paid for by the department which cost less than \$500. In addition, the department should ensure that in the future the contract terms are followed.

Status:

- A. Not implemented. The department did not obtain reimbursement from the medical contractor, but did revise subsequent contract provisions to exclude fringe benefits from salary reimbursement requirements. Although not repeated in the current report, our recommendation remains as stated above.
- B. Partially implemented. The department did not request reimbursement of the \$3,254. Subsequent purchases of medical equipment costing less than \$500 were paid for by the medical contractor. Although not repeated in the current report, our recommendation remains as stated above.

2. Medical Contract

- A. An annual independent peer review of services provided under the contract was not obtained on an annual basis as required. Only one peer review had been performed since the contract service date. In addition, the contract did not indicate any objectives which must be achieved during the peer reviews and the department was unable to provide any written objectives.
- B. The department did not review the time records of the medical contractor's employees to determine compliance with the contract terms which required the medical contractor to meet a minimum level of staffing at each correctional facility.
- C. Supporting documentation for completed monitoring forms was not always retained. In addition, the department did not have procedures in place which document when and how often the monitoring questionnaires should be completed at each correctional facility.
- D. The department had not established any procedures which documented when and under what circumstances a formal notice of deficiency should be issued to the medical contractor. Since the contract service date, the department had issued only one formal notice of deficiency to the medical contractor, which was not issued on a timely basis. The medical contractor had developed a corrective action plan in response to deficiencies identified by the monitoring forms, but the department did not always receive and/or approve the action plan.
- E. The department continued to pay vendors for medical services provided to some inmates after the contract service start date of December 1, 1992.

Recommendation:

The department:

- A. Implement procedures to ensure the contract terms are followed in relation to the peer review requirements. In addition, the department should ensure individuals who perform the peer review are independent of both the department and the medical contractor and have a clear understanding of the objectives of the peer review.
- B. Ensure the medical contractor meets its contract terms regarding the minimum level of staffing at each correctional facility.
- C. Ensure all monitoring documentation is retained. Furthermore, the department should implement procedures which document when and how often the monitoring questionnaires should be completed at each correctional facility.

- D. Establish procedures which document when and under what circumstances a formal notice of deficiency should be issued to the medical contractor. In addition, the department should ensure formal notice of deficiencies are issued on a timely basis, and corrective action plans as completed by the medical contractor are received and approved.
- E. Determine if the medical costs directly paid to vendors by the department after December 1, 1992, should have been paid for by the department or the medical contractor. In addition, if it is determined the medical contractor should pay for all medical costs incurred after December 1, 1992, the department should request reimbursement from the medical contractor for the medical costs paid directly to vendors by the department after December 1, 1992.

Status:

- A. Not implemented. The department believed this type of review was unnecessary and changed the new contract to eliminate the requirement. Although not repeated in the current report, our recommendation remains as stated above.
- B. Implemented. The department has developed procedures to monitor the level of staffing to ensure the minimum staffing requirements are met by the medical contractor.
- C. Implemented. The department now conducts annual compliance audits at each facility in place of using the monitoring questionnaire. These compliance audits appear to provide adequate supporting documentation.
- D. Not implemented. See MAR No. 4.
- E. Not implemented. The department believed it was not appropriate to require the contractor to cover the costs of continuing care for pre-existing conditions, and the vendor would not have accepted the liability for those pre-existing conditions. Although not repeated in the current report, our recommendation remains as stated above.

DEPARTMENT OF CORRECTIONS  
MISSOURI VOCATIONAL ENTERPRISES  
WORKING CAPITAL REVOLVING FUND  
THREE YEARS ENDED JUNE 30, 1995

1. Industries' Costing Systems

The cost accounting system used within the Missouri Vocational Enterprises (MVE) did not provide or assemble sufficient data to implement an adequate costing system for all manufactured items. The deficiencies noted in the system were:



- A. The system did not provide sufficient controls to obtain job cost information for direct labor and all overhead costs.
- B. The system did not provide for analysis of cost variance and, consequently, there was no means of monitoring and identifying inefficiencies in the manufacturing process.
- C. Because of A. and B. above, the system did not allocate labor and overhead to work-in-process and finished goods inventories to properly match inventory-related costs to the appropriate period revenues.

Recommendation:

The DOC and MVE proceed on a timely basis to implement a cost accounting system to better accumulate costs by major products of the enterprise segments. The system should include sufficient controls to provide accurate job cost information from all factories and actual accumulated costs for raw materials, direct labor, and overhead. Further, the system should provide for a detailed analysis of cost variances.

Status:

Partially implemented. The department and MVE did implement a cost accounting system for some enterprise segments. This cost accounting system has not been implemented for all enterprise segments. See MAR No. 1.

2. Receipt Procedures

- A. Some receipts were not recorded on the mail log and the log was not reconciled to revenue transmittals.
- B. Receipts were not transmitted to the Department of Revenue (DOR) for deposit intact and on a timely basis.
- C. Several instances were noted where MVE personnel indicated checks were received but were returned to the customer uncashed.
- D.1. The DOC internal audit section did not reconcile the receipts recorded on the mail log with the receipts recorded on the validated revenue transmittals on a timely basis.
- D.2. The DOC internal audit section reconciliations noted receipts recorded on the DOC mail log totaling \$13,979 which were apparently not transmitted to the DOR for deposit.

- D.3. The DOC internal audit section reconciliations noted \$727 in receipts due the Working Capital Revolving Fund (WCRF) which were mistakenly credited to the General Revenue-State in June 1994.
- E. We noted seven receipt entries totaling \$2,911 recorded on the MVE general ledger in July 1994 which were apparently not transmitted to the DOR for deposit.

Recommendation:

- A. The DOC record all receipts on the mail log as the mail is opened and this log should be reconciled to transmittals.
- B&C. The MVE transmit all receipts to the DOR, intact and on a timely basis.
- D.1. The DOC internal audit section reconcile the receipts recorded on the mail log with the receipts recorded on the validated revenue transmittals more timely, such as quarterly.
- D.2. The DOC and the MVE take immediate action to determine the proper resolution of the \$13,979 in receipts which were apparently not transmitted to the DOR for deposit.
- D.3. The MVE implement procedures to ensure all monies due the MVE are properly credited to the WCRF.
- E. The DOC and the MVE take immediate action to determine the proper resolution of the \$2,911 in receipts which were apparently not transmitted to the DOR for deposit.

Status:

- A,C,  
D.1. Implemented.
- B. Not implemented. See MAR No. 1.
- D.2,  
3&E. The status of these recommendations were not determined during the current audit. The department indicated they were unable to locate related records because of the passage of time. No similar instances were noted during our current review.

3. Accounts Receivable Procedures

- A. No statements of delinquent accounts were sent out by the MVE between November 1, 1993 and October 31, 1994. In addition, since October 31, 1994,

statements of delinquent accounts were only sent out in April 1995, and in May 1995.

- B. A significant dollar amount of accounts receivable were erroneously recorded on the June 30, 1995, and 1994, detailed subsidiary accounts receivable listing. These errors caused significant apparent over statements of accounts receivable.
- C. The MVE did not always maintain adequate documentation when merchandise was returned from its customers.

Recommendation:

The MVE:

- A. Implement and maintain procedures to ensure statement of delinquent accounts are sent out on a more frequent basis, such as monthly. In addition, the MVE needs to implement procedures to aggressively pursue the collection of amounts owed to them from its customers on a timely basis.
- B. Implement and maintain procedures to reconcile receipt and sales information with accounts receivable records. Any differences should be investigated and resolved properly.
- C. Implement procedures to ensure that adequate documentation is retained for all merchandise returned by the customer to the MVE for credit.

Status:

A&C. Implemented.

- B. Not implemented. MVE has not implemented procedures to reconcile receipt and sales information with subsidiary accounts receivable records. Although not repeated in the current report, our recommendation remains as stated above.

4. Inventory Records and Procedures

- A. Perpetual inventory records were not kept by the MVE for several months in fiscal year 1995.
- B. The MVE raw material inventory additions were not reconciled to either the raw material inventory purchases per the Statewide Accounting of Missouri (SAM) expenditure reports or the department's internal expenditure reports.
- C. MVE accounting personnel used negative unit prices, and in other cases negative quantities were used to determine the value of inventory on hand. In addition,

material quantity differences between the perpetual inventory records and the physical inventory counts were not always investigated.

Recommendation:

The MVE:

- A. Continuously maintain the perpetual inventory records for all inventory items.
- B. Implement and maintain procedures to ensure the raw material inventory purchases recorded on the raw material inventory addition reports agree with similar information recorded on the various expenditure reports.
- C. Determine the propriety of negative unit prices and negative quantity amounts as recorded on the perpetual inventory records. In addition, the MVE should ensure significant differences between the perpetual inventory records and the physical counts are investigated for propriety on a timely basis.

Status:

- A. Implemented.
- B. Not implemented. MVE did not reconcile inventory addition reports and state expenditure reports. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented. No similar instances were noted during our current audit.

5. Bidding Concerns

Some instances were noted where bids received did not appear to be competitive.

Recommendation:

The MVE implement procedures to ensure state law is followed in regards to purchases made by the MCC.

Status:

Implemented.

6. Contract with Private Entity for Employment of Inmates

- A. The MVE did not enter into a written agreement regarding changes in the compensation for services provided under the contract.

- B. The estimated fixed costs determined by the MVE did not include utility costs and a charge for the rental of the space used in production.
- C. The amount billed by the MVE to the private company did not include certain payroll taxes paid by the department on behalf of the inmate workers.

Recommendation:

The MVE ensure all agreements and subsequent amendments with the private company are in writing. In addition, the MVE should revise its billing structure to ensure the amount of reimbursement received from the private company is at least equal to all costs incurred to provide this service.

Status:

MVE did not have any agreements with private companies during the current audit period.

7. Factories Review

- A. Factory managers were unable to analyze long-term trends in the production process.

Quality control records did not document the number, causes, or cost of quality control failures.

Studies had not been performed to determine the optimum batch sizes and production flows.

Records were not maintained of the quantity of scrap and rework.

Factory managers and supervisors did not appear to have a clear understanding of their role in regard to safety procedures.

- B. Overhead charged to each factory was not allocated on a reasonable basis.

Recommendation:

The MVE:

- A. Develop historical production records. These historical production records should then be used to analyze long-term trends in the production process. In addition, these production records should be used to develop production goals and quotas.

Maintain quality control records for the factories which document the number, causes, and cost of quality control failures.

Consider performing studies to determine the optimum batch sizes and production flows for factories.

Require factories to maintain documentation of the quantity of scrap and rework.

Enforce the departmental safety policies.

- B. Ensure overhead charged to each factory is allocated on a reasonable basis.

Status:

A&B. Not implemented. See related MAR No. 1.

8. General Fixed Asset Records and Procedures

- A. The MVE fixed asset additions were not reconciled to either the fixed asset purchases per the SAM expenditure reports or the department's internal expenditure reports.
- B. The MVE did not perform a physical inventory of fixed assets between April 1992 and March 1995.
- C. The MVE general fixed asset records were not maintained on a current basis and the following types of deficiencies were noted:
  - 1) Fixed assets observed were not recorded on the general fixed asset records.
  - 2) Fixed assets recorded on the general fixed asset records could not be located.
  - 3) Fixed assets were not tagged, even though the general fixed asset records indicated the fixed assets were tagged.
  - 4) The tag numbers recorded on the general fixed asset records did not agree to the actual tag number attached to the fixed assets.
  - 5) The physical location of the fixed assets recorded on the general fixed asset records did not agree to the actual physical location of the fixed assets.
- D. The MVE did not monitor or keep track of fixed assets which were disposed through state surplus property.

Recommendation:

The MVE:

- A. Perform and maintain periodic reconciliations between the fixed asset additions reports and the various expenditure reports.
- B. Conduct, on at least an annual basis, a physical inventory of fixed assets. The MVE should also ensure that the individual who performs the physical inventory verification is independent of the custody and record keeping responsibilities.
- C. Ensure the general fixed asset records are maintained on a current basis with the following information for each item:
  - 1) Identification number;
  - 2) Description of the item to include name, make, model, and serial number where appropriate;
  - 3) Physical location in sufficient detail to readily locate the item;
  - 4) Date of acquisition;
  - 5) Acquisition cost; and
  - 6) Date and method of disposition.
- D. Routinely monitor fixed assets disposed through state surplus property to ensure proper credit is received for all fixed assets sold.

Status:

A&D. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

## STATISTICAL SECTION



## History, Organization, and Statistical Information

## DEPARTMENT OF CORRECTIONS HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Division of Corrections and the Board of Probation and Parole were transferred to the Department of Social Services on July 1, 1974, following passage of the Omnibus State Reorganization Act of 1974. Effective September 28, 1981, the Missouri Department of Corrections and Human Resources was established as a cabinet-level department of state government as a result of legislation approved by the Eighty-First General Assembly and signed by the Governor.

Governor Mel Carnahan appointed Dr. Dora Schriro, Director of the Department of Corrections (DOC) on January 14, 1993. Prior to Dr. Schriro's appointment, Dick D. Moore had served as Director of the department since April 10, 1986.

With the revision made to Chapter 217, which became effective August 28, 1989, the Department of Corrections and Human Resources was renamed to the Department of Corrections. The department has the responsibility of supervising and managing all correctional institutions and probation and parole services. The department is composed of the Office of the Director and four divisions: Adult Institutions, Human Services, Offender Rehabilitative Services and the Board of Probation and Parole. The department employed approximately 10,000 employees as of January 2000. The functions of the divisions are:

The Office of the Director is responsible for shaping legislation and formulating policy and procedures to guide and implement public safety objectives and goals.

The Office of the Director oversees the management of the four divisions as well as the following specialized areas: General Counsel; Budget and Planning; Research and Evaluation; Information Technology; Public Information; General Services and Fiscal Management; Legislative Liaison; Constituent Services, Inspector General, Restorative Justice/Victim Services, Caring Communities, and Multicultural Concerns.

The Division of Human Services provides coordinated services to the department by supervising the following activities: Employee Development and Training; Employee Health, Wellness and Safety; Human Resource Management; Religious/Spiritual Programming; and Volunteer Services.

The Division of Adult Institutions (DAI) is responsible for the management of the state's correctional centers and the care, custody and control of incarcerated offenders. The division houses incarcerated inmates securely and humanely while providing programs and treatment that effectively manages the offender's risk to re-offend.

The Division of Offender Rehabilitative Services is responsible for the following programs: medical services, mental health services, educational and vocational training programs, the Missouri Sexual Offender Treatment Program, and the substance abuse treatment centers at Farmington, Potosi (Mineral Area), Boonville, St. Joseph and Fulton, Missouri. This

division is also responsible for the supervision and operation of the Missouri Vocational Enterprises.

The Division of Probation and Parole assesses and supervises criminal offenders assigned to the division by the Circuit Courts of Missouri and under the terms of the Interstate Compact. Affiliated with the Division of Probation and Parole is the State Probation and Parole Board. The Parole Board determines the eligibility and conditions for the release of inmates confined in the Division of Adult Institutions and oversees the supervision of probationers as directed by the courts. As of June 30, 1999, there were 1,803 staff serving in the Division of Probation and Parole, making it the second largest division in the Department. The Probation and Parole Board is comprised of seven full-time members appointed by the Governor, subject to the advice and consent of the Senate. Board members also investigate and report to the Governor on all applications for pardons, commutations of sentence, reprieves or restorations of citizenship.

### DIVISION OF ADULT INSTITUTIONS

The nineteen correctional institutions located throughout the state are:

The Algoa Correctional Center (ACC) is a medium security institution constructed in 1932. The institution is located eight miles east of Jefferson City on a bluff overlooking the Missouri River.

The Boonville Correctional Center (BCC) was opened in July 1983 through a transfer from the Department of Social Services, Division of Youth Services. The facility is a medium security institution for the first time offenders between the ages of 17 and 25.

The Central Missouri Correctional Center (CMCC) is a minimum to medium security institution. Originally constructed in 1938 as a satellite to the Missouri State Penitentiary, CMCC became an independent institution within the Department of Corrections on July 1, 1974. The institution is located ten miles northwest of Jefferson City in Cole County along the Missouri River.

The Chillicothe Correctional Center (CCC), which opened in October 1981, was transferred from the Department of Social Services, Division of Youth Services. The CCC is a minimum to medium security institution housing only female offenders.

The Crossroads Correctional Center (CRCC), is a maximum security facility, which opened in February 1997 in Clinton-DeKalb Counties. CRCC is the first facility in Missouri to be equipped with a lethal perimeter fence.

The Farmington Correctional Center (FCC) opened in December 1986 and was transferred from the Department of Mental Health. It is located on the grounds of the

Farmington State Hospital in the city of Farmington, Missouri. The facility is a medium security institution.

The Fulton Reception and Diagnostic Center (FRDC), located in Fulton, Missouri was opened in 1987 and serves as a reception and diagnostic center, which accepts offenders from the central and eastern areas of the state. After processing, offenders are assigned to an appropriate security level facility.

The Jefferson City Correctional Center (JCCC) is a maximum security institution located in Jefferson City and was formerly known as the Missouri State Penitentiary. The penitentiary was authorized by the legislature in 1832 and opened in 1836. It is located on a multi-level 47-acre site overlooking the Missouri River.

The Moberly Correctional Center (MCC) is a medium security institution, which began operation in January 1963. The institution is located five miles south of Moberly in Randolph County.

The Missouri Eastern Correctional Center (MECC) is a medium security institution opened in August 1981. The institution is located near Pacific in St. Louis County.

The Maryville Treatment Center (MTC) opened in 1996. It is a minimum security institution located 45 miles north of St. Joseph, Missouri, in Buchanan County on a site that was formerly a Catholic convent.

The Northeast Correction Center (NECC) is a medium security facility located at Bowling Green in Pike County. The facility began operations in 1998. NECC also is the site of the department's male juvenile unit for housing offenders under 17 years of age.

The Ozark Correctional Center (OCC) is a minimum security institution established in 1961 on a site originally constructed as an Air Force radar base. The institution is located 25 miles southeast of Springfield in Webster County. The OCC also supervises Camp Hawthorn, a minimum security, and work-release camp at the Lake of the Ozarks.

The Potosi Correctional Center (PCC) at Potosi, Missouri, is a maximum security institution opened in January 1989. This facility is the first lease-purchase facility in the history of the state. The private sector built the facility in accordance with strict specification and provides a lease-purchase arrangement for use of the facility by the state.

The South Central Correctional Center (SCCC) is a maximum security facility scheduled for opening in June 2000. It is located 35 miles south of Rolla in Texas County.

The Tipton Correctional Center (TCC) is a minimum security institution. TCC was placed under the administration of the Missouri Department of Corrections in 1960 and served as the state prison for women. The facility was converted into the state correctional pre-release center for men in 1976. TCC currently houses 1,088 male offenders.

The Western Reception Diagnostic and Correctional Center (WRDCC) is a reception and diagnostic center located in St. Joseph, Missouri that accepts offenders from the western areas of the state. WRDCC was constructed on property transferred from the Department of Mental Health.

The Women's Eastern Reception Diagnostic and Correctional Center (WERDCC) is located in Vandalia, Missouri, in Audrain County. WERDCC houses minimum through maximum security female offenders. The facility opened in 1998.

The Western Missouri Correctional Center (WMCC) is a medium to minimum security institution opened in January 1989. It is located near Cameron, Missouri in DeKalb County.

#### BOARD OF PROBATION AND PAROLE

The Board of Probation and Parole consists of seven full-time members appointed by the Governor, with the advice and consent of the Senate. Terms of members are for six years on a staggered basis. The chairman is appointed by the Governor and is the chief administrative officer of the board in charge of the board's operations, funds and expenditures.

As of June 30, 2000, members of the Board of Probation and Parole were:

|                   |          |                                      |
|-------------------|----------|--------------------------------------|
| Dennis Agniel     | Chairman | <u>Term Expires</u><br>December 2005 |
| Jan Carter        | Member   | August 2002                          |
| Fannie Gaw        | Member   | April 2006                           |
| Richard Lee       | Member   | April 2003                           |
| Jim Mitchell      | Member   | August 2000                          |
| Cranston Mitchell | Member   | April 2002                           |
| Darrel Ashlock    | Member   | April 2004                           |

#### DIVISION OF OFFENDER REHABILITATIVE SERVICES

The Division of Offender Rehabilitative Services was originally organized pursuant to Executive Order as the Division of Classification and Treatment in May 1985. Upon appointment of the Division Director, staff from the Division of Adult Institutions and the Office of the Director was assigned to oversee health services, the Missouri Sex Offender Program and Education Services throughout the department. This marked the beginning of centralized management of these specialized areas of service. The Division of Classification and Treatment also included the

Diagnostic and Reception Center operation at the Missouri State Penitentiary as well as the Central Transfer Authority, Recreation and Planning, and Research and Evaluation. Each of these six areas was under the authority of a section head.

The division was responsible for the evaluation and classification of all offenders for assignment to an appropriate facility based upon the department's classification system. The division was also responsible for internal transfer of inmates between institutions and for the development and implementation of professional sex offender treatment, healthcare, educational and recreational programs within the department's facilities.

The division reorganized in 1987 into five administrative sections: Missouri Sexual Offender Program (MoSOP), departmental hospital, healthcare services, inmate education and psychological services. In February 1987, the department opened the doors to its first facility designed especially for reception, diagnostic and classification functions at Fulton. Since opening, the Fulton Reception and Diagnostic Center (FRDC) has processed approximately 137,422 incoming offenders. Until 1990, FRDC served both male and female offenders. In 1986-1987, the division established cooperative agreements with the Department of Mental Health (DMH). This led to the opening of inpatient mental health units for offenders at the Biggs Corrections Treatment Unit, in the Fulton State Hospital, and the Corrections Treatment Unit operated in the Farmington Correctional Center by staff from the Farmington State Hospital. These programs remain in place today having served hundreds of acutely and chronically mentally ill offenders. The DOC/DMH partnership expanded to include a 200-bed (step down) Social Rehabilitation Unit at the Farmington Correctional Center in 1988 and a 46-bed Special Needs Unit for high custody chronically mentally ill and/or mentally challenged offenders at the Potosi Correctional Center.

By 1989, the division consisted of the Fulton Reception and Diagnostic Center and four administrative sections: MoSOP; inmate education; psychological services and healthcare services. The designated "hospital" at the Jefferson City Correctional Center was reorganized as the division began establishing 24-hour infirmaries for the more seriously ill inmates at multiple facilities.

It was during this time that the division established contracts with community hospitals throughout the state. In 1990-1991, the division upgraded the management of healthcare services by establishing utilization review procedure and hiring licensed healthcare professionals at all management levels. Due to chronic staff vacancies, sharp increases in population and spiraling healthcare costs, the division contracted all medical care to a private company. The division continues to self-operate mental health services (MoSOP, psychology, and psychiatry).

In 1993, the division became known as the Division of Offender Rehabilitative Services and was responsible for education, vocational programs, mental health, substance abuse and medical services. In 1999, the mental health and substance abuse sections were administratively consolidated under a single Assistant Director.

In 1990, Missouri Correctional Enterprises was transferred from the Division of Administration to the Division of Offender Rehabilitative Service and Academic Education and Vocational Education were transferred to the Division of Adult Institutions. In 1995, the libraries remained under the

Division of Adult Institutions, however Academic Education returned to the Division of Offender Rehabilitative Services and Vocational Education and Vocational Enterprises were consolidated under one section.

|   | Design<br>Capacity* | Inmate Population |        |        |        |        |
|---|---------------------|-------------------|--------|--------|--------|--------|
|   |                     | December 31,      |        |        |        |        |
|   |                     | 1999              | 1998   | 1997   | 1996   | 1995   |
| Algoa Correctional Center                                       | 1,565               | 1,555             | 1,634  | 1,731  | 1,548  | 1,602  |
| Boonville Correctional Center                                   | 1,686               | 1,606             | 1,547  | 1,643  | 1,403  | 1,318  |
| Central Missouri Correctional Center                            | 1,000               | 995               | 987    | 749    | 717    | 650    |
| Chillicothe Correctional Center                                 | 525                 | 462               | 415    | 696    | 668    | 568    |
| Crossroads Correctional Center                                  | 1,500               | 1,478             | 1,446  | 1,476  | 0      | 0      |
| Farmington Correctional Center                                  | 2,660               | 2,544             | 2,683  | 2,843  | 2,877  | 2,660  |
| Fulton Reception and Diagnostic Center                          | 1,514               | 1,876             | 1,895  | 1,862  | 1,867  | 1,176  |
| Jefferson City Correctional Center                              | 1,992               | 1,889             | 1,790  | 2,239  | 2,037  | 1,978  |
| Kansas City Community Release Center                            | 300                 | 237               | 231    | 223    | 206    | 254    |
| Maryville Treatment Center                                      | 525                 | 524               | 522    | 316    | 160    | 0      |
| Missouri Eastern Correctional Center                            | 1,100               | 1,100             | 1,093  | 1,288  | 1,084  | 1,064  |
| Moberly Correctional Center                                     | 1,800               | 1,798             | 1,655  | 1,799  | 1,799  | 1,750  |
| Northeast Correctional Center                                   | 1,975               | 1,702             | 1,592  | 0      | 0      | 0      |
| Ozark Correctional Center                                       | 695                 | 688               | 688    | 695    | 683    | 681    |
| Park Building Treatment Center                                  | 0                   | 0                 | 0      | 614    | 472    | 399    |
| Potosi Correctional Center                                      | 820                 | 814               | 803    | 817    | 812    | 751    |
| Mineral Area Treatment Center **                                | 100                 | 84                | 63     | 90     | 84     | 90     |
| Renz Correctional Center  | 0                   | 0                 | 0      | 217    | 226    | 334    |
| St. Louis Community Release Center                              | 500                 | 472               | 474    | 467    | 388    | 274    |
| Tipton Correctional Center                                      | 1,088               | 1,142             | 1,072  | 1,215  | 1,078  | 266    |
| Western Missouri Correctional Center                            | 2,619               | 2,302             | 2,308  | 2,617  | 2,609  | 2,619  |
| Western Reception and Diagnostic<br>Correctional Center         | 1,706               | 1,602             | 745    | 0      | 0      | 0      |
| Women's Eastern Reception and<br>Diagnostic Correctional Center | 1,460               | 1,404             | 1,335  | 0      | 0      | 0      |
| Texas Cell Lease  | 0                   | 0                 | 0      | 55     | 911    | 270    |
| Total Custody.  | 27,130              | 26,274            | 24,978 | 23,652 | 21,629 | 18,704 |

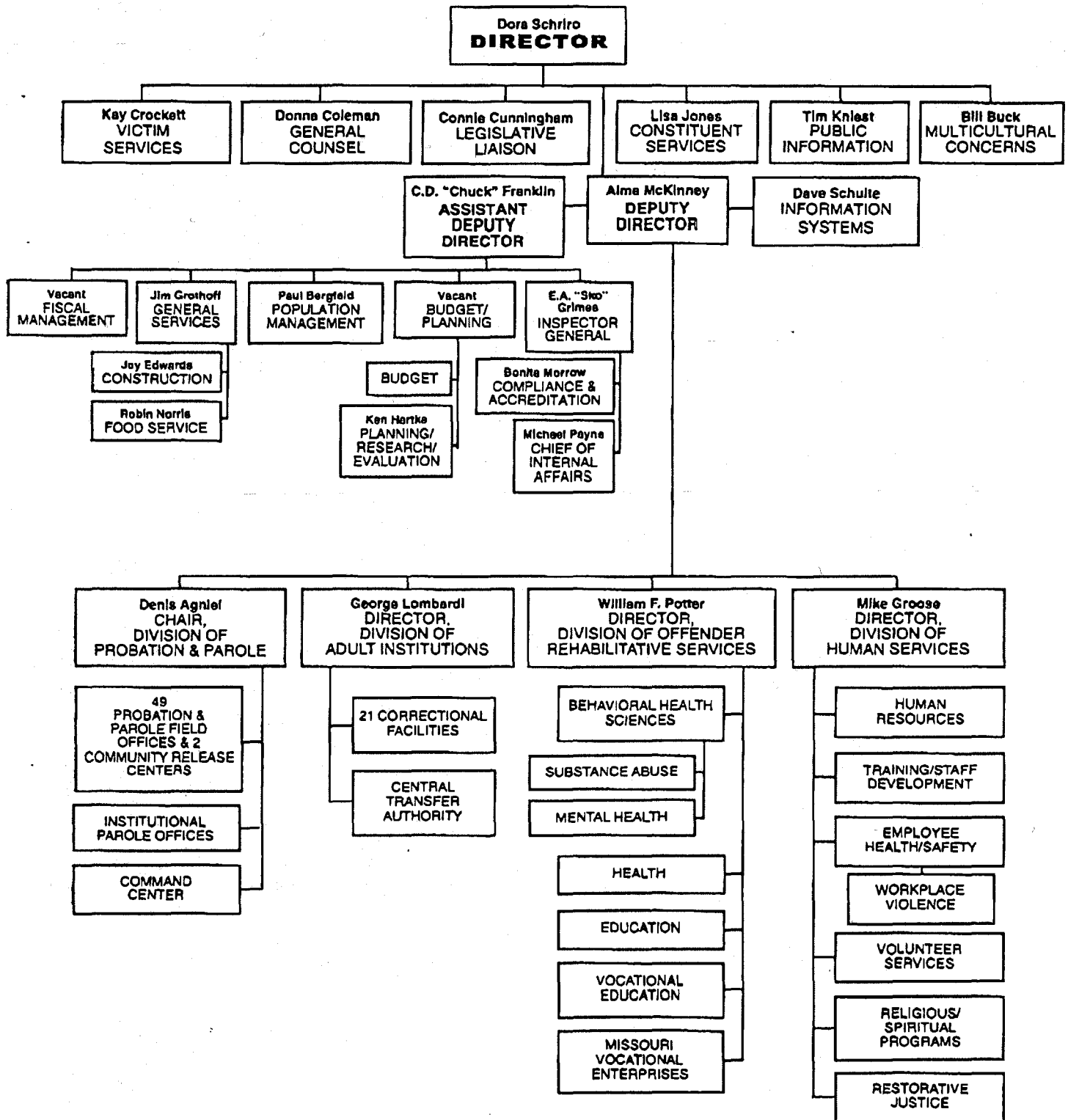
\* Adjusted capacity as of December 31, 1999

\*\* The Mineral Area Treatment Center is located on the grounds of the Potosi Correctional Center.



# MISSOURI DEPARTMENT OF CORRECTIONS

## OFFICE OF THE DIRECTOR



Appendix A

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF RECEIPTS

|                         | Year Ended June 30,                       |                                      |                             |   |                               |   |                                      |                             |   |                               |
|-------------------------|---|--------------------------------------|-----------------------------|---|-------------------------------|---|--------------------------------------|-----------------------------|---|-------------------------------|
|                         | 1999                                      |                                      |                             |   |                               | 1998                                      |                                      |                             |   |                               |
|                         | Department of<br>Corrections -<br>Federal | Working Capital<br>Revolving<br>Fund | Inmate<br>Revolving<br>Fund | Inmate Incarceration<br>Reimbursement<br>Revolving Fund | Total<br>(Memorandum<br>Only) | Department of<br>Corrections -<br>Federal | Working Capital<br>Revolving<br>Fund | Inmate<br>Revolving<br>Fund | Inmate Incarceration<br>Reimbursement<br>Revolving Fund | Total<br>(Memorandum<br>Only) |
| Federal receipts        | 7,064,907                                 | 0                                    | 0                           | 0   | 7,064,907                     | 8,821,757                                 | 0                                    | 0                           | 0   | 8,821,757                     |
| Working Capital         |   |                                      |                             |   |                               |   |                                      |                             |   |                               |
| Revolving Fund Sales    | 0   | 28,745,706                           | 0                           | 0   | 28,745,706                    | 0   | 37,096,271                           | 0                           | 0   | 37,096,271                    |
| Inmate housing receipts | 0   | 0                                    | 2,599,849                   | 40,262  | 2,640,111                     | 0   | 0                                    | 220,516                     | 55,129  | 275,645                       |
| Miscellaneous receipts  | 0   | 113,270                              | 884,730                     | 0   | 998,000                       | 0   | 115,536                              | 3,247,478                   | 0   | 3,363,014                     |
| Total                   | <u>7,064,907</u>                          | <u>28,858,976</u>                    | <u>3,484,579</u>            | <u>40,262</u>   | <u>39,448,724</u>             | <u>8,821,757</u>                          | <u>37,211,807</u>                    | <u>3,467,994</u>            | <u>55,129</u>   | <u>49,556,687</u>             |

## Appendix B

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND - STATE   |                     |              |                 |                |              |                 |
| Operational maintenance and repairs for state owned facilities - Expense and Equipment   | \$ 1,251,500        | 1,247,817    | 3,683           | 1,251,500      | 1,230,864    | 20,636          |
| Salaries, over time, uniform costs and other related costs of security staff department-wide - Expense and Equipment   | 0                   | 0            | 0               | 334,602        | 204,895      | 129,707         |
| Major equipment purchases - purchase of vehicles for inmate transport  | 450,000             | 436,500      | 13,500          | 500,000        | 460,280      | 39,720          |
| General Services - Personal Service  | 1,747,158           | 1,704,264    | 42,894          | 1,777,811      | 1,740,716    | 37,095          |
| General Services - Expense and Equipment   | 477,220             | 462,903      | 14,317          | 495,138        | 480,143      | 14,995          |
| Overtime pay at all correctional facilities - Personal Service   | 1,908,727           | 388          | 1,908,339       | 1,889,829      | 1,788,332    | 101,497         |
| Public School Retirement Contributions   | 1,811               | 0            | 1,811           | 1,793          | 0            | 1,793           |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment   | 231,200             | 133,856      | 97,344          | 231,200        | 163,997      | 67,203          |
| Data processing and information systems costs department-wide - Personal Service and/ or Expense and Equipment   | 332,374             | 295,948      | 36,426          | 332,374        | 322,403      | 9,971           |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the Northeast Correctional Center                                | 5,000,000           | 4,955,828    | 44,172          | 22,115,851     | 16,452,349   | 5,663,502       |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the Maryville Treatment Center                                   | 0                   | 0            | 0               | 2,053,145      | 1,963,696    | 89,449          |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the Women's Eastern Reception and Diagnostic Correctional Center | 0                   | 0            | 0               | 13,067,639     | 12,674,242   | 393,397         |

## Appendix B

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the Western Reception and Diagnostic Correctional Center | 0                   | 0            | 0               | 11,888,063     | 11,499,319   | 388,744         |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the JOBS programs at the Crossroads Correctional Center  | 0                   | 0            | 0               | 2,898,453      | 2,569,688    | 328,765         |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and Cell Leasing   | 2,500,000           | 2,444,819    | 55,181          | 9,591,336      | 6,758,777    | 2,832,559       |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and tents at the Fulton Reception and Diagnostic Center      | 0                   | 0            | 0               | 965,454        | 919,252      | 46,202          |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the Tipton Correctional Center for women's housing       | 0                   | 0            | 0               | 1,027,602      | 978,899      | 48,703          |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the Kansas City Community Release Center                 | 0                   | 0            | 0               | 2,992,457      | 2,682,393    | 310,064         |

## Appendix B

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements      | 0                   | 0            | 0               | 100            | 0            | 100             |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements      | 0                   | 0            | 0               | 2,769,382      | 2,434,948    | 334,434         |
| Costs associated with increased inmate population department-wide - Expense and Equipment  | 663,462             | 663,459      | 3               | 5,000,000      | 4,336,538    | 663,462         |
| Fuel and utilities department-wide - Expense and Equipment   | 9,829,998           | 9,498,415    | 331,583         | 9,347,448      | 9,067,025    | 280,423         |
| Purchase, transportation and storage of food and food service items at all correctional institutions - Expense and Equipment   | 21,162,380          | 20,309,784   | 852,596         | 20,237,684     | 18,840,532   | 1,397,152       |
| Costs associated with increased inmate population department wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, and capital improvements. | 56,142,039          | 27,584,153   | 28,557,886      | 0              | 0            | 0               |
| Costs associated with increased inmate population department wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, and capital improvements. | 100                 | 0            | 100             | 0              | 0            | 0               |
| Personal Service   | 1,122,182           | 1,010,233    | 111,949         | 1,007,494      | 957,429      | 50,065          |
| Expense and Equipment  | 96,095              | 93,206       | 2,889           | 722,695        | 682,345      | 40,350          |
| Inmate wage and discharge costs at all correctional facilities - Expense and Equipment   | 3,301,200           | 3,202,164    | 99,036          | 3,091,221      | 2,998,484    | 92,737          |
| Telecommunications department-wide - Expense and Equipment   | 2,390,397           | 2,318,680    | 71,717          | 2,255,397      | 2,187,735    | 67,662          |
| Salaries, over time, uniform costs and other related costs of security staff department-wide - Personal Service  | 75,222,483          | 72,035,402   | 3,187,081       | 65,875,531     | 61,700,821   | 4,174,710       |
| Data processing and information systems costs department-wide - Personal Service   | 742,418             | 720,145      | 22,273          | 705,047        | 673,494      | 31,553          |
| Data processing and information systems costs department-wide - Expense and Equipment  | 1,867,167           | 1,811,047    | 56,120          | 1,870,367      | 1,738,746    | 131,621         |

## Appendix B

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| Expenses and small equipment purchases at any of the adult institutions department-wide - Expense and Equipment  | 16,375,000          | 15,882,775   | 492,225         | 14,833,438     | 14,387,911   | 445,527         |
| Personal Service   | 2,729,627           | 2,578,555    | 151,072         | 2,427,420      | 2,237,943    | 189,477         |
| Expense and Equipment  | 142,859             | 136,075      | 6,784           | 125,151        | 103,262      | 21,889          |
| Employee health and safety - Expense and Equipment   | 733,710             | 706,346      | 27,364          | 733,710        | 697,115      | 36,595          |
| Training costs department-wide - Expense and Equipment   | 1,301,201           | 1,185,050    | 116,151         | 1,114,763      | 1,001,839    | 112,924         |
| Inmate jobs department-wide, including, inmate employment, both institutional and industrial; drug and alcohol treatment; and education, both academic and vocational - Personal Service   | 7,738,602           | 7,566,522    | 172,080         | 7,268,271      | 7,265,994    | 2,277           |
| Inmate jobs department-wide, including, inmate employment, both institutional and industrial; drug and alcohol treatment; and education, both academic and vocational - Expense and Equipment  | 1,696,865           | 1,424,355    | 272,510         | 164,308        | 155,819      | 8,489           |
| Inmate jobs department-wide, including, inmate employment, both institutional and industrial; drug and alcohol treatment; and education, both academic and vocational - Personal Service and/or Expense and Equipment  | 6,019,321           | 5,649,640    | 369,681         | 6,019,321      | 5,230,984    | 788,337         |
| Inmate health care both physical and mental department-wide, including, but not limited to personal service, medical expense and equipment, hospital services and contractual services; and the Missouri Sexual Offender Program - Personal Service                              | 709,766             | 544,006      | 165,760         | 0              | 0            | 0               |
| Central Office - Personal Service  | 1,945,488           | 1,755,490    | 189,998         | 1,626,341      | 1,619,025    | 7,316           |
| Central Office - Expense and Equipment   | 2,032,968           | 1,712,230    | 320,738         | 2,011,824      | 1,678,536    | 333,288         |
| Inmate health care both physical and mental department-wide, including, but not limited to personal service, medical expense and equipment, hospital services and contractual services; and the Missouri Sexual Offender Program - Personal Service and/or Expense and Equipment | 4,090,383           | 2,418,146    | 1,672,237       | 2,255,098      | 2,255,098    | 0               |

## Appendix B

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| Inmate health care both physical and mental department-wide, including, but not limited to personal service, medical expense and equipment, hospital services and contractual services; and the Missouri Sexual Offender Program - Expense and Equipment | 46,630,143          | 44,264,077   | 2,366,066       | 42,250,778     | 39,834,027   | 2,416,751       |
| Total General Revenue Fund - State   | 278,585,844         | 236,752,278  | 41,833,566      | 267,127,036    | 244,975,895  | 22,151,141      |
| DEPARTMENT OF CORRECTIONS - FEDERAL FUND   |                     |              |                 |                |              |                 |
| Costs associated with increased inmate population department-wide - Expense and Equipment  | 30,245              | 0            | 30,245          | 41,709         | 11,464       | 30,245          |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements                                  | 0                   | 0            | 0               | 1,809,359      | 800,437      | 1,008,922       |
| Purchase, transportation and storage of food and food service items at all correctional institutions - Expense and Equipment   | 450,000             | 441,732      | 8,268           | 300,000        | 297,244      | 2,756           |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, and capital improvements                              | 1,778,201           | 782,149      | 996,052         | 0              | 0            | 0               |
| All grants and contributions of funds from the federal government or from any other source which may be deposited in the State Treasury for the use of the Department of Corrections - Expense and Equipment   | 20,000              | 13,196       | 6,804           | 0              | 0            | 0               |
| Drug related, educational, health or treatment programs, research, staff training, and/or special projects - Personal Service  | 1,702,559           | 945,693      | 756,866         | 1,000,000      | 984,186      | 15,814          |
| Drug related, educational, health or treatment programs, research, staff training, and/or special projects - Expense and Equipment   | 1,611,734           | 342,162      | 1,269,572       | 858,376        | 733,890      | 124,486         |
| Central Office - Expense and Equipment   | 400,000             | 400,000      | 0               | 400,000        | 350,567      | 49,433          |
| Total Department of Corrections - Federal Fund   | 5,992,739           | 2,924,932    | 3,067,807       | 4,409,444      | 3,177,788    | 1,231,656       |
| WORKING CAPITAL REVOLVING FUND   |                     |              |                 |                |              |                 |
| General Services - Personal Service  | 63,745              | 63,745       | 0               | 60,690         | 59,744       | 946             |

## Appendix B

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|   | Year Ended June 30, |              |                 |                |              |                 |
|---|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|   | 1999                |              |                 | 1998           |              |                 |
|   | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements     | 0                   | 0            | 0               | 8,400,001      | 3,716,032    | 4,683,969       |
| Fuel and utilities department-wide - Expense and Equipment  | 358,000             | 220,291      | 137,709         | 358,000        | 168,189      | 189,811         |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, and capital improvements | 123,774             | 38,037       | 85,737          | 0              | 0            | 0               |
| Telecommunications department-wide - Expense and Equipment  | 256,400             | 137,678      | 118,722         | 256,400        | 72,046       | 184,354         |
| Salaries, over time, uniform costs and other related costs of security staff department-wide - Personal Service   | 412,193             | 355,423      | 56,770          | 393,165        | 337,304      | 55,861          |
| Salaries, over time, uniform costs and other related costs of security staff department-wide - Expense and Equipment  | 0                   | 0            | 0               | 3,825          | 0            | 3,825           |
| Missouri Vocational Enterprises - Expense and Equipment   | 27,257,918          | 22,805,313   | 4,452,605       | 24,886,284     | 23,852,061   | 1,034,223       |
| Missouri Vocational Enterprises - Personal Service  | 6,083,012           | 5,237,592    | 845,420         | 5,786,396      | 4,885,743    | 900,653         |
| Private Sector / Prison Industry Enhancement Program including, but not limited to personal service, equipment, expenses, and contractual services  | 962,762             | 0            | 962,762         | 962,762        | 158,478      | 804,284         |
| Missouri Correctional Enterprises - Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment                                    | 173,585             | 165,282      | 8,303           | 173,585        | 131,502      | 42,083          |
| Total Working Capital   | 35,691,389          | 29,023,361   | 6,668,028       | 41,281,108     | 33,381,099   | 7,900,009       |
| Revolving Fund  |                     |              |                 |                |              |                 |
| INMATE REVOLVING FUND   |                     |              |                 |                |              |                 |
| Inmate Fund Programs - Personal Service   | 660,644             | 620,891      | 39,753          | 631,873        | 613,818      | 18,055          |
| Inmate Fund Programs - Expense and Equipment  | 126,097             | 0            | 126,097         | 126,097        | 287          | 125,810         |
| Salaries, over time, uniform costs and other related costs of security staff department-wide - Personal Service   | 141,501             | 141,501      | 0               | 134,825        | 133,058      | 1,767           |



Appendix B

DEPARTMENT OF CORRECTIONS  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|   | Year Ended June 30, |              |                    |                |              |                    |
|---|---------------------|--------------|--------------------|----------------|--------------|--------------------|
|   | 1999                |              |                    | 1998           |              |                    |
|   | Appropriations      | Expenditures | Lapsed<br>Balances | Appropriations | Expenditures | Lapsed<br>Balances |
| Salaries, over time, uniform costs and<br>other related costs of security staff<br>department-wide - Expense and<br>Equipment | 0                   | 0            | 0                  | 1,350          | 0            | 1,350              |
| Total Inmate Revolving Fund   | 928,242             | 762,392      | 165,850            | 894,145        | 747,163      | 146,982            |
| CRIME VICTIMS' COMPENSATION FUND  |                     |              |                    |                |              |                    |
| Expense and Equipment   | 82,500              | 0            | 82,500             | 82,500         | 82           | 82,418             |
| Total Crime Victims'<br>Compensation Fund   | 82,500              | 0            | 82,500             | 82,500         | 82           | 82,418             |
| Total All Funds   | \$ 321,280,714      | 269,462,963  | 51,817,751         | 313,794,233    | 282,282,027  | 31,512,206         |

## Appendix C

### DEPARTMENT OF CORRECTIONS COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

|                                       | Year Ended June 30,   |                    |                    |                    |                    |
|---------------------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|
|                                       | 1999                  | 1998               | 1997               | 1996               | 1995               |
| Personal service                      | \$ 112,470,801        | 109,884,604        | 87,877,029         | 71,179,458         | 65,468,602         |
| Capital improvements                  | 0                     | 30,600             | 0                  | 13,480             | 0                  |
| Travel and vehicle:                   |                       |                    |                    |                    |                    |
| Expense                               | 2,320,623             | 2,466,786          | 2,136,290          | 1,777,337          | 1,413,459          |
| Equipment purchase                    | 3,156,470             | 2,868,546          | 2,488,582          | 2,463,245          | 900,090            |
| Office and communication:             |                       |                    |                    |                    |                    |
| Expense                               | 5,725,492             | 6,420,560          | 4,063,913          | 10,868,792         | 10,137,409         |
| Equipment purchase                    | 2,478,875             | 3,832,254          | 1,603,438          | 2,544,018          | 731,548            |
| Institution and physical plant:       |                       |                    |                    |                    |                    |
| Expense                               | 50,407,693            | 54,718,110         | 41,584,202         | 37,332,301         | 30,115,522         |
| Equipment purchase                    | 8,837,503             | 16,293,933         | 6,371,721          | 6,431,142          | 3,738,987          |
| Data processing expense and equipment | 7,576,024             | 8,451,341          | 5,745,934          | 2,648,452          | 2,518,514          |
| Professional services                 | 53,986,857            | 49,983,643         | 46,728,489         | 29,258,241         | 22,999,332         |
| Central supply purchases              | 16,592,319            | 21,160,909         | 15,755,448         | 10,723,202         | 10,113,022         |
| Other expense                         | 5,910,306             | 6,170,741          | 4,160,626          | 4,057,654          | 3,501,147          |
| Total Expenditures                    | \$ <u>269,462,963</u> | <u>282,282,027</u> | <u>218,515,672</u> | <u>179,297,322</u> | <u>151,637,632</u> |

\* \* \* \* \*



CITY OF NOVINGER, MISSOURI

YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-84  
August 31, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT

CITY OF NOVINGER, MISSOURI

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**CLAIRE C. McCASKILL**  
Missouri State Auditor

To the Honorable Mayor  
And  
Board of Aldermen  
City of Novinger  
Novinger, Missouri 63559

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Novinger, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

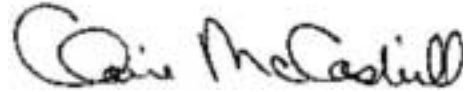
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the city.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Novinger, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

July 10, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                   |
|---------------------|-------------------|
| Director of Audits: | Karen Laves, CPA  |
| Audit Manager:      | Mark Ruether, CPA |
| In-Charge Auditor:  | Gary Boehmer, CPA |

## HISTORY AND ORGANIZATION

# CITY OF NOVINGER, MISSOURI HISTORY AND ORGANIZATION

The city of Novinger is located in Adair County. The city was incorporated in 1904 and is currently a fourth-class city. The population of the city in 1990 was 542.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 2000, were:

| <u>Elected Officials</u>             | <u>Term Expires</u> | <u>Compensation for the Year Ended June 30, 2000</u> | <u>Amount Of Bond</u> |
|--------------------------------------|---------------------|--|-----------------------|
| Connie Denton, Mayor                 | April 2001          | \$ 60  | \$                    |
| Floyd Ellsworth, Alderman            | April 2001          | 60   |                       |
| Teresa West, Alderwoman (1)          | April 2002          | 15   |                       |
| BeLinda King-Jones, Alderwoman(2)    | April 2001          | 0  |                       |
| Robert Howe, Alderman                | April 2001          | 60   |                       |
| Barbara J. Sears, City Collector     | April 2002          | 4,600  | 25,000                |
| <u>Other Principal Officials</u>     |                     |  |                       |
| Donald E. Daniels, City Clerk (3)    |                     | 1,680  |                       |
| Irene Brownell, City Treasurer       |                     | 1,275  | 5,000                 |
| Charles Middleton, City Marshal      |                     | 24,000   |                       |
| Wallace W. Trosen, City Attorney (4) |                     | 1,188  |                       |

- (1) Elected in April 2000 to replace Shelli Wyble.
- (2) Appointed June 29, 2000, to fill a position vacated after the April 2000 election. David Childers was in office until April 2000.
- (3) Resigned effective June 30, 2000.
- (4) Payments are made by the city to the law firm of Trosen & Williams, P.C. when legal services are rendered and billed to the city.

In addition to the officials above, the city has two full-time employees.

The Associate Circuit Judge of Adair County serves as the municipal judge. All city court cases and the related fines and court costs are handled by the Associate Circuit Division.



Assessed valuation and tax rate information for the tax year 1999 are as follows:

ASSESSED VALUATION

|                        |                    |
|------------------------|--------------------|
| Real estate            | \$ 805,209         |
| Personal property      | 540,022            |
| Railroad and utilities | <u>302,774</u>     |
| Total                  | <u>\$1,648,005</u> |

TAX RATE PER \$100 ASSESSED VALUATION

|                           |               |
|---------------------------|---------------|
| General Revenue           | \$ .43        |
| General Revenue-temporary | <u>.35</u>    |
| Total                     | <u>\$ .78</u> |

The General Revenue-temporary levy is an additional voter-approved levy which expired in April 2000, at which time the voters extended the levy for an additional four years.

The city registered \$246,700 of combined waterworks and sewerage system refunding and improvement revenue bonds with the GMAC Commerce Mortgage Corporation on May 17, 1977. The city makes annual principal and interest payments of \$15,419 until the bonds are paid off on January 1, 2012. At June 30, 2000, the principal balance was \$118,423 and the city had a total of \$26,349 in certificates of deposit for repair and replacement and bond reserve.

A summary of the financial activity of the city of Novinger for the year ended June 30, 2000, is presented on the next page.

|  | General<br>Fund | Water<br>Fund | Sewer<br>Fund | Law<br>Enforcement<br>Fund | Community<br>Development<br>Block Grant<br>Fund | Garrison<br>Fund | Total    |
|--|-----------------|---------------|---------------|----------------------------|---|------------------|----------|
| <b>RECEIPTS</b>                        |                 |               |               |                            |   |                  |          |
| Property taxes                         | \$ 13,072       | 0             | 0             | 0                          | 0   | 0                | 13,072   |
| Motor fuel and motor vehicle fees      | 22,280          | 0             | 0             | 0                          | 0   | 0                | 22,280   |
| COPS grant proceeds                    | 0               | 0             | 0             | 5,200                      | 0   | 0                | 5,200    |
| State of Missouri grant proceeds       | 0               | 0             | 0             | 0                          | 11,726  | 0                | 11,726   |
| Trash service fees                     | 14,212          | 0             | 0             | 0                          | 0   | 0                | 14,212   |
| Utility franchise tax                  | 9,547           | 0             | 0             | 0                          | 0   | 0                | 9,547    |
| Auto tax (city stickers)               | 1,837           | 0             | 0             | 0                          | 0   | 0                | 1,837    |
| Other taxes                            | 1,026           | 0             | 0             | 0                          | 0   | 0                | 1,026    |
| Licenses and permits                   | 1,062           | 0             | 0             | 0                          | 0   | 0                | 1,062    |
| Interest income                        | 165             | 56            | 0             | 0                          | 0   | 190              | 411      |
| Water fees                             | 0               | 86,854        | 0             | 0                          | 0   | 0                | 86,854   |
| Sewer fees                             | 0               | 0             | 24,573        | 0                          | 0   | 0                | 24,573   |
| Traffic ticket fines                   | 3,167           | 0             | 0             | 0                          | 0   | 0                | 3,167    |
| Other                                  | 691             | 0             | 0             | 0                          | 0   | 0                | 691      |
| Transfer In                            | 0               | 2,178         | 0             | 0                          | 0   | 0                | 2,178    |
| Total Receipts                         | 67,059          | 89,088        | 24,573        | 5,200                      | 11,726  | 190              | 197,836  |
| <b>DISBURSEMENTS</b>                   |                 |               |               |                            |   |                  |          |
| Salaries and fringe benefits           | 8,242           | 16,851        | 19,582        | 14,372                     | 0   | 0                | 59,047   |
| Insurance and bonds                    | 6,717           | 0             | 0             | 0                          | 0   | 0                | 6,717    |
| Office and printing                    | 1,224           | 0             | 0             | 0                          | 0   | 0                | 1,224    |
| Utilities                              | 1,426           | 1,894         | 1,009         | 0                          | 0   | 0                | 4,329    |
| Repairs and maintenance                | 993             | 7,824         | 4,047         | 0                          | 0   | 0                | 12,864   |
| Street expenses                        | 21,953          | 0             | 0             | 0                          | 0   | 0                | 21,953   |
| Police expenses                        | 12,957          | 0             | 0             | 0                          | 0   | 0                | 12,957   |
| Legal expenses                         | 1,188           | 0             | 0             | 0                          | 0   | 0                | 1,188    |
| Chemicals                              | 0               | 0             | 1,293         | 0                          | 0   | 0                | 1,293    |
| Trash hauling fees                     | 13,823          | 0             | 0             | 0                          | 0   | 0                | 13,823   |
| Grant engineering services             | 0               | 0             | 0             | 0                          | 3,831   | 0                | 3,831    |
| Grant construction                     | 0               | 0             | 0             | 0                          | 4,372   | 0                | 4,372    |
| Grant administration                   | 0               | 0             | 0             | 0                          | 2,340   | 0                | 2,340    |
| Bond principal and interest            | 0               | 15,420        | 0             | 0                          | 0   | 0                | 15,420   |
| Water purchases                        | 0               | 41,292        | 0             | 0                          | 0   | 0                | 41,292   |
| Other                                  | 1,578           | 5,889         | 1,902         | 0                          | 5   | 0                | 9,374    |
| Transfer out                           | 0               | 0             | 0             | 0                          | 2,178   | 0                | 2,178    |
| Total Disbursements                    | 70,101          | 89,170        | 27,833        | 14,372                     | 12,726  | 0                | 214,202  |
| RECEIPTS OVER (UNDER)<br>DISBURSEMENTS | (3,042)         | (82)          | (3,260)       | (9,172)                    | (1,000)   | 190              | (16,366) |
| CASH BALANCE, JULY 1, 1999             | 9,190           | 1,094         | 4,845         | 9,172                      | 1,000   | 3,880            | 29,181   |
| CASH BALANCE, JUNE 30, 2000            | \$ 6,148        | 1,012         | 1,585         | 0                          | 0   | 4,070            | 12,815   |

## MANAGEMENT ADVISORY REPORT

CITY OF NOVINGER, MISSOURI  
SUMMARY OF FINDINGS

1. Financial Condition (pages 11-12)

The City of Novinger is in poor financial condition. The city may owe \$53,231 to the federal government for non-compliance with a grant agreement, and the city needs to deposit \$44,633 into certificates of deposit which was received from an estate and inappropriately spent for city operating purposes. In addition, the city has incurred negative cash balances in the Water Fund.

2. Community Oriented Policing Services (COPS) Grant (page 12)

The city received a COPS grant award for hiring additional police officers, but instead, the city used the grant monies to pay the salary of the City Marshal. The city may have to pay back the entire amount received from this grant (\$53,231).

3. Garrison Estate Donations to City (pages 13-14)

In 1992 and 1994, the city received \$44,633 in donations from an estate which should have been deposited in certificates of deposit with the interest earnings used for the city's Christmas light project. The \$44,633 was instead spent for city operations.

4. Water, Sewer, and Trash Services (pages 14-16)

The city does not reconcile gallons of water pumped to gallons of water billed to customers, maintain adequate records of water meter deposits held, nor perform reconciliations of total billings, payments received, and delinquent amounts. The city is not depositing the required amount of monies into the Replacement and Extension Fund and has not prepared documentation of the costs of maintaining the water and sewer system to support the various rate increases. The city collects an administrative fee for trash service but has not documented the administrative costs of providing the service.

5. Expenditures (pages 17-19)

A formal bidding policy has not been adopted, several invoices or supporting documentation were not retained, invoices are not always initialed or dated to indicate receipt of goods or services, and invoices are not canceled to prevent duplicate payment. Fuel usage is not reconciled to fuel purchased. Written contracts have not been obtained for various services. Time sheets and leave records are not maintained for city employees.

6. Budgets and Financial Reporting (pages 19-22)

The city's budgets do not include some information required by state law and the city approved expenditures in excess of the budgeted amounts for various funds. The city has not published semi-annual financial statements, submitted annual financial reports to the State Auditor's Office, nor obtained annual audits of its combined waterworks and sewage system.

7. Ordinances and Board Minutes (pages 22-23)

The city has passed very few ordinances since 1984. The city has not passed ordinances describing the duties and compensation of elected officials, appointed officials, and other city employees. The board minutes are not signed by the Mayor or member of the board but only signed by the City Clerk, and some board minutes have not been retained.

8. Accounting Controls and Procedures (pages 23-27)

Improvement is needed in controls over cash receipts. The Mayor and City Clerk both sign checks but are not bonded. The board's monthly financial reports do not include some bills to be paid and do not include some financial resources of the city. Blank checks were signed in advance by the former Mayor, some checks did not have the required dual signatures, and some voided checks were not properly defaced. The city does not maintain a general ledger and does not properly reconcile its bank accounts.

9. Property Tax Procedures (pages 27-28)

The city has not held hearings for the proposed property tax levies. The City Collector prepares the tax books, while state law requires the City Clerk to prepare the tax books. The City Collector does not prepare annual reports of property tax charges, collections, and delinquent amounts, and the city does not adequately pursue the collection of delinquent taxes.

10. Banking Depositary Agreement and Proposals (pages 28-29)

The city does not have a written banking agreement with its depositary bank and has not solicited banking proposals on a periodic basis.

11. Access to City Records (pages 29-30)

The city does not have a formal policy regarding public access to city records. Some city records are maintained at residences of some city officials, the records located at city hall are not always filed in an orderly manner, and some records could not be located.

12. City Property (pages 30-31)

Records to account for city-owned property are not maintained, bids were not solicited for the sale of a city patrol car, and usage and maintenance logs are not maintained for the city vehicles or equipment.

13. City Traffic Tickets (pages 31-32)

Traffic tickets are not issued in numerical sequence and records are not maintained for the issuance and disposition of each ticket.

CITY OF NOVINGER, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                            |
|-----------|----------------------------|
| <b>1.</b> | <b>Financial Condition</b> |
|-----------|----------------------------|

The City of Novinger is in poor financial condition. The city may have to refund \$53,231 to the U.S. Department of Justice of federal grant proceeds because the city did not use this money in accordance with the grant agreement (See Management Advisory Report (MAR) No. 2). In addition, the city received \$44,633 in donations from an estate which should have been set aside in certificates of deposit and the interest earnings to be used for the city's Christmas light project. Instead, the city has spent this money for city operations and the city needs to deposit this money in certificates of deposit to comply with the provisions of the estate (See MAR No. 3). The city has a combined balance of only \$8,745 in operating funds at June 30, 2000. In addition, the bank balance of the Water Fund was overdrawn on several different occasions during the last two fiscal years, and the city needs to deposit additional funds in the Replacement and Extension Fund to comply with the city's bond covenants (See MAR No. 4).

The Board of Aldermen does not adequately monitor the financial condition of the city. Monthly financial reports provided to the board do not include sufficient detail of the city's expenditures. The board does not periodically compare actual revenues and expenditures to budgeted amounts, and the city has overspent its budgets during the years ended June 30, 2000 and 1999. In addition, the city does not maintain adequate accounting records. General ledgers are not maintained for each fund, and bank reconciliations are not adequately prepared (See MAR's No. 6 and 8).

The Board of Aldermen needs to establish a plan to make the repayments of unallowable federal grant proceeds and to set aside the required amounts for the Christmas light project, and prepare a budget which reflects this plan. The board needs to review the financial activity of the Water Fund and set rates to adequately fund operations and set aside the required amount of money in the Replacement and Extension Fund. In addition, the board needs to ensure an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity. The recommendations contained in the remaining MAR's, if implemented, will help establish these controls and procedures.

**WE RECOMMEND** the Board of Aldermen review the current financial situation of the city and make plans to pay the amounts owed to the federal government, set aside the required amounts for the Christmas light project, and deposit sufficient monies in the Replacement and Extension Fund.

**AUDITEE'S RESPONSE**

*We concur that the funds listed appear to have been mishandled. We would like to cover the shortage on the Replacement and Extension Fund within one year. Replacing the Garrison*

*monies would take some time to do, but would be manageable if done over a four to five year span. The COPS grant funds will have to be negotiated after the Department of Justice has completed their investigation.*

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| <b>2. Community Oriented Policing Services (COPS) Grant</b> |
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The city has a City Marshal who has been employed for several years to provide police protection for the city. The city applied for and in April 1997 received a Community Oriented Policing Services (COPS) grant through the U.S. Department of Justice (DOJ) for one additional full-time police officer and one additional part-time police officer. The grant award was \$78,903 for the three year period ending March 31, 2000. In addition, the city is required to provide matching funds of \$26,301. The city received the first payment from the DOJ in July 1997. The city opened a separate bank account for the deposit and disbursement of the federal grant monies.

Since the approval of the grant, it appears the city has not hired any additional police officers, but instead, uses the grant monies, along with matching city funds, to pay the salary of the City Marshal. This is contradictory to the conditions of the grant award which stipulates that the grant funds must be used to hire one or more new, additional career law enforcement officers, beyond the number of officers that would be hired or employed by the grantee in the absence of the grant.

In addition, the quarterly financial status reports prepared by the city are not accurate. While the expenditures for each quarter appear to be accurately reported, the cumulative grant expenditures were not reported accurately or were not reported at all.

Since the inception of the grant, the city received \$53,231 in federal COPS grant proceeds. Because the city failed to hire additional police officers, the city could be required to pay back the entire amount received from the COPS grant. The board should contact the DOJ to determine what actions should be taken to resolve this issue and determine if the grant proceeds should be paid back to the DOJ.

**WE RECOMMEND** the Board of Aldermen contact the U. S. Department of Justice and resolve this matter.

**AUDITEE'S RESPONSE**

*We concur that the city is not probably in compliance with the terms of the grant. The Mayor has been in contact with the Department of Justice and we will follow through with their recommendations upon completion of their investigation.*



**3.****Garrison Estate Donations to City**

The city received \$35,000 in October 1992 and \$9,633 in January 1994 from the Associate Circuit Court-Probate Division of Adair County in donations from the estate of Oneita Garrison. The stipulation of the donation was that the city use the money in accordance with the terms of her last will and testament. This document directed the city board of aldermen to invest the sum received in a certificate of deposit in a bank of its choice, with the income from the investment to be used for the Christmas tree lighting project commenced by the city a few years before. According to discussions with city officials, the donated monies were not used for the lighting project nor put in a certificate of deposit.

City records indicate that \$17,500 of the initial proceeds was put into a special savings account in October 1992. The monies were then transferred into the General Fund in March 1993 and, according to the City Clerk, spent for the purchase of a used motor grader (with a trade-in of the city's old grader) and for the purchase of and labor for installing a new metal building next to the city's water building. These expenditures totaled \$16,235, and the remaining \$1,265 was not identified to specific expenditures. The remaining \$17,500 from the initial proceeds was put into another savings account and various transfers were made from this account in 1993 and 1994 to the General Fund and Water Fund for operating expenses. City records noted that \$13,500 was transferred to the Water Fund and used for water tower repair (\$10,000) and other operating expenses. Transfers to the General Fund totaled \$4,000. In addition, the \$9,633 received in January 1994 was also placed in the General Fund and spent for general operating purposes for the city.

The board minutes during this period of time did not include any references to the receipt of the donations, how the monies were going to be spent, the deposit of monies into the savings accounts, or the actual use of the monies. It appears the city did not use the donations in accordance with the provisions of the last will and testament. At June 30, 2000, the city has \$1,456 remaining in the savings account related to the donated monies, which includes interest earned on the donations and \$418 which was already in the savings account prior to October 1992. In addition, the city has a certificate of deposit which was opened in 1985 for \$1,000 (with a current balance of \$2,613) which appears to be an additional donation from Oneita Garrison. The city has no records of the purpose of this donation and it appears there has been no activity in this account other than accumulated interest earnings.

The current city officials should review this situation with legal counsel and with the former city officials who were in office during the time of the donations. Based on available documentation, it appears the city will need to transfer \$31,133 from the General Fund and \$13,500 from the Water Fund into certificates of deposit in accordance with the provisions of the Garrison estate, and the income from the certificates of deposit should be used on the city's Christmas light project. In addition, the city should review

the \$1,000 donation received in 1985 and determine the appropriate disposition of this money.

**WE RECOMMEND** the Board of Aldermen review this matter with applicable former city officials and with legal counsel, and make arrangements to transfer monies into certificates of deposit to adhere to the provisions of the Garrison estate.

#### **AUDITEE'S RESPONSE**

*We concur that the monies were not used as designated in Mrs. Garrison's will. We will consult the City Attorney as to any legal actions that may ensue due to misuse of the funds. We agree that the monies should be replaced and used for their intended purpose as quickly as possible, and to start setting aside funds within the next six months.*

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| <b>4. Water, Sewer, and Trash Services</b> |
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- A. The city purchases its water supply from a public water supply district. The city does not compare or reconcile gallons of water purchased to gallons of water pumped from the city's water tower. In addition, the city does not reconcile gallons of water pumped to gallons of water billed to customers.

To help detect any significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile gallons of water pumped to gallons of water billed to customers on a monthly basis and compare these amounts to gallons of water purchased. Significant differences should be investigated.

- B. The city does not maintain adequate records of water meter deposits held in the Water Fund. A sheet with names and deposit amounts was located, and this sheet has lines through names, apparently to indicate refunds of deposits were made; however, it appears the list has not been updated in several years and the total amount of deposits from city residents cannot readily be determined.

To ensure the city is properly holding water deposits from city customers, an accurate list of water deposits held by the city should be prepared, which includes the deposit amount and date received from each customer and the dates and amounts of all deposit refunds.

- C. The city does not perform monthly reconciliations of total billings, payments received, and amounts remaining unpaid for water and sewer services.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation

should be retained to support conclusions and any corrections made and to facilitate independent review.

- D. The city's combined waterworks and sewage system bond covenant requires that amounts be set aside into a Bond Reserve Fund and a Replacement and Extension Fund with the aggregate amount totaling \$16,000 into each fund. The city has certificates of deposit held especially for these funds; however, at June 30, 2000, the city only had \$7,917 for the Replacement and Extension Fund, and the city has not been making any deposits to this fund during the current fiscal year. The certificates of deposit for the Bond Reserve Fund totaled \$18,432 at June 30, 2000, exceeding the amount required of \$16,000. It appears the excess amount in the Bond Reserve Fund could be transferred to the Replacement and Extension Fund.

To ensure the city has complied with the bond covenant restrictions, the city should deposit additional monies into the Replacement and Extension Fund until the amount has reached the required amount of deposit.

- E. The Water Fund operating account has incurred overdraft charges since July 1998, and as stated above, the city has not properly funded the Replacement and Extension Fund. Although the city has increased its water and sewer rates five times beginning in August 1990, it appears the rates may not be adequately covering the current operating costs. The most recent increase was mainly due to the city having to connect its water system to the public water supply district. The city has not retained documentation to support the costs associated with maintaining the water and sewer system and the various rate increases.

The city should perform a detailed review of its combined waterworks and sewer system, including depreciation and debt service costs, and set rates to cover the total costs of operation. In addition, the city should more closely monitor the Water Fund bank account to ensure that checks written do not exceed the cash balance and to avoid bank service charges.

- F. The city charges its residents a monthly fee of \$5.50 for trash pick-up. These fees are included along with the water and sewer charges in the monthly utility bills. The city retains an administrative fee of \$.25 per customer in the General Fund and disburses the remainder of \$5.25 per customer to the disposal company. The city receives total administrative fees of approximately \$600 per year. The city has not documented the administrative costs of providing trash collection services.

The administrative costs of providing trash collection services should be calculated and documented. The user fee charged to city residents should be set at a level sufficient to cover the cost of the service.

**WE RECOMMEND** the Board of Aldermen:

- A. Reconcile gallons of water pumped to gallons of water billed to customers on a monthly basis and compare these amounts to gallons of water purchased. Any significant differences should be documented and investigated.
- B. Prepare accurate records of water meter deposits held by the city.
- C. Perform monthly reconciliations of the amounts billed to amounts collected and delinquent accounts. The board should periodically review related records to ensure amounts recorded on the records are accurate.
- D. Deposit amounts into the Replacement and Extension Fund to reach the amount required by the bond covenant.
- E. Review water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing service and document the costs of operation of providing the service and necessary increases in rates. In addition, the board should review the Water Fund bank balance on a regular basis and not incur bank overdraft service charges.
- F. Review the city's cost of administering the trash pick-up service and document the amount of administration costs associated with the service.

**AUDITEE'S RESPONSE**

*A&C. We concur. These were implemented as of July 1, 2000.*

*B. We concur. The current list of users and amounts of their deposits shall be brought up to date to the best of our abilities. Those monies will be designated so that proper tracking of refunds can be maintained.*

*D. We concur. We will attempt to transfer amounts monthly to the Replacement and Extension Fund to bring it into compliance within one year. We will attempt to start this process in August, 2000.*

*E. We concur. Both water and sewer rates should be reviewed at least every six months. We started this process by reviewing both rates in June, 2000.*

*F. We concur. We will compute the figures to document the current rate and administrative costs.*

- A. The city does not have a formal bidding policy. Formal quotes or bid proposals are not solicited by the city on expenditures and some items are considered sole source purchases. During fiscal years 1999 and 2000, the city spent \$13,352 for insurance coverage, \$3,604 for sewer chemicals, and \$5,333 for gas and diesel fuel from the same vendors without soliciting bids or price quotes from other vendors. Also, during fiscal year 1999, the city paid over \$6,100 for plumbing materials from the same company (10 different invoices), and paid \$1,614 for replacing a water valve at the water tower without obtaining bids.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bids, or by advertised sealed bids. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected.

- B. Original invoices or other supporting documentation was not retained for several expenditures. To ensure that city expenditures are proper, adequate supporting documentation should be approved and retained for all city expenditures.
- C. Invoices and other supporting documentation are not always initialed or dated by a city employee to indicate receipt and acceptance of the goods or services. In addition, the invoices are not canceled upon payment.

To ensure that goods and services have been properly received by the city, all invoices and other supporting documentation should be properly initialed or signed by a city employee upon receipt. To ensure against duplicate payment of bills, invoices should be marked paid when a check has been issued by the city.

- D. The city purchases gasoline and diesel fuel in bulk and stores the fuel in city-owned tanks. During fiscal years 1999 and 2000, the city spent approximately \$2,600 on fuel per year. Our review noted the following concerns regarding fuel expenditures:
- 1) The diesel tank is not metered and diesel fuel usage is not recorded. While a log is maintained to record the amount of gasoline pumped from the city's metered tank, the log is not reconciled on a monthly or periodic basis to the gallons purchased.

To ensure that fuel expenditures are reasonable and that fuel is properly accounted for, all city fuel tanks should be metered and logs should be maintained for all fuel usage. The usage recorded on the fuel logs should be reconciled to fuel purchased on a periodic basis and significant differences should be investigated.

- 2) The city allocates the cost of gasoline to the various city funds based on an estimated percentage of the amounts used for the police car and amounts used by water and sewer vehicles. These percentages apparently are estimates based on usage data from several years ago, and the city had no documentation to support these estimates. Gasoline expenditures should be allocated to the various city funds based on actual usage or estimated usage based on historical data.

- E. The city has not entered into formal written contracts for various services obtained and provided. These services include legal services obtained and providing the use of city-owned property for agricultural purposes.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protections to both parties.

- F. Time sheets and records of leave earned and taken are not maintained for the two city employees.

To ensure payroll expenditures are proper, time sheets showing hours worked and leave records showing amounts earned, taken, and balances should be maintained and properly approved by a supervisor.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Ensure that invoices or other supporting documentation are maintained to support all city expenditures.
- C. Require all invoices be initialed or signed by a city employee to indicate acceptance of the goods or services, and all invoices be canceled when paid.

- D.1. Obtain a meter for the diesel fuel tank and record all fuel usage on usage logs. Fuel usage should be reconciled to fuel purchases and significant differences should be investigated.
- 2. Allocate gasoline costs to the various city funds based on actual usage or on estimated usage which is based on historical information.
- E. Require all contracts to be in writing as required by state law.
- F. Require timesheets and leave records be prepared for all city employees which are reviewed and approved by a supervisor.

### **AUDITEE'S RESPONSE**

- A. *We concur. We are reviewing an ordinance to put policies in place within the next two months.*
- B,C,  
&D.1. *We concur. These will be implemented immediately.*
- D.2. *We concur. We believe gasoline costs should be allocated based on actual usage. This will be implemented immediately.*
- E. *We concur. We will consult with the City Attorney to see that proper contracts are written and signed for both situations. This should be done within the next two months.*
- F. *We concur. Steps have been taken to correct this problem starting with the July 16, 2000, pay cycle.*

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| <b>6.</b> | <b>Budgets and Financial Reporting</b> |
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- A. During our review of the city's budgets and related procedures, we noted the following concerns:
  - 1) The city's annual budgets do not contain a budget message and a comparative statement of estimated or actual receipts and expenditures for the two preceding years, as required by state law.  
  
Section 67.010, RSMo 1994, provides that the city's budget shall present a complete financial plan for the ensuing budget year, including a budget message and a comparative statement of receipts and disbursements for the two previous years.
  - 2) The City Clerk prepares the annual budgets; however, city ordinances provide that the Mayor shall serve as the budget officer and prepare the

annual budget. In addition, the budget for the year beginning July 1, 1999, was not approved by the board until the meeting in August 1999. Section 67.030, RSMo 1994, requires the budgets to be approved prior to the beginning of the fiscal year.

The budgets should be prepared in accordance with the city ordinances and be approved by the board prior to the beginning of the fiscal year.

- 3) The city approved expenditures in excess of the budgeted amounts for various funds as follows:

Year Ended June 30, 2000

| <u>Fund</u> | <u>Budgeted<br/>Amount</u> | <u>Actual<br/>Expenditures</u> | <u>Actual<br/>over Budget</u> |
|-------------|----------------------------|--------------------------------|-------------------------------|
| General     | \$46,455                   | 48,149                         | 1,694                         |
| Sewer       | 23,077                     | 27,833                         | 4,756                         |

Year Ended June 30, 1999

| <u>Fund</u>     | <u>Budgeted<br/>Amount</u> | <u>Actual<br/>Expenditures</u> | <u>Actual<br/>over Budget</u> |
|-----------------|----------------------------|--------------------------------|-------------------------------|
| General         | \$42,010                   | 44,681                         | 2,671                         |
| Water and Sewer | 83,052                     | 96,430                         | 13,378                        |
| Street          | 18,060                     | 21,679                         | 3,619                         |

The Board of Aldermen does not periodically compare budgeted amounts to actual expenditures. Periodic comparisons of budget and actual data are necessary to ensure the city is operating within the budgetary constraints. If budget amendments are necessary, Section 67.040, RSMo 1994, allows the board to amend the budgets by formal resolution.

- B. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, and Section 13.400 of the city code require the Board of Aldermen to prepare and publish semi-annual financial statements. In addition, Section 79.165, RSMo 1994, states the city treasurer cannot legally disburse funds until the financial statement is published.
- C. The city has not submitted annual financial reports to the State Auditor's Office for the years ended June 30, 1999 and 1998, as required by state law. The last financial report submitted was for the year ended June 30, 1997. The city has in the past hired an accountant/bookkeeper from a nearby city to prepare financial reports for the city and to prepare the annual reports to the State Auditor's Office. However, the city has not used the services of this person for over two years and has not prepared the required annual financial reports.



Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office.

- D. The city has not obtained annual audits of its combined waterworks and sewage system as required by state law and the bond covenants. Section 250.150, RSMo 1994, requires the city to obtain annual audits, and the cost of the audits is to be paid from the revenues received from the system.

Besides being required by state law, regular audits of the water and sewer system (and other city funds) would better enable the city to:

1. Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.
2. Determine the propriety and accuracy of its financial transactions.
3. Ensure the revenues of the sewer system are adequate to meet the expenses of providing this service.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Ensure the budgets include a budget message and comparisons of the prior two years' revenues and expenditures, as required by state law.
2. Require the Mayor to prepare the budgets as required by city ordinance or amend the ordinance. In addition, the budgets should be prepared and approved prior to the beginning of the fiscal year as required by state law.
3. Periodically compare budget and actual expenditures and keep expenditures within the budgetary limits. If budget amendments are necessary, formal resolutions should be adopted as required by state law.
- B. Publish semi-annual financial statements as required by state law and city ordinance.
- C. Submit annual financial reports to the State Auditor's Office as required by state law.
- D. Obtain annual audits of the combined waterworks and sewage system as required by state law and the bond covenants.

## **AUDITEE'S RESPONSE**

A.1.

&2. *We concur. These procedures were included in the budget for the year ending June 30, 2001.*

A.3. *We concur. This will be done on a monthly basis as soon as we put a new accounting system into place.*

B&C. *We concur. These will be implemented as soon as figures are ready to prepare the reports as of June 30, 2000.*

D. *We concur. This will be done starting with the year ending June 30, 2001.*

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| <b>7. Ordinances and Board Minutes</b> |
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A. The city's ordinances were codified in 1984. Although many board decisions and policies are documented in the minutes, it appears the board has rarely adopted ordinances since the ordinances were codified. The city could only locate two ordinances adopted since 1984. The board has not adopted ordinances regarding such items as election procedures, personnel policies and procedures, bidding policies and procedures, tax rates, and all utility-related policies and procedures including water, sewer, and trash rates. These items should be set forth in ordinances to give the taxpayers information on how the city is to be governed.

B. The city has not adopted ordinances to establish the compensation and duties of its elected officials including the Mayor, Board of Aldermen, and City Collector, and appointed officials and employees including the City Clerk, City Marshal, and City Treasurer. Section 79.270, RSMo 1994, requires the compensation of officials and employees to be set by ordinance, and the salary of an official shall not be changed during the term of election or appointment.

Compensation rates set by ordinance, in addition to meeting statutory requirements, document the approved amounts to be paid and eliminate potential misunderstandings on the amount each city official and employee is to receive, and is necessary to ensure the compensation of an official is not changed during the term of office. Ordinance hearings provide for public input and information concerning the compensation paid. In addition, documentation of duties and job descriptions would clarify the duties and responsibilities of each official and employee and prevent misunderstandings.

C. The board minutes are signed only by the City Clerk and are not signed by the Mayor or a member of the Board of Aldermen. The board minutes should be signed by the Mayor or member of the Board of Aldermen to provide an

independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

- D. Some board minutes have not been retained. Numerous monthly minutes of board meetings were not included in the current minute notebook, which dates back to 1989. Minutes of the monthly Board of Aldermen meetings are permanent records of the proceedings of the board meetings and should be properly retained for future reference.

**WE RECOMMEND** the Board of Aldermen:

- A. Pass ordinances for all significant decision, policies, and procedures that are intended to govern the city and its citizens. All ordinances should be maintained in an orderly manner.
- B. Establish by ordinance the duties and compensation of all city officials and employees.
- C. Require the Mayor or a member of the board to sign the board minutes in addition to the City Clerk's signature.
- D. Ensure all board minutes are retained.

**AUDITEE'S RESPONSE**

*A&C. We concur. These will be implemented immediately.*

*B. We concur. Some ordinances are in place but need to be updated. This will be an ongoing project for quite some time.*

*D. We concur.*

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| <b>8. Accounting Controls and Procedures</b> |
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- A. Our review noted the following concerns regarding controls over receipts:

- 1) Pre-numbered receipt slips are not issued by the city for the receipt of monies and receipt slips were not issued for some monies received. Unnumbered receipt slips are used by the city and are numbered consecutively as written. Receipt numbers are not always used sequentially and no one keeps track of the numerical sequence. Some receipt books were only partially used, numerous receipt slips issued were not numbered, and some receipt numbers were used more than once. In addition, the former Mayor issued many receipt slips during a period of

time, and it appears some duplicate receipt slips were issued by both the City Collector and the former Mayor.

To adequately account for all receipts, pre-numbered receipt slips should be issued in numerical order for all receipts and the numerical sequence should be accounted for properly.

- 2) The method of payment received (i.e. cash, check, money order) is not always recorded on the receipt slips issued nor on the daily receipts ledger maintained by the City Collector. To ensure all receipts have been recorded properly and deposited intact, the method of payment received should be recorded on each receipt slip or on the daily receipts ledger. The composition of receipt slips issued should be reconciled to the composition of bank deposits.
  - 3) Receipts are not always deposited intact on a timely basis. While monies are generally deposited about three times a week, some monies were held and not deposited for up to two weeks later. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100.
- B. The City Clerk prepares checks and the City Clerk and Mayor both co-sign the checks. It appears check preparation and signing duties should be performed by the City Treasurer. Section 79.300, RSMo 1994, requires the City Treasurer to disburse the monies from the city treasury upon properly authorized warrants approved by the board of aldermen, signed by the Mayor, and attested to by the City Clerk.
- C. Checks issued by the city require two signatures, the Mayor and the City Clerk; however, these people are not bonded by the city. Failure to adequately bond city employees that handle monies exposes the city to the risk of loss.
- D. The City Clerk prepares monthly financial reports for board approval, which includes total disbursements made during the most recently completed month. The report also lists individual bills to be paid, but only those bills incurred from the beginning of the month up to the time of the board meeting (normally the second Thursday of the month). The bills or invoices that are paid subsequent to the board meeting until the end of the month are not reviewed or approved individually, but are included in the total disbursements on the next month's report.

Good business practices require all disbursements to be closely scrutinized by the board and properly authorized. Failure to properly review and approve all individual disbursements, including invoices and other supporting documentation, increases the possibility of inappropriate disbursements occurring.

E. The monthly financial reports prepared by the City Clerk do not include the activity of the city's savings account and certificates of deposit. At June 30, 2000, the city had \$1,456 in a savings account and \$2,613 in a certificate of deposit for the Garrison Fund and \$26,349 in certificates of deposit for the Combined Waterworks and Sewer Fund. To properly account for all city financial resources, the monthly reports of financial information presented to the Board of Aldermen each month should contain the financial activity of all city funds and bank accounts.

F. Our review of the controls over checks noted the following:

- 1) The City Clerk indicated that prior to April 1999, the former Mayor occasionally signed blank checks prior to preparation of the checks by the City Clerk. Upon the election of the current Mayor in April 1999, this practice of pre-signing checks was apparently ceased. The bank sometimes processed checks with only the signature of the City Clerk although dual signatures are required.

Good business practices dictate that blank checks should not be pre-signed but signed only after a proper review has been made of the required expenditure. All checks drawn on the city treasury should have the dual signatures as required by city policy.

- 2) Some voided checks were not properly marked as being void or properly defaced but were only stapled back to the check stub. Voided checks should be marked as void or properly defaced.

G. The City Clerk prepares a disbursement ledger for each fund detailing the information about each check written, and the City Clerk prepares a monthly financial report for the Board of Aldermen. However, neither the City Clerk or City Treasurer maintains a general ledger that shows monthly or periodic fund balances.

To ensure all receipts, disbursements, and fund balances are properly and accurately recorded, the city should maintain a general ledger for each fund.

H. Bank reconciliations are not prepared. There are no book or ledger balances to which the bank balances can be compared (as noted in Part G. above). The city has two outstanding checks from 1998 totaling \$187 that are still outstanding and no follow up action has been taken regarding these checks. Because reconciliations are not prepared, city officials were not aware that these checks were outstanding.

Bank reconciliations are necessary to ensure that the bank accounts properly reconcile with the accounting records and to detect errors on a timely basis.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Require pre-numbered receipt slips be issued for all monies received, and the numerical sequence be accounted for properly.
- 2. Ensure the method of payment is recorded on the receipt slips or daily ledger and the composition of receipt slips issued is reconciled to bank deposits.
- 3. Ensure all receipts are deposited intact daily or when accumulated receipts exceed \$100.
- B. Require the City Treasurer to disburse monies from the city treasury in accordance with state law.
- C. Ensure all employees with access to city assets are appropriately bonded.
- D. Ensure each individual disbursement is listed on the monthly report for approval and review all invoices or supporting documentation.
- E. Require the monthly financial report presented to the board to include all funds and bank accounts held by the city.
- F.1. Ensure that blank checks are not pre-signed and include dual signatures as required by city policy.
- 2. Ensure all voided checks are properly defaced and retained.
- G. Ensure a general ledger is maintained for all city funds which includes all receipts, disbursements, and fund balances.
- H. Ensure monthly bank reconciliations are prepared for all bank accounts and documentation of the reconciliations is retained. The old outstanding checks should be investigated and resolved.

**AUDITEE'S RESPONSE**

A.1,B,  
E,&  
F.1. *We concur. These have already been implemented.*

A.2,3,  
C,D,  
F.2,  
&H. *We concur. These will be implemented immediately.*

- G. *We concur. We would like to computerize the accounting functions of the city and would like to put this in place within two months.*

|                                   |
|-----------------------------------|
| <b>9. Property Tax Procedures</b> |
|-----------------------------------|

- A. The Board of Aldermen has not held public hearings on the city's proposed tax rates. The board minutes for 1999 did not contain information concerning setting the tax levy or the holding of any public hearing. The minutes for 1998 indicate that the tax levy was set at a certain amount but did not indicate whether any public hearing was held before the levy was set.

Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing.

- B. The City Collector prepares the city's property tax books and receives \$150 in compensation for these duties. Section 94.290, RSMo 1994, and Section 16.050 of the city code require the City Clerk to extend the city's tax books and charge the City Collector with the amount of the tax books.

To ensure compliance with state law and to ensure proper control over property tax charges and collections, the City Clerk should prepare the property tax books or review and verify the tax books, and charge the City Collector with the total property taxes to be collected.

- C. The City Collector does not prepare annual reports to the Board of Aldermen of charges, collections, and amounts uncollected as required by state law. Also, the City Collector is not preparing a list of delinquent taxes to present to the Board of Aldermen in April of the subsequent year as required by state law.

Section 79.310, RSMo 1994, requires the City Collector to prepare annual reports to the Board of Aldermen of collections and amounts uncollected. Section 94.320, RSMo 1994, requires the City Collector to prepare lists of delinquent taxpayers and amounts to be collected and present the list in April of each year to the Board of Aldermen.

- D. The city does not adequately pursue collection of delinquent property taxes. The city has delinquent tax bills totaling \$1,565 as of June 20, 2000, which have not been pursued or collected.

To help ensure prompt collection of property taxes, the city should establish formal procedures regarding the collection of delinquent property tax bills. Consideration should be given on sending delinquent tax notices or turning

delinquent tax bills over to the County Collector for advertisement and sale of the real estate as provided under Chapter 140, RSMo 1994.

**WE RECOMMEND** the Board of Aldermen:

- A. Hold public hearings on setting the annual tax levy as required by state law and record this information in the board minutes.
- B. Require the City Clerk to prepare the tax books as required by state law and city ordinance, or ensure the City Clerk reviews the tax books and charges the City Collector with the total taxes to be collected.
- C. Require the City Collector to file an annual report of the charges, collections, and amounts uncollected for property taxes as required by state law. The City Collector should also file a delinquent list of all amounts unpaid with the board in April of each year as required by state law.
- D. Ensure formal collection procedures related to delinquent property tax bills are established and that delinquent accounts are pursued on a timely basis.

**AUDITEE'S RESPONSE**

*A&C. We concur. These will be implemented immediately.*

*B. We concur. We will determine the feasibility of having city property taxes collected by the Adair County Collector. We would like to put this in place for the collection of 2001 taxes.*

*D. We concur. We will follow up on the collection of back taxes upon completion of the listing to be prepared by the City Collector.*

|   |
|---|
| <b>10. Banking Depositary Agreement and Proposals</b> |
|---|

The city does not have a written agreement with its current depositary bank as authorized by Section 95.355, RSMo 1994. A written depositary contract helps both the bank and the city understand and comply with the requirements of any banking arrangement. In addition, the city has not periodically solicited proposals from various banking institutions for the deposit of city monies. Section 16.010 of the city code provides for a review of the depositary banks on a periodic basis. The city currently pays for service charges (such as check printing, stop payments, and returned checks) which are not normally incurred by governmental entities, so it appears the city may save on banking costs if banking proposals were solicited.

The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe



deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds. A periodic evaluation of proposals from various banking institutions would provide the board with current opportunities for making sound banking decisions.

**WE RECOMMEND** the Board of Aldermen enter into a written agreement with its depositary bank. In addition, the Board of Aldermen should consider soliciting proposals from various banking institutions on a periodic basis.

### **AUDITEE'S RESPONSE**

*We concur. We will seek bids on all banking services for fiscal year 2001/2002. In addition, bids will be solicited for all certificates of deposit when they come due.*

|                                   |
|-----------------------------------|
| <b>11. Access to City Records</b> |
|-----------------------------------|

- A. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records and should establish a cost for providing copies of public records.

Section 610.023, RSMo Cumulative Supp. 1999, lists requirements for making city records available to the public, and Section 610.026, RSMo Cumulative Supp. 1999, allows the city to charge fees for copying public records, but the fees shall not exceed the city's actual cost of document search and duplication.

- B. Some city officials do not have regular working hours at the city hall and perform city work at their home. Some city records are maintained at the residences of these city officials and are not kept at city hall. In addition, it appears that city records located at city hall are not always filed in an orderly manner, and city officials were not able to readily locate certain records at our request.

In April 1999, the Mayor requested in writing for the City Clerk to furnish certain city records for her review. City Ordinance 13.510 and Section 79.350, RSMo 1994, allows the Mayor and Board of Aldermen to inspect city records as often as deemed necessary. However, the City Clerk did not respond to the Mayor's request.

City records should be properly maintained where access is available for proper review of the records by the Mayor and Board of Aldermen or by the public if applicable requests are made.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish written policies and procedures regarding public access to city records.
- B. Ensure all city records are maintained at city hall in a manner in which they can be readily located, and that requests to review records are complied with in accordance with city ordinance and state law.

**AUDITEE'S RESPONSE**

- A. *We concur. We will attempt to pass an ordinance within two months.*
- B. *We concur. This will be a lengthy process but will try to have all records within easy access within the next six months.*

|                          |
|--------------------------|
| <b>12. City Property</b> |
|--------------------------|

- A. The city has not established records to account for city-owned property. Property records are necessary to ensure better internal controls over assets and provide a basis for determining insurance coverage.

The city should establish detailed property records. All property items (including land) should be recorded at historical cost or estimated historical cost, if historical cost is not available. The records should be maintained on a perpetual basis, accounting for fixed asset acquisitions and dispositions as they occur. In addition, all items should be identified as city property with a tag or similar device.

- B. The city sold a patrol car in September 1998 without advertising the sale of the car or soliciting bids. The car was sold to the son of the City Marshal for \$600.

City officials indicated the city put a "For Sale" sign on the car for a period of time; however, the city determined the initial asking price was too high after two automobile dealers looked at the car. The board minutes included a motion to sell the old car for \$600, but the minutes did not indicate that the car was sold to the City Marshal's son, and there is no other documentation of how the initial asking price or final sale price were determined and why bids were not solicited.

To ensure the city receives the fair value for the sale of city-owned property and that city residents have proper opportunity to bid on the property, bids should be solicited for all sales of major city property and documentation should be retained of all decisions made.

- C. The city has one pickup truck, which is driven by the water/sewer and street employees, and one police car, which is driven by the City Marshal. In addition

to vehicles, the city also owns equipment including a backhoe. Daily usage and maintenance logs are not maintained for the city vehicles or equipment.

Logs should be maintained indicating the employee using the vehicle or equipment, the purpose and destination of the trip, the beginning and ending odometer readings, and the operation and maintenance costs. The logs should be reviewed by the board to help ensure there is no inappropriate personal use of the city's vehicles or equipment, verify the propriety of fuel and/or repair billings, and identify the need to replace the vehicle or equipment due to excessive maintenance costs.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure complete and detailed property records are established that account for all property items of the city. These records should be updated for any property additions or dispositions as they occur, and all items should be tagged or otherwise identified as city property. In addition, physical inventories of all city-owned property should be performed periodically to ensure that all assets are accounted for properly.
- B. Advertise the sale of city-owned property and document all bids received and decisions made.
- C. Require daily usage and maintenance logs be maintained for the city vehicles and equipment, and perform a periodic review of the logs.

**AUDITEE'S RESPONSE**

A. *We concur. Some property listings have been compiled but others are needed to bring the listing up-to-date. This will take a few months to complete. We will attempt to implement a tagging procedure within the next six months.*

B&C. *We concur. These will be implemented immediately.*

|                                 |
|---------------------------------|
| <b>13. City Traffic Tickets</b> |
|---------------------------------|

The City Marshal issues traffic tickets which are sent through the City Attorney to the Associate Circuit Division at the Adair County courthouse. The Associate Circuit Division remits monthly to the city the fines and police training fees collected along with a computer printout of the disposition of the tickets. Our review noted the City Marshal does not issue traffic tickets in numerical sequence. In addition, the city does not maintain a log or other record to account for each ticket issued and the ultimate disposition.

To ensure all tickets have been accounted for properly, a log noting the ticket number, date issued, offense, defendant's name, and disposition of the ticket should be maintained.

**WE RECOMMEND** the Board of Aldermen require the City Marshal to issue traffic tickets in numerical sequence and maintain a log of each ticket issued and its ultimate disposition.

**AUDITEE'S RESPONSE**

*We concur. This will be implemented immediately.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



VILLAGE OF MIRAMIGUOA PARK, MISSOURI

YEAR ENDED AUGUST 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-83  
August 30, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Village of Miramiguo Park, Missouri.**

-----  
The village bills each resident annually for the various village assessments. These assessments were originally started prior to the incorporation of the village, when it was a private subdivision. As many as seven different assessments may be included on the billing depending on whether the resident is a homeowner who lives in the village full-time, a homeowner who lives in the village part-time, a lot owner only, or a resident that does not have a paved roadway leading to his/her lot. The monies collected from these assessments are used to repay a 1995 road loan, make road and water system repairs and perform upkeep, pay for trash hauling and grass cutting, pay village operating expenses, and provide for a contingency.

The fees charged to residents for water, trash, and grass were established without a public vote, generate greater revenues than the annual expenditures incurred by the operations they were meant to fund and are not accounted for separately from other operating assessments. The village has no statutory authority to assess the road and surtax assessments.

In November 1995, prior to the incorporation of the village in 1997, the private subdivision of Miramiguo Park entered into a loan agreement for the paving of the roads. The subdivision borrowed \$38,232 at an interest rate of eight percent to pay for the service. Annual payments were made each November with the principal of the note originally due by December 1, 2000. In April 2000, the loan was extended to December 1, 2001. The subdivision/village has made \$25,127 in principal payments as of November 1999. The note does not contain any provisions for the village to cancel the agreement due to lack of appropriations or any other reasons. Without this type of option, the village appears to have inherited a long term debt arrangement.

This agreement appears to violate the intent of the Missouri Constitution on legal indebtedness absent a vote of the village residents.

The village's budgets were not properly prepared and formally approved as required by state law. Semi-annual financial statements were not published or posted prior to 2000, and the annual financial reports submitted to the State Auditor's office were not accurate. Some meetings of the board were not open to the public and board minutes are not signed by either the Village Clerk or Village Chairman.

(over)

YELLOW SHEET

The village does not have a formal bidding policy. Based on discussions with village officials, it appears bids are generally solicited for purchases of goods or services; however, documentation of these bids is not adequate.

Formal bidding procedures for major purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the village's business. Complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

Supporting documentation was not maintained for all disbursements made by the village. Various payments for grass cutting, postage, room rental, and other miscellaneous repairs had no invoice or other documentation to support the payments. In addition, other invoices were not adequately detailed to support the work performed.

The Village Clerk also serves as the Treasurer and Collector for the village resulting in duties which are not adequately segregated.

VILLAGE OF MIRAMIGUOA PARK, MISSOURI

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Chairman  
and  
Board of Trustees  
Village of Miramiguoa Park  
Sullivan, Missouri 63080

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Miramiguoa Park, Missouri. Our audit of the village included, but was not limited to, the year ended August 31, 1999. The objectives of this audit were to:

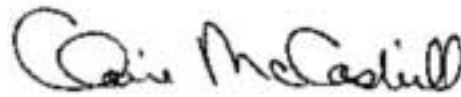
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matter described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the village of Miramiguo Park, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 12, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Karen Laves, CPA        |
| Audit Manager:      | Alice M. Fast, CPA, CIA |
| In-Charge Auditor:  | Robert L. McArthur II   |

## HISTORY AND ORGANIZATION

## VILLAGE OF MIRAMIGUOA PARK, MISSOURI HISTORY AND ORGANIZATION

The village of Miramiguo Park was incorporated in 1997 and is located in Franklin County. The village currently consists of 62 homes, 48 are occupied by full-time residents and 14 are occupied by part-time residents. There are 67 other lots that have been purchased but not developed.

The village government consists of a five-member board of trustees. The board is elected for two-year terms. The chairman is appointed by the board from the members. The board members and chairman serve without compensation. The members of the village board of trustees and the village attorney at August 31, 1999, were:

| <u>Elected Officials</u>     | <u>Term Expires</u> |
|------------------------------|---------------------|
| C. Roy Whinery, Chairman     | April 2001          |
| Robert L. Breuer, Trustee    | April 2001          |
| Ethel Voelker, Trustee       | April 2000(1)       |
| Leonard G. Sagehorn, Trustee | April 2000(1)       |
| Thomas Armistead, Trustee    | April 2000(2)       |

Appointed Official  
Robert L. Davis, Attorney

- (1) Re-elected in April 2000. New term expires April 2002.
- (2) John D. Misemer was appointed to replace Mr. Armistead in March 2000. Mr. Misemer was re-elected in April 2000. His new term will expire April 2002.

Robert Breuer was appointed and served as Village Clerk and Treasurer for the year ended August 31, 1999. He received no compensation during the year. In November 1999, Ethel Voelker was appointed to replace Robert Breuer.

All trustees are insured against "public officials errors or omissions" in the amount of \$500,000 for each occurrence, subject to a \$500 deductible.

The village does not have a property tax levy. Assessed valuation information for 1999 is as follows:

### ASSESSED VALUATION

|                   |                          |
|-------------------|--------------------------|
| Real estate       | \$ 494,291               |
| Personal property | <u>103,575</u>           |
| Total             | <u><u>\$ 597,866</u></u> |

Instead, the village bills each home owner and/or lot owner various assessments as noted below:

| <u>Assessment (home owner)</u>       | <u>Purpose</u>                                  | <u>Amount Charged Annually</u>   |
|--------------------------------------|---|--|
| Special Blacktop                     | Repayment of road loan                          | \$40   |
| Roads                                | Repair and upkeep                               | \$0.40 per foot of improved road frontage (50' max)<br>\$0.20 per foot of unimproved road frontage |
| Water and Trash                      | Water improvements and upkeep and trash hauling | \$120 each (\$75 each for part-time resident)  |
| Surtax                               | Operating expenses and/or contingency           | \$10   |
|                                      |   |  |
| <u>Assessment (vacant lot owner)</u> | <u>Purpose</u>                                  | <u>Amount Charged</u>  |
| Special Blacktop *                   | Repayment of road loan                          | \$20   |
| Roads                                | Repair and upkeep                               | \$0.20 per foot of road frontage   |
| Surtax                               | Operating expenses and/or contingency           | \$10   |

\* A special blacktop assessment is not charged when all roads surrounding the lot are gravel.

In addition, lot owners can have their grass mowed up to three times a year for an additional charge based on the size of their lot and the number of times it is mowed.

A summary of the financial activity of the village of Miramigoua Park for the year ended August 31, 1999, is presented below:

RECEIPTS

|                |               |
|----------------|---------------|
| Assessments    | \$ 24,426     |
| Interest       | 786           |
| Total Receipts | <u>25,212</u> |

DISBURSEMENTS

|   |               |
|---|---------------|
| Repayment of road loan                            | 8,500         |
| Road repairs and upkeep                           | 4,700         |
| Trash/tire disposal                               | 3,460         |
| Grass cutting                                     | 1,525         |
| Utilities   | 1,346         |
| Insurance   | 1,192         |
| Water system repairs and testing                  | 743           |
| Office expense                                    | 497           |
| Equipment (trimmer)                               | 429           |
| Accounting fees                                   | 392           |
| Snow removal                                      | 372           |
| Security  | 340           |
| Early withdrawal penalty (certificate of deposit) | 315           |
| Village party                                     | 259           |
| Supplies  | 225           |
| Advertising and other election expenses           | 131           |
| Meeting hall rental                               | 85            |
| Training  | 69            |
| Flowers for resident                              | 41            |
| Recording   | 36            |
| Total Disbursements                               | <u>24,657</u> |

RECEIPTS OVER (UNDER)

|               |     |
|---------------|-----|
| DISBURSEMENTS | 555 |
|---------------|-----|

CASH AND CASH EQUIVALENTS,

|                   |               |
|-------------------|---------------|
| SEPTEMBER 1, 1998 | <u>24,231</u> |
|-------------------|---------------|

CASH AND CASH EQUIVALENTS,

|                 |                         |
|-----------------|-------------------------|
| AUGUST 31, 1999 | <u><u>\$ 24,786</u></u> |
|-----------------|-------------------------|

## MANAGEMENT ADVISORY REPORT



VILLAGE OF MIRAMIGUOA PARK, MISSOURI  
SUMMARY OF FINDINGS

1. Village Assessments (pages 10-11)

The fees charged to residents for water, trash, and grass were established without a public vote, generate greater revenues than the annual expenditures incurred by the operations they were meant to fund, and are not accounted for separately from other operating assessments. The village has no statutory authority to assess the road and surtax assessments.

2. Long Term Debt (pages 11-12)

Upon incorporation, the village appears to have inherited a long term debt arrangement which is prohibited by the Missouri Constitution.

3. Village Ordinances (page 12)

Village ordinances do not include various policies and are not always kept current.

4. Budgets, Financial Reports, Meetings, and Minutes (pages 13-15)

The village's budgets were not properly prepared and formally approved as required by state law. Semi-annual financial statements were not published or posted prior to 2000, and the annual financial reports submitted to the State Auditor's office were not accurate. Some meetings of the board were not open to the public and board minutes are not signed by either the Village Clerk or Village Chairman.

5. Accounting Controls and Procedures (page 15)

The Village Clerk also serves as the Treasurer and Collector for the village resulting in duties which are not adequately segregated.

6. Expenditures (pages 16-17)

The village does not have a formal bidding policy. Adequate documentation was not always maintained to fully support some expenditures. The village does not have a formal written agreement with the Village Attorney. Board minutes do not identify the disbursements approved by the board at its regular meetings.

VILLAGE OF MIRAMIGUOA PARK, MISSOURI  
MANAGEMENT ADVISORY

|           |                            |
|-----------|----------------------------|
| <b>1.</b> | <b>Village Assessments</b> |
|-----------|----------------------------|

The village bills each resident annually for the various village assessments. These assessments were originally started prior to the incorporation of the village, when it was a private subdivision. As many as seven different assessments may be included on the billing depending on whether the resident is a homeowner who lives in the village fulltime, a homeowner who lives in the village part-time, a lot owner only, or a resident that does not have a paved roadway leading to his/her lot. The monies collected from these assessments are used to repay a 1995 road loan, make road and water system repairs and perform upkeep, pay for trash hauling and grass cutting, pay village operating expenses, and provide for a contingency. We noted the following concerns during our review of the various assessments:

- A. Because the village has not adopted ordinances clearly defining each assessment, see MAR No. 3, it is unclear as to whether the water, trash, and grass assessments are a tax or a user fee. In addition, revenues generated by the water, trash, and grass assessments far exceed the village's annual expenses related to the assessments and are not accounted for separately from assessments for general operations.

The Missouri Supreme Court, in its decision in *Beatty v. Metropolitan St. Louis Sewer District*, 867 S.W. 2d 217 (Mo. banc 1993) applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

Because this matter has been a concern of some citizens, the village should request that its attorney review these fees to determine whether they are or can be structured as user fees, or whether they should be put to a public vote. If this matter is not resolved by clear legal authority or an election, the village might need to consider ending these municipal services and require the village's residents to contract privately.

The village should separately account for these different activities. A General Fund should be used to account for the general activities of the village and other operations should be accounted for separately to ensure that charges do not exceed the costs of providing the services.

- B. The village has no statutory authority to assess the road and surtax assessments. Expenses these revenues are to cover would normally be supported by a village property tax. Section 80.460, RSMo, authorizes the village to levy a property tax

for general municipal purposes not to exceed fifty cents on one hundred dollars of assessed valuation. Upon voter approval, an additional levy up to thirty cents may be assessed for a period not to exceed four years at any one time. In addition, the village is not receiving state road monies as authorized in Article IV, Section 30, of the Missouri Constitution. The village also has not passed an ordinance to collect franchise taxes from various utilities operating in the city. Such additional revenues could help the village provide services to its residents.

**WE RECOMMEND** the Board of Trustees request the Village Attorney to review the present assessments and determine whether they are or can be structured as a user fee, or if they should be put to public vote. Also, the board should ensure all assessments comply with state law, do not generate excessive revenues, and should account for operations other than general activities separately. The Board should also discontinue the assessment of the road and surtax assessments and consider levying village property taxes as allowed by Section 80.460, RSMo. The Board should investigate obtaining state road monies and utility franchise taxes.

### **AUDITEE'S RESPONSE**

*The village board has already requested the village attorney to review the assessments. We will consider getting voter approval and passing ordinances to establish the water, trash, and grass cutting assessments as user fees and maintain separate accountings for these monies. We have appointed a citizens committee to review the water rates. We are investigating other possible sources of revenues and taxes to finance the operations of the village. We expect to implement the recommendations during the village's fiscal year ending August 31, 2001.*

|                          |
|--------------------------|
| <b>2. Long Term Debt</b> |
|--------------------------|

In November 1995, prior to the incorporation of the village in 1997, the private subdivision of Miramiguoa Park entered into a loan agreement for the paving of the roads. The subdivision borrowed \$38,232 at an interest rate of eight percent to pay for the service. Annual payments were made each November with the principal of the note originally due by December 1, 2000. In April 2000, the loan was extended to December 1, 2001. The subdivision/village has made \$25,127 in principal payments as of November 1999. The note does not contain any provisions for the village to cancel the agreement due to lack of appropriations or any other reasons. Without this type of option, the village appears to have inherited a long term debt arrangement.

This agreement appears to violate the intent of the Missouri Constitution on legal indebtedness absent a vote of the village residents. Article VI, Section 26(a) of the Missouri Constitution states no village shall become indebted in an amount exceeding in any year the income and revenue provided for such a year. Article VI, Section 26(c) of the Missouri Constitution allows villages to incur debt by bond issue, but only after approval of two-thirds of the qualified electors voting thereon.

Prior to incorporation, the board should have addressed this issue and made arrangements to pay off or restructure the note.

**WE RECOMMEND** the Board of Trustees comply with the Missouri Constitution and obtain voter approval before incurring any debt or ensure debt agreements have annual renewal clauses.

### **AUDITEE'S RESPONSE**

*We were not aware that we had violated the intent of the Missouri Constitution regarding our loan for road improvements. We have arrangements for a loan to replace our water storage tank which does have the annual renewal clause. We will talk to our bank in the next month and try to find a workable solution regarding the loan for road improvements.*

|                              |
|------------------------------|
| <b>3. Village Ordinances</b> |
|------------------------------|

The village has not adopted ordinances to address the billing, collection, or assessing of delinquent penalties for the various village assessments noted in MAR No.1 or the \$10 fee that is charged by the village for a copy of the village ordinance book. In addition, Village Ordinance, Section 110.040 appears to be outdated. This ordinance provides for monthly meetings of the Board of Trustees on the third Tuesday of every month; however, it appears the Board of Trustees is currently meeting every other month.

Since the ordinances represent the legislation passed by the Board of Trustees to govern the village and its residents, it is important that the village's ordinances be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the village ordinances.

**WE RECOMMEND** the Board of Trustees update the village's ordinances and ensure a complete set of ordinances is maintained. In addition, the board should pass ordinances to address the charges for the various assessments and for the ordinance book.

### **AUDITEE'S RESPONSE**

*All ordinances are currently being reviewed. We plan to comply with this recommendation within the next two months.*

**4.****Budgets, Financial Reports, Meetings, and Minutes**

A. Our review of the village's budgets noted the following concerns:

- 1) The village did not formally approve the budgets for the years ending August 31, 2000, 1999, and 1998, respectively. There was no indication in the minutes that the budgets prepared by the Village Treasurer were accepted or approved by the Board of Trustees. Section 67.080, RSMo, provides that no disbursement of public monies shall be made unless it is authorized in the budget.
- 2) The village's budgets do not include actual receipts and disbursements for the two previous years. In addition, the budgets do not include actual and estimated cash and resources available at the beginning and end of the year or a budget message.

Section 67.010, RSMo, sets specific guidelines for the format, of the annual operating budget. A complete budget for each fund should be prepared, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding fiscal years.

- 3) Actual disbursements exceeded budgeted disbursements in 1999 by \$2,292. Section 67.040, RSMo, indicates a political subdivision shall not increase the total amount authorized for disbursement from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the disbursements.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in informing the public about the village's operations and current finances.

B. Semiannual financial statements were not published or posted in 1999, 1998, or 1997, as required by law. A semiannual financial statement was published for the period ending February 16, 2000. Section 80.210, RSMo, provides that the board of trustees is to prepare a correct statement of all monies received and expended on behalf of the village for the preceding six months and publish the financial statement in a local newspaper or post the statement in six public places within the village.

- C. The annual financial reports submitted by the village to the State Auditor's office as required by Section 105.145, RSMo, do not accurately reflect the balances and financial activity of the village. Receipts and disbursements listed by type were not complete and the cash balance noted for the village's checking account did not agree to the Village Treasurer's records. In addition, the 1999 report was not prepared based on the village's fiscal year as it was submitted for the twelve month period ending June 30, 1999.

The board should ensure the annual financial reports required pursuant to Section 105.145, RSMo, accurately reflect the financial activity and balances of the village and are prepared based on the village's fiscal year ending August 31.

- D. During the year ended August 31, 1999, the board had regular monthly meetings. In addition, when the board deemed it necessary a "special" meeting would be held to discuss additional village business. The regular monthly meetings were public and all village residents were properly informed; however, the "special" meetings were for board members only. All board meetings should be open to the public unless specifically closed as allowed by statute. In addition, Section 610.020, RSMo, requires notices (including tentative agendas) to be posted in a prominent place which is easily accessible to the public, to be given at least twenty-four hours in advance, or if not feasible, reasons are to be documented in the board minutes.
- E. Board minutes are not signed by either the Village Clerk or the Chairman. The board minutes should be signed by the Village Clerk and Chairman upon approval to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

**WE RECOMMEND** the Board of Trustees:

- A. Prepare complete and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the village. Any increases in disbursements should be approved by ordinance.
- B. Continue to ensure semiannual financial statements are published or posted in accordance with state law.
- C. Ensure the annual financial reports prepared and submitted to the State Auditor's office pursuant to Section 105.145, RSMo, accurately reflect the financial activity and balances of the village and are prepared based on the village's fiscal year.
- D. Ensure all board meetings are open to the public, unless closed as allowed by statute, and ensure notices are posted in accordance with state law.
- E. Ensure all board minutes are properly signed, to attest to the accuracy.

### **AUDITEE'S RESPONSE**

- A. *A complete budget will be prepared for the year starting September 1, 2000.*
- B. *We will continue to post semiannual financial statements.*
- C. *We will file an annual report with the State Auditor's Office for the year ending August 31, 2000.*
- D. *We have already implemented this recommendation.*
- E. *We will ensure minutes are signed beginning at the next board meeting.*

|  |
|--|
| <b>5. Accounting Controls and Procedures</b> |
|--|

The Board of Trustees has not appointed separate individuals to serve as Village Collector or Village Treasurer. Presently, the Village Clerk also serves as both the Village Collector and the Village Treasurer. She collects receipts, maintains the village's financial records, makes bank deposits, co-signs checks, reconciles the bank account, and handles billings.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statutes pertaining to villages are similar to those cited in this opinion, therefore, the opinion's conclusion appears applicable to villages also.

Holding all three of these offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

**WE RECOMMEND** the Board of Trustees consider appointing separate individuals to the positions of Village Clerk, Village Collector, and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

### **AUDITEE'S RESPONSE**

*We will begin performing monthly independent reviews of the village clerk's records this month.*

**6.****Expenditures**

- A. The village does not have a formal bidding policy. Based on discussions with village officials, it appears bids are generally solicited for purchases of goods or services; however, documentation of these bids is not adequate. The following expenditures were incurred from September 1, 1998, to March 15, 2000, for which bid documentation was not adequate:

| <u>Item</u>   | <u>Cost</u> |
|---------------|-------------|
| Trash hauling | \$5,282     |
| Road repair   | 4,700       |
| Insurance     | 1,192       |
| Grass cutting | 1,050       |

Formal bidding procedures for major purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the village's business. Complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

Bids can be handled by telephone quotation, by written quotation, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. Supporting documentation was not maintained for all disbursements made by the village. Various payments for grass cutting, postage, room rental, and other miscellaneous repairs had no invoice or other documentation to support the payments. In addition, other invoices were not adequately detailed to support the work performed.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. The village should require detailed invoices for all services which include the number of hours worked by day, the work performed, and the hourly rate charged.

- C. The village has not entered into a written contract with their attorney. Currently, the attorney is paid 15 percent of all delinquent assessments he collects. In addition, in October 1999 he was paid a \$500 retainer and bills \$135 per hour for other work performed for the village.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. The village should enter into written contracts for services rendered or obtained.



A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- D. The board of trustees does not document its approval of bills. According to village officials, the board has given verbal approval to the Village Clerk to pay routine bills such as utility and trash hauling bills. The board has not documented its standing approval of these routine bills. The board also has no documentation of approving other non-routine bills including grass cutting and road repair. The board should include a list of approved bills in the board's minutes. By signing the minutes, the board would also document its approval of the list of bills for payment.

**WE RECOMMEND** the Board of Trustees:

- A. Establish a formal bidding policy regarding the procurement of goods and services. Such a policy should require that competitive bids are solicited through advertising for any purchases over an established amount and that bids be solicited for any purchases over a lesser amount. In addition, documentation of the bidding process should be maintained in all cases.
- B. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods or services received.
- C. Ensure formal written contracts are entered into for any services obtained by the village.
- D. Document its review and approval of bills by signing, or designating a board member to sign, the official copy of the minutes which includes the list of bills maintained by the Village Clerk.

**AUDITEE'S RESPONSE**

- A. *We will establish a bid policy within the next three months.*
- B. *We have already implemented this recommendation.*
- C. *We will obtain written contracts for all services starting now.*
- D. *We will begin documenting this review at the next board meeting.*

This report is intended for the information of the management of the village of Miramiguoa Park and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



GENTRY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-82  
August 29, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Gentry, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Gentry County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county does not have procedures in place to track federal financial assistance for the preparation of the Schedule of expenditures of federal awards. The county's schedule contained numerous errors and omissions. Without an accurate schedule of expenditures of federal awards, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.
- During 1999, the county completed a federal bridge project and obtained additional funding (called soft-match credits) from the Missouri Department of Transportation for part of the county's 20 percent share of project costs. The county had not established procedures to ensure the Missouri Department of Transportation's bridge project credit records were in agreement with the county's records and as a result failed to detect a \$19,875 error in unused credits. To ensure all federal bridge project credits are accounted for properly, the county should periodically reconcile its records to the Missouri Department of Transportation's records and investigate any discrepancies.
- The audit noted two instances in which the county may not have complied with the Fair Labor Standards Act. The county is required under the Fair Labor Standards Act to account for and pay overtime or allow compensatory time off for any hours worked over the Act's limit for all non-exempt employees.

(over)

YELLOW SHEET

- County employees participating in the county's cafeteria plan have the option to participate in the medical reimbursement program to cover certain medical expenses not covered by their insurance. One employee was reimbursed \$1,500 from the Medical Reimbursement Fund; however, his monthly contributions pledged were not withheld from his paychecks during the year ending February 28, 2000. The county had no procedures in place to reconcile plan contributions pledged to receipts of the fund.

Also included in the audit are recommendations to improve the county's budgetary procedures, general fixed asset records, and vehicle and mileage records. The audit also suggested improvements be made to the Tri-County Health Center's records and procedures and that various bond coverage be reviewed. Several of these issues have been noted in prior audits.

**Copies of the audit are available upon request.**

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Gentry County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Gentry County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Gentry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Gentry County.

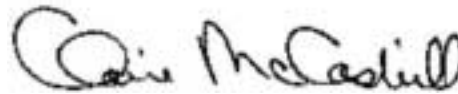
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Gentry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 18, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Gentry County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

May 18, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                          |
|---------------------|--------------------------|
| Director of Audits: | Thomas J. Kremer, CPA    |
| Audit Manager:      | Mark Ruether, CPA        |
| In-Charge Auditor:  | Cheryl Colter, CPA, CGFM |
| Audit Staff:        | Robyn Lamb               |
|                     | Karen Wirtmiller         |
|                     | Patrick Corbett          |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Gentry County, Missouri

We have audited the special-purpose financial statements of various funds of Gentry County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

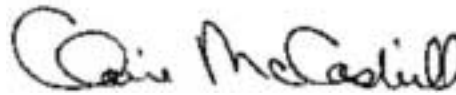
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Gentry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Gentry County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Gentry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

May 18, 2000 (fieldwork completion date)

## Financial Statements



Exhibit A-1

GENTRY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 112,058         | 969,921   | 930,019       | 151,960              |
| Special Road and Bridge             | 129,147            | 1,253,737 | 1,290,115     | 92,769               |
| Assessment                          | 3,032              | 84,572    | 77,554        | 10,050               |
| Law Enforcement Training            | 88                 | 924       | 785           | 227                  |
| Prosecuting Attorney Training       | 72                 | 233       | 208           | 97                   |
| Prosecuting Attorney Bad Check      | 14,737             | 5,435     | 763           | 19,409               |
| Emergency Preparedness              | 22,302             | 10,114    | 10,809        | 21,607               |
| Children's Trust                    | 1,745              | 175       | 0             | 1,920                |
| Prosecuting Attorney Tax Collection | 3,271              | 473       | 0             | 3,744                |
| POST Commission                     | 369                | 500       | 0             | 869                  |
| Circuit Clerk Interest              | 569                | 256       | 570           | 255                  |
| Tri-County Health Center            | 256,610            | 337,269   | 364,969       | 228,910              |
| Emergency Dispatch                  | 146,412            | 188,711   | 180,324       | 154,799              |
| Recorder User Fee                   | 5,532              | 3,474     | 598           | 8,408                |
| Local Law Enforcement Block Grant   | 0                  | 10,053    | 10,053        | 0                    |
| Emergency                           | 0                  | 29,500    | 0             | 29,500               |
| Community Development Block Grant   | 0                  | 89,705    | 80,286        | 9,419                |
| Associate Circuit Division Interest | 590                | 511       | 17            | 1,084                |
| Law Library                         | 655                | 1,332     | 1,176         | 811                  |
| Total                               | \$ 697,189         | 2,986,895 | 2,948,246     | 735,838              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

GENTRY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 79,205          | 881,792   | 848,939       | 112,058              |
| Special Road and Bridge             | 188,659            | 1,033,895 | 1,093,407     | 129,147              |
| Assessment                          | 4,572              | 87,624    | 89,164        | 3,032                |
| Law Enforcement Training            | 2,959              | 1,056     | 3,927         | 88                   |
| Prosecuting Attorney Training       | 130                | 215       | 273           | 72                   |
| Prosecuting Attorney Bad Check      | 10,027             | 5,275     | 565           | 14,737               |
| Emergency Preparedness              | 20,389             | 10,983    | 9,070         | 22,302               |
| Children's Trust                    | 1,490              | 255       | 0             | 1,745                |
| Prosecuting Attorney Tax Collection | 3,300              | 321       | 350           | 3,271                |
| POST Commission                     | 0                  | 369       | 0             | 369                  |
| Circuit Clerk Interest              | 272                | 297       | 0             | 569                  |
| Tri-County Health Center            | 212,639            | 337,733   | 293,762       | 256,610              |
| Emergency Dispatch                  | 119,341            | 194,317   | 167,246       | 146,412              |
| Recorder User Fee                   | 2,176              | 3,356     | 0             | 5,532                |
| Community Development Block Grant   | 2                  | 0         | 2             | 0                    |
| Associate Circuit Division Interest | 1,374              | 735       | 1,519         | 590                  |
| Law Library                         | 50                 | 1,827     | 1,222         | 655                  |
| Total                               | \$ 646,585         | 2,560,050 | 2,509,446     | 697,189              |

## Exhibit B

GENTRY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

| Year Ended December 31,                          |            |         |  |         |         |  |
|--|------------|---------|--|---------|---------|--|
| 1999   |            |         | 1998                                   |         |         |  |
|  | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                                  |            |         |  |         |         |  |
| Property taxes                                   | \$ 261,500 | 271,021 | 9,521                                  | 247,200 | 255,893 | 8,693                                  |
| Sales taxes                                      | 385,000    | 378,988 | (6,012)                                | 375,000 | 387,346 | 12,346                                 |
| Intergovernmental                                | 81,414     | 68,460  | (12,954)                               | 48,600  | 52,592  | 3,992                                  |
| Charges for services                             | 109,900    | 132,809 | 22,909                                 | 121,800 | 105,800 | (16,000)                               |
| Interest   | 11,000     | 12,302  | 1,302                                  | 7,800   | 11,301  | 3,501                                  |
| Other  | 32,135     | 76,341  | 44,206                                 | 28,950  | 38,860  | 9,910                                  |
| Transfers in                                     | 30,000     | 30,000  | 0                                      | 30,000  | 30,000  | 0                                      |
| Total Receipts                                   | 910,949    | 969,921 | 58,972                                 | 859,350 | 881,792 | 22,442                                 |
| <b>DISBURSEMENTS</b>                             |            |         |  |         |         |  |
| County Commission                                | 48,550     | 47,547  | 1,003                                  | 36,400  | 37,275  | (875)                                  |
| County Clerk                                     | 67,700     | 75,290  | (7,590)                                | 61,866  | 61,292  | 574                                    |
| Elections  | 4,400      | 6,571   | (2,171)                                | 23,800  | 18,239  | 5,561                                  |
| Buildings and grounds                            | 67,200     | 40,025  | 27,175                                 | 48,225  | 22,841  | 25,384                                 |
| Employee fringe benefits                         | 61,200     | 64,959  | (3,759)                                | 56,900  | 60,717  | (3,817)                                |
| County Treasurer and Ex Officio County Collector | 42,250     | 41,188  | 1,062                                  | 44,528  | 41,544  | 2,984                                  |
| Circuit Clerk and Ex Officio Recorder of Deeds   | 7,600      | 7,876   | (276)                                  | 6,850   | 7,511   | (661)                                  |
| Associate Circuit and Probate Court              | 9,750      | 5,671   | 4,079                                  | 10,000  | 7,451   | 2,549                                  |
| Court administration                             | 8,700      | 17,549  | (8,849)                                | 11,700  | 6,813   | 4,887                                  |
| Public Administrator                             | 15,288     | 16,009  | (721)                                  | 14,374  | 15,185  | (811)                                  |
| Sheriff  | 137,568    | 128,881 | 8,687                                  | 103,855 | 131,031 | (27,176)                               |
| Jail   | 60,000     | 67,392  | (7,392)                                | 42,500  | 49,906  | (7,406)                                |
| Prosecuting Attorney                             | 52,671     | 53,566  | (895)                                  | 46,248  | 45,415  | 833                                    |
| Juvenile Officer                                 | 15,349     | 12,866  | 2,483                                  | 19,238  | 19,153  | 85                                     |
| County Coroner                                   | 7,515      | 7,349   | 166                                    | 8,425   | 7,274   | 1,151                                  |
| Public health and welfare services               | 7,350      | 6,423   | 927                                    | 6,850   | 6,270   | 580                                    |
| Other  | 110,029    | 119,181 | (9,152)                                | 99,315  | 109,000 | (9,685)                                |
| Transfers out                                    | 230,100    | 211,676 | 18,424                                 | 179,792 | 202,022 | (22,230)                               |
| Emergency Fund                                   | 0          | 0       | 0                                      | 24,625  | 0       | 24,625                                 |
| Total Disbursements                              | 953,220    | 930,019 | 23,201                                 | 845,491 | 848,939 | (3,448)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS              | (42,271)   | 39,902  | 82,173                                 | 13,859  | 32,853  | 18,994                                 |
| CASH, JANUARY 1                                  | 112,058    | 112,058 | 0                                      | 38,669  | 79,205  | 40,536                                 |
| CASH, DECEMBER 31                                | \$ 69,787  | 151,960 | 82,173                                 | 52,528  | 112,058 | 59,530                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

GENTRY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 16,000               | 15,928    | (72)                                   | 16,000    | 15,908    | (92)                                   |
| Intergovernmental                     | 1,083,000               | 1,110,625 | 27,625                                 | 1,089,000 | 978,270   | (110,730)                              |
| Charges for services                  | 0                       | 0         | 0                                      | 1,500     | 0         | (1,500)                                |
| Interest                              | 11,500                  | 8,282     | (3,218)                                | 11,000    | 11,432    | 432                                    |
| Other                                 | 28,000                  | 42,516    | 14,516                                 | 25,000    | 28,285    | 3,285                                  |
| Transfers in                          | 93,200                  | 76,386    | (16,814)                               | 0         | 0         | 0                                      |
| Total Receipts                        | 1,231,700               | 1,253,737 | 22,037                                 | 1,142,500 | 1,033,895 | (108,605)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 179,530                 | 148,282   | 31,248                                 | 135,168   | 138,444   | (3,276)                                |
| Employee fringe benefits              | 10,500                  | 10,523    | (23)                                   | 9,000     | 9,882     | (882)                                  |
| Supplies                              | 9,000                   | 12,626    | (3,626)                                | 6,500     | 8,663     | (2,163)                                |
| Insurance                             | 14,400                  | 15,290    | (890)                                  | 19,750    | 13,698    | 6,052                                  |
| Road and bridge materials             | 311,000                 | 301,589   | 9,411                                  | 275,000   | 251,005   | 23,995                                 |
| Equipment repairs                     | 16,000                  | 21,898    | (5,898)                                | 10,000    | 15,069    | (5,069)                                |
| Equipment purchases                   | 20,000                  | 16,298    | 3,702                                  | 130,000   | 44,674    | 85,326                                 |
| Construction, repair, and maintenance | 704,290                 | 723,702   | (19,412)                               | 550,000   | 576,979   | (26,979)                               |
| Other                                 | 5,700                   | 9,907     | (4,207)                                | 6,950     | 4,993     | 1,957                                  |
| Transfers out                         | 30,000                  | 30,000    | 0                                      | 30,000    | 30,000    | 0                                      |
| Total Disbursements                   | 1,300,420               | 1,290,115 | 10,305                                 | 1,172,368 | 1,093,407 | 78,961                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (68,720)                | (36,378)  | 32,342                                 | (29,868)  | (59,512)  | (29,644)                               |
| CASH, JANUARY 1                       | 129,147                 | 129,147   | 0                                      | 188,659   | 188,659   | 0                                      |
| CASH, DECEMBER 31                     | \$ 60,427               | 92,769    | 32,342                                 | 158,791   | 129,147   | (29,644)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

GENTRY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |        |  |        |         |  |
|-------------------------------------|-----------|--------|--|--------|---------|--|
| 1999                                |           |        |  | 1998   |         |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |         |  |
| Intergovernmental                   | \$ 62,800 | 82,777 | 19,977                                 | 66,745 | 69,348  | 2,603                                  |
| Charges for services                | 1,000     | 655    | (345)                                  | 600    | 2,544   | 1,944                                  |
| Interest                            | 900       | 1,130  | 230                                    | 600    | 881     | 281                                    |
| Other                               | 200       | 10     | (190)                                  | 900    | 59      | (841)                                  |
| Transfers in                        | 15,600    | 0      | (15,600)                               | 14,792 | 14,792  | 0                                      |
| Total Receipts                      | 80,500    | 84,572 | 4,072                                  | 83,637 | 87,624  | 3,987                                  |
| DISBURSEMENTS                       |           |        |  |        |         |  |
| Assessor                            | 80,500    | 77,554 | 2,946                                  | 83,637 | 89,164  | (5,527)                                |
| Total Disbursements                 | 80,500    | 77,554 | 2,946                                  | 83,637 | 89,164  | (5,527)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 7,018  | 7,018                                  | 0      | (1,540) | (1,540)                                |
| CASH, JANUARY 1                     | 3,032     | 3,032  | 0                                      | 4,572  | 4,572   | 0                                      |
| CASH, DECEMBER 31                   | \$ 3,032  | 10,050 | 7,018                                  | 4,572  | 3,032   | (1,540)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

GENTRY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |    |               |        |         |               |         |
|-------------------------------------|----|---------------|--------|---------|---------------|---------|
| 1999                                |    |               | 1998   |         |               |         |
|                                     |    | Variance      |        |         | Variance      |         |
|                                     |    | Favorable     |        |         | Favorable     |         |
|                                     |    | (Unfavorable) |        |         | (Unfavorable) |         |
| Budget                              |    | Actual        | Budget |         | Actual        |         |
| RECEIPTS                            |    |               |        |         |               |         |
| Charges for services                | \$ | 1,000         | 924    | 1,000   | 1,056         | 56      |
| Total Receipts                      |    | 1,000         | 924    | 1,000   | 1,056         | 56      |
| DISBURSEMENTS                       |    |               |        |         |               |         |
| Sheriff                             |    | 1,000         | 785    | 2,000   | 3,927         | (1,927) |
| Total Disbursements                 |    | 1,000         | 785    | 2,000   | 3,927         | (1,927) |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0             | 139    | (1,000) | (2,871)       | (1,871) |
| CASH, JANUARY 1                     |    | 88            | 88     | 2,959   | 2,959         | 0       |
| CASH, DECEMBER 31                   | \$ | 88            | 227    | 1,959   | 88            | (1,871) |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

GENTRY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 0   | 233           | 430    | 215    | (215)         |  |
| Total Receipts                      | 0      | 233           | 430    | 215    | (215)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 0      | 208           | 350    | 273    | 77            |  |
| Total Disbursements                 | 0      | 208           | 350    | 273    | 77            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 25            | 80     | (58)   | (138)         |  |
| CASH, JANUARY 1                     | 72     | 72            | 130    | 130    | 0             |  |
| CASH, DECEMBER 31                   | \$ 72  | 97            | 210    | 72     | (138)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

GENTRY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 5,000                   | 5,435  | 435                                    | 3,700  | 5,275  | 1,575                                  |
| Total Receipts                      |    | 5,000                   | 5,435  | 435                                    | 3,700  | 5,275  | 1,575                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 7,090                   | 763    | 6,327                                  | 1,900  | 565    | 1,335                                  |
| Total Disbursements                 |    | 7,090                   | 763    | 6,327                                  | 1,900  | 565    | 1,335                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (2,090)                 | 4,672  | 6,762                                  | 1,800  | 4,710  | 2,910                                  |
| CASH, JANUARY 1                     |    | 14,737                  | 14,737 | 0                                      | 10,027 | 10,027 | 0                                      |
| CASH, DECEMBER 31                   |    | \$ 12,647               | 19,409 | 6,762                                  | 11,827 | 14,737 | 2,910                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit H

GENTRY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY PREPAREDNESS FUND

|                                     | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|-------------------------|--------|--|---------|--------|--|
|                                     | 1999                    |        |  | 1998    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |        |  |
| Intergovernmental                   | \$ 11,325               | 10,114 | (1,211)                                | 11,180  | 10,983 | (197)                                  |
| Total Receipts                      | 11,325                  | 10,114 | (1,211)                                | 11,180  | 10,983 | (197)                                  |
| DISBURSEMENTS                       |                         |        |  |         |        |  |
| Salaries                            | 6,712                   | 6,579  | 133                                    | 6,420   | 6,604  | (184)                                  |
| Office expenditures                 | 1,068                   | 502    | 566                                    | 1,100   | 917    | 183                                    |
| Equipment                           | 150                     | 81     | 69                                     | 3,000   | 128    | 2,872                                  |
| Mileage and training                | 1,200                   | 952    | 248                                    | 1,200   | 1,057  | 143                                    |
| Other                               | 2,360                   | 2,695  | (335)                                  | 3,710   | 364    | 3,346                                  |
| Total Disbursements                 | 11,490                  | 10,809 | 681                                    | 15,430  | 9,070  | 6,360                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (165)                   | (695)  | (530)                                  | (4,250) | 1,913  | 6,163                                  |
| CASH, JANUARY 1                     | 22,302                  | 22,302 | 0                                      | 20,389  | 20,389 | 0                                      |
| CASH, DECEMBER 31                   | \$ 22,137               | 21,607 | (530)                                  | 16,139  | 22,302 | 6,163                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

GENTRY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILDREN'S TRUST FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 250   | 175    | (75)                                   |
| Total Receipts                      | 250      | 175    | (75)                                   |
| DISBURSEMENTS                       |          |        |  |
| Shelter services                    | 0        | 0      | 0                                      |
| Total Disbursements                 | 0        | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 250      | 175    | (75)                                   |
| CASH, JANUARY 1                     | 1,745    | 1,745  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,995 | 1,920  | (75)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

GENTRY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TAX COLLECTION FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Intergovernmental                   | \$ 500   | 473    | (27)                                   |
| Total Receipts                      | 500      | 473    | (27)                                   |
| DISBURSEMENTS                       |          |        |  |
| Prosecuting Attorney                | 0        | 0      | 0                                      |
| Total Disbursements                 | 0        | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 500      | 473    | (27)                                   |
| CASH, JANUARY 1                     | 3,271    | 3,271  | 0                                      |
| CASH, DECEMBER 31                   | \$ 3,771 | 3,744  | (27)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

GENTRY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
POST COMMISSION FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Intergovernmental                   | \$ 370 | 500    | 130                                    |
| Total Receipts                      | 370    | 500    | 130                                    |
| DISBURSEMENTS                       |        |        |  |
| Sheriff                             | 0      | 0      | 0                                      |
| Total Disbursements                 | 0      | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 370    | 500    | 130                                    |
| CASH, JANUARY 1                     | 369    | 369    | 0                                      |
| CASH, DECEMBER 31                   | \$ 739 | 869    | 130                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

GENTRY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Interest                            | \$ 250 | 256    | 6                                      |
| Total Receipts                      | 250    | 256    | 6                                      |
| DISBURSEMENTS                       |        |        |  |
| Circuit Clerk                       | 0      | 570    | (570)                                  |
| Total Disbursements                 | 0      | 570    | (570)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 250    | (314)  | (564)                                  |
| CASH, JANUARY 1                     | 0      | 569    | 569                                    |
| CASH, DECEMBER 31                   | \$ 250 | 255    | 5                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

GENTRY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 TRI-COUNTY HEALTH CENTER FUND

| Year Ended December 31,             |            |          |  |          |         |  |
|-------------------------------------|------------|----------|--|----------|---------|--|
| 1999                                |            |          | 1998                                   |          |         |  |
|                                     | Budget     | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |          |  |          |         |  |
| Intergovernmental                   | \$ 329,851 | 319,695  | (10,156)                               | 296,338  | 303,215 | 6,877                                  |
| Interest                            | 10,500     | 10,074   | (426)                                  | 10,000   | 10,258  | 258                                    |
| Other                               | 12,500     | 7,500    | (5,000)                                | 20,000   | 24,260  | 4,260                                  |
| Total Receipts                      | 352,851    | 337,269  | (15,582)                               | 326,338  | 337,733 | 11,395                                 |
| DISBURSEMENTS                       |            |          |  |          |         |  |
| Salaries                            | 260,525    | 283,330  | (22,805)                               | 282,550  | 209,413 | 73,137                                 |
| Office expenditures                 | 56,350     | 40,042   | 16,308                                 | 40,200   | 42,617  | (2,417)                                |
| Equipment                           | 15,000     | 10,005   | 4,995                                  | 6,500    | 12,546  | (6,046)                                |
| Mileage and training                | 17,000     | 21,783   | (4,783)                                | 25,000   | 16,699  | 8,301                                  |
| Education                           | 3,000      | 3,364    | (364)                                  | 0        | 0       | 0                                      |
| Other                               | 13,100     | 6,445    | 6,655                                  | 12,100   | 12,487  | (387)                                  |
| Total Disbursements                 | 364,975    | 364,969  | 6                                      | 366,350  | 293,762 | 72,588                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (12,124)   | (27,700) | (15,576)                               | (40,012) | 43,971  | 83,983                                 |
| CASH, JANUARY 1                     | 256,610    | 256,610  | 0                                      | 212,639  | 212,639 | 0                                      |
| CASH, DECEMBER 31                   | \$ 244,486 | 228,910  | (15,576)                               | 172,627  | 256,610 | 83,983                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

GENTRY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY DISPATCH FUND

| Year Ended December 31,             |            |         |  |          |         |  |
|-------------------------------------|------------|---------|--|----------|---------|--|
| 1999                                |            |         | 1998                                   |          |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |         |  |
| Interest                            | \$ 3,400   | 6,347   | 2,947                                  | 500      | 7,046   | 6,546                                  |
| Other                               | 0          | 188     | 188                                    | 0        | 41      | 41                                     |
| Transfers in                        | 187,100    | 182,176 | (4,924)                                | 187,020  | 187,230 | 210                                    |
| Total Receipts                      | 190,500    | 188,711 | (1,789)                                | 187,520  | 194,317 | 6,797                                  |
| DISBURSEMENTS                       |            |         |  |          |         |  |
| Salaries                            | 80,913     | 86,805  | (5,892)                                | 45,000   | 19,594  | 25,406                                 |
| Office expenditures                 | 7,203      | 14,013  | (6,810)                                | 13,250   | 4,836   | 8,414                                  |
| Equipment repairs                   | 1,400      | 1,498   | (98)                                   | 0        | 0       | 0                                      |
| Equipment                           | 49,829     | 22,805  | 27,024                                 | 125,000  | 99,039  | 25,961                                 |
| Mileage and training                | 1,500      | 1,108   | 392                                    | 2,500    | 0       | 2,500                                  |
| Contracted services                 | 44,485     | 54,095  | (9,610)                                | 67,000   | 43,777  | 23,223                                 |
| Total Disbursements                 | 185,330    | 180,324 | 5,006                                  | 252,750  | 167,246 | 85,504                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 5,170      | 8,387   | 3,217                                  | (65,230) | 27,071  | 92,301                                 |
| CASH, JANUARY 1                     | 142,922    | 146,412 | 3,490                                  | 119,071  | 119,341 | 270                                    |
| CASH, DECEMBER 31                   | \$ 148,092 | 154,799 | 6,707                                  | 53,841   | 146,412 | 92,571                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



GENTRY COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Gentry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Tri-County Health Center Board, or the Emergency Dispatch Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Children's Trust Fund                    | 1998                            |
| Prosecuting Attorney Tax Collection Fund | 1998                            |
| POST Commission Fund                     | 1998                            |
| Circuit Clerk Interest Fund              | 1998                            |
| Recorder User Fee Fund                   | 1999 and 1998                   |
| Local Law Enforcement Block Grant Fund   | 1999                            |
| Emergency Fund                           | 1999                            |
| Community Development Block Grant Fund   | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                        | <u>Years Ended December 31,</u> |
|------------------------------------|---------------------------------|
| General Revenue Fund               | 1998                            |
| Assessment Fund                    | 1998                            |
| Law Enforcement Training Fund      | 1998                            |
| Prosecuting Attorney Training Fund | 1999                            |
| Circuit Clerk Interest Fund        | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Children's Trust Fund                    | 1998                            |
| Prosecuting Attorney Tax Collection Fund | 1998                            |
| POST Commission Fund                     | 1998                            |
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Tri-County Health Center Fund            | 1998                            |
| Emergency Dispatch Fund                  | 1999 and 1998                   |
| Recorder User Fee Fund                   | 1999 and 1998                   |
| Local Law Enforcement Block Grant Fund   | 1999                            |
| Emergency Fund                           | 1999                            |
| Community Development Block Grant Fund   | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Law Library Fund                         | 1998                            |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and Emergency Dispatch Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the custodial banks in the county's and Emergency Dispatch Board's names.

Of the Tri-County Health Center Board's bank balance at December 31, 1999, \$100,000 was covered by federal depository insurance and \$151,169 was uninsured and uncollateralized. Of the Tri-County Health Center Board's bank balance at December 31, 1998, \$100,000 was covered by federal depository insurance and \$181,628 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances for the Health Center Board were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

GENTRY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--|--|---|-------------------------|---------|
|  |  |   | Year Ended December 31, |         |
|  |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |         |
| Passed through state Department of Health:                     |  |   |                         |         |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-9137                                     | \$ 48,832               | 41,064  |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT            |  |   |                         |         |
| Passed through state Department of Economic Development:       |  |   |                         |         |
| 14.228   | Community Development Block Grants/State's<br>Program                      | 97PF-10   | 80,286                  | 0       |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |         |
| Direct program:  |  |   |                         |         |
| 16.710   | Public Safety Partnership and Community Policing Grants                    | N/A   | 24,258                  | 6,726   |
| Passed through the state Department of Public Safety:          |  |   |                         |         |
| 16.592   | Local Law Enforcement Block Grants Program                                 | 98-LBG-041                                      | 9,000                   | 0       |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |         |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |         |
| 20.205   | Highway Planning and Construction  | BRO-038(9)                                      | 19,279                  | 460,213 |
|  |  | BRO-038(10)                                     | 587,961                 | 22,692  |
|  | Program Total  |   | 607,240                 | 482,905 |
| GENERAL SERVICES ADMINISTRATION                                |  |   |                         |         |
| Passed through state Office of Administration:                 |  |   |                         |         |
| 39.003   | Donation of Federal Surplus Personal Property                              | N/A   | 2,226                   | 699     |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                            |  |   |                         |         |
| Passed through state Department of Public Safety:              |  |   |                         |         |
| 83.534   | Emergency Management - State and Local Assistance                          | N/A   | 2,944                   | 4,161   |

## Schedule

GENTRY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |         |
| Direct program:                               |  |   |                         |         |
| 93.268  | Immunization Grants                                | N/A   | 1,771                   | 0       |
| Passed through state:                         |  |   |                         |         |
| Department of Health -                        |  |   |                         |         |
| 93.268  | Immunization Grants                                | PG0064-9137IAP                                  | 3,748                   | 6,040   |
|   |  | N/A   | 26,389                  | 24,229  |
|   | Program Total                                      |   | 30,137                  | 30,269  |
| Department of Social Services -               |  |   |                         |         |
| 93.563  | Child Support Enforcement                          | N/A   | 0                       | 581     |
| Department of Health -                        |  |   |                         |         |
| 93.575  | Child Care and Development Block Grant             | ER0146-9137CCH&SCS                              | 465                     | 0       |
|   |  | PG0067-9137                                     | 1,650                   | 430     |
|   | Program Total                                      |   | 2,115                   | 430     |
| 93.991  | Preventive Health and Health Services Block Grant  | AOC9000116                                      | 25,334                  | 27,912  |
|   |  | N/A   | 314                     | 629     |
|   | Program Total                                      |   | 25,648                  | 28,541  |
| 93.994  | Maternal and Child Health Services                 | ER0146-9137MCH                                  | 35,346                  | 32,822  |
|   | Block Grant to the States                          | ER0175-9137FP                                   | 2,829                   | 4,589   |
|   |  | N/A   | 1,571                   | 2,203   |
|   | Program Total                                      |   | 39,746                  | 39,614  |
|   | Total Expenditures of Federal Awards               |   | \$ 874,203              | 634,990 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule



GENTRY COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Gentry County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$26,389 and \$24,229 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$314 and \$629 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,571 and \$2,203 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Gentry County, Missouri

Compliance

We have audited the compliance of Gentry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Gentry County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

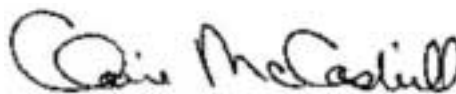
### Internal Control Over Compliance

The management of Gentry County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Gentry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

May 18, 2000 (fieldwork completion date)

Schedule

GENTRY COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes      x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Noncompliance material to the financial statements  
noted? \_\_\_\_\_ yes      x   no

Federal Awards

Internal control over major program:

Material weaknesses identified? \_\_\_\_\_ yes      x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes    \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes    \_\_\_\_\_ no

Identification of major program:

|                   |                                   |
|-------------------|-----------------------------------|
| CFDA or           |                                   |
| Other Identifying |                                   |
| <u>Number</u>     | <u>Program Title</u>              |
| 20.205            | Highway Planning and Construction |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000



Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|              |   |
|--------------|---|
| <b>99-1.</b> | <b>Schedule of Expenditures of Federal Awards</b> |
|--------------|---|

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO-038(9) and BRO-038(10)                  |
| Award Years:          | 1999 and 1998                               |
| Questioned Costs:     | Not applicable                              |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have procedures in place to track federal financial assistance for the preparation of the SEFA. The county's SEFA contained numerous errors and omissions. For example, some 1998 expenditures from the community policing grant were recorded on the 1999 schedule, and some federal bridge project expenditures were omitted from the schedule. In addition, several non-federal grants were erroneously recorded on the schedules.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare complete and accurate schedules of expenditures of federal awards.

## **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*We will do our best to prepare a complete and accurate schedule for the year ending December 31, 2000, and for subsequent years.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

GENTRY COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

GENTRY COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings



GENTRY COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Gentry County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 18, 2000. We also have audited the compliance of Gentry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 18, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our finding arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Gentry County and of its compliance with the types of compliance requirements applicable to its major federal program, but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with

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| <b>1. Federal Bridge Project Credits</b> |
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During 1999, the county completed a federal bridge project in conjunction with the Missouri Department of Transportation (MoDOT). The county obtained additional funding (called soft-match credits) for part of the county's 20 percent share of project costs. The MoDOT reimbursed the county for the \$47,491 of soft-match credits that were used for the project. However, the MoDOT's records indicated \$67,366 of soft-match credits had been paid and applied to the project. As a result, the MoDOT's records indicated that the county's balance of unused credits for future federal bridge projects was \$19,875 less than the actual balance. The error was not detected by the county, because the county has not established procedures to ensure the MoDOT's bridge project credit records are in agreement with the county's records. When we brought the error to the attention of the county, the county contacted the MoDOT which agreed to reinstate the credits.

To ensure all federal bridge project credits are accounted for properly, the county should periodically reconcile its records to the MoDOT's records and investigate any discrepancies.

**WE RECOMMEND** the County Commission periodically reconcile the county's bridge project credit records to the MoDOT's records and investigate any discrepancies.

**AUDITEE'S RESPONSE**

*This will be implemented immediately.*

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| <b>2. Budgetary Practices and Published Financial Statements</b> |
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- A. Formal budgets were not prepared or obtained for various county funds for the years ended December 31, 1999 and 1998.

Chapter 50, RSMo 1994, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission would be more able to effectively evaluate all county financial resources.

Similar conditions were noted in our two prior reports.

- B. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the

published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

- C. The County Treasurer has not established a fund for the deposit of the Sheriff's civil fees pursuant to the provisions of Section 57.280.3, RSMo Cumulative Supp. 1999. These fees are to be held in a fund established by the County Treasurer and may be expended at the discretion of the Sheriff for the furtherance of the Sheriff's duties. Monies in the fund are to be used only for the procurement of services and equipment to support the operation of the Sheriff's office and any funds in excess of fifty thousand dollars in a calendar year, other than regular budget allocations or land sale proceeds, shall be placed in the county general revenue fund.

**WE RECOMMEND:**

- A. The County Commission ensure budgets are prepared or obtained for all county funds.
- B. The County Commission ensure financial information for all county funds is properly reported in the annual published financial statements.
- C. The County Treasurer establish a Sheriff's Civil Fees fund as required by state law, and work with the Sheriff's department to ensure that the proper fees are placed in this fund. In addition, the County Commission should require the Sheriff to submit an annual budget outlining his plans for this fund.

**AUDITEE'S RESPONSE**

*A&B. These will be implemented with the preparation of the budgets for the year ending December 31, 2001, and the published financial statements for the year ending December 31, 2000. Most funds have already been budgeted for the year ending December 31, 2000; however, it appears we will not be able to obtain budgets for the Associate Circuit Division Interest Fund.*

*C. This has already been implemented.*

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| <b>3. Salary Payments, Personnel Policies, and Fringe Benefit Records</b> |
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- A. The county salary commission met on November 14, 1995, and approved the following:

“Salaries shall be adjusted each year on the official's date of incumbency for any change in the last applicable decennial census or any change in the last completed assessment that would affect the maximum allowable compensation for that office.”

In 1998, the county's assessed valuation increased to \$55.3 million, which increased the statutory base rate for the County Assessor's salary. The county has apparently not considered this increase in the base rate when computing the annual salary of the County Assessor, whose date of incumbency is September 1.

The county should review this matter with the Prosecuting Attorney to ensure the County Assessor's compensation complies with the provisions of state law and the salary commission meeting.

- B. The timesheets prepared by the Sheriff's department jailer indicate that he normally worked more than eight hours per day and more than forty hours per week. It appears the jailer was not paid for extra hours worked or given compensatory time off. In addition, another Sheriff's department employee was paid only \$500 in October 1999, while his time sheet indicated he worked 171 hours.

The county is required under the Fair Labor Standards Act (FLSA) to account for and pay overtime or allow compensatory time off at the premium rate for any hours worked over the FLSA limit each month for all non-exempt employees. The county is also required under the FLSA to pay employees at least the minimum wage of \$5.15 per hour. The above noted instances may represent violations of the FLSA and the county should review these matters and, if necessary, consult with the U.S. Department of Labor.

Concerns regarding compliance with FLSA requirements were also noted in our prior report.

- C. County employees participating in the county's cafeteria plan have the option to participate in the medical reimbursement program to cover certain medical expenses not covered by their insurance. Contributions are determined by the employees prior to the beginning of the plan year, and are withheld from their monthly paychecks and deposited in the Medical Reimbursement Fund. Employees submit medical payment documentation to the County Clerk and receive reimbursement from the Medical Reimbursement Fund, up to the amount the employee pledged for the plan year ending February 28.

One employee was reimbursed \$1,500 from the Medical Reimbursement Fund; however, his monthly contributions pledged were not withheld from his paychecks during the year ending February 28, 2000. The county had no procedures in place to reconcile plan contributions pledged to receipts of the fund. The error was not detected by the County Clerk until after the plan year end when it was determined the Medical Reimbursement Fund balance was negative. The county is correcting the error by deducting the contributions from the employee's paychecks during the plan year ending February 28, 2001.

To help ensure medical reimbursement plan contribution errors will be detected and corrected on a timely basis, the County Clerk should reconcile contributions pledged to the receipts of the Medical Reimbursement Fund on a monthly basis.

**WE RECOMMEND:**

- A. The County Commission consult with the Prosecuting Attorney regarding the County Assessor's salary and ensure the salary is set in accordance with state law and the salary commission decisions.
- B. The County Commission review county payroll policies and ensure the county appropriately considers any policy changes needed along with FLSA requirements when handling employee payrolls. This policy review should include obtaining appropriate legal opinions and, if necessary, consultation with the U.S. Department of Labor.
- C. The County Clerk reconcile medical reimbursement plan contributions pledged to the receipts of the Medical Reimbursement Fund on a monthly basis.

**AUDITEE'S RESPONSE**

- A. *We have already discussed this matter with the Prosecuting Attorney and have requested his opinion. We hope to have this matter resolved by the end of this year.*
- B. *We have already met with the Sheriff and Prosecuting Attorney to address these matters and hope to have this resolved by the end of this year.*
- C. *This has already been implemented.*

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| <b>4. Mileage, Fuel, and Vehicle Records</b> |
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- A. Mileage reimbursement requests submitted by the Sheriff's deputies do not always include detailed information about the purpose of the trip and the destination, as required by Section 57.430, RSMo Cumulative Supp. 1999. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the County Commission should require the requests to be adequately detailed, including the purpose and destination of each trip.
- B. A vehicle usage log is not maintained for the Sheriff's county vehicle, and logs maintained for the eight Road and Bridge Department vehicles only indicate total miles driven during the month and total fuel and oil used during the month. Without adequate vehicle usage logs, the county cannot effectively determine that county-owned vehicles are used only for county business nor the reasonableness of the expenditures for fuel and maintenance. The logs should identify the vehicle operator,

dates of use, purpose of the trip, destination, miles driven, and the fuel and maintenance expenses incurred.

- C. The county maintains gasoline and diesel fuel in bulk tanks for use in county vehicles and equipment. Records are maintained to document the amount of fuel pumped into each vehicle and piece of equipment. A Road and Bridge Department employee indicated that he compared fuel usage to miles driven for each vehicle, but documentation of the comparisons was not retained and reviewed by the County Commission. The County Commission should periodically review the comparisons to analyze the effectiveness and cost efficiency of county owned vehicles and ensure the reconciliations are properly retained.

Conditions similar to parts A and B were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Require the Sheriff's deputies to record detailed information as to actual mileage, destinations traveled, and purpose of official county business on mileage reimbursement requests.
- B. Require the Sheriff and Road and Bridge Department to maintain usage logs on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred.
- C. Periodically review comparisons of fuel usage to miles driven for each county vehicle and ensure documentation of the comparisons is properly retained.

**AUDITEE'S RESPONSE**

- A. *We have purchased more vehicles for the Sheriff's department, so there will be few mileage reimbursement requests submitted in the future. We will discuss this matter with the Sheriff and attempt to implement this recommendation immediately.*
- B. *The Sheriff's department has already implemented this recommendation. We will discuss this matter with the Road and Bridge Foreman and implement this recommendation immediately.*
- C. *This will be implemented immediately.*

**5.****General Fixed Asset Records and Procedures**

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. A review of the county's general fixed asset records and procedures determined that additions and deletions of general fixed assets are recorded annually and additions are not reconciled to general fixed asset purchases. In addition, property tags are placed upon fixed asset purchases annually instead of immediately, and annual inventories are not performed.

Property tags should be placed upon general fixed asset items immediately upon receipt, and additions and deletions of general fixed asset items should be recorded as they occur and reconciled to purchases annually, to help improve accountability for general fixed assets, to help ensure that assets are not lost or stolen, and to ensure the general fixed asset records are complete and accurate. Complete and accurate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo Cumulative Supp. 1999, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all general fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

**AUDITEE'S RESPONSE**

*We will attempt to implement this recommendation by January 1, 2001.*

**6.****Township Collectors' Bonds**

The County Clerk calculates the level of bond coverage required for each township collector for each term of office. The County Clerk calculated the required amounts for tax year 1999 based on one-half of December 1998 collections, instead of one-half of tax year 1998 collections as required by state law. Our review noted that the various township collectors' bonds were insufficient by amounts ranging from approximately \$2,000 to \$101,000. In addition, one township collector was allowed to give bond equal to the amount provided during the previous term (\$193,000) which was \$48,547 less than the amount calculated by the County Clerk.

Section 65.460, RSMo 1994, requires a township collector to give bond in a sum for any month equal to the average total monthly collection for the same month during the preceding four years, but not to exceed one-half the largest amount collected during any one year preceding his/her election or appointment, including school taxes. This section also requires the County Commission to examine the bonds of township collectors annually for adequate coverage.

Similar conditions were noted in our two prior reports.

**WE AGAIN RECOMMEND** the County Commission require all township collectors to file bonds in amounts necessary for compliance with state law.

**AUDITEE'S RESPONSE**

*We have recalculated the bond amounts and have notified the township collectors and the bonding companies. We will not turn over the 2000 tax books to the collectors until the proper amount of bonds are obtained.*

**7.****Tri-County Health Center Board**

- A. Accounting and bookkeeping duties are not adequately segregated. A clerk and a bookkeeper share responsibility for receipting and depositing monies and maintaining accounting records, and the bookkeeper prepares bank reconciliations. The clerk's work is reviewed by the bookkeeper. The Health Center Administrator does not review the bank reconciliations and does not document her review of the bookkeeper's work.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a



minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Health Center employees are required to complete time sheets; however, supervisory approval is not documented on the time sheets. In addition, supervisory approval of expense reimbursement claim forms is not always documented.

Employee time sheets and expense reimbursement claim forms should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked, and all expenses claimed for reimbursement are proper and reasonable.

- C. Expense reimbursement claim forms do not always indicate the destination of each trip. Also, since the health center covers a three-county area, employees are domiciled in several different locations; however, the employee's official domicile is not always documented to identify the employee's point of departure.

To ensure expense reimbursement requests are reasonable and represent valid expenditures, the Health Center Board should require the requests to be adequately detailed, including the departure point and destination of each trip.

- D. The health center's agreement with the depository bank does not include a provision for pledging collateral securities, and as a result, collateral securities were not pledged by the Health Center Board's depository bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. At December 31, 1999 and 1998, the board's bank balance exceeded FDIC coverage by \$151,169 and \$181,628, respectively.

Section 110.020, RSMo 1994, requires the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave board funds unsecured and subject to loss in the event of bank failure.

- E. The administrator and all three members of the Health Center Board are authorized to sign checks; however, these individuals are not bonded. In addition, employees responsible for receiving and depositing monies, are not bonded. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the Health Center Board to unnecessary risks.

**WE RECOMMEND** the Tri-County Health Center Board:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

- B. Require documentation of supervisory approval on all time sheets and expense reimbursement claim forms.
- C. Require Health Center employees to document departure points and destinations on expense reimbursement claim forms.
- D. Ensure the bank depository agreement includes a provision to ensure adequate collateral securities are pledged for all deposits in excess of FDIC coverage.
- E. Obtain adequate bond coverage for all persons with access to negotiable assets.

**AUDITEE'S RESPONSE**

*The Health Center Administrator provided the following responses:*

*A-C*

*&E. These recommendations have already been implemented.*

*D. This will be implemented by the middle of September 2000.*

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| <b>8. Emergency Dispatch Board Bonding</b> |
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All officers of the Emergency Dispatch Board are authorized to sign checks; however, only the board treasurer is bonded. In addition, the coordinator, who handles petty cash and is authorized to sign checks, is not bonded. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the Emergency Dispatch Board to unnecessary risks.

**WE RECOMMEND** the Emergency Dispatch Board obtain adequate bond coverage for all persons with access to negotiable assets.

**AUDITEE'S RESPONSE**

*The Emergency Dispatch Coordinator provided the following response:*

*All positions with check-signing authority are now bonded for \$10,000. The board also passed a resolution to restrict the ability to make transfers between bank accounts and withdraw funds.*

This report is intended for the information of the management of Gentry County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## GENTRY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Gentry County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. County Expenditures

- A. Bids were not always solicited nor was bid documentation always retained for various purchases made by the county.
- B. Receipt of goods or services was not always documented on applicable invoices.
- C. Invoices were not always canceled after payment.
- D.1. Mileage reimbursement requests were not always sufficiently detailed.
- 2. Vehicle usage logs were not maintained for county-owned vehicles.
- E. The county did not enter into written agreements for dispatching services, prisoner boarding services, and meal preparation for county prisoners.
- F. The county did not issue IRS Forms 1099-MISC as required.
- G. The county reimbursed excessive meal reimbursement requests, and supporting documentation was not provided for some hotel costs and other expenses.
- H. The County Clerk held Community Development Block Grant (CDBG) funds outside the county treasury.

### Recommendation:

#### The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Ensure all invoices contain an indication of receipt of goods or services.

- C. Ensure all invoices are canceled when goods or services have been paid to prevent reuse or repayment of the invoice.
- D.1. Require the Sheriff's deputies to record detailed information as to actual mileage, destinations traveled, and purpose of official county business on mileage reimbursement requests.
- 2. Maintain usage logs on all county vehicles which would identify the employee the vehicle is assigned to, the dates used, miles driven, destination, and purpose of the trips.
- E. Ensure all agreements entered into by the county are in writing and that the County Commission approves all contracts.
- F. Ensure IRS Forms 1099-MISC are issued as required by the Internal Revenue Code.
- G. Ensure adequate documentation is provided for all hotel costs and other expenses. In addition, the commission should continue to enforce its new policy limiting meal expense amounts that will be reimbursed.
- H. Discontinue the practice of maintaining monies outside the county treasury.

Status:

- A. Partially implemented. Although bids were solicited for most applicable purchases reviewed for the current audit period, our review noted five purchases totaling \$47,378 which were not bid. Although not repeated in the current report, our recommendation remains as stated above.
- B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

C,  
E-H. Implemented.

D.1.  
& 2. Not implemented. See MAR No 4.

2. Budgetary Practices and Published Financial Statements

- A. Budgets were not prepared or obtained for various county funds.
- B. Disbursements exceeded the approved budget amounts for various county funds.

- C. The General Revenue Fund ending cash balances shown in the county budget document and published financial statements were overstated each year.

Recommendation:

The County Commission:

- A. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.
- B. Refrain from incurring disbursements in excess of budgeted amounts. If additional funds are received which could not be estimated when the budget was adopted, the budget should be amended by following the procedures required by law.
- C. Ensure the ending cash balances of the General Revenue Fund are correctly stated on the budget documents and the published financial statements.

Status:

- A. Not implemented. See MAR No. 2.
- B. Not implemented. Disbursements exceeded amounts budgeted for two funds totaling \$778 in 1999 and three funds totaling \$10,902 in 1998. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented.

3. Officials' Salaries

- A. The 1995 Salary Commission minutes did not indicate the amount to be to each official and the Sheriff was underpaid by \$1,700 in 1997.
- B. The county did not have documentation to show the basis used to increase officials' salaries mid-year during 1997, and no legal opinion was obtained to support the actions.
- C. The 1997 Salary Commission minutes did not record the salary to be paid to each official.

Recommendation:

The County Commission consult with the Prosecuting Attorney regarding correcting the erroneous salary payments. In addition, the Salary Commission minutes should include the calculations of salary computations for each official. Future Salary Commission meeting records should always document the calculations and legal opinions for actions taken.

Status:

Implemented. However, the salary of the County Assessor may have been miscalculated. See MAR No. 3.

4. Personnel Policies and Procedures

- A. Time sheets were not prepared by some employees.
- B. Time sheets were not always signed by the employee or the employee's supervisor.
- C. Compensatory time records for Road and Bridge employees were inadequate.
- D. Sheriff's dispatchers were not paid overtime rates when they worked more hours than apparently allowed by the Fair Labor Standards Act (FLSA).

Recommendation:

The County Commission:

- A. Require detailed time sheets from all employees.
- B. Ensure all time sheets have been signed by both the employee and the employee's supervisor.
- C. Ensure adequate leave records are maintained by the County Clerk.
- D. Review county payroll policies and ensure the county appropriately considers any policy changes needed along with FLSA requirements when handling employee payrolls. This policy review should include obtaining appropriate legal opinions and, if necessary, consultation with the U.S. Department of Labor.

Status:

- A-C. Implemented.
- D. Not implemented. See MAR No 3.

5. General Fixed Assets

- A. Annual inventories of general fixed assets were not performed.
- B. Property tags were not placed upon general fixed asset items immediately upon receipt

- C. Additions and deletions of general fixed assets were not recorded in the property records as they occurred, and general fixed asset records were not reconciled to general fixed asset purchases and deletions.

Recommendation:

The County Clerk:

- A. Perform and document annual inventories of general fixed assets in accordance with state law.
- B. Affix property control tags on all fixed assets immediately upon receipt.
- C. Maintain accurate general fixed asset records on a current basis and periodically reconcile these records to general fixed asset purchases and deletions.

Status:

A-C. Not implemented. See MAR No 5.

6. County Treasurer/Ex-Officio Collector's Controls and Procedures

- A. The Ex-Officio Collector (EOC) did not charge interest on late surtax payments received after January 1.
- B. The EOC did not require the bank to pledge adequate collateral for her collector's fund bank account.
- C. The EOC did not correctly apportion railroad and utility tax collections to the various school districts.

Recommendation:

The Treasurer/EOC:

- A. Charge and collect interest and penalties on all delinquent taxes in accordance with state law.
- B. Ensure all funds are covered by a collateral security agreement and that the depository bank pledges adequate securities at all times in accordance with state law.
- C. Consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct the past errors.



Status:

A-C. Implemented.

7. Township Collectors' Bonds

Various township collectors bonds were insufficient by amounts ranging from \$6,000 to \$88,000.

Recommendation:

The County Commission require all township collectors to file bonds in amounts necessary for compliance with state law.

Status:

Not implemented. See MAR No 6.

8. Tri-County Health Center Controls and Procedures

The members of the Health Center Board met three or four times a year. The funds of the health center were handled by Gentry County, and similar weaknesses in the handling of health center funds were noted as with other county operations.

Recommendation:

The Tri-County Health Board meet on a more periodic basis, strengthen internal controls, and ensure compliance with laws and regulations.

Status:

The board met monthly during the current audit period. Effective March 1998, the Tri-County Health Center assumed control over its own bookkeeping. While some improvements were noted, additional improvements are needed. See MAR No. 7.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

GENTRY COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1845, the county of Gentry was named after Richard Gentry, Seminole War general. Gentry is a township-organized, third class county and is part of the Fourth Judicial Circuit. The county seat is Albany.

Gentry County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Gentry County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |               | 1998      |               |
|---------------------------|--------------|---------------|-----------|---------------|
|                           | AMOUNT       | % OF<br>TOTAL | AMOUNT    | % OF<br>TOTAL |
| Property taxes            | \$ 286,949   | 14            | 271,801   | 16            |
| Sales taxes               | 198,523      | 10            | 203,459   | 12            |
| Federal and state aid     | 1,179,085    | 58            | 1,030,862 | 59            |
| Fees, interest, and other | 378,636      | 18            | 225,678   | 13            |
| Total                     | \$ 2,043,193 | 100           | 1,731,800 | 100           |

The following chart shows how Gentry County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |               | 1998      |               |
|---------------------------|--------------|---------------|-----------|---------------|
|                           | AMOUNT       | % OF<br>TOTAL | AMOUNT    | % OF<br>TOTAL |
| General county government | \$ 477,789   | 23            | 408,930   | 23            |
| Public safety             | 270,054      | 13            | 252,779   | 15            |
| Highways and roads        | 1,290,115    | 64            | 1,093,407 | 62            |
| Total                     | \$ 2,037,958 | 100           | 1,755,116 | 100           |

The county maintains approximately 210 county bridges and the townships maintain approximately 590 miles of county roads.

The county's population was 8,060 in 1970 and 6,848 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 34.9                    | 34.3 | 32.1  | 20.1   | 15.8   |
| Personal property      |    | 16.9                    | 16.3 | 7.5   | 5.9    | 5.3    |
| Railroad and utilities |    | 4.6                     | 4.7  | 3.6   | 5.0    | 5.5    |
| Total                  | \$ | 56.4                    | 55.3 | 43.2  | 31.0   | 26.6   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Gentry County's property tax rates per \$100 of assessed valuations were as follows:

|                      |    | Year Ended December 31, |      |
|----------------------|----|-------------------------|------|
|                      |    | 1999                    | 1998 |
| General Revenue Fund | \$ | .50                     | .49  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

|                              |    | Year Ended February 28 (29), |           |
|------------------------------|----|------------------------------|-----------|
|                              |    | 2000                         | 1999      |
| State of Missouri            | \$ | 17,021                       | 16,719    |
| General Revenue Fund         |    | 280,860                      | 270,804   |
| Assessment Fund              |    | 35,326                       | 34,321    |
| Townships and Roads          |    | 525,023                      | 514,158   |
| School districts             |    | 2,239,535                    | 2,197,262 |
| Library district             |    | 90,890                       | 90,032    |
| Ambulance district           |    | 100,868                      | 99,022    |
| Fire districts               |    | 161,964                      | 119,625   |
| Watershed district           |    | 9                            | 9         |
| Cities                       |    | 15,359                       | 16,494    |
| County Clerk                 |    | 1,024                        | 1,048     |
| County Employees' Retirement |    | 16,952                       | 14,832    |
| Commissions and fees:        |    |                              |           |
| General Revenue Fund         |    | 23,363                       | 22,587    |
| Township Collectors          |    | 28,843                       | 28,041    |
| Total                        | \$ | 3,537,037                    | 3,424,954 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28 (29), |      |
|------------------------|------------------------------|------|
|                        | 2000                         | 1999 |
| Real estate            | 93 %                         | 94 % |
| Personal property      | 91                           | 91   |
| Railroad and utilities | 100                          | 100  |

Gentry County also has the following sales taxes; rates are per \$1 of retail sales:

|   | Rate     | Expiration Date | Required Property Tax Reduction |
|---|----------|-----------------|---------------------------------|
| General                                   | \$ 0.005 | None            | None                            |
| Central dispatching of emergency services | 0.005    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Marshall Pile, Presiding Commissioner  | \$     | 17,000 | 11,200 |
| Ronald Peterson, Associate Commissioner                                      |        | 14,450 | 11,200 |
| Kenneth R. Hensley, Associate Commissioner*                                  |        | 11,439 | 0      |
| Ed Butler, Associate Commissioner  |        | 1,806  | 11,200 |
| Ronnie Mercer, County Clerk  |        | 28,500 | 23,788 |
| Ed Manring, Prosecuting Attorney   |        | 33,000 | 26,225 |
| Eugene Lupfer, Sheriff**   |        | 28,900 | 30,600 |
| Marvin D. Combs, County Coroner  |        | 4,675  | 4,675  |
| Judith Pickering, Public Administrator***                                    |        | 14,670 | 14,570 |
| Sue Hopkins, Treasurer and Ex Officio County Collector, year ended March 31, | 26,328 | 26,328 |        |
| Betty Boulting Dykes, County Assessor, year ended August 31, ****            |        | 26,400 | 26,400 |

\* Appointed March 12, 1999 to replace Ed Butler who passed away February 12, 1999.

\*\* The 1998 salary includes \$1,700 to correct an error made in 1997.

\*\*\* Includes fees received from probate cases.

\*\*\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

|   |        |        |
|---|--------|--------|
| John Whitaker, Circuit Clerk and Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Roger E. Combs, Associate Circuit Judge                       | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 0                           | 1        |
| County Clerk*                                  | 2                           | 0        |
| Prosecuting Attorney                           | 1                           | 0        |
| Sheriff*                                       | 7                           | 0        |
| County Coroner                                 | 1                           | 0        |
| Treasurer and Ex Officio County Collector      | 1                           | 0        |
| County Assessor                                | 2                           | 0        |
| Associate Circuit and Probate Division**       | 0                           | 3        |
| EMP Coordinator                                | 1                           | 0        |
| Road and Bridge                                | 8                           | 0        |
| Health Center**                                | 10                          | 0        |
| Emergency Dispatch**                           | 6                           | 0        |
| Total  | <u>39</u>                   | <u>4</u> |

\* Includes one part time employee.

\*\* Includes two part time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Gentry County's share of the Fourth Judicial Circuit's expenses is 15.39 percent.

\* \* \* \* \*



SIXTEENTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1999, 1998, AND 1997

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-81  
August 28, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

The following audit report presents our findings and recommendations for certain municipal divisions of the Sixteenth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

|                               |                    |
|-------------------------------|--------------------|
| <b>City of Blue Springs</b>   | <i>pages 27-30</i> |
| <b>City of Buckner</b>        | <i>pages 30-32</i> |
| <b>City of Grain Valley</b>   | <i>pages 33-34</i> |
| <b>City of Grandview</b>      | <i>pages 34-36</i> |
| <b>City of Greenwood</b>      | <i>pages 36-38</i> |
| <b>City of Independence</b>   | <i>pages 38-40</i> |
| <b>City of Lake Lotawana</b>  | <i>pages 40-41</i> |
| <b>City of Lake Tapawingo</b> | <i>pages 41-43</i> |
| <b>City of Lee's Summit</b>   | <i>pages 43-44</i> |
| <b>City of Lone Jack</b>      | <i>pages 44-46</i> |
| <b>City of Oak Grove</b>      | <i>pages 46-48</i> |
| <b>City of Raytown</b>        | <i>pages 48-49</i> |
| <b>City of Sugar Creek</b>    | <i>pages 50-52</i> |

The city of Kansas City Municipal Division will be reported on separately.

YELLOW SHEET

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge  
and  
Municipal Judges  
Sixteenth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions of the Sixteenth Judicial Circuit as of and for the years ended October 31, 1999 and 1998, September 30, 1999 and 1998, June 30, 1999 and 1998, December 31, 1998 and 1997, and the period July 1, 1998 to September 30, 1999, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four through six, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Sixteenth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Records of restitution collections and disbursements have not been adequately maintained for the city of Grandview Municipal Division. In addition, restitution payments were held in cash until disbursed. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means

as to restitution receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended September 30, 1999 and 1998.

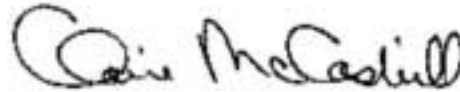
Records accounting for the numerical sequence and ultimate disposition of each traffic ticket and general ordinance summons issued for the city of Lake Tapawingo Municipal Division were not maintained and some of the tickets selected for review could not be located. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines and court costs beyond amounts recorded in the municipal division's records for the years ended June 30, 1999 and 1998.

Records were insufficient to verify the amounts presented as bond receipts and disbursements by the city of Lake Lotawana Municipal Division. Prior to June 1997, bonds posted by defendants were held in cash and not recorded until each case was disposed. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to bond receipts and disbursements beyond amounts recorded in the municipal division's records for the year ended December 31, 1997.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding three paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions of the Sixteenth Judicial Circuit as of and for the years ended October 31, 1999 and 1998, September 30, 1999 and 1998, June 30, 1999 and 1998, December 31, 1998 and 1997, and the period July 1, 1998 to September 30, 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 10, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

November 10, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Birdno, CPA       |
| In-Charge Auditor:  | Lori Bryant            |
| Audit Staff:        | Carrie Leonardo        |
|                     | Elisa King             |
|                     | Casey Henry            |





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
and  
Municipal Judges  
Sixteenth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions of the Sixteenth Judicial Circuit as of and for the years ended October 31, 1999 and 1998, September 30, 1999 and 1998, June 30, 1999 and 1998, December 31, 1998 and 1997, and the period July 1, 1998 to September 30, 1999, and have issued our report thereon dated November 10, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the cities of Grandview, Lake Tapawingo, and Lake Lotawana for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

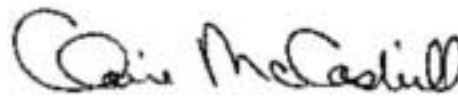
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Sixteenth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

## Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Sixteenth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Sixteenth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

November 10, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Raytown        |                  |
|-------------------------------------|------------------------|------------------|
|                                     | Year Ended October 31, |                  |
|                                     | 1999                   | 1998             |
| RECEIPTS                            |                        |                  |
| Fines, costs, bonds, and other      | \$ 1,523,574           | 1,315,936        |
| Total Receipts                      | <u>1,523,574</u>       | <u>1,315,936</u> |
| DISBURSEMENTS                       |                        |                  |
| City treasury                       | 1,322,861              | 1,142,796        |
| State of Missouri (Note 3)          | 0                      | 0                |
| Refunds and other                   | 194,338                | 169,215          |
| Total Disbursements                 | <u>1,517,199</u>       | <u>1,312,011</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 6,375                  | 3,925            |
| CASH, NOVEMBER 1                    | <u>21,000</u>          | <u>17,075</u>    |
| CASH, OCTOBER 31                    | <u>\$ 27,375</u>       | <u>21,000</u>    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Blue Springs     |                |
|-------------------------------------|--------------------------|----------------|
|                                     | Year Ended September 30, |                |
|                                     | 1999                     | 1998           |
| RECEIPTS                            |                          |                |
| Fines, costs, bonds, and other      | \$ 863,736               | 762,470        |
| Total Receipts                      | <u>863,736</u>           | <u>762,470</u> |
| DISBURSEMENTS                       |                          |                |
| City treasury                       | 648,263                  | 557,619        |
| State of Missouri (Note 3)          | 0                        | 0              |
| Refunds and other                   | <u>219,278</u>           | <u>208,528</u> |
| Total Disbursements                 | <u>867,541</u>           | <u>766,147</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -3,805                   | -3,677         |
| CASH, OCTOBER 1                     | <u>90,088</u>            | <u>93,765</u>  |
| CASH, SEPTEMBER 30                  | <u>\$ 86,283</u>         | <u>90,088</u>  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Grandview        |         |
|-------------------------------------|--------------------------|---------|
|                                     | Year Ended September 30, |         |
|                                     | 1999                     | 1998    |
| RECEIPTS                            |                          |         |
| Fines, costs, bonds, and other      | \$ 809,988               | 917,302 |
| Total Receipts                      | 809,988                  | 917,302 |
| DISBURSEMENTS                       |                          |         |
| City treasury                       | 710,525                  | 821,093 |
| State of Missouri (Note 3)          | 0                        | 0       |
| Refunds and other                   | 89,963                   | 95,223  |
| Total Disbursements                 | 800,488                  | 916,316 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 9,500                    | 986     |
| CASH, OCTOBER 1                     | 32,455                   | 31,469  |
| CASH, SEPTEMBER 30                  | \$ 41,955                | 32,455  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Sugar Creek      |                |
|-------------------------------------|--------------------------|----------------|
|                                     | Year Ended September 30, |                |
|                                     | 1999                     | 1998           |
| RECEIPTS                            |                          |                |
| Fines, costs, bonds, and other      | \$ 143,140               | 143,811        |
| Total Receipts                      | <u>143,140</u>           | <u>143,811</u> |
| DISBURSEMENTS                       |                          |                |
| City treasury                       | 110,480                  | 94,609         |
| State of Missouri (Note 3)          | 0                        | 0              |
| Refunds and other                   | <u>33,110</u>            | <u>48,152</u>  |
| Total Disbursements                 | <u>143,590</u>           | <u>142,761</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -450                     | 1,050          |
| CASH, OCTOBER 1                     | <u>4,000</u>             | <u>2,950</u>   |
| CASH, SEPTEMBER 30                  | <u>\$ 3,550</u>          | <u>4,000</u>   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Buckner (Note 4) |               |
|-------------------------------------|--------------------------|---------------|
|                                     | Period July 1,           |               |
|                                     | 1998 to                  |               |
|                                     | September 30,            | Year Ended    |
|                                     | 1999                     | June 30, 1998 |
| RECEIPTS                            |                          |               |
| Fines, costs, bonds, and other      | \$ 80,078                | 66,862        |
| Total Receipts                      | 80,078                   | 66,862        |
| DISBURSEMENTS                       |                          |               |
| City treasury                       | 80,078                   | 66,862        |
| State of Missouri (Note 3)          | 0                        | 0             |
| Refunds and other                   | 0                        | 0             |
| Total Disbursements                 | 80,078                   | 66,862        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                        | 0             |
| CASH, BEGINNING OF THE PERIOD       | 0                        | 0             |
| CASH, END OF THE PERIOD             | \$ 0                     | 0             |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit D

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Greenwood   |        |
|-------------------------------------|---------------------|--------|
|                                     | Year Ended June 30, |        |
|                                     | 1999                | 1998   |
| RECEIPTS                            |                     |        |
| Fines, costs, bonds, and other      | \$ 100,197          | 74,509 |
| Total Receipts                      | 100,197             | 74,509 |
| DISBURSEMENTS                       |                     |        |
| City treasury                       | 92,884              | 71,212 |
| State of Missouri (Note 3)          | 0                   | 0      |
| Refunds and other                   | 6,702               | 2,499  |
| Total Disbursements                 | 99,586              | 73,711 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 611                 | 798    |
| CASH, JULY 1                        | 1,173               | 375    |
| CASH, JUNE 30                       | \$ 1,784            | 1,173  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Independence |                  |
|-------------------------------------|----------------------|------------------|
|                                     | Year Ended June 30,  |                  |
|                                     | 1999                 | 1998             |
| RECEIPTS                            |                      |                  |
| Fines, costs, bonds, and other      | \$ 3,041,359         | 2,752,489        |
| Total Receipts                      | <u>3,041,359</u>     | <u>2,752,489</u> |
| DISBURSEMENTS                       |                      |                  |
| City treasury                       | 2,780,157            | 2,520,402        |
| State of Missouri (Note 3)          | 0                    | 0                |
| Refunds and other                   | 240,292              | 242,322          |
| Total Disbursements                 | <u>3,020,449</u>     | <u>2,762,724</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 20,910               | -10,235          |
| CASH, JULY 1                        | 102,455              | 112,690          |
| CASH, JUNE 30                       | <u>\$ 123,365</u>    | <u>102,455</u>   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Lake Tapawingo |        |
|-------------------------------------|------------------------|--------|
|                                     | Year Ended June 30,    |        |
|                                     | 1999                   | 1998   |
| RECEIPTS                            |                        |        |
| Fines, costs, bonds, and other      | \$ 16,393              | 28,640 |
| Total Receipts                      | 16,393                 | 28,640 |
| DISBURSEMENTS                       |                        |        |
| City treasury                       | 15,840                 | 27,263 |
| State of Missouri (Note 3)          | 0                      | 0      |
| Refunds and other                   | 1,190                  | 2,198  |
| Total Disbursements                 | 17,030                 | 29,461 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -637                   | -821   |
| CASH, JULY 1                        | 829                    | 1,650  |
| CASH, JUNE 30                       | \$ 192                 | 829    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Lee's Summit<br>Year Ended June 30, |                  |
|-------------------------------------|---|------------------|
|                                     | 1999  | 1998             |
| RECEIPTS                            |   |                  |
| Fines, costs, bonds, and other      | \$ 1,726,274                                | 1,495,091        |
| Total Receipts                      | <u>1,726,274</u>                            | <u>1,495,091</u> |
| DISBURSEMENTS                       |   |                  |
| City treasury                       | 1,397,755                                   | 1,170,133        |
| State of Missouri (Note 3)          | 0   | 0                |
| Refunds and other                   | 331,124                                     | 302,591          |
| Total Disbursements                 | <u>1,728,879</u>                            | <u>1,472,724</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -2,605                                      | 22,367           |
| CASH, JULY 1                        | <u>70,647</u>                               | <u>48,280</u>    |
| CASH, JUNE 30                       | <u>\$ 68,042</u>                            | <u>70,647</u>    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Lone Jack   |         |
|-------------------------------------|---------------------|---------|
|                                     | Year Ended June 30, |         |
|                                     | 1999                | 1998    |
| RECEIPTS                            |                     |         |
| Fines, costs, bonds, and other      | \$ 167,649          | 169,062 |
| Total Receipts                      | 167,649             | 169,062 |
| DISBURSEMENTS                       |                     |         |
| City treasury                       | 150,280             | 150,517 |
| State of Missouri                   | 8,445               | 9,357   |
| Refunds and other                   | 11,973              | 10,014  |
| Total Disbursements                 | 170,698             | 169,888 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -3,049              | -826    |
| CASH, JULY 1                        | 5,434               | 6,260   |
| CASH, JUNE 30                       | \$ 2,385            | 5,434   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Oak Grove   |        |
|-------------------------------------|---------------------|--------|
|                                     | Year Ended June 30, |        |
|                                     | 1999                | 1998   |
| RECEIPTS                            |                     |        |
| Fines, costs, bonds, and other      | \$ 73,696           | 62,639 |
| Total Receipts                      | 73,696              | 62,639 |
| DISBURSEMENTS                       |                     |        |
| City treasury                       | 47,182              | 51,753 |
| State of Missouri (Note 3)          | 0                   | 0      |
| Refunds and other                   | 24,109              | 11,963 |
| Total Disbursements                 | 71,291              | 63,716 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,405               | -1,077 |
| CASH, JULY 1                        | 1,250               | 2,327  |
| CASH, JUNE 30                       | \$ 3,655            | 1,250  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Grain Valley    |         |
|-------------------------------------|-------------------------|---------|
|                                     | Year Ended December 31, |         |
|                                     | 1998                    | 1997    |
| RECEIPTS                            |                         |         |
| Fines, costs, bonds, and other      | \$ 84,703               | 101,916 |
| Total Receipts                      | 84,703                  | 101,916 |
| DISBURSEMENTS                       |                         |         |
| City treasury                       | 65,885                  | 73,566  |
| State of Missouri (Note 3)          | 2,518                   | 0       |
| Refunds and other                   | 19,967                  | 22,629  |
| Total Disbursements                 | 88,370                  | 96,195  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -3,667                  | 5,721   |
| CASH, JANUARY 1                     | 11,987                  | 6,266   |
| CASH, DECEMBER 31                   | \$ 8,320                | 11,987  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Lake Lotawana   |         |
|-------------------------------------|-------------------------|---------|
|                                     | Year Ended December 31, |         |
|                                     | 1998                    | 1997    |
| RECEIPTS                            |                         |         |
| Fines, costs, bonds, and other      | \$ 103,829              | 101,046 |
| Total Receipts                      | 103,829                 | 101,046 |
| DISBURSEMENTS                       |                         |         |
| City treasury                       | 88,561                  | 84,969  |
| State of Missouri (Note 3)          | 0                       | 0       |
| Refunds and other                   | 15,514                  | 9,807   |
| Total Disbursements                 | 104,075                 | 94,776  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -246                    | 6,270   |
| CASH, JANUARY 1                     | 7,112                   | 842     |
| CASH, DECEMBER 31                   | \$ 6,866                | 7,112   |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Notes to the Financial Statements

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Sixteenth Judicial Circuit of the state of Missouri, except for the city of Kansas City Municipal Division. The city of Kansas City Municipal Division is reported on separately. Furthermore, the city of Levasy Municipal Division handled no cases during the audit period and, therefore, is not included in this report.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1999, 1998, and 1997, all bank account balances reported for the municipal divisions of the Sixteenth Judicial Circuit were entirely covered by federal depository insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the judgment for the Motorcycle Safety Trust Fund; and the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Grain Valley (starting February 1998) and the city of Lone Jack. Amounts remitted by the cities to the state are not included in the financial statements.

The municipal divisions of the city of Independence and the city of Lake Tapawingo did not assess the Peace Officer Standards and Training Commission fee.

4. City of Buckner

Bonds posted by defendants for the city of Buckner Municipal Division are deposited directly into the city treasury. The amounts held by the city at year-end could not be determined and, therefore, are not included in the financial statements.

In addition, bonds refunded to defendants could not be determined, and these amounts are not included in the financial statements.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions of the Sixteenth Judicial Circuit as of and for the years ended October 31, 1999 and 1998, September 30, 1999 and 1998, June 30, 1999 and 1998, December 31, 1998 and 1997, and the period July 1, 1998 to September 30, 1999, and have issued our report thereon dated November 10, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the cities of Grandview, Lake Tapawingo, and Lake Lotawana for the applicable fiscal periods.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal divisions' special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |  |
|-----------|--|
| <b>1.</b> | <b>City of Blue Springs Municipal Division</b> |
|-----------|--|

- A. The duties of receiving, recording, depositing and transmitting fine, court cost, and bond monies and disbursing bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted and deposited.
- B. Our review noted the following concerns related to bonds:
  - 1) The Court Clerk indicated monthly listings of open items (liabilities) were prepared; however, documentation is not always maintained. At September 30, 1999, the open items listing totaled \$1,186 more than the balance of bonds in the bond bank account, indicating an apparent shortage. The former Court Clerk had prepared an open items listings as of September 30, 1998, which agreed to the balance in the bond bank account.

Documentation of monthly open-items listings should be retained to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

- 2) Bond forms issued by the police department for the receipt of cash bonds are not prenumbered. To adequately account for bonds and to ensure all bonds are turned over to the municipal division, prenumbered bond forms should be issued for cash bonds received by the police department and the numerical sequence should be accounted for properly.
- 3) The September 30, 1999 open items listing included bond receipts totaling \$7,775 which had been held in excess of one year. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and turned over to the city treasury, as provided by Section 479.210, RSMo 1994. Bonds which cannot be forfeited and remain unclaimed should be turned over to the state's Unclaimed Property Section, as required by state law.

C. When monies are received at the Traffic Violations Bureau (TVB) prior to the city attorney turning over the traffic ticket to the municipal division, they are held without being receipted or transmitted to the city until the traffic ticket is also received. To adequately account for and safeguard receipts and reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued immediately for all monies received and receipts should be transmitted to the city daily or when accumulated receipts exceed \$100.

D. Procedures established to pursue the collection of delinquent accounts and failure to appear cases include issuing warrants; however, the Court Clerk does not always issue the warrants on a timely basis. A warrant is not automatically issued when a defendant does not pay his fine and court costs and is not granted time to pay by the judge. The timing of the issuance of the warrant is left to the discretion of the Court Clerk.

Proper and timely issuance of warrants for amounts due to the court helps to maximize court revenues along with providing equitable treatment for those citizens who are paying fines and court costs when due.

E. Checks and money orders received for the payment of fines and court costs are not restrictively endorsed until transmittals to the city are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- F. Neither the police department nor the municipal division maintains a log to account for general ordinances summons (GOS) assigned and issued and their ultimate disposition. In addition, the police department and Court Clerk issue unnumbered complaint forms.

Without the use of prenumbered forms and a proper accounting for the numerical sequence and disposition of GOS and complaint forms, the police department and the municipal division cannot be assured that all GOS and complaint forms issued were properly submitted to the court. A record of the ultimate disposition of each GOS and complaint form should be maintained to ensure all documents have been accounted for properly.

Conditions similar to A, B.1, B.2, E, and F were also noted in our prior report.

**WE RECOMMEND** the city of Blue Springs Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and transmitting court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals to the city.
- B.1. Retain documentation of monthly listings of open items. In addition, the reason for the apparent \$1,186 shortage should be investigated by reviewing all open bonds on the open items listing. In the event cash is determined to be insufficient to meet bond liabilities, the municipal division will need to review this matter with the city to determine the proper resolution.
2. Request the police department issue prenumbered bond forms for all bond monies received and account for the numerical sequence.
3. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants with unclaimed bonds. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.
- C. Issue prenumbered receipt slips for all monies when received and transmit receipts to the city daily or when accumulated receipts exceed \$100.
- D. Issue warrants in a timely manner to those who fail to comply with the court's orders.
- E. Restrictively endorse all checks and money orders immediately upon receipt.



- F. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all GOS and complaint forms issued.

**AUDITEE'S RESPONSE**

*The Court Clerk provided the following responses:*

- A. *The segregation of duties of receiving, recording, depositing and transmitting fines, court costs and bond monies and disbursing bond monies will be accomplished by October 1, 2000, due to increase in staff to handle these duties.*
- B.1. *We agree that the open items listings need to be reviewed and balanced. We intend for this to be completed by October 31, 2000. The Finance Department of the City of Blue Springs is aware of the differences in this account and that department will assist the court in balancing this account.*
2. *Pre-numbered bond forms have been ordered and will be given to the police department by October 1, 2000.*
3. *Review of cash bonds to be forfeited and remittances to the Unclaimed Property Division will be done by October 1, 2000.*
- C. *Daily deposits of monies received are being made. This procedure was changed in January 2000.*
- D. *Implementation of new procedures is forthcoming with reference to the warrants and handling of cases in which fines and costs are due. The addition of office staff and the new court software will enable the court to track accounts in which monies are due and warrants need to be issued. This should be in full compliance within twelve months.*
- E. *Checks and money orders are now restrictively endorsed immediately upon receipt.*
- F. *The Uniform Complaint and Summons forms (numbers issued by the Missouri State Highway Patrol) will be used for all charges written by the police department and all other departments beginning prior to October 1, 2000.*

|  |
|--|
| <b>2. City of Buckner Municipal Division</b> |
|--|

- A. Bond monies received by the municipal division are deposited into the city's general account. The city of Buckner maintains separate records of the bonds deposited, disbursed, and held in its general account; however, these records are not reconciled to the municipal division's bond ledger. In addition, monthly listings of open items (liabilities) are not prepared. Monthly reconciliations of bonds held in the city's general account to the municipal division's bond ledger and monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.
- B. Prenumbered receipt slips are issued by the Court Clerk for fines and costs; however, the Court Clerk does not account for the numerical sequence of receipt slips issued. Receipt slips are not bound together but are filed according to court date. Further, no other numerical record of receipts is maintained. To adequately account for all receipts, the numerical sequence of receipt slips issued should be accounted for properly.
- C. The following concerns were noted regarding court costs and fees:
  - 1) Crime Victims Compensation (CVC), Law Enforcement Training (LET), and Peace Officer Standards and Training Commission (POSTC) fees are assessed on dismissed cases and are not assessed on non-moving violations. Sections 595.045.1 and 590.140, RSMo Cumulative Supp. 1999, require these fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.
  - 2) The court charges a \$10 fine and \$20 in court costs and fees for each seat belt violation. Section 307.178.4, RSMo Cumulative Supp. 1999, states a fine not to exceed \$10 may be imposed and no court costs shall be imposed on any person for a seat belt law violation.
- D. The municipal division allows defendants to pay fines and court costs over a period of time. The Court Clerk maintains the balance due information on a log; however, periodic listings of total amounts due are not prepared. In addition, a control ledger is not maintained showing the total amount due which can be reconciled to the individual account receivable records. Monthly or periodic listings of total accounts receivable are necessary to facilitate the monitoring of amounts due to the court, to provide information to the Municipal Judge, and to help maximize collections. These listings should be reconciled on a periodic basis to the individual accounts receivable records.
- E. Neither the police department nor the municipal division maintains a log to account for GOS assigned and issued and their ultimate disposition. In addition, the Court Clerk issues unnumbered complaint forms.

Without the use of prenumbered forms and a proper accounting for the numerical sequence and disposition of GOS and complaint forms, the police department and the municipal division cannot be assured that all GOS and complaint forms issued were properly submitted to the court. A record of the ultimate disposition of each GOS and complaint form should be maintained to ensure all documents have been accounted for properly.

Conditions similar to A, C, and E were also noted in our prior report.

**WE RECOMMEND** the city of Buckner Municipal Division:

- A. Prepare monthly listings of open items and reconcile these listings to monies held in trust by the city. In addition, the city's records of bonds received, disbursed, and held in the city of Buckner's general account should be periodically reconciled to the municipal division's bond ledger.
- B. Account for the numerical sequence of all receipt slips issued by the court.
- C. Collect court costs and fees in accordance with state law.
- D. Maintain an accounts receivable control ledger and prepare a periodic listing of accounts receivable and reconcile this information to the individual accounts receivable records. A report of cases with delinquent payments and/or significant balances should be provided to the Municipal Judge regularly for review.
- E. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all GOS and complaint forms issued.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Deputy Court Clerk provided the following responses:*

- A. *Implemented. A separate bank account has been established and an open items listing is being prepared and reconciled to the bank balance.*
- B. *We have ordered and received a supply of bound receipt books. These will be used when the supply of loose receipt slips has been used up which should be by the end of the year, December 31, 2000.*
- C. *We will ensure the proper court costs and fees are assessed.*

D. *We will implement this recommendation by August 31, 2000.*

E. *We will work with the police department to ensure adequate records are maintained. This will be implemented by September 30, 2000.*

|   |
|---|
| <b>3. City of Grain Valley Municipal Division</b> |
|---|

A. During our review of bonds, we noted the following:

- 1) The bond ledger maintained by the municipal division includes only the bond form number, the defendant's name, and amount. When a bond is disbursed, it is simply crossed off. A bond ledger for all cash bonds indicating the date of receipt, the bond receipt number, and date and method of disbursement is necessary to ensure proper accountability over open cases.
- 2) During our reconciliation of the bond receipts ledger to bank deposits, we noted four bonds that had been deposited but were not recorded on the ledger. To adequately account for all receipts, a prenumbered receipt slip should be issued for all bonds received and receipts per the bond receipts ledger should be reconciled to bank deposits.
- 3) The bond forms used by the Grain Valley Police Department are prenumbered; however, for bonds collected for other jurisdictions, the officers use alternate bond forms which are unnumbered. To provide assurance that bond monies are properly recorded, all bond forms should be prenumbered and their numerical sequence accounted for properly.
- 4) The June 28, 1999 open items listing included two bonds totaling \$2,000 which had been held in excess of one year. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and turned over to the city treasury, as provided by Section 479.210, RSMo 1994. Bonds which cannot be forfeited and remain unclaimed should be turned over to the state's Unclaimed Property Section, as required by state law.

B. The Court Clerk maintains logs of traffic tickets and GOS assigned and issued; however, our review of these logs indicated that some tickets were not accounted for properly.

Without a proper accounting of the numerical sequence and disposition of traffic tickets and GOS forms, the police department and the municipal division cannot be assured that

all traffic tickets and GOS forms issued were properly submitted to the court for processing.

- C. CVC fees are not assessed on non-moving violations. Section 595.045.1, RSMo Cumulative Supp. 1999, requires CVC fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

Conditions similar to A.2-4, and B were also noted in our prior report.

**WE RECOMMEND** the city of Grain Valley Municipal Division:

- A.1. Include date of receipt, bond receipt number, and date and method of disbursement in the bond ledger.
- 2. Issue prenumbered receipts slips for bond monies received and reconcile to amounts deposited.
- 3. Request the police department to issue prenumbered bond forms for all bonds received.
- 4. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants with unclaimed bonds. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.
- B. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and GOS forms issued.
- C. Assess CVC fees in accordance with state law.

### **AUDITEE'S RESPONSE**

*The Court Clerk provided the following responses:*

*A.1. This has been implemented. This has been put on the computer.*

*A.2,A.3*

*&C. Implemented.*

*A.4. Implemented. One bond has been returned to the individual and the other has been turned over to the state's Unclaimed Property section.*

- B. *A form has been developed for the police department to account for voided traffic tickets and GOS forms.*

|  |
|--|
| <b>4. City of Grandview Municipal Division</b> |
|--|

- A. Receipt slips issued for restitution payments received by the division are not prenumbered. Restitution payments are also not deposited into a bank account, but are held by the municipal division until disbursed in cash to the appropriate recipient. In addition, while the restitution payments are recorded on the individual computerized case files, the municipal division does not maintain a control ledger showing amounts collected, disbursed, and on hand. Using a bank account for the deposit of restitution monies would provide better accountability over monies received and disbursed and reduce the risk of loss or misuse of these funds. Maintaining a control ledger of restitution payments received, disbursed, and on hand would provide assurance that restitution payments have been accounted for properly and monies held in trust by the municipal division are sufficient to meet liabilities. Failure to adequately monitor restitution payments increases the chances that monies will be lost or misappropriated.
- B. CVC, LET, and POSTC fees are not assessed on parking tickets. Sections 595.045.1 and 590.140 RSMo Cumulative Supp. 1999, requires these fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.
- C. The September 30, 1999 open items listing included bond receipts totaling \$1,215 which had been held in excess of one year. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and turned over to the city treasury, as provided by Section 479.210, RSMo 1994. Bonds which cannot be forfeited and remain unclaimed should be turned over to the state's Unclaimed Property Section, as required by state law.
- D. Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

**WE RECOMMEND** the city of Grandview Municipal Division:

- A. Deposit restitution monies in a bank account and make all disbursements by check. In addition, a record should be maintained of restitution received, disbursed, and on hand.
- B. Assess court costs in accordance with state law.

- C. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants with unclaimed bonds. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.
- D. Restrictively endorse all checks and money orders immediately upon receipt.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. *We concur and are discussing the problem with outside auditors and hope to have adequate procedures and controls in place by December 31, 2000.*
- B. *We concur and this will be implemented effective immediately.*
- C. *This is in process and will be fully implemented by September 30, 2000.*
- D. *Implemented.*

|  |
|--|
| <b>5. City of Greenwood Municipal Division</b> |
|--|

- A. During our review of bonds, we noted the following:
  - 1) The Court Clerk does not maintain a bond ledger. A bond ledger indicating the related case, date and amount of receipt, date and method of disbursement, and ending balances is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.
  - 2) We noted three instances where receipt slips were not issued by the Court Clerk for bond monies received and two other instances where the dollar amount was not included on the receipt slips. In addition, receipts per the bond receipt ledger are not reconciled to bank deposits. To adequately account for all receipts, a prenumbered receipt slip should be issued for all bonds received and receipts recorded in the bond receipt ledger should be reconciled to bank deposits.
  - 3) Bond forms are not prenumbered. While the police department issues prenumbered receipt slips for cash bonds, our review of the receipt book indicates that the receipt slips are not being issued in numerical sequence, and we

noted one instance of a receipt slip which was missing from the book. The police department was unable to provide an explanation for the missing receipt slip. To provide assurance that all bond monies are properly recorded, bond forms should be prenumbered and the numerical sequence of bond forms should be accounted for properly.

- B. Neither the police department nor the municipal division maintains a log to account for traffic tickets and GOS forms issued. The Court Clerk prepares a monthly violations report for traffic tickets and GOS; however, the report includes only the tickets and GOS forms that are handled through the municipal division.

Without a proper accounting of the numerical sequence and ultimate disposition of all traffic tickets and GOS forms, the police department and the municipal division cannot be assured that all traffic tickets and GOS forms issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket and GOS form should be maintained to ensure all documents have been accounted for properly.

- C. The municipal division assesses an additional \$1 in court costs per case for the Eastern Jackson County Youth Court. While the fee is allowed under city ordinance, we could find no statutory authority for this additional fee.
- D. The court does not file with the city a monthly report of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

**WE RECOMMEND** the city of Greenwood Municipal Division:

- A.1. Maintain a bond ledger.
  - 2. Issue prenumbered receipts slips for bond monies received and reconcile to amounts deposited.
  - 3. Request the police department to issue prenumbered bond forms for all bonds received and to account for the numerical sequence of receipt slips issued.
- B. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and GOS forms issued.
- C. Stop assessing the additional \$1 fee for the youth court.



- D. Prepare monthly reports of court actions and file these with the city in accordance with state law.

**AUDITEE'S RESPONSE**

*The Court Clerk provided the following responses:*

A.1,A.2,  
A.3,  
B&C. Implemented.

D. This will be done effective July 31, 2000.

|   |
|---|
| <b>6. City of Independence Municipal Division</b> |
|---|

- A. As of July 1999, the municipal division's receivable listing indicated a total of \$846,179 owed to the municipal division. The municipal division has issued warrants for the cases where the defendant has failed to make payment and has not been granted time to pay. However, procedures to collect monies due the municipal division on delinquent accounts receivable are not adequate.

The municipal division should work with the police department to institute procedures to improve the collection of amounts owed the division, such as requiring the defendant to appear in court to justify reasons for non-payment, the issuance and serving of arrest warrants for those defendants who fail to appear, and writing off those accounts which are deemed to be uncollectible, after review and approval by the Municipal Judge.

- B. The following concerns were noted regarding court costs and fees:
- 1) POSTC fees were not assessed or collected in accordance with state law. Section 590.140.1, RSMo Cumulative Supp. 1999, requires this fee to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.
  - 2) CVC, and LET fees are not assessed on parking and improper registration tickets. Sections 595.045.1 and 590.140 RSMo Cumulative Supp. 1999, requires CVC and LET fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

- C. Neither the police department nor the municipal division accounts for the numerical sequence or ultimate disposition of all traffic tickets, GOS, animal control tickets, fire lane tickets or complaints issued. The police department maintains records accounting for tickets and forms assigned and issued; however, the police department does not always record the disposition of voided or lost tickets and forms not returned by officers.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, GOS forms, animal control tickets, fire lane tickets, and complaints, the police department and the municipal division cannot be assured that all tickets and forms issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket, GOS form, animal control ticket, fire lane ticket, and complaint should be maintained to ensure all documents have been accounted for properly.

A similar condition was also noted in our prior report.

- D. The municipal division accepts cash, checks, and money orders for the payment of fines and court costs. The municipal division issues computerized cash register receipts slips for all monies collected. This information is downloaded into the court's computer system every night. Payments received are also manually posted to the individual case files. However in both instances, the receipt slip number is not posted, only the date paid and the amount are noted.

In addition, the manual check numbers for bonds applied or refunded are not posted to the individual case files or to the computer system, only the date paid out. The posting of receipt slip and bond check numbers to the individual case files and computer records is necessary to provide adequate supporting documentation and a proper audit trail.

**WE RECOMMEND** the city of Independence Municipal Division:

- A. Establish procedures to maximize the collection of fines and court costs owed the municipal division.
- B. Collect court costs and fees in accordance with state law.
- C. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets, GOS forms, animal control tickets, fire lane tickets, and complaints issued.
- D. Post the receipt slip number and bond check numbers to the individual case files and to the computer system.

**AUDITEE'S RESPONSE**

*The Presiding Municipal Judge and Court Clerk provided the following responses:*

- A. *The number quoted represents outstanding amounts due from 1983-1999. Our actual collection percentage has averaged approximately 90 percent and up.*

*The city manager and police department are currently working on establishing procedures for serving warrants issued for non-payment of fines and court costs owed to the municipal division.*

- B. *We agree and this will be implemented August 1, 2000.*

- C. *The city's Technology Services Department is working on a computer program to generate printouts of missing ticket numbers and the police department will be following up on these to determine the status of these tickets. This will be implemented September 1, 2000.*

- D. *The Technology Services Department is currently rewriting computer programs to allow this information to be input. Implementation is expected by February 1, 2001.*

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| <b>7. City of Lake Lotawana Municipal Division</b> |
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- A. Receipts are not deposited into the city treasury on a timely basis. The Court Clerk holds monies until after court is held for the month. In addition, monies received are not recorded or deposited if a payment is received at the TVB prior to the city attorney turning over the traffic ticket to the municipal division. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be recorded immediately upon receipt and deposits into the city treasury should be made daily or when accumulated receipts exceed \$100.

- B. Our review noted the following concerns related to bonds:

- 1) Instead of a bond ledger, the Court Clerk prepares reports titled "Listings of Bonds in Trust Paid Out" for cash bonds received. When a bond is disposed of, the Court Clerk marks through it on the listing. However, the clerk does not indicate the related case or the date of disbursement. This information is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.
- 2) The police department issues prenumbered bond forms for bonds and the details of these bonds are also recorded on a bond log. However, a scan of this log indicated there were numerous bond form numbers that were not recorded on

the log. In addition, the Court Clerk uses unnumbered bond forms for the bonds received at the court. To adequately account for bond monies and to ensure all bonds are turned over to the municipal division, prenumbered bond forms should be issued for all cash bonds received and the numerical sequence should be accounted for properly.

- C. Neither the police department nor the municipal division maintains a log to account for GOS assigned and issued and their ultimate disposition.

Without a proper accounting of the numerical sequence and ultimate disposition of GOS forms, the police department and the municipal division cannot be assured that all GOS forms were properly submitted to the court. A record of the ultimate disposition of each GOS form should be maintained to ensure all documents have been accounted for properly.

Conditions similar to A and B.2 were also noted in our prior report.

**WE RECOMMEND** the city of Lake Lotawana Municipal Division:

- A. Issue prenumbered receipt slips for all monies when received and deposit receipts in the city treasury intact daily or when accumulated receipts exceed \$100.
- B.1. Include the related case and date of disbursement on the "Listings of Bonds in Trust Paid Out."
- 2. Work with the police department to ensure the numerical sequence of bond forms is accounted for properly. In addition, prenumbered bond forms should be issued for the bonds posted with the Court Clerk.
- C. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all GOS forms assigned and issued.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

A&

B.1. *Implemented.*

B.2. *This will be discussed with the Police Chief by July 31, 2000. Prenumbered bond forms are now being issued by the Court Clerk.*

C. *This will be discussed with the Police Chief by July 31, 2000.*

**8.**

**City of Lake Tapawingo Municipal Division**

- A. The duties of receiving, recording, and depositing fine, court cost, and bond monies and disbursing bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.
- B. The following concerns were noted regarding court costs and fees:
  - 1) POSTC fees were not assessed or collected by the municipal division. Section 590.140.1, RSMo Cumulative Supp. 1999, requires this fee be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.
  - 2) CVC and LET fees are not assessed on nonmoving violations. Sections 595.045.1 and 590.140 RSMo Cumulative Supp. 1999, require CVC and LET fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.
- C. Bond monies received by the municipal division are deposited into the city's general account. The city of Lake Tapawingo does not maintain separate records of the bonds deposited, disbursed, and held in its general account. In addition, monthly listings of open items (liabilities) are not prepared. Adequate bond records and monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.
- D. Neither the police department nor the municipal division accounts for the numerical sequence or ultimate disposition of all traffic tickets and GOS issued. In addition, three of the sixty traffic tickets or GOS forms selected for testing could not be provided by the police department or the municipal division for our review.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets and GOS forms, the police department and the municipal division cannot be assured that all tickets and forms issued are properly submitted to the court. A record

of the ultimate disposition of each traffic ticket and GOS form should be maintained to ensure all documents have been accounted for properly.

- E. The municipal division does not file a monthly report of all cases heard in court with the city. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

Conditions A and D were also noted in our prior report.

**WE RECOMMEND** the city of Lake Tapawingo Municipal Division:

- A. Establish a documented review of municipal division records by an independent person.
- B. Collect court costs and fees in accordance with state law.
- C. Prepare monthly listings of open items and reconcile these listings to monies held in trust by the city. In addition, separate records should be maintained of bonds received, disbursed, and held in the city of Lake Tapawingo's general account.
- D. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and GOS forms issued.
- E. Prepare monthly reports of court actions and file these with the city in accordance with state law.

**AUDITEE'S RESPONSE**

*The Court Clerk provided the following responses:*

*A,B,  
D&E. Implemented.*

*C. We will discuss with the city the need to maintain records of bonds held by the city.*

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| <b>9. City of Lee's Summit Municipal Division</b> |
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- A. Monies received are not always receipted or transmitted to the city if a payment is received at the TVB prior to the police department or city attorney turning over the traffic ticket to the municipal division. For example, we noted monies received on August 2,

1999, which were not receipted or transmitted to the city until August 9, 1999. To adequately account for and safeguard receipts and reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt and receipts should be transmitted to the city daily or when accumulated receipts exceed \$100.

- B. Neither the police department nor the municipal division maintains a log to account for general ordinance complaints (GOC) and animal control tickets issued and their ultimate disposition.

Without a proper accounting of the numerical sequence and ultimate disposition of all GOC forms and animal control tickets, the police department and the municipal division cannot be assured that all GOC forms and animal control tickets issued were properly submitted to the court. A record of the ultimate disposition of each GOC form and animal control ticket should be maintained to ensure all documents have been accounted for properly.

A similar condition was also noted in our prior report.

- C. The June 30, 1999 open items listing included bond receipts totaling \$3,750 which had been held in excess of one year. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and turned over to the city treasury, as provided by Section 479.210, RSMo 1994. Bonds which cannot be forfeited and remain unclaimed should be turned over to the state's Unclaimed Property Section, as required by state law.

**WE RECOMMEND** the city of Lee's Summit Municipal Division:

- A. Issue prenumbered receipt slips for all monies when received and transmit receipts to the city daily or when accumulated receipts exceed \$100.
- B. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all GOC forms and animal control tickets issued.
- C. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants with unclaimed bonds. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.

**AUDITEE'S RESPONSE**

*The Court Administrator provided the following responses:*

- A. *We concur. We will issue manual receipt slips for payments on tickets not yet turned over by the police department or city attorney.*
- B. *Implemented.*
- C. *We concur. A review of the bond open items listing will be done annually between November 1 and November 30 each year.*

**10.**

**City of Lone Jack Municipal Division**

- A. The duties of receiving, recording, and depositing fine, court cost, and bond monies and disbursing bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited. In addition, there should be a documented review of the bank reconciliations.

- B. Our review noted the following concerns related to bonds:

- 1) Monthly listings of open items (liabilities) are not prepared and reconciled to the available cash balance. The Court Clerk prepared an open items listing as of July 20, 1999. The balance in the municipal division's bond account exceeded the open items listing by \$1,058. An attempt should be made to determine the proper disposition of these excess monies. Monies which remain unclaimed should be turned over to the state's Unclaimed Property Section, as required by state law.

Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

- 2) The Court Clerk maintains a bond ledger only for bonds collected for and distributed to outside agencies. A bond ledger for all cash bonds indicating the related case, date and amount of receipt, date of disbursement, and ending balance is necessary to ensure proper accountability over open cases.



- 3) Bond forms used by the police department are prenumbered; however, the numerical sequence is not accounted for by either the police department or the court. In addition, the Court Clerk does not issue receipt slips to the police department when cash bonds are transmitted to the municipal division.

To ensure all bonds are turned over to the municipal division, the numerical sequence of bond forms should be accounted for properly. Further, to fully account for all monies received, prenumbered receipt slips should be issued for all monies received by the municipal division, including bonds collected and transmitted by the police department.

- C. Neither the police department nor the municipal division maintains a log to account for GOS assigned and issued and their ultimate disposition.

In addition, two separate logs of traffic tickets issued are maintained by the Court Clerk. The first log lists traffic tickets by ticket number and includes date issued, court date, and officer. The second log lists traffic tickets by court date and includes the defendant's name, the offense, and the ultimate disposition of each ticket. However for the fifty-five tickets tested, four were not included in the first log, the ultimate disposition of ten tickets was not included on the second log, and no information could be found on the second log for another four tickets.

Without a proper accounting of the numerical sequence and disposition of GOS forms and traffic tickets, the police department and the municipal division cannot be assured that all GOS forms and traffic tickets issued were properly submitted to the court. A record of the ultimate disposition of each GOS form and traffic ticket should be maintained to ensure all documents have been accounted for properly.

Similar conditions were also noted in our prior report.

**WE AGAIN RECOMMEND** the city of Lone Jack Municipal Division:

- A. Establish a documented review of municipal division records by an independent person.
- B.1. Prepare monthly listings of open items and reconcile the listing to monies held in trust by the court. The municipal division should attempt to identify to whom the \$1,058 belongs and disburse the funds appropriately. If this cannot be determined, the excess monies should be turned over to the state's Unclaimed Property Section in accordance with state law.
2. Maintain a complete bond ledger for all bonds received.

3. Work with the police department to ensure the numerical sequence of bond forms is accounted for properly. In addition, the court should issue prenumbered receipt slips to the police department when bonds are transmitted to the municipal division.
- C. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all GOS forms assigned and issued. In addition, the Court Clerk should maintain one comprehensive traffic ticket log.

**AUDITEE'S RESPONSE**

A,B,

&C. *The Court Clerk indicated that these recommendations will be implemented by December 31, 2000.*

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| <b>11. City of Oak Grove Municipal Division</b> |
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- A. The duties of receiving, recording, and depositing fine, court cost, and bond monies and disbursing bond monies collected by the municipal division are not adequately segregated. Currently, the Deputy Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.
- B. The Jackson County Sheriff's department writes tickets and collects money from defendants for bonds related to municipal ordinance violations for the city of Oak Grove. The Court Clerk does not issue receipt slips to the Sheriff's department when cash bonds are transmitted to the court. To ensure all cash bonds are accounted for properly, prenumbered receipt slips should be issued for all cash bonds received, and the receipt slips issued should be reconciled to bank deposits.
- C. Prenumbered receipts slips are issued by the municipal division for all monies collected for fines and court costs. The issuance of the receipt slip automatically posts the receipt to the receipts, or cash control, ledger. Payments received are also posted to the individual case files. However, the receipt slip number is not posted to the case file, only the date paid and the amount are noted. The posting of the receipt slip number to the individual case file is necessary to provide adequate supporting documentation and to provide a proper audit trail.

- D. Neither the Sheriff's department nor the municipal division accounts for the numerical sequences of traffic tickets and GOS issued. The Sheriff's department maintains records accounting for tickets and forms assigned and issued; however, the Sheriff's department does not always record the disposition of voided or lost tickets and forms not returned by officers.

Without a proper accounting of the numerical sequence and disposition of traffic tickets and GOS forms, the Sheriff's department and the municipal division cannot be assured that all tickets and forms issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket and GOS form should be maintained to ensure all documents have been accounted for properly.

- E. We noted the following concerns related to the municipal division's TVB:
- 1) Although the municipal division operates a TVB, a court order has not been issued to formally establish the TVB. Supreme Court Rule No. 37.49 requires the municipal judge to establish the TVB by court order.
  - 2) The fine and cost schedule did not reflect amounts currently being assessed and collected. To ensure fines and costs are properly assessed and collected, the municipal division's schedule should be updated each time fines or court costs are changed.

Conditions similar to A, B, D and E.1 were also noted in our prior report.

**WE RECOMMEND** the city of Oak Grove Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and transmitting court monies. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.
- B. Issue prenumbered receipt slips to the Sheriff's department for all cash bonds received and reconcile receipt slips issued to bank deposits.
- C. Post the receipt slip number to the individual case files.
- D. Work with the Sheriff's department to account for the numerical sequence and ultimate disposition of all traffic tickets and GOS forms issued.
- E.1. Prepare a court order authorizing the establishment of a TVB.
  2. Update the fines and costs schedule in accordance with state law.

## **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. This will be implemented immediately. The city finance director will perform an independent review.*
- B. The city no longer uses the Jackson County Sheriff's department and now has established its own police department. Prenumbered receipt slips are issued for all cash bonds received.*

*C&E. Implemented.*

- D. We have started maintaining a log and will add the necessary information to implement this recommendation by September 30, 2000.*

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| <b>12. City of Raytown Municipal Division</b> |
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- A. Monies received are not always receipted or transmitted to the city if a payment is received at the TVB prior to the police department or city attorney turning over the traffic ticket to the municipal division. To adequately account for and safeguard receipts and reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt and receipts should be transmitted to the city daily or when accumulated receipts exceed \$100.
- B. Neither the police department nor the municipal division accounts for the numerical sequence or ultimate disposition of all traffic tickets and GOS issued. In addition, the city's prosecuting attorney and the code enforcement department issue unnumbered complaint forms. The code enforcement department also issues unnumbered animal control tickets.

Without the use of prenumbered forms and a proper accounting of the numerical sequence and ultimate disposition of all traffic tickets, GOS forms, complaints, and animal control tickets, the police department, the code enforcement department, the prosecuting attorney, and the municipal division cannot be assured that all documents issued were properly submitted to the court. A record of the ultimate disposition of each traffic ticket, GOS form, complaint form, and animal control ticket should be maintained to ensure all documents have been accounted for properly.

- C. The Prosecuting Attorney does not initial or sign tickets to document his approval of an amendment or non-prosecution. To ensure proper disposition, the Prosecuting Attorney should initial or sign all tickets.

Conditions similar to A and B were also noted in our prior report.

**WE RECOMMEND** the city of Raytown Municipal Division:

- A. Issue prenumbered receipt slips for all monies when received and transmit receipts to the city daily or when accumulated receipts exceed \$100.
- B. Work with the police department and code enforcement department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets, GOS forms, animal control tickets, and complaint forms issued.
- C. Require the Prosecuting Attorney's initial or signature on all tickets.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. *If payments cannot be immediately entered on the computer system, the monies will be recorded on a log. This procedure will be effective immediately.*
- B. *This will be discussed immediately with the City Administrator and the police chief.*
- C. *This will be discussed immediately with the City Administrator.*

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| <b>13.</b> | <b>City of Sugar Creek Municipal Division</b> |
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- A. During our review of receipts, we noted the following:
  - 1) We noted numerous instances where receipt slips were not issued for fines, court costs, and bonds received at times other than during court. In addition, receipts according to the receipts ledger are not reconciled to the transmittals to the city and bank deposits. To adequately account for all receipts, a prenumbered receipt slip should be issued for all monies received and receipts according to the receipts ledger should be reconciled to transmittals to the city and bank deposits.

- 2) The court allows partial payments for fines and court costs. Partial payments are not transmitted until the case's scheduled court date. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, partial payments should be transmitted to the city when received.
  - 3) Checks and money orders received for the payment of fines and court costs are not restrictively endorsed until after they are transmitted to the city. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
  - 4) Prenumbered receipts slips are issued by the municipal division for all monies collected. The issuance of the receipt slip automatically posts the receipt to the receipts, or cash control, ledger. Payments received are also posted to the individual case files. However, the receipt slip number is not posted to the case file, only the date paid and the amount are noted. The posting of the receipt slip number to the individual case file is necessary to provide adequate supporting documentation and to provide a proper audit trail.
- B. The police officers collect fines, court costs, and bonds for the municipal division when the Court Clerk is not on duty. The police officers are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to risk of loss.
- C. The following concerns were noted regarding court costs and fees:
- 1) CVC, LET, and POSTC fees are assessed on dismissed cases and are not assessed on non-moving violations. Sections 595.045.1 and 590.140, RSMo Cumulative Supp. 1999, require these fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.
  - 2) When CVC, LET, and POSTC fees are assessed on moving violations, court costs excluding CVC, LET, and POSTC fees are assessed at \$10. For nonmoving violations when CVC, LET, and POSTC fees are not assessed, court costs are assessed at \$12. Thus, court costs have not been applied consistently. Section 479.260, RSMo requires court cost to be established at an amount not to exceed \$12 per case to be charged on all municipal ordinance violations.
- D. Complaint forms received by the court for processing are not numbered until the Court Clerk assigns a number and enters them on her log of complaint forms received. Without the use of prenumbered forms and a proper accounting of the numerical sequence and ultimate disposition of all complaint forms, the police department and the municipal

division cannot be assured that all complaint forms issued are properly submitted to the court for processing.

Conditions similar to A.2, A.3, and C.1 were also noted in our prior report.

**WE RECOMMEND** the city of Sugar Creek Municipal Division:

- A.1. Issue prenumbered receipts slips for monies received and reconcile to amounts transmitted and deposited.
- 2. Transmit partial payment receipts to the city when received.
- 3. Restrictively endorse all checks and money orders immediately upon receipt.
- 4. Post the receipt slip number to the individual case files.
- B. Request the city obtain bond coverage for all persons handling municipal division monies.
- C. Collect court costs and fees in accordance with state law.
- D. Issue prenumbered complaint forms.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

*A.1-4,*

*C&D. Implemented.*

*B. We will discuss with the city the obtaining of a blanket bond for all persons handling monies. This should be implemented September 1, 2000.*

This report is intended for the information of the management of the various municipal divisions of the Sixteenth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations



SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Sixteenth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1994 and 1993. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Blue Springs Municipal Division

- A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions.
- B.
  - 1) The Court Clerk did not issue prenumbered receipt slips for restitution monies.
  - 2) Checks received for the payment of fines and court costs were not restrictively endorsed until after they were transmitted to the city.
- C.
  - 1) Bond forms issued by the police department for the receipt of cash bonds were not prenumbered.
  - 2) Bond dispositions were not always recorded in the bond ledger on a timely basis.
- D. Unclaimed bonds were not turned over to the state's Unclaimed Property Section. The court did not have adequate follow-up procedures for old outstanding checks.
- E. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of general ordinance summonses issued.
- F. The TVB accepted payments for offenses which were not on the list of offenses approved by the Municipal Judge for the TVB to accept payment.

Recommendations:

The city of Blue Springs Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and transmitting court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals to the city.

- B.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.
- 2. Restrictively endorse all checks immediately upon receipt.
- C.1. Request the police department issue prenumbered bond forms for all bond monies received and account for the numerical sequence.
- 2. Record all bond activity in the bond ledger on a timely basis.
- D. Investigate outstanding bond refund checks and take proper follow-up action. Any bond monies remaining unclaimed should be forwarded to the state's Unclaimed Property Section in accordance with state law. Procedures should also be established to routinely investigate bonds remaining on hand for an extended period of time.
- E. Issue prenumbered complaint forms and work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons and complaint form issued.
- F. Comply with the Municipal Judge's order and accept payment only for offenses listed on the TVB schedule.

Status:

B.1,  
C.2,  
& F. Implemented.

A, B.2,  
C.1, D,  
& E. Not implemented. See MAR No. 1.

2. City of Buckner Municipal Division

- A. Monthly listings of open items were not prepared for bonds held in trust by the city.
- B. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of summonses issued. In addition, complaint forms issued by the court were not prenumbered.
- C. Several instances were noted where court costs were charged on dismissed cases and on cases involving nonmoving traffic violations.

Recommendations:

The city of Buckner Municipal Division:

- A. Prepare monthly listings of open items and reconcile the listings to monies held in trust by the city.
- B. Issue prenumbered complaint forms and work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons issued.
- C. Collect the \$5 CVC, the \$2 LET, the \$1 POSTC fees in accordance with state law.

Status:

Not implemented. See MAR No. 2.

3. City of Grain Valley Municipal Division

- A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions.
- B.
  - 1) The composition of receipt slips issued was not reconciled to the composition of bank deposits. Deposit slips were not always itemized and deposits were not indicated on the one-write receipt ledger used by the court clerk.
  - 2) Prenumbered receipt slips were not issued for some court monies received.
- C. Restitution payments received by the division were not always deposited into a bank account.
- D.
  - 1) Bond forms issued by the police department for the receipt of cash bonds were not prenumbered and the Court Clerk did not issue the police department a receipt slip for bond monies turned over to the division.
  - 2) Bond forms were not always issued for bonds received by the division or the police department.
  - 3) A monthly listing of open items was not prepared for cash bonds.
  - 4) The bond ledger maintained by the municipal division was not complete.
  - 5) The court did not have adequate follow-up procedures for old outstanding checks.

- E. The city did not remit the state's portion of CVC fees to the state Department of Revenue on a monthly basis.
- F. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of all summonses issued.
- G. The division did not charge the Independent Living Center (ILC) Fund fee on drug-related offenses and intoxication-related traffic offenses.
- H. Division personnel were unable to locate the case files for six cases.
- I. Cases were not always recorded on the court docket.

Recommendations:

The city of Grain Valley Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits.
- B.1. Reconcile total cash, checks and money orders received to bank deposits. In addition, deposit slips should be itemized or the one-write ledger marked to indicate deposits.
  - 2. Issue prenumbered receipt slips for all monies received and properly account for the numerical sequence.
- C. Issue a receipt slip for all restitution payments received. In addition, all restitution payments should be deposited into a bank account. Subsequent disbursement of restitutions should be made by check.
- D.1.
  - & 2. Require prenumbered receipt slips or bond forms be issued for all bond monies received by the police department and the division and account for the numerical sequence.
  - 3. Prepare monthly listings of open items and reconcile the listings to monies held in the bond bank account.
  - 4. Account for all bonds received in the bond ledger.
  - 5. Investigate outstanding bond refund checks and take proper follow-up action. Any bond monies remaining unclaimed should be forwarded to the state's Unclaimed Property

Section in accordance with state law. Procedures should also be established to routinely investigate bonds remaining on hand for an extended period of time.

- E. Request the city pay CVC fees to the state monthly in accordance with state law.
- F. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses issued.
- G. Collect and remit the \$5 ILC fee in accordance with state law.
- H. Retain all case files in accordance with Supreme Court Rule 8.
- I. Ensure all cases are recorded on the court docket.

Status:

A,C,  
D.4,  
E&H. Implemented.

- B.1. Partially implemented. While this is being done for fines and costs, no such reconciliation is done for the bond receipts. See MAR No. 3.

B.2,D.1,  
D.2,D.5,  
& F. Not implemented. See MAR No. 3.

- D.3. Partially implemented. The Court Clerk does not retain her monthly listings. Upon our request, she prepared a listing as of June 28, 1999, which agreed to the division's book balance for that date. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.
- G. Not implemented. The court started assessing this fee after the prior audit in response to our recommendation and continues to assess this fee. However, the statute was amended effective July 1, 1997, and this fee should no longer be charged on municipal cases.
- I. Not implemented. We noted two instances of cases not being recorded on the court docket during the current audit period. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

4. City of Grandview Municipal Division

- A. 1) Checks were not restrictively endorsed until the following day.

- 2) The payment register prepared by the court did not always indicate the correct method of payments received.
- B. 1) Restitution payments received by the division were not deposited into a bank account but held in cash by the Court Clerk until disbursed to the victim.
- 2) The restitution log was not complete or updated on a timely basis or periodically reconciled to amounts on hand.
- C. 1) Bonds were not deposited on a timely basis.
- 2) Blank checks for bond refunds were signed in advance by the Court Clerk before court.
- D. The city did not remit the state's portion of CVC fees to the state Department of Revenue on a monthly basis.

Recommendations:

The city of Grandview Municipal Division:

- A.1. Restrictively endorse all checks immediately upon receipt.
- 2. Correctly indicate the method of payment on the payment register and reconcile total cash, checks, and money orders received to deposit slips prepared for transmittal to the city.
- B.1. Deposit all restitution payments into a bank account. Subsequent disbursement of restitutions should be made by check.
- 2. Update the restitution log in a timely manner and periodically reconcile the log with amounts on hand.
- C.1. Pick up and deposit bonds from the police department daily or when accumulated receipts exceed \$100.
- 2. Prohibit the practice of signing checks in advance.
- D. Request the city pay CVC fees to the state monthly in accordance with state law.

Status:

- A.1 &
- B. Not implemented. See MAR No 4.

A.2,  
C&D. Implemented.

5. City of Greenwood Municipal Division

- A. Receipts were not deposited on a timely basis.
- B. CVC, LET and POSTC fees were not correctly charged.
- C. The division did not charge the ILC Fund fee on drug-related offenses and intoxication-related traffic offenses.
- D. The Court Clerk did not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP).

Recommendations:

The city of Greenwood Municipal Division:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Collect the \$5 CVC, the \$2 LET, and the additional \$1 POSTC fees in accordance with state law.
- C. Collect and remit the \$5 ILC fee in accordance with state law.
- D. Forward records of convictions on traffic offenses to the MSHP as required by state law.

Status:

Implemented.

6. City of Independence Municipal Division

- A. Bond refund checks had been outstanding for more than one year.
- B. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of all traffic tickets or summons issued.

Recommendations:

The city of Independence Municipal Division:

- A. Investigate outstanding bond refund checks and take proper follow-up action. Any bond monies remaining unclaimed should be forwarded to the state's Unclaimed Property Section in accordance with state law. Procedures should also be established to routinely investigate bonds remaining on hand for an extended period of time.
- B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons form issued.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 6.

7. City of Lake Lotawana Municipal Division

- A. The duties of receiving and transmitting monies were not adequately segregated from the recording of transactions.
- B.
  - 1) Checks received were not restrictively endorsed until after they were transmitted to the city.
  - 2) Receipts were not transmitted to the city on a timely basis.
- C.
  - 1) Cash bonds were not deposited into a bank account, but were held in cash by the Court Clerk until disposition of the case.
  - 2) The police department did not issue prenumbered receipt slips or bond forms for the receipt of cash bonds.
  - 3) A monthly listing of open items (liabilities) was not prepared for cash bonds.
- D. The division did not forward some required records of convictions on traffic offenses to the MSHP.

Recommendations:

The city of Lake Lotawana Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals to the city.



- B.1. Restrictively endorse all checks immediately upon receipt.
- 2. Transmit receipts to the city daily or when accumulated receipts exceed \$100.
- C.1. Open a bank account for the deposit of all cash bonds. Subsequent disbursement of bonds should be made by check.
- 2. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for the numerical sequence. In addition, receipt slips issued to the police department by the court for bond monies received should be reconciled to total receipt slips or bond forms.
- 3. Prepare monthly listings of open items and reconcile the listings to monies held in trust.
- D. Forward all required records of convictions on traffic offenses to the MSHP within ten days as required by state law.

Status:

A,B.1,  
C.1,C.3,  
& D. Implemented.

B.2  
&C.2. Not implemented. See MAR No. 7.

8. City of Lake Tapawingo Municipal Division

- A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions.
- B. Bond forms issued by the police department for the receipt of cash bonds were not prenumbered and the Court Clerk did not issue receipt slips to the police department when cash bonds were transmitted to the court.
- C. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of summonses issued.

Recommendations:

The city of Lake Tapawingo Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and transmitting court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals to the city.
- B. Request the police department to issue prenumbered bond forms for all bond monies received and account for the numerical sequence. In addition, the court clerk should issue prenumbered receipt slips to the police department for all cash bonds received and reconcile receipt slips issued to bank deposits.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons issued.

Status:

A&C. Not implemented. See MAR No. 8.

- B. Partially implemented. The police department does assign a report number to the bond form, however, this numerical sequence is used for all types of police reports. The Court Clerk does issue receipt slips to the police department for cash bonds received. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

9. City of Lee's Summit Municipal Division

- A. The duties of receiving and transmitting monies were not adequately segregated from the recording of transactions.
- B. Receipt slips issued did not indicate the method of payments received.
- C. Adequate records of amounts due the division were not always maintained.
- D. The municipal judges did not sign the dockets after dispositions were recorded.
- E. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of all general ordinance complaints (GOC), animal control forms, and information/complaint forms issued. The GOC and information/complaint forms were not prenumbered.

Recommendations:

The city of Lee's Summit Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and transmitting court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals to the city.
- B. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.
- C. Maintain accurate records of amounts due. The municipal judges should periodically review these records.
- D. Require the municipal judges' signature on the court docket.
- E. Request the police department to issue prenumbered GOC and information/complaint forms and work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each GOC, animal control form and information/complaint form issued.

Status:

- A-D. Implemented.
- E. Not implemented. Although the police department no longer issues unnumbered information/complaint forms and GOC forms are now prenumbered, the police department still does not account for each GOC and animal control form issued. See MAR No. 9.

10. City of Lone Jack Municipal Division

- A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions.
- B.
  - 1) Receipts were not deposited intact on a timely basis.
  - 2) Receipt slips issued did not always indicate the method of payments received.
- C. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of traffic tickets or summonses issued.
- D.
  - 1) A monthly listing of open items (liabilities) was not prepared for bonds held by the court.
  - 2) The disposition of bonds was not recorded in the bond ledger.

- 3) Prenumbered bond forms were not issued in numerical sequence and no follow-up was done on bond forms which had not been issued. In addition, the Court Clerk did not issue receipt slips to the police department when cash bonds were transmitted to the division.

Recommendations:

The city of Lone Jack Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits and the bank reconciliations.
- B.1. Deposit receipts intact daily or when accumulated receipts exceed \$100.
  2. Indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to bank deposits.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket and summons form issued.
- D.1. Prepare monthly listings of open items (liabilities) and reconcile the listings to monies held in trust by the court.
  2. Record all bond dispositions in the bond ledger.
  3. Work with the police department to ensure prenumbered bond forms are issued in order and account for their numerical sequence. In addition, the court should issue prenumbered receipt slips to the police department when bonds are transmitted to the municipal division.

Status:

A,C,  
& D. Not implemented. See MAR No. 10.

B. Implemented.

11. City of Oak Grove Municipal Division

- A. 1) Receipts were not deposited to the city treasury on a timely basis.

- 2) Checks received for the payment of fines and court costs were not restrictively endorsed until after they were deposited.
- B. 1) The duties of receiving and depositing bond monies were not adequately segregated from the recording of transactions.
- 2) The Court Clerk did not issue receipt slips to the Jackson County Sheriff's department when cash bonds were transmitted to the court.
- C. 1) Restitution payments received by the court were not deposited into a bank account and the court did not maintain a ledger showing amounts collected, disbursed and on hand.
- 2) Receipt slips issued by the court for restitution payments received were not prenumbered.
- D. Four instances were noted where the CVC fee was collected but was not transmitted to the Department of Revenue (DOR).
- E. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of summonses issued.
- F. A court order had not been issued to formally establish a TVB.

Recommendations:

The city of Oak Grove Municipal Division:

- A.1. Deposit receipts to the city treasury daily or when accumulated receipts exceed \$100.
- 2. Restrictively endorse all checks immediately upon receipt.
- B.1. Adequately segregate the duties of receiving, recording, and depositing bond monies. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits and the bank reconciliations.
- 2. Issue prenumbered receipt slips to the police department for all cash bonds received and reconcile receipt slips issued to bank deposits.
- C.1. Deposit restitution monies in a bank account and make all disbursements by check. In addition, a record should be maintained to account for restitutions received, disbursed, and on hand.

- 2. Issue prenumbered receipt slips for restitutions.
- D. Collect and remit CVC fees in accordance with state law.
- E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons issued.
- F. Issue a court order to formally establish the TVB.

Status:

A,C,  
& D. Implemented.

B,E,  
& F. Not implemented. See MAR No. 11.

12. City of Raytown Municipal Division

- A.
  - 1) The municipal division occasionally receives payments for fines and court costs prior to receiving the related traffic ticket from the police department but did not write a receipt slip, record, or transmit these payments until the ticket was received.
  - 2) Checks received for the payment of fines and court costs were not always restrictively endorsed until after they were transmitted to the city.
  - 3) Receipt slips issued by the court did not always indicate the correct method of payments received.
- B. Restitution payments received by the division were not deposited into a bank account, but were held by the Court Clerk until disbursed. The court did not maintain a ledger showing amounts collected, disbursed and on hand.
- C. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of all traffic tickets or summonses issued. Complaint forms issued by the police department were not prenumbered.

Recommendations:

The city of Raytown Municipal Division:

- A.1. Record all monies immediately upon receipt and transmit all receipts daily or when accumulated receipts exceed \$100.
- 2. Restrictively endorse all checks immediately upon receipt.
- 3. Correctly indicate the method of payment on each receipt slip issued and reconcile total cash, checks, and money orders received to transmittals to the city.
- B. Deposit restitution monies in a bank account and make all disbursements by check. In addition, a record should be maintained of restitutions received, disbursed, and on hand.
- C. Request the police department issue prenumbered complaint forms and work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of each traffic ticket, summons, and complaint form issued.

Status:

A.1

& C. Not implemented. See MAR No. 12.

A.2. Partially implemented. The court's cash register is programmed to restrictively endorse checks. However, the court is not currently able to use this feature because the court has switched banks and the cash register has not been programmed with the new bank account information. Although not repeated in the current MAR, the municipal division should still consider fully implementing this recommendation.

A.3

& B. Implemented.

13. City of Sugar Creek Municipal Division

- A. The duties of receiving and transmitting monies were not adequately segregated from the recording of transactions.
- B.
  - 1) Fines and court costs collected by the court on delinquent cases were not transmitted to the city on a timely basis.
  - 2) Checks received for the payment of fines and court costs were not restrictively endorsed until after they were transmitted to the city.
- C. All court costs were not charged on cases involving nonmoving traffic violations.

- D. The division did not charge the ILC Fund fee on drug-related offenses and intoxication-related traffic offenses.

Recommendations:

The city of Sugar Creek Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and transmitting court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals to the city.
- B.1. Transmit all receipts to the city daily or when accumulated receipts exceed \$100.
  - 2. Restrictively endorse all checks immediately upon receipt.
- C. Collect the \$5 CVC, the \$2 LET, and the additional \$1 POSTC fees in accordance with state law.
- D. Collect and remit the \$5 ILC fee in accordance with state law.

Status:

A&D. Implemented.

B&C. Not implemented. See MAR No. 13.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

SIXTEENTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organization

The Sixteenth Judicial Circuit is composed of Jackson County. The Honorable Edith L. Messina serves as Presiding Judge. There are sixteen municipal divisions within the Sixteenth Judicial Circuit. The city of Kansas City Municipal Division is reported on separately. The city of Levasy Municipal Division handled no cases during the audit period and, therefore, is not included in this report. The city of Buckner Municipal Division handled cases for the city of Sibley Municipal Division during the audit period.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Blue Springs

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division transmits fines and court costs directly to the City Finance Department for deposit in the city treasury daily. Bond monies are received and deposited into a municipal division bank account pending disposition. The municipal division occasionally collects restitution for victims. Court is held four times a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge  
Court Clerk\*

John R. Jack  
Cathy Mann

\*Margaret Pennington served as Court Clerk prior to January 1999. Cathy Mann resigned effective January 7, 2000. Jenelle Fresh was appointed Court Clerk as of January 10, 2000.

#### Caseload Information

|                       | Year Ended<br><u>September 30,</u><br><u>1999 1998</u> |       |
|-----------------------|--|-------|
| Number of cases filed | 9,473  | 8,413 |

### 2. City of Buckner

#### Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held at least once a month. During the audit period, the city of Buckner Municipal Division also handled the court activity for the city of Sibley, utilizing the same procedures as noted above. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

|                                       |              |
|---------------------------------------|--------------|
| Municipal Judge                       | John R. Jack |
| City Clerk/Court Clerk*               | Doug Brock   |
| Acting Court Clerk/Deputy Court Clerk | Pam Shrout   |

\*Jodi Borron resigned as City Clerk/Court Clerk effective June 30, 1999. Doug Brock became City Clerk/Court Clerk on August 23, 1999.

#### Caseload Information

|                       | Period<br>July 1, 1998<br>to September<br><u>30, 1999,</u> | Year<br>Ended<br>June 30,<br><u>1998</u> |
|-----------------------|--|--|
| Number of cases filed | 636  | 689                                      |

### 3. City of Grain Valley

#### Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts; one for fines and court costs and one for cash bonds pending disposition. The municipal division occasionally collects restitution for victims. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

Municipal Judge  
Court Clerk

John R. Jack  
Carolyn Barney

#### Caseload Information

|                       | Year Ended<br><u>December 31,</u> |             |
|-----------------------|-----------------------------------|-------------|
|                       | <u>1998</u>                       | <u>1997</u> |
| Number of cases filed | 875                               | 1,003       |

#### 4. City of Grandview

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division deposits fines and court costs directly to the city's General Revenue Account daily. Bond monies are received and deposited into a municipal division bank account pending disposition. The municipal division occasionally collects restitution for victims. Court is held three times a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

Municipal Judge  
Court Clerk\*

Donald L. Crow  
Jenelle Fresh

\*Laura Ellis served as Court Clerk prior to April 1999. Jenelle Fresh resigned November 15, 1999. Kathleen Heinrich was appointed Acting Court Clerk. Carmalee Moreland became Court Clerk on January 3, 2000.

#### Caseload Information

|                       | Year Ended<br><u>September 30,</u> |             |
|-----------------------|------------------------------------|-------------|
|                       | <u>1999</u>                        | <u>1998</u> |
| Number of cases filed | 10,039                             | 11,493      |

#### 5. City of Greenwood

#### Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are deposited into a municipal division bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

### Personnel

Municipal Judge  
Court Clerk

Paul Liebengood\*  
Kim Arth

### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 989                        | 790         |

\*Hugh Ryan became the Municipal Judge effective May, 2000.

## 6. City of Independence

### Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division transmits fines and court costs directly to the Citizen's Information Center - cashiering area. Bond monies are received and deposited into a municipal division bank account pending disposition. Court is held daily except for Monday. A TVB has been established to receive payment of fines and court costs at times other than during court.

### Personnel

Presiding Municipal Judge  
Municipal Judge  
Court Clerk\*

Garry Helm  
Susan Watkins  
Judy Boydston

\*Carole Prewitt served as Court Clerk prior to September 1998.

### Caseload Information

|                         | <u>Year Ended June 30,</u> |             |
|-------------------------|----------------------------|-------------|
|                         | <u>1999</u>                | <u>1998</u> |
| Number of cases filed** | 38,483                     | 34,895      |

\*\*Court caseload estimated based on number of traffic tickets, summons, and complaint forms issued.

## 7. City of Lake Lotawana

### Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are held in a municipal division bank account pending disposition. The municipal division occasionally collects restitution for victims. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

|                         |              |
|-------------------------|--------------|
| Municipal Judge         | John R. Jack |
| City Clerk/Court Clerk* | Jane Porter  |

\*JoAnn Shirley served as City Clerk/Court Clerk prior to April 1997.

#### Caseload Information

|                       | Year Ended<br>December 31, |       |
|-----------------------|----------------------------|-------|
|                       | 1998                       | 1997  |
| Number of cases filed | 935                        | 1,028 |

### 8. City of Lake Tapawingo

#### Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

|                 |                 |
|-----------------|-----------------|
| Municipal Judge | Robert McDonald |
| Court Clerk*    | Helen Henderson |

\*Helen Henderson resigned effective July 19, 1999. Tricia Ross became Court Clerk in September 1999.

#### Caseload Information

|                       | Year Ended June 30, |      |
|-----------------------|---------------------|------|
|                       | 1999                | 1998 |
| Number of cases filed | 284                 | 506  |

### 9. City of Lee's Summit

#### Organization

The Court Administrator is responsible for recording transactions as well as handling collections and disbursements. The municipal division transmits fines and court costs directly to the City Collector for deposit in the city treasury daily. Bond monies are received and deposited into a municipal bank account pending disposition. Court is held seven times a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

|                           |                  |
|---------------------------|------------------|
| Presiding Municipal Judge | James M. Tobin   |
| Municipal Judge           | William A. Lewis |
| Court Administrator       | Pam DeVault      |

#### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 16,842                     | 15,617      |

### 10. City of Lone Jack

#### Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains two bank accounts; one for fines and court costs and one for cash bonds pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

|                 |                      |
|-----------------|----------------------|
| Municipal Judge | J. Brand Eskew       |
| Court Clerk     | Kendra Leudenslager* |

\*Valerie Dennis became the Court Clerk on July 5, 2000.

#### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 1,585                      | 1,871       |



11. City of Oak Grove

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are received and deposited into a municipal bank account pending disposition. Court is held once a month. Although it has not been formally established, a TVB receives payment of fines and court costs at times other than during court.

Personnel

Municipal Judge  
City Clerk/Court Clerk

William D. Piedimonte  
Judy Scott\*

Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 604                        | 703         |

\*Heather Hagedorn became the Court Clerk on January 1, 2000.

12. City of Raytown

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division transmits fines and court costs directly to the city's Finance Department for deposit in the city treasury daily. Bond monies are received and deposited into a municipal division bank account pending disposition. The municipal division occasionally collects restitution for victims. Court is held seven times a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge  
Court Clerk

Michael W. Hanna\*  
Rhonda Wooderson

|                       | <u>Year Ended</u><br><u>October 31,</u> |             |
|-----------------------|---|-------------|
|                       | <u>1999</u>                             | <u>1998</u> |
| Number of cases filed | 16,454                                  | 14,730      |

\*Traci Fann became the Municipal Judge on April 19, 2000.

13. City of Sugar Creek

A police department employee serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The municipal division transmits fines and court costs directly to the City Treasurer for deposit in the city treasury daily. Bond monies are received and deposited into a municipal division bank account pending disposition. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

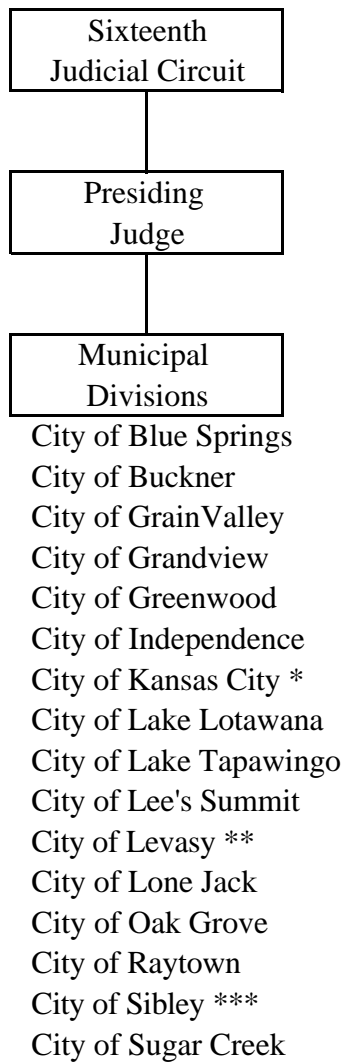
Personnel

Municipal Judge  
Court Clerk

Garry Helm  
Donna Newton

|                       | Year Ended           |             |
|-----------------------|----------------------|-------------|
|                       | <u>September 30,</u> |             |
|                       | <u>1999</u>          | <u>1998</u> |
| Number of cases filed | 1,722                | 1,341       |

SIXTEENTH JUDICIAL CIRCUIT  
ORGANIZATION CHART



\* Reported on separately.

\*\* No cases filed.

\*\*\* Cases handled by the city of Buckner Municipal Division.

\* \* \* \* \*



GENERAL ASSEMBLY  
AND SUPPORTING FUNCTIONS

COMMITTEE ON LEGISLATIVE RESEARCH  
AND INTERIM COMMITTEES

THREE YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-80  
August 28, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following findings were noted as a result of an audit conducted by our office of the General Assembly and Supporting Functions – Committee on Legislative Research and Interim Committees.**

-----  
In response to concerns reported in the prior audit, in March 1994, the Committee on Legislative Research established a uniform personnel policy which, among other things, addressed the leave accruals of employees of both the Research and Oversight Divisions. However, that policy provides sick leave benefits which are more generous than those provided to other state employees. Currently, employees of both the Research and Oversight Divisions earn sick leave at a rate of 14 hours per month, rather than the 10 hours earned by most state employees. As a result of this situation, the committee is certifying accrued sick leave balances to the state retirement system to be counted as creditable service which are in excess of those allowed by law.

State law requires that for the purpose of calculating creditable service, the rate of accrual of sick leave for legislative employees must be the same as that promulgated by the personnel advisory board. Therefore, the 10 hour per month sick leave accrual which applies to other state employees must be used when certifying service of committee employees to the retirement system.

The uniform personnel policy adopted in March 1994, established a standard 35 hour work week (7 hours per day) for its employees. In contrast, employees of most other state agencies are required to work 40 hours per week.

Although an Attorney General's opinion concluded legislative employees are exempt from state requirements regarding hours of work and other personnel matters, it appears unreasonable for employees of this agency to be required to work fewer hours per week than is required of most other state as well as private employees.

During fiscal year 1997, the Committee on Legislative Research approved the purchase of computer equipment for the House of Representatives and the Senate from Statutory Revision Fund appropriations. The related expenditures totaled over \$54,000. The Director of the Research Division indicated that over \$36,000 of these expenditures were intended to offset personal service expenses incurred by the House of Representatives and the Senate for use of their EDP staff in assisting the committee in its computer operations; however, there was no documentation maintained to support the personal service expenses incurred by the legislature on behalf of the committee. In addition, there was no similar explanation for the remaining expenditures (approximately \$18,000) and the benefits to the committee or its operating divisions from these expenditures.

(over)

YELLOW SHEET

The Committee of Legislative Research has distributed significantly more free copies of the revised statutes and annual supplements to the various state agencies, officials and other government offices than the minimum required by law. In addition, the committee has not maintained documentation to support its pricing decisions regarding the statutes and supplements.

To keep costs to a minimum, the committee should review the number of free copies of the statutes and supplements it distributes and consider requesting the various agencies/officials reevaluate their use of the statutes and the number of copies requested. This is particularly true now that statutory information is available on the internet.

Fixed asset records of both the Research and Oversight Divisions are not maintained in a manner that allows balances to be reconciled from period to period. Fixed asset additions are not reconciled to equipment purchases, and the records do not consistently include all information required by state regulations.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND  
INTERIM COMMITTEES

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GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND  
INTERIM COMMITTEES

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Members of the General Assembly  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Committee on Legislative Research and Interim Committees as of and for the years ended June 30, 1999, 1998, and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the committee's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

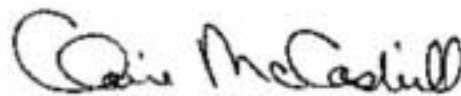
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the Statutory Revision Fund; and the appropriations and expenditures of the various funds of the Committee on Legislative Research and Interim Committees and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the committee.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Statutory Revision Fund; and the appropriations and expenditures of the various funds of the Committee on Legislative Research and Interim Committees as of and for the years ended June 30, 1999, 1998, and 1997, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 23, 1999, on our consideration of the committee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the committee's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 23, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                               |
|---------------------|-------------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA        |
| Audit Manager:      | Gregory A. Slinkard, CPA, CIA |
| In-Charge Auditor:  | Robert McArthur               |
| Audit Staff:        | Tara Shah, CPA                |
|                     | Patrick Corbett               |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Members of the General Assembly  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Committee on Legislative Research and Interim Committees as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated December 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Committee on Legislative Research and Interim Committees are free of material misstatement, we performed tests of the committee's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

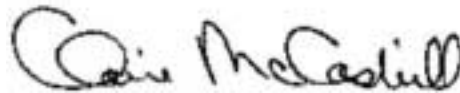
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Committee on Legislative Research and Interim Committees, we considered the committee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the committee's ability to record, process, summarize, and report

financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Committee on Legislative Research and Interim Committees and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 23, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
 COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
 STATUTORY REVISION FUND  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH AND INVESTMENTS

|  | Year Ended June 30, |                |                |
|--|---------------------|----------------|----------------|
|  | 1999                | 1998           | 1997           |
| RECEIPTS   |                     |                |                |
| Sales  | \$ 178,802          | 172,083        | 162,149        |
| Total Receipts                                   | <u>178,802</u>      | <u>172,083</u> | <u>162,149</u> |
| DISBURSEMENTS                                    |                     |                |                |
| Expense and equipment                            | 191,139             | 281,301        | 197,161        |
| Transfers to General Revenue Fund-State (Note 4) | 41,858              | 41,591         | 9,905          |
| Total Disbursements                              | <u>232,997</u>      | <u>322,892</u> | <u>207,066</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS              | (54,195)            | (150,809)      | (44,917)       |
| CASH AND INVESTMENTS, JULY 1                     | <u>259,623</u>      | <u>410,432</u> | <u>455,349</u> |
| CASH AND INVESTMENTS, JUNE 30                    | <u>\$ 205,428</u>   | <u>259,623</u> | <u>410,432</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit B

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
 COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|                                    |    | Year Ended June 30,     |                         |                       |                         |                         |                       |                         |                         |                       |
|------------------------------------|----|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
|                                    |    | 1999                    |                         |                       | 1998                    |                         |                       | 1997                    |                         |                       |
|                                    |    |                         |                         | Lapsed                |                         |                         | Lapsed                |                         |                         | Lapsed                |
|                                    |    | Appropriations          | Expenditures            | Balances              | Appropriations          | Expenditures            | Balances              | Appropriations          | Expenditures            | Balances              |
| GENERAL REVENUE FUND - STATE       |    |                         |                         |                       |                         |                         |                       |                         |                         |                       |
| Operating expenses:                |    |                         |                         |                       |                         |                         |                       |                         |                         |                       |
| Research Division                  | \$ | 1,205,309               | 1,097,781               | 107,528               | 1,112,189               | 1,036,236               | 75,953                | 1,018,448               | 981,274                 | 37,174                |
| Oversight Division                 |    | 838,249                 | 727,074                 | 111,175               | 802,579                 | 723,914                 | 78,665                | 768,608                 | 650,437                 | 118,171               |
| Publishing expenses of             |    |                         |                         |                       |                         |                         |                       |                         |                         |                       |
| cumulative supplements             |    | 417,357                 | 226,023                 | 191,334               | 373,566                 | 165,733                 | 207,833               | 370,844                 | 154,831                 | 216,013               |
| Joint Committee on Correctional    |    |                         |                         |                       |                         |                         |                       |                         |                         |                       |
| Institutions and Problems          |    | 10,000                  | 0                       | 10,000                | 10,000                  | 5,890                   | 4,110                 | 10,000                  | 1,700                   | 8,300                 |
| Commission on Local Governments    |    | 2,500                   | 0                       | 2,500                 | 2,500                   | 0                       | 2,500                 | 2,500                   | 0                       | 2,500                 |
| Total General Revenue Fund - State |    | <u>2,473,415</u>        | <u>2,050,878</u>        | <u>422,537</u>        | <u>2,300,834</u>        | <u>1,931,773</u>        | <u>369,061</u>        | <u>2,170,400</u>        | <u>1,788,242</u>        | <u>382,158</u>        |
| STATUTORY REVISION FUND            |    |                         |                         |                       |                         |                         |                       |                         |                         |                       |
| Publishing expenses of             |    |                         |                         |                       |                         |                         |                       |                         |                         |                       |
| cumulative supplements             |    | 674,775                 | 185,266                 | 489,509               | 671,100                 | 220,953                 | 450,147               | 667,600                 | 262,720                 | 404,880               |
| Total All Funds                    | \$ | <u><u>3,148,190</u></u> | <u><u>2,236,144</u></u> | <u><u>912,046</u></u> | <u><u>2,971,934</u></u> | <u><u>2,152,726</u></u> | <u><u>819,208</u></u> | <u><u>2,838,000</u></u> | <u><u>2,050,962</u></u> | <u><u>787,038</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

## Schedule 1

## GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

## COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES

## COMPARATIVE STATEMENT OF EXPENDITURES BY DIVISION (FROM APPROPRIATIONS)

|  | Year Ended June 30, |                  |                  |                  |                  |
|--|---------------------|------------------|------------------|------------------|------------------|
|  | 1999                | 1998             | 1997             | 1996             | 1995             |
| <b>RESEARCH DIVISION EXPENDITURES</b>                |                     |                  |                  |                  |                  |
| Personal service                                     | \$ 1,129,715        | 1,078,890        | 941,542          | 847,545          | 817,391          |
| Expense and equipment:                               |                     |                  |                  |                  |                  |
| Travel and vehicle expense                           | 10,413              | 20,105           | 15,245           | 14,515           | 18,491           |
| Office expense                                       | 212,810             | 145,085          | 160,139          | 104,632          | 528,545          |
| Office and communication equipment purchases         | 1,994               | 31,308           | 46,628           | 418,665          | 34,194           |
| Communication expense                                | 19,528              | 26,658           | 16,519           | 15,092           | 14,930           |
| Institution and physical plant expense and equipment | 6,668               | 10,109           | 6,885            | 14,372           | 13,918           |
| Data processing expense and equipment                | 117,973             | 105,904          | 194,471          | 182,373          | 166,538          |
| Professional services                                | 0                   | 261              | 5,921            | 7,575            | 21,550           |
| Other expense  | 9,969               | 10,492           | 13,175           | 11,367           | 15,514           |
| Total Research Division                              | <u>1,509,070</u>    | <u>1,428,812</u> | <u>1,400,525</u> | <u>1,616,136</u> | <u>1,631,071</u> |
| <b>OVERSIGHT DIVISION EXPENDITURES</b>               |                     |                  |                  |                  |                  |
| Personal service                                     | 670,174             | 643,487          | 587,936          | 553,794          | 523,390          |
| Expense and equipment:                               |                     |                  |                  |                  |                  |
| Travel and vehicle expense                           | 9,521               | 12,939           | 6,648            | 7,091            | 4,034            |
| Office expense                                       | 23,613              | 22,498           | 20,372           | 17,489           | 21,821           |
| Office and communication equipment purchases         | 1,206               | 878              | 2,265            | 2,149            | 1,509            |
| Communication expense                                | 7,129               | 12,865           | 15,396           | 11,621           | 9,717            |
| Institution and physical plant expense and equipment | 5,376               | 5,396            | 4,800            | 3,752            | 9,468            |
| Data processing expense and equipment                | 894                 | 5,162            | 3,046            | 9,585            | 1,807            |
| Professional services                                | 20                  | 6,529            | 0                | 0                | 0                |
| Other expense  | 9,141               | 14,160           | 9,974            | 11,540           | 8,878            |
| Total Oversight Division                             | <u>727,074</u>      | <u>723,914</u>   | <u>650,437</u>   | <u>617,021</u>   | <u>580,624</u>   |
| <b>TOTAL EXPENDITURES</b>                            | <u>\$ 2,236,144</u> | <u>2,152,726</u> | <u>2,050,962</u> | <u>2,233,157</u> | <u>2,211,695</u> |

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

|                                    | Balance<br>July 1, 1996 | Additions      | Dispositions    | Balance<br>June 30, 1997 | Additions      | Dispositions    | Balance<br>June 30, 1998 | Additions      | Dispositions     | Balance<br>June 30, 1999 |
|------------------------------------|-------------------------|----------------|-----------------|--------------------------|----------------|-----------------|--------------------------|----------------|------------------|--------------------------|
| GENERAL FIXED ASSETS               |                         |                |                 |                          |                |                 |                          |                |                  |                          |
| Office equipment and<br>furniture: |                         |                |                 |                          |                |                 |                          |                |                  |                          |
| Research Division                  | \$ 311,520              | 206,729        | (87,962)        | 430,287                  | 91,362         | (52,965)        | 468,684                  | 94,787         | (108,947)        | 454,524                  |
| Oversight Division                 | <u>145,783</u>          | <u>33,235</u>  | <u>(2,100)</u>  | <u>176,918</u>           | <u>23,251</u>  | <u>(14,575)</u> | <u>185,594</u>           | <u>29,183</u>  | <u>(37,102)</u>  | <u>177,675</u>           |
| Total General<br>Fixed Assets      | <u>\$ 457,303</u>       | <u>239,964</u> | <u>(90,062)</u> | <u>607,205</u>           | <u>114,613</u> | <u>(67,540)</u> | <u>654,278</u>           | <u>123,970</u> | <u>(146,049)</u> | <u>632,199</u>           |

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements  
and Supplementary Data

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Committee on Legislative Research and Interim Committees.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Statutory Revision Fund. Appropriations from this fund are expended by or for the committee for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the committee's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the committee and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The committee administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Statutory Revision Fund: This fund was established by Section 3.142, RSMo 1994, to receive funds paid for sales of the revised statutes or any supplements thereto, and funds received for any other service for which a fee is charged by the Committee on Legislative Research. Expenditures are authorized by appropriation of the General Assembly for enhancing or producing the revised statutes in a computer readable form, enhancing computerized legislative drafting, and such other purposes authorized by the Committee on Legislative Research. Any unexpended balance at the end of the biennium exceeding twice the cost of providing the annual supplement to the revised statutes shall be transferred to the General Revenue Fund-State.

General Revenue Fund-State: The committee receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the committee, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash

The balance of the Statutory Revision Fund is pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures of the Statutory Revision Fund on Exhibit B as follows:

|                                 |    | Year Ended June 30, |                |                |
|---------------------------------|----|---------------------|----------------|----------------|
|                                 |    | 1999                | 1998           | 1997           |
| DISBURSEMENTS PER EXHIBIT A     | \$ | 232,997             | 322,892        | 207,066        |
| Lapsed period expenditures:     |    |                     |                |                |
| 1999                            |    | 1,169               | -0-            | -0-            |
| 1998                            |    | (2,829)             | 2,829          | -0-            |
| 1997                            |    | -0-                 | (67,390)       | 67,390         |
| 1996                            |    | -0-                 | -0-            | (1,831)        |
| Accounts payable, June 30, 1998 |    | (4,213)             | 4,213          | -0-            |
| Transfers                       |    | (41,858)            | (41,591)       | (9905)         |
| EXPENDITURES PER EXHIBIT B      | \$ | <u>185,266</u>      | <u>220,953</u> | <u>262,720</u> |

4. Transfers to General Revenue Fund-State

The transfer amounts for the years ended June 30, 1999 and 1998, represent the Statutory Revision Fund's proportional share of fiscal year 1997, 1996, and 1995 refunds required by Article X, Section 18 of the Missouri Constitution and personal service benefit transfers. The transfer amount for the year ended June 30, 1997, represents personal service benefit transfers.

Note to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.



## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
SUMMARY OF FINDINGS

1. Distribution and Sale of Statutes (pages 20-22)

The Committee on Legislative Research has distributed significantly more free copies of the revised statutes and annual supplements to the various state agencies, court officials and other government offices than the minimum required by law. In addition, the committee has not maintained documentation to support its pricing decisions regarding the statutes and supplements.

2. Statutory Revision Fund Expenditures (page 22-24)

The Committee on Legislative Research approved the purchase of computer equipment for the legislature from Statutory Revision Fund appropriations. It was not clear whether these purchases related to the operations and activities of the committee.

3. Inventory Records and Procedures (pages 24-25)

Some inventory items were not recorded on the Research Division's inventory listing, and the Research Division does not perform periodic reconciliations of the perpetual inventory records. In addition, duties related to inventory maintenance and the sale of statutes are not properly segregated.

4. Fixed Asset Records and Procedures (pages 25-27)

Fixed asset records of both the Research and Oversight Divisions are not maintained in a manner that allows balances to be reconciled from period to period. Fixed asset additions are not reconciled to equipment purchases, and the records do not consistently include all information required by state regulations.

5. Personnel Policies and Procedures (pages 27-28)

The committee's leave accrual policy provides sick leave benefits to its employees which are more generous than those provided other state employees, resulting in accrued sick leave being certified to the state retirement system in excess of that allowed by law. The committee's employees work a 35 hour work week, instead of the standard 40 hour work week required of most other state employees. In addition, the Research Division does not appear to be in compliance with its stated performance appraisal policy.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Committee on Legislative Research and Interim Committees as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated December 23, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the committee's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

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|-----------|--|
| <b>1.</b> | <b>Distribution and Sale of Statutes</b> |
|-----------|--|

- A. Section 3.130, RSMo 1994, states that the Committee on Legislative Research shall provide a specified number of copies of the revised statutes and supplements without charge to each state department/agency, each member of the General Assembly, various court officials, and other government offices. Our review noted that a significantly larger number of free copies were distributed than the minimum required by state law.

We noted the committee has distributed more than 5,000 free copies of the revised statutes and annual supplements to the various government agencies and officials. Section 3.130, RSMo 1994, provides that each state department, and each division and bureau thereof, is to receive one copy at no charge. However, we noted the following number of free copies of the 1999 cumulative supplement were distributed to the following departments/agencies:

| <u>Department/Agency</u>           | <u>Number of Free<br/>Copies Received</u> |
|------------------------------------|---|
| Attorney General                   | 244                                       |
| Department of Corrections          | 266                                       |
| Department of Public Safety        | 265                                       |
| State Public Defender              | 347                                       |
| Department of Economic Development | 200                                       |
| Department of Mental Health        | 136                                       |
| Department of Revenue              | 147                                       |
| Department of Social Services      | 183                                       |

A lesser, but significant, number of free copies were also distributed to various other agencies/officials.

To keep costs to a minimum, the committee should review the number of free copies of the statutes and supplements it distributes and consider requesting the various agencies/officials reevaluate their use of the statutes and the number of copies requested. This is particularly true now that statutory information is available on the internet.

- B. Section 3.140, RSMo 1994, states that the committee may sell such publications at a price to be determined by the committee, taking into account the cost of printing, binding, and delivery. In addition, it was determined in the case, Deaton vs. Kidd, 932 S.W. 2d 804 (Mo. App. W.D. 1996), that the sales price may include a profit.

There was no documentation maintained to support how the committee determined the price for the 1994 Revised Statutes or subsequent supplements. The Research Division currently sells a set of 1994 Revised Statutes for \$250; however, it appears the cost of printing, binding, and delivering a set of statutes to a customer is less than \$40. The differences between the sales prices and comparable costs to produce the subsequent supplements were also substantial. While agency officials indicated other costs were considered in setting the prices, there was no documentation maintained to reflect the costs considered or any profit realized.

The committee should maintain adequate documentation to support the committee's pricing decisions. Those pricing decisions should be based on the approximate costs to produce the publications and a reasonable profit, if any.

**WE RECOMMEND** the Committee on Legislative Research:

- A. Review the number of free copies of the statutes and supplements it distributes and consider requesting the various agencies/officials reevaluate their use of the statutes and the number of copies requested.
- B. Maintain adequate supporting documentation to identify the costs and any profit factor considered in setting the prices of the statutes, supplements, and other items sold.

#### **AUDITEE'S RESPONSE**

- A. *The Research Division acknowledges that a large number of free copies of the revised statutes are distributed to state agencies, but does not necessarily agree that a larger number is distributed than the minimum required by law.*

*Section 3.130, RSMo, provides that copies of the Revised Statutes of Missouri be furnished without charge to "each state department, and each division and bureau thereof" (emphasis added).*

*The Missouri Supreme Court has apparently never defined the word "bureau" directly in any case. In the case of Cohen v. Poelke, 520 S.W. 2d 50 (Mo. 1975), the court discusses the word "bureau" in connection with the application of the "Sunshine Law (chapter 610, RSMo)" and seems to equate that term with any governmental entity at all levels.*

*Black's Law Dictionary defines "bureau" as "an office for the transaction of business. Name given to the several departments of the executive or administrative branch of government, or their division".*

*Without a clear limiting definition of "bureau" in the statutes, it would appear that the legislature intended the statutes be made available to all levels of state government which need them.*

*The committee already requests that departments and agencies evaluate their use of the statutes and the number of copies they request. Each year a letter is sent to all state departments asking that when making requests for free copies of the statutes, the department "limit the number of requested copies to those employees who use the statutes on a regular basis (for example attorneys, paralegals, auditors, etc.)". It has been a long held belief that each state agency has a better knowledge than the revisor of statutes as to which entity under their jurisdiction has a need for the statutes. Agencies with a large number of attorneys such as the offices of the Attorney General or State Public Defender, both cited in your report, would clearly need several copies of the statutes in order to better perform their duties.*

*The Committee on Legislative Research feels that it is fully in compliance with the law in furnishing copies of the statutes to each state "bureau" and that such distribution of the statutes contributes significantly to the efficient operation of state government and the provision of essential state services to the citizens of this state. In compliance with the Auditor's suggestion, the committee will intensify its emphasis to each department that free copies of the statutes should only be requested for those employees that need and use them on a regular basis.*

- B. Section 3.142, RSMo, provides that the committee on legislative research shall determine "...any fees or charges for the statutes...". Documentation for setting the price for the statutes is kept in the meeting minutes of the committee. In the future, the committee will maintain more supportive documentation of pricing decisions as suggested by the Auditor.*

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| <b>2. Statutory Revision Fund Expenditures</b> |
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During fiscal year 1997, the Committee on Legislative Research approved the purchase of computer equipment for the House of Representatives and the Senate from Statutory

Revision Fund appropriations. The related expenditures totaled over \$54,000. The Director of the Research Division indicated that over \$36,000 of these expenditures were intended to offset personal service expenses incurred by the House of Representatives and the Senate for use of their EDP staff in assisting the committee in its computer operations; however, there was no documentation maintained to support the personal service expenses incurred by the legislature on behalf of the committee. In addition, there was no similar explanation for the remaining expenditures (approximately \$18,000) and the benefits to the committee or its operating divisions from these expenditures.

Section 3.142, RSMo 1994, provides that monies of the Statutory Revision Fund are to be used for enhancing or producing the revised statutes in electronic form, enhancing the electronic processing of computerized legislative drafting, and such other purposes authorized by the Committee on Legislative Research.

Although the committee has some discretion in approving expenditures from the Statutory Revision Fund other than those specifically cited in the statutes, it appears such expenditures should relate directly to its operations and activities.

**WE RECOMMEND** the Committee on Legislative Research ensure expenditures from the Statutory Revision Fund are for the purposes specifically identified in the statutes or for other purposes directly related to its operations and activities.

### **AUDITEE'S RESPONSE**

*Section 3.142, RSMo, provides that the monies in the Statutory Revision Fund may be spent for "enhancing or producing the electronic form of the revised statutes in computer readable form, enhancing the electronic processing of computerized legislative drafting and such other purposes authorized by the committee on legislative research". There are no words of limitation in this clause. Under normal rules of statutory construction, it is assumed that if the legislative body does not specifically limit a grant of power, as by use of such phrases as "such other similar purposes" or "such other purpose of a like or similar nature", then the legislative body intended that no such limitation apply.*

*The expenditures questioned related to assistance by the House and Senate computer staff given to the Joint Committee on Legislative Research to accomplish several computer related goals and objectives. Without the assistance of House and Senate staff, those goals and objectives of the committee would not have been realized. Thus, the expenditures directly related to legislative research operations and activities and were for purposes specifically identified in the statutes.*

*The House computer staff spent many hours and lent the use of their equipment to allow the Joint Committee to produce the revised statutes in electronic form and to be able to provide the proof of the statutes to publishers in "camera-ready" format. The Senate computer staff spent many hours and provided equipment for the development and operation of the legislative information system that the Joint Committee provided for several years.*

*The Auditor's report states that there was no "explanation for expenditures (approximately \$18,000) and the benefits to the committee or its operating division from these expenditures". The minute records for 1996 contain a memo dated September 4, 1996, from the director of the Senate and the director of the House computer operations requesting equipment purchases totaling \$18,275.91. The memo specifies that this equipment would be used to increase the capacity for the House web site, the Senate web site and the General Assembly web site and to update the bill tracking system. Although it may not be clear from the memo, these improvements to the computer operations of the General Assembly directly benefited the Joint Committee. Specific configuration and type of equipment are listed in the memo, along with a listing of vendors, from which bids were received. The minutes of the Joint Committee for September 10, 1996, show that the Joint Committee approved the purchase of this equipment. In the future, the Committee will attempt to show, through supportive documentation, how like expenditures directly benefit the Joint Committee, its operations and activities.*

### **3. Inventory Records and Procedures**

- A. During a review of the Research Division's inventory items (i.e. statutes, supplements, computer disks with statutory data), we noted some 1996 supplements and various disks were not recorded on the inventory listing.

All items maintained at the warehouse as inventory items to be sold should be included on the inventory listing. If the inventory items are obsolete, unusable, or have been overstocked, they should be disposed of properly. By not including all inventoriable items in the inventory records, an undetected loss of such items could easily occur.

- B. The Research Division does not perform periodic reconciliations of the perpetual inventory balances, accounting for all inventory purchases, sales and free copies issued. We attempted to perform such a reconciliation and noted various differences. An explanation for these differences could not be provided. Such reconciliations are necessary to account for all inventory items, statute issuances, and receipts from sales. Undetected and unresolved differences could possibly result in the loss of revenues or misuse of inventory items.

- C. The Research Division is responsible for collecting the receipts for the sale of statutes, supplements, and session laws. We noted that one individual collects the receipts, records the receipts on the receipts log, prepares the documents indicating the receipt of payments, and prepares the revenue transmittals. This individual also tracks and maintains inventory, and prepares inventory for shipment.

To safeguard against possible loss or misuse of assets, the duties related to the sale of statutes should be segregated to the extent practical. Proper segregation could be achieved by designating some duties to an independent employee who does not have any responsibility in regards to statute sales and inventory functions. If proper



segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the statute sales and inventory records and procedures.

Conditions similar to parts B. and C. were also noted in our prior report.

**WE RECOMMEND** the Research Division:

- A. Include all items that are stored at the warehouse that are intended to be sold on the inventory listing. For those items which are deemed obsolete or unusable, the division should dispose of them properly and retain supporting documentation of the dispositions.
- B. Ensure the inventory balances are reconciled periodically, accounting for all inventory purchases, sales and free copies issued. Any differences noted should be investigated and resolved on a timely basis.
- C. Ensure the duties related to the sale of statutes and maintenance of inventory records are properly segregated to provide reasonable assurance that all transactions are accounted for properly.

**AUDITEE'S RESPONSE**

- A. *The Research Division currently maintains records after disposal of items. Items intended to be sold that are stored at the warehouse are included on the inventory listing. Adjustment entries in inventory listing will be made when items are deemed unsalable. Current records will be updated to comply with the Auditor's recommendation within the next 120 days.*
- B. *The Research Division has initiated plans to modify the computer program that tracks the sale and distribution of statutes. Anticipated completion of the modification is within the next 150 days. Inventory balances will be reconciled within that time period and then reconciled on a periodic basis to comply with the Auditor's recommendation.*
- C. *The duties related to the sale of statutes and maintenance of inventory records have been segregated to comply with the Auditor's recommendation.*

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| <b>4. Fixed Asset Records and Procedures</b> |
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At June 30, 1999, the Research Division and Oversight Division were responsible for approximately \$454,000 and \$177,000 in general fixed assets, respectively. Our review of the fixed asset records and procedures of these divisions disclosed the following concerns:

- A. The fixed asset records were not maintained in a manner which allows balances to be reconciled from period to period.

1. The Research Division prepared separate listings of fixed asset additions and dispositions for each year; however, none of the listings were totaled. In addition, total fixed asset balances were not calculated and maintained as of each fiscal year end.

We also noted fixed asset dispositions totaling approximately \$56,000 which had never been recorded on the fixed asset listing when purchased. These errors caused the asset listing to be understated prior to disposition and would have been detected if the Research Division had reconciled its fixed asset records from year to year.

2. The Oversight Division did not prepare separate listings of additions and dispositions; rather all entries were recorded directly in their general fixed asset records. In addition, total fixed asset balances were not calculated and maintained as of each fiscal year end.

By not maintaining the fixed asset records in a proper manner, there is an increased possibility for the misappropriation or theft of assets.

- B. Neither division performs reconciliations of fixed asset additions to equipment purchases per the Statewide Accounting for Missouri (SAM) system's expenditure reports. Performing these reconciliations would provide assurance that fixed asset items purchased are properly capitalized and controlled. In addition, any differences should be investigated and resolved on a timely basis.
- C. The fixed asset records for both divisions did not consistently indicate the purchase costs and/or acquisition dates for all fixed assets. Such information is necessary to better account for property and to provide complete and accurate fixed asset records.

**WE RECOMMEND:**

The Research Division and Oversight Division:

- A. Maintain fixed asset records in a manner that allows balances to be reconciled from period to period (ie. beginning balance, plus additions, less dispositions, equals the ending balance). In addition, each division should prepare a statement of changes in fixed assets annually.
- B. Perform reconciliations of fixed asset additions to equipment purchases per the Statewide Accounting for Missouri (SAM) system reports.
- C. Ensure the fixed asset records include all information required by state regulations.

## **AUDITEE'S RESPONSE**

*The Committee believes its records related to fixed assets are sufficient and provide the necessary information to locate and account for all assets. In fact, the State Auditor found no instances of missing or misappropriated assets during the course of the audit. However, recommendations of the Auditor will be implemented within 120 days. In doing so, acquisition costs will be estimated for some assets, most of which are at least ten years old.*

|   |
|---|
| <b>5. Personnel Policies and Procedures</b> |
|---|

- A. In response to concerns reported in the prior audit, in March 1994, the Committee on Legislative Research established a uniform personnel policy which, among other things, addressed the leave accruals of employees of both the Research and Oversight Divisions. However, that policy provides sick leave benefits which are more generous than those provided to other state employees. Currently, employees of both the Research and Oversight Divisions earn sick leave at a rate of 14 hours per month, rather than the 10 hours earned by most state employees. As a result of this situation, the committee is certifying accrued sick leave balances to the state retirement system to be counted as creditable service which are in excess of those allowed by law.

Section 104.601, RSMo 1994, states that for the purpose of calculating creditable service, the rate of accrual of sick leave for legislative employees must be the same as that promulgated by the personnel advisory board. Therefore, the 10 hour per month sick leave accrual which applies to other state employees must be used when certifying service of committee employees to the retirement system.

- B. The uniform personnel policy adopted in March 1994, established a standard 35 hour work week (7 hours per day) for its employees. In contrast, employees of most other state agencies are required to work 40 hours per week.

Attorney General's Opinion No. 46, 1980 to Bradford, concluded legislative employees are exempt from the requirements of Section 36.350, RSMo 1994, regarding hours of work and other personnel matters. However, it appears unreasonable for employees of this agency to be required to work fewer hours per week than is required of most other state as well as private employees.

- C. The Research Division has an informal policy requiring supervisors to prepare annual employee performance appraisals prior to determining raises. We noted 3 out of 8 personnel files reviewed did not contain any employee appraisals. As a result, it appears the Research Division is not in compliance with its informal policy regarding the preparation of annual appraisals.

Periodic performance appraisals can lead to improvement in employee performance and are useful in evaluating employees for salary increases, promotions, and other

personnel actions. Performance appraisals may also be used as documentation and support in the decision to terminate an employee.

Conditions A. and B. were also noted in our prior report.

**WE RECOMMEND:**

The Committee on Legislative Research:

- A. Amend its leave policy so employees earn 10 hours of sick leave per month, like other state employees. In addition, the committee should ensure hours of accumulated sick leave certified to the retirement system are consistent with state law.
- B. Require its employees work 40 hours per week as is required of most other state employees.

The Research Division:

- C. The Research Division ensure employee performance appraisals are prepared annually in accordance with stated policy. In addition, the division should consider establishing a written performance appraisal policy to be included in the personnel manual.

**AUDITEE'S RESPONSE**

*The Committee on Legislative Research has historically adopted personnel policies for its employees that take into account the conditions and nature of legislative work. While the legislature is in session, employees are required to be "on call" at all times and work as many hours as necessary to keep pace with legislative demands. These expectations frequently create interference with personal responsibilities. The work environment of the legislature should not be compared to that of other state agencies simply because time constraints often place extraordinary pressure on staff. The Attorney General in 1980 clearly recognized the difference as referenced in the State Auditor's finding. However, the Committee appreciates the Auditor's comments and has implemented sick leave benefits that conform to those of other state agencies. Additionally, a standard eight-hour workday policy has been established for employees of the Committee effective August 1, 2000.*

This report is intended for the information of the management of the Committee on Legislative Research and Interim Committees and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Committee on Legislative Research and Interim Committees on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1993. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the committee should consider implementing these recommendations.

1. Leave Policies and Payroll Documentation

The Research Division's written policy covering monthly leave accruals was not consistently followed and had not been updated to reflect current practices. The Oversight Division had no written policy, but sometimes used parts of the policy adopted by the House of Representatives. The leave accrual practices varied between the two divisions and were different from those used by other state agencies.

Recommendation:

The Committee on Legislative Research establish a uniform written leave accrual policy for the two divisions. The committee should consider the leave accruals granted other state employees when establishing such a policy. In addition, the committee should consider requiring of their employees the same 40 hour work week which is required of other state employees. Finally, hours of accumulated sick leave certified to the retirement system should be consistent with state law.

Status:

Partially implemented. The Committee on Legislative Research established a uniform leave policy in March 1994; however, the committee still does not follow the leave accrual policies used by other state agencies in some respects and the committee's employees earn more generous sick leave benefits than those provided to other state employees. This has resulted in the committee certifying accrued sick leave balances to the state retirement system which exceed that authorized by law. In addition, the committee's employees continue to work a 35 hour week. See MAR No. 5.

2. Oversight Division Personnel Policies and Procedures

- A. The former Oversight Division Director allowed employees to take administrative leave with pay each year during the March session break. This leave was not charged against the employees' annual leave or compensatory time balances.

- B. Oversight Division employees were granted "retroactive" annual and sick leave in apparent violation of Article III, Section 39 of the Missouri Constitution.
- C. The Oversight Division did not have a formal written policy covering leave accruals and other payroll procedures and allowed employees to accumulate excess annual leave indefinitely.
- D. Some Oversight Division employee time records were not reviewed by a supervisor and some employees failed to sign their time records.
- E. The Oversight Division's normal working week is 35 hours; however, the time records prepared by the division's employees reflect a 40 hour week.

Recommendation:

The Oversight Division:

- A. Discontinue granting additional administrative leave.
- B. Refrain from granting retroactive leave accruals.
- C. Establish a written payroll and leave policy and ensure all employees adhere to the policy without exception.
- D. Require all time records be signed by employees and reviewed and approved by a supervisor.
- E. Require all employee time records to reflect actual hours worked.

Status:

A-E. Implemented.

3. Former Oversight Division Director's Use of State Resources

- A. Some phone calls the former Oversight Division Director charged to the state appeared to be personal in nature. The division did not maintain a log of calling card calls and had no policy regarding the use of telephone calling cards.
- B. The former Oversight Division Director prepared and approved her own expense accounts. The expense accounts were not reviewed by a member of the Subcommittee on Legislative Oversight.
- C. The former Oversight Division Director took one or more framed pictures with her to her new place of employment with state government. No documentation could be

located indicating this action was approved by the Committee on Legislative Research.

- D. The former Oversight Division Director had in her office two antique tables and two stacking tables, which were repaired at state expense. The former director apparently took the tables with her upon termination.

Recommendation:

The Oversight Division:

- A. Request reimbursement from the former Division Director for any personal calls charged to the state. The division should also require the use of phone call logs. The logs should be reviewed by a member of the Oversight Subcommittee for propriety.
- B. Require a member of the Oversight Subcommittee to review and approve the Division Director's expense accounts.
- C. Discontinue the practice of allowing employees to take state property for personal use. The former director should return the pictures to the Oversight Division offices.
- D. Request reimbursement of \$370 from the former Division Director for repairs made to personal property at state expense.

Status:

A, C,  
&D. Partially implemented. We noted no additional property items being taken for personal use during the current audit period; however, it does not appear the past problems noted were resolved or corrected. The current Director of the Oversight Division indicated these issues were to be handled by the former chairman, who is now deceased. We were unable to determine how these matters were resolved, and there was no documentation indicating any reimbursements or property items were received from the former director. In addition, the division still does not require the use of phone logs. Although not repeated in the current MAR, our recommendations remain as stated above.

B. Implemented.

4. Oversight Division Expenditures and Procurement Procedures

- A. The Oversight Division did not always solicit bids nor retain documentation of bids obtained. The division did not have a written policy concerning bid requirements.



- B. The Oversight Division purchased a telecopier costing \$8,633 in fiscal year 1992. Besides not being bid, this appeared to be an unnecessary purchase since only the equipment's fax capability was being used.
- C. The Oversight Division maintained a supply of postage stamps for use in its daily operations.
  - 1) In September 1993, \$4,709 in postage stamps was on hand, far more than what appeared necessary.
  - 2) Employees were allowed to purchase stamps from the supply on hand.
- D. The Oversight Division adopted the Office of Administration educational reimbursement policy; however, the policy was not followed. Reimbursements for books and reimbursements to temporary employees were noted, contrary to that policy.
- E. Various expenditures were noted which were charged to the wrong object code.

Recommendation:

The Oversight Division:

- A. Establish a written purchasing policy. The division should obtain bids for all large purchases, retain documentation of bids, and utilize state contracts when possible.
- B. Ensure equipment is needed before it is purchased.
- C.1. Investigate the feasibility of using the Research Division postage meter and discontinue purchasing and holding large quantities of stamps.
  - 2. Discontinue the practice of selling stamps to employees.
- D. Adhere to the educational reimbursement policy and refrain from reimbursing employees for textbooks. In addition, the division should discontinue providing educational reimbursements to temporary employees.
- E. Ensure the correct object codes are used when recording expenditures.

Status:

A-E. Implemented.

5. Oversight Division Compliance

- A. Three of four audits conducted were not completed within one year as required. No evidence of time extensions or monthly progress reports were noted.
- B. The division had not performed follow-up reviews related to agency audits as required by Section 23.190, RSMo.

Recommendation:

The Oversight Division:

- A. Complete audit reports within one year after the date of the resolution, or obtain extensions as required by statute. In addition, the Oversight Division should prepare monthly progress reports for review by the Oversight Subcommittee.
- B. Perform follow up reviews as required by Section 23.190, RSMo.

Status:

These recommendations were substantially implemented during the current audit period; however, in October 1997, the Missouri Supreme Court, in State Auditor v. Joint Committee on Legislative Research, 956 S.W. 2<sup>nd</sup> 228 (Mo. banc), concluded that the Oversight Division did not have the authority to conduct audits and the related statutes were unconstitutional. As a result, these recommendations are no longer applicable.

6. Research Division Personnel Policies and Procedures

- A. Research Division employees were allowed to accumulate annual leave in excess of the limits established by the personnel policy.
- B. Employees were allowed to accumulate compensatory time in excess of the limit established by the personnel policy. In addition, one employee was paid for his accumulated compensatory time, contrary to the policy.
- C. When terminating employees were paid for their accumulated leave, the leave record was adjusted upward to compensate for the shortened work week.
- D. Research Division employee time records were not always signed by the employees.

Recommendation:

The Research Division:

- A. Amend the leave policy to indicate when excess annual leave will lapse, and then adhere to the policy.
- B. Follow established policies on the accrual and payment of compensatory time.
- C. Pay terminating employees only for accrued leave actually earned per the leave records.
- D. Require all employee time records to be signed by the employee.

Status:

A-D. Implemented.

7. Research Division Inventory Records and Statute Sales

- A. The Research Division did not reconcile the records of statute sales and free copies issued with the perpetual inventory record.
- B. Free copies of the statutes were provided to private entities, resulting in the cost of the statutes not being recouped as required by Section 3.140, RSMo.
- C. The record of free statutes was incomplete and inaccurate.
- D. One of the private carriers that delivered statutes was also employed as the division's warehouse worker, maintaining the inventory records and serving as custodian of the statute inventory. The invoices from the carriers were not complete and could not be reconciled to the inventory records. In addition, the duties of accounting for statutes and contracting for their delivery were incompatible.

Recommendation:

The Research Division:

- A. Reconcile records of sales and free copies with issuances recorded in the perpetual inventory records.
- B. Comply with Section 3.140, RSMo, and discontinue providing free copies of the statutes to private entities.
- C. Ensure all invoices are properly accounted for and are recorded in the appropriate

inventory ledger. In addition, the division should ensure that all inventory records are complete and accurate.

- D. Improve inventory records and delivery invoices or discontinue the practice of allowing division employees to also contract with the division to deliver copies of the statutes.

Status:

- A. Not implemented. Proper inventory reconciliations are still not performed. See MAR No. 3.
- B. Implemented.
- C&D. Partially implemented. Invoices appear to have been properly accounted for and an independent, commercial carrier is used to deliver statutes; however, we again noted problems with the inventory records and procedures. See MAR No. 3.

8. Computerized Statute Sales

In October 1992, the Committee on Legislative Research entered into a contract with a company to provide statutes in an electronic format. The company marketed the statutes for profit and then paid a share of the profit to the legislature.

- A. The Research Division did not perform a formal cost/benefit study to determine if this service should be provided by the state rather than through a contractual arrangement.
- B. Sales reports indicated all sales were made at a discounted price, resulting in lost revenue to the state. The Research Division did not review the sale reports to determine if the proper amount was charged and the state's share was appropriate.

Recommendation:

The Research Division:

- A. Perform detailed cost/benefit studies as necessary to maximize efficiency and state revenues.
- B. Ensure sales of and royalties from computerized statute sales are proper and comply with the contract.

Status:

In 1996, in a lawsuit related to this contract, the Missouri Court of Appeals, Western District, upheld a lower court ruling which determined that the committee's practice of awarding a contract without competitive bids to a private company to market the statutes in an electronic format violated the Sunshine Law. Because of this decision, this practice and the related contract were subsequently terminated. Therefore, these recommendations are no longer applicable.

9. Research Division Expenditure and Procurement Procedures

- A. The Research Division did not establish formal written policies regarding the use of statewide contracts and other standard purchasing procedures.
- B. The Research Division did not always solicit bids nor retain documentation of bids obtained.
- C. The Research Division was not able to locate related expenditure documentation for some fixed asset additions.

Recommendation:

The Research Division:

- A. Establish a formal written policy regarding purchasing procedures.
- B. Obtain bids for all large purchases and retain documentation of bids.
- C. Maintain adequate supporting documentation for all purchases.

Status:

A-C. Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Committee on Legislative Research of the Missouri General Assembly was created as a permanent standing committee by an act of the Sixty-Second General Assembly.

The 1945 Constitution gave the research committee constitutional standing and provided in Article III, Section 35, that the committee shall be a constitutional body of the General Assembly.

The committee is composed of twenty members of the General Assembly, ten appointed by the speaker of the House of Representatives and ten appointed by the president pro tem of the Senate. No major party may have more than six members appointed as members from either house.

The Research Division is directed by statute to maintain a legislative reference library; provide a research staff to make studies at the request of members of the General Assembly; and, upon written request of assembly members, to draft or to aid in drafting bills, resolutions, memorials, and amendments. The division is also responsible for revising and publishing the statutes at least every ten years and for publication of statutory supplements in years between revisions.

In 1984, House Bill No. 1087 was passed which required the committee to organize an Oversight Division to prepare fiscal notes and to conduct management and program audits of state agencies as directed by the General Assembly or the Committee on Legislative Research. Senate Bill No. 354, passed in 1985, provided for the employment of a director of research to assume administration of the necessary activities of the committee and a director to supervise the operation of the Oversight Division. In 1989, House Bill 493 was passed which gave the Oversight Division the responsibility to issue an annual report of state bonds or other evidences of indebtedness of state agencies and of entities of the state given authority by law to incur indebtedness.

The Oversight Division performed the duties as described until 1997, when the Supreme Court determined that it was unconstitutional for the Oversight Division to perform audits. Since that time, the division has discontinued performing audits and now conducts program reviews.

The overall and primary purpose of the committee and its staff is to aid the individual legislator by furnishing technical assistance and factual information. The committee is not a policy-making group and it formulates no legislative program. Its staff renders only such technical and professional assistance as may be requested by the General Assembly or any of its members.

The Joint Committee on Correctional Institutions and Problems is authorized by provisions of Chapter 21, RSMo 1994, and is comprised of six members of the Senate



and six members of the House of Representatives. The Senate members are appointed by the president pro tem and the House members are appointed by the speaker. Its powers and duties are prescribed in Sections 21.455 through 21.465, RSMo.

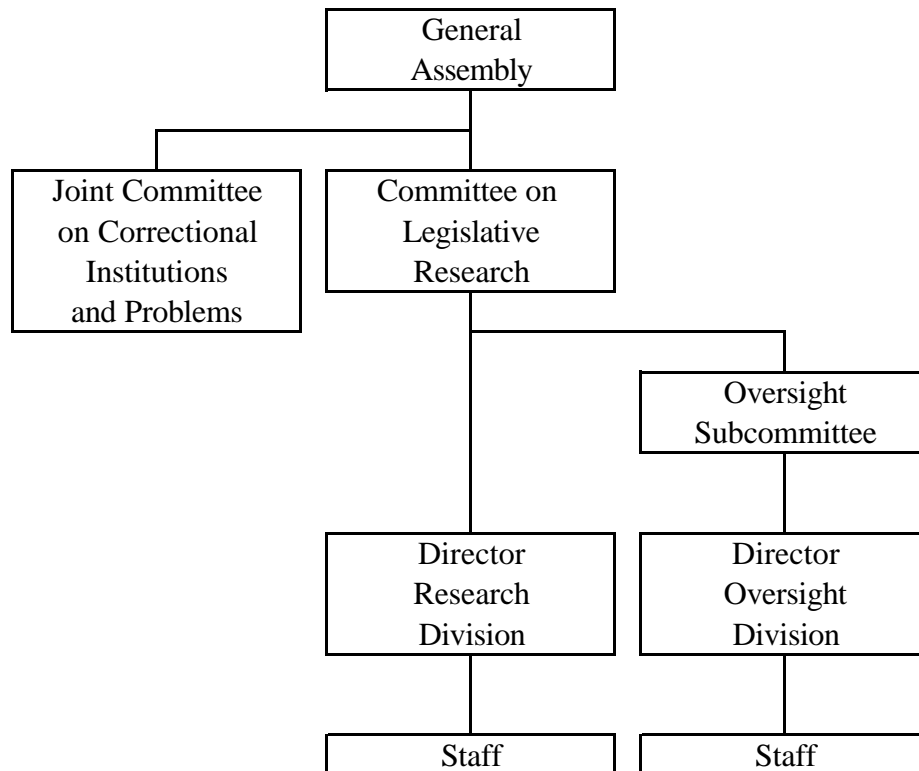
The Missouri Commission on Local Government was authorized by provisions of Chapter 17, RSMo 1994; however, this entire chapter was repealed in 1995. The committee continued to receive appropriations for this commission during the current audit period, but did not expend any funds from these appropriations. The committee has since requested the appropriations be discontinued.

The staff of the Research Division prepares and maintains accounting records for the three interim committees with approval of expenditures by the committees' chairman.

At June 30, 1999, the staff of the Committee on Legislative Research consisted of forty-seven employees, thirty employed in the Research Division and seventeen employed in the Oversight Division. Donald Prost and Jeanne Jarrett served as directors of the Research and Oversight Divisions, respectively, during the audit period and they continue in those positions.

An organization chart for the Committee on Legislative Research and Interim Committees follows.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
COMMITTEE ON LEGISLATIVE RESEARCH AND INTERIM COMMITTEES  
ORGANIZATION CHART  
JUNE 30, 1999



\* \* \* \* \*



MACON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-79  
August 23, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Macon, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Macon County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The majority of Senate Bill 40 Board Fund expenditures are to not-for-profit corporations to provide various services to the handicapped. One not-for-profit corporation was assigned the administrative responsibility of monitoring other purchase of service providers; however, there was little indication that information provided by the other not-for-profit corporations was reviewed by this not-for-profit corporation or relayed to the Senate Bill 40 Board. In addition, the Senate Bill 40 Board is not monitoring the administrative or client services contract requirements of this not-for-profit corporation.
- The Senate Bill 40 Board may be incurring unnecessary expenses to a not-for-profit corporation. The 1999 administrative services contract provided for a monthly payment of \$833 (\$10,000 annually) to the not-for-profit corporation. However, the Senate Bill 40 Board paid additional office expenditures totaling approximately \$6,880. The office is used on a full-time basis by the administrative services not-for-profit corporation.
- Bid documentation was not always retained for various equipment purchases made by the county during the audit period. The County Commission indicated they solicit bids for equipment, but do not always maintain the bid documentation. Examples of items purchased, for which bid documentation could not be found included playground surfacing costing \$4,999, a trailer costing \$22,584, and two used dump trucks costing \$20,000 and \$27,000, respectively.

(over)

YELLOW SHEET

- The county prepared a schedule of expenditures of federal awards (SEFA) for the years ended December 31, 1999 and 1998; however, the information presented for some of the programs did not agree with the county's expenditure records. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

Also included in the audit are recommendations to the Circuit Clerk to investigate the status of cases for which monies are being held and distribute those monies for those accounts for which the balance due appears unlikely to be collected in the future. The audit also questioned some expenses of the Law Library Fund and the handling of reimbursements to the Circuit Clerk Interest Fund.

**Copies of the audit are available upon request.**

MACON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Macon County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Macon County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Macon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Macon County.

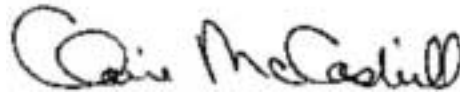
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Macon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 2, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Macon County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

May 2, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Peggy Schler, CPA     |
| In-Charge Auditor:  | Lonnie Breeding III   |
| Audit Staff:        | Martin Beck           |
|                     | Nicki Russell         |
|                     | Rose Lamb             |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Macon County, Missouri

We have audited the special-purpose financial statements of various funds of Macon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

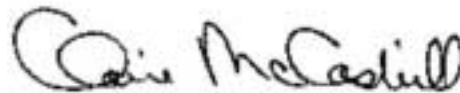
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Macon County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Macon County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Macon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 2, 2000 (fieldwork completion date)



## Financial Statements

Exhibit A-1

MACON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 59,273          | 1,387,983 | 1,321,992     | 125,264              |
| Special Road and Bridge             | 451,055            | 1,413,926 | 1,493,977     | 371,004              |
| Assessment                          | 5                  | 159,549   | 159,542       | 12                   |
| Law Enforcement Training            | 15,328             | 9,116     | 3,832         | 20,612               |
| Prosecuting Attorney Training       | 996                | 1,483     | 2,144         | 335                  |
| Capital Improvements Sales Tax      | 98,754             | 872,556   | 828,431       | 142,879              |
| Prosecuting Attorney Delinquent Tax | 892                | 709       | 0             | 1,601                |
| Law Enforcement                     | 2,050              | 0         | 1,828         | 222                  |
| Prosecuting Attorney Bad Check      | 16,254             | 17,640    | 15,573        | 18,321               |
| Victims of Domestic Violence        | 1,681              | 688       | 0             | 2,369                |
| Recorder's User Fee                 | 9,767              | 7,553     | 3,656         | 13,664               |
| Sheriff Civil Fees                  | 25,214             | 24,846    | 19,920        | 30,140               |
| Conty Park                          | 13,274             | 51,480    | 34,246        | 30,508               |
| Health Center                       | 244,226            | 509,736   | 474,458       | 279,504              |
| Enhanced 911                        | 277,566            | 393,965   | 349,933       | 321,598              |
| Senate Bill 40 Board                | 58,138             | 116,991   | 114,920       | 60,209               |
| Law Library                         | 6,853              | 5,205     | 2,640         | 9,418                |
| Circuit Clerk Interest              | 6,934              | 7,398     | 8,128         | 6,204                |
| Associate Circuit Interest          | 606                | 1,657     | 1,253         | 1,010                |
| Sound Recording Fund                | 0                  | 1,382     | 1,379         | 3                    |
| Parent Education Fund               | 0                  | 595       | 450           | 145                  |
| Total                               | \$ 1,288,866       | 4,984,458 | 4,838,302     | 1,435,022            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MACON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 153,319         | 1,280,965 | 1,375,011     | 59,273               |
| Special Road and Bridge             | 437,961            | 1,292,342 | 1,279,248     | 451,055              |
| Assessment                          | 14                 | 159,399   | 159,408       | 5                    |
| Law Enforcement Training            | 10,251             | 8,140     | 3,063         | 15,328               |
| Prosecuting Attorney Training       | 984                | 1,590     | 1,578         | 996                  |
| Capital Improvement Sales Tax       | 216,642            | 693,073   | 810,961       | 98,754               |
| Prosecuting Attorney Delinquent Tax | 2,167              | 725       | 2,000         | 892                  |
| Law Enforcement                     | 1,950              | 100       | 0             | 2,050                |
| Prosecuting Attorney Bad Check      | 18,857             | 11,200    | 13,803        | 16,254               |
| Victims of Domestic Violence        | 1,025              | 656       | 0             | 1,681                |
| Recorder's User Fee                 | 12,104             | 7,895     | 10,232        | 9,767                |
| Sheriff Civil Fees                  | 1,295              | 28,380    | 4,461         | 25,214               |
| County Park                         | 17,490             | 42,240    | 46,456        | 13,274               |
| Health Center                       | 260,551            | 447,281   | 463,606       | 244,226              |
| Enhanced 911                        | 288,683            | 386,857   | 397,974       | 277,566              |
| Senate Bill 40 Board                | 47,366             | 115,999   | 105,227       | 58,138               |
| Law Library                         | 3,636              | 5,329     | 2,112         | 6,853                |
| Circuit Clerk Interest              | 1,520              | 10,144    | 4,730         | 6,934                |
| Associate Circuit Interest          | 2,152              | 4,228     | 5,774         | 606                  |
| Total                               | \$ 1,477,967       | 4,496,543 | 4,685,644     | 1,288,866            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Property taxes                      | \$ 246,500              | 246,419   | (81)                                   | 220,200   | 228,962   | 8,762                                  |
| Sales taxes                         | 500,000                 | 500,995   | 995                                    | 483,000   | 491,136   | 8,136                                  |
| Intergovernmental                   | 236,926                 | 222,592   | (14,334)                               | 206,476   | 229,743   | 23,267                                 |
| Charges for services                | 253,900                 | 253,309   | (591)                                  | 244,471   | 244,027   | (444)                                  |
| Interest                            | 10,000                  | 10,439    | 439                                    | 15,000    | 14,302    | (698)                                  |
| Other                               | 65,225                  | 109,229   | 44,004                                 | 36,027    | 32,795    | (3,232)                                |
| Transfers in                        | 45,000                  | 45,000    | 0                                      | 40,000    | 40,000    | 0                                      |
| Total Receipts                      | 1,357,551               | 1,387,983 | 30,432                                 | 1,245,174 | 1,280,965 | 35,791                                 |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| County Commission                   | 84,440                  | 83,736    | 704                                    | 63,950    | 71,584    | (7,634)                                |
| County Clerk                        | 68,313                  | 67,492    | 821                                    | 60,830    | 59,947    | 883                                    |
| Elections                           | 16,886                  | 18,466    | (1,580)                                | 36,950    | 37,008    | (58)                                   |
| Buildings and grounds               | 80,192                  | 80,703    | (511)                                  | 91,230    | 87,920    | 3,310                                  |
| Employee fringe benefits            | 184,534                 | 170,139   | 14,395                                 | 170,931   | 176,529   | (5,598)                                |
| County Treasurer                    | 29,507                  | 29,493    | 14                                     | 21,750    | 21,280    | 470                                    |
| County Collector                    | 64,800                  | 62,067    | 2,733                                  | 61,310    | 60,159    | 1,151                                  |
| Ex Officio Recorder of Deeds        | 31,735                  | 30,791    | 944                                    | 33,888    | 32,668    | 1,220                                  |
| Circuit Clerk                       | 9,284                   | 9,168     | 116                                    | 9,700     | 8,550     | 1,150                                  |
| Associate Circuit Court             | 7,275                   | 7,193     | 82                                     | 8,050     | 7,346     | 704                                    |
| Court administration                | 10,035                  | 9,712     | 323                                    | 12,133    | 6,721     | 5,412                                  |
| Public Administrator                | 30,815                  | 30,669    | 146                                    | 37,915    | 29,890    | 8,025                                  |
| Sheriff                             | 322,480                 | 313,696   | 8,784                                  | 172,558   | 203,101   | (30,543)                               |
| Jail                                | 64,180                  | 64,443    | (263)                                  | 158,427   | 169,134   | (10,707)                               |
| Prosecuting Attorney                | 91,206                  | 91,690    | (484)                                  | 99,980    | 101,608   | (1,628)                                |
| Juvenile Officer                    | 131,906                 | 112,985   | 18,921                                 | 146,597   | 141,928   | 4,669                                  |
| County Coroner                      | 9,540                   | 8,991     | 549                                    | 9,815     | 6,988     | 2,827                                  |
| Public health and welfare services  | 14,131                  | 12,529    | 1,602                                  | 9,600     | 17,899    | (8,299)                                |
| Data processing                     | 14,313                  | 13,198    | 1,115                                  | 19,476    | 14,278    | 5,198                                  |
| Other                               | 95,852                  | 96,006    | (154)                                  | 115,353   | 108,743   | 6,610                                  |
| Transfers out                       | 14,673                  | 8,825     | 5,848                                  | 17,275    | 11,730    | 5,545                                  |
| Emergency Fund                      | 40,727                  | 0         | 40,727                                 | 37,350    | 0         | 37,350                                 |
| Total Disbursements                 | 1,416,824               | 1,321,992 | 94,832                                 | 1,395,068 | 1,375,011 | 20,057                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (59,273)                | 65,991    | 125,264                                | (149,894) | (94,046)  | 55,848                                 |
| CASH, JANUARY 1                     | 59,273                  | 59,273    | 0                                      | 153,319   | 153,319   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 125,264   | 125,264                                | 3,425     | 59,273    | 55,848                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|  | Year Ended December 31, |           |  |           |           |  |
|--|-------------------------|-----------|--|-----------|-----------|--|
|  | 1999                    |           |  | 1998      |           |  |
|  | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                                       |                         |           |  |           |           |  |
| Property taxes                                 | \$ 413,525              | 412,353   | (1,172)                                | 404,400   | 408,947   | 4,547                                  |
| Intergovernmental                              | 947,000                 | 950,423   | 3,423                                  | 784,728   | 814,562   | 29,834                                 |
| Interest                                       | 30,000                  | 28,038    | (1,962)                                | 25,000    | 33,917    | 8,917                                  |
| Other  | 18,000                  | 23,112    | 5,112                                  | 27,500    | 34,916    | 7,416                                  |
| Total Receipts                                 | 1,408,525               | 1,413,926 | 5,401                                  | 1,241,628 | 1,292,342 | 50,714                                 |
| DISBURSEMENTS                                  |                         |           |  |           |           |  |
| Salaries                                       | 480,000                 | 473,432   | 6,568                                  | 450,000   | 441,677   | 8,323                                  |
| Employee fringe benefits                       | 163,453                 | 154,435   | 9,018                                  | 147,709   | 142,667   | 5,042                                  |
| Supplies                                       | 203,500                 | 189,469   | 14,031                                 | 187,500   | 159,744   | 27,756                                 |
| Insurance                                      | 17,500                  | 16,496    | 1,004                                  | 20,000    | 16,657    | 3,343                                  |
| Equipment repairs                              | 80,000                  | 90,097    | (10,097)                               | 90,000    | 74,904    | 15,096                                 |
| Rentals  | 5,000                   | 3,702     | 1,298                                  | 5,000     | 1,829     | 3,171                                  |
| Equipment purchases                            | 120,000                 | 125,112   | (5,112)                                | 100,000   | 47,000    | 53,000                                 |
| Construction, repair, and maintenance projects | 405,143                 | 363,332   | 41,811                                 | 403,000   | 332,812   | 70,188                                 |
| Other  | 57,700                  | 32,902    | 24,798                                 | 58,700    | 21,958    | 36,742                                 |
| Transfers out                                  | 45,000                  | 45,000    | 0                                      | 40,000    | 40,000    | 0                                      |
| Total Disbursements                            | 1,577,296               | 1,493,977 | 83,319                                 | 1,501,909 | 1,279,248 | 222,661                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS            | (168,771)               | (80,051)  | 88,720                                 | (260,281) | 13,094    | 273,375                                |
| CASH, JANUARY 1                                | 451,055                 | 451,055   | 0                                      | 437,961   | 437,961   | 0                                      |
| CASH, DECEMBER 31                              | \$ 282,284              | 371,004   | 88,720                                 | 177,680   | 451,055   | 273,375                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSESSMENT FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Intergovernmental                   | \$ 151,352              | 148,278 | (3,074)                                | 150,457 | 144,547 | (5,910)                                |
| Charges for services                | 1,000                   | 595     | (405)                                  | 700     | 1,461   | 761                                    |
| Interest                            | 1,200                   | 1,383   | 183                                    | 1,500   | 1,454   | (46)                                   |
| Other                               | 200                     | 468     | 268                                    | 100     | 207     | 107                                    |
| Transfers in                        | 14,673                  | 8,825   | (5,848)                                | 17,275  | 11,730  | (5,545)                                |
| Total Receipts                      | 168,425                 | 159,549 | (8,876)                                | 170,032 | 159,399 | (10,633)                               |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Assessor                            | 168,430                 | 159,542 | 8,888                                  | 170,043 | 159,408 | 10,635                                 |
| Total Disbursements                 | 168,430                 | 159,542 | 8,888                                  | 170,043 | 159,408 | 10,635                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5)                     | 7       | 12                                     | (11)    | (9)     | 2                                      |
| CASH, JANUARY 1                     | 5                       | 5       | 0                                      | 14      | 14      | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 12      | 12                                     | 3       | 5       | 2                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Intergovernmental                   | \$ 1,800  | 3,159         | 1,400   | 1,832  | 432           |  |
| Charges for services                | 5,700     | 5,957         | 4,900   | 6,308  | 1,408         |  |
| Total Receipts                      | 7,500     | 9,116         | 6,300   | 8,140  | 1,840         |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Sheriff                             | 12,000    | 3,832         | 13,000  | 3,063  | 9,937         |  |
| Total Disbursements                 | 12,000    | 3,832         | 13,000  | 3,063  | 9,937         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,500)   | 5,284         | (6,700) | 5,077  | 11,777        |  |
| CASH, JANUARY 1                     | 15,328    | 15,328        | 10,251  | 10,251 | 0             |  |
| CASH, DECEMBER 31                   | \$ 10,828 | 20,612        | 3,551   | 15,328 | 11,777        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,700 | 1,483         | 1,700  | 1,590  | (110)         |  |
| Total Receipts                      | 1,700    | 1,483         | 1,700  | 1,590  | (110)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 2,357    | 2,144         | 2,500  | 1,578  | 922           |  |
| Total Disbursements                 | 2,357    | 2,144         | 2,500  | 1,578  | 922           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (657)    | (661)         | (800)  | 12     | 812           |  |
| CASH, JANUARY 1                     | 996      | 996           | 984    | 984    | 0             |  |
| CASH, DECEMBER 31                   | \$ 339   | 335           | 184    | 996    | 812           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit G

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CAPITAL IMPROVEMENT SALES TAX

| Year Ended December 31,             |            |         |  |           |           |  |
|-------------------------------------|------------|---------|--|-----------|-----------|--|
| 1999                                |            |         | 1998                                   |           |           |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |           |           |  |
| Sales taxes                         | \$ 500,000 | 500,857 | 857                                    | 483,000   | 491,078   | 8,078                                  |
| Intergovernmental                   | 398,246    | 365,143 | (33,103)                               | 324,000   | 194,106   | (129,894)                              |
| Interest                            | 4,000      | 6,556   | 2,556                                  | 15,000    | 7,889     | (7,111)                                |
| Total Receipts                      | 902,246    | 872,556 | (29,690)                               | 822,000   | 693,073   | (128,927)                              |
| DISBURSEMENTS                       |            |         |  |           |           |  |
| Supplies                            | 2,500      | 1,996   | 504                                    | 2,500     | 2,753     | (253)                                  |
| Equipment                           | 200,000    | 122,501 | 77,499                                 | 250,000   | 234,639   | 15,361                                 |
| Materials                           | 213,000    | 235,252 | (22,252)                               | 225,000   | 180,942   | 44,058                                 |
| Special road districts              | 46,000     | 46,186  | (186)                                  | 40,000    | 40,801    | (801)                                  |
| Federal bridge projects             | 312,800    | 286,933 | 25,867                                 | 405,000   | 257,791   | 147,209                                |
| Axtel road                          | 135,060    | 135,060 | 0                                      | 26,000    | 62,353    | (36,353)                               |
| Bridge contract                     | 70,000     | 503     | 69,497                                 | 75,000    | 31,682    | 43,318                                 |
| Total Disbursements                 | 979,360    | 828,431 | 150,929                                | 1,023,500 | 810,961   | 212,539                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (77,114)   | 44,125  | 121,239                                | (201,500) | (117,888) | 83,612                                 |
| CASH, JANUARY 1                     | 98,754     | 98,754  | 0                                      | 216,642   | 216,642   | 0                                      |
| CASH, DECEMBER 31                   | \$ 21,640  | 142,879 | 121,239                                | 15,142    | 98,754    | 83,612                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX

| Year Ended December 31,             |          |               |        |         |               |  |
|-------------------------------------|----------|---------------|--------|---------|---------------|--|
| 1999                                |          |               | 1998   |         |               |  |
|                                     |          | Variance      |        |         | Variance      |  |
|                                     |          | Favorable     |        |         | Favorable     |  |
|                                     |          | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |          |               |        |         |               |  |
| Intergovernmental                   | \$ 1,500 | 649           | 1,250  | 644     | (606)         |  |
| Interest                            | 90       | 60            | 90     | 81      | (9)           |  |
| Total Receipts                      | 1,590    | 709           | 1,340  | 725     | (615)         |  |
| DISBURSEMENTS                       |          |               |        |         |               |  |
| Prosecuting Attorney                | 2,000    | 0             | 2,000  | 2,000   | 0             |  |
| Total Disbursements                 | 2,000    | 0             | 2,000  | 2,000   | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (410)    | 709           | (660)  | (1,275) | (615)         |  |
| CASH, JANUARY 1                     | 892      | 892           | 2,167  | 2,167   | 0             |  |
| CASH, DECEMBER 31                   | \$ 482   | 1,601         | 1,507  | 892     | (615)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT FUND

| Year Ended December 31,             |         |               |         |        |               |  |
|-------------------------------------|---------|---------------|---------|--------|---------------|--|
| 1999                                |         |               | 1998    |        |               |  |
|                                     |         | Variance      |         |        | Variance      |  |
|                                     |         | Favorable     |         |        | Favorable     |  |
|                                     |         | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |         |               |         |        |               |  |
| Other                               | \$ 0    | 0             | 0       | 100    | 100           |  |
| Total Receipts                      | 0       | 0             | 0       | 100    | 100           |  |
| DISBURSEMENTS                       |         |               |         |        |               |  |
| Sheriff                             | 2,050   | 1,828         | 1,950   | 0      | 1,950         |  |
| Total Disbursements                 | 2,050   | 1,828         | 1,950   | 0      | 1,950         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,050) | (1,828)       | (1,950) | 100    | 2,050         |  |
| CASH, JANUARY 1                     | 2,050   | 2,050         | 1,950   | 1,950  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0    | 222           | 0       | 2,050  | 2,050         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK

| Year Ended December 31,             |           |        |  |         |         |  |
|-------------------------------------|-----------|--------|--|---------|---------|--|
| 1999                                |           |        | 1998                                   |         |         |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |         |         |  |
| Charges for services                | \$ 13,000 | 15,045 | 2,045                                  | 11,500  | 10,085  | (1,415)                                |
| Interest                            | 500       | 785    | 285                                    | 1,200   | 1,115   | (85)                                   |
| Other                               | 0         | 1,810  | 1,810                                  | 0       | 0       | 0                                      |
| Total Receipts                      | 13,500    | 17,640 | 4,140                                  | 12,700  | 11,200  | (1,500)                                |
| DISBURSEMENTS                       |           |        |  |         |         |  |
| Prosecuting Attorney                | 21,253    | 15,573 | 5,680                                  | 20,750  | 13,803  | 6,947                                  |
| Total Disbursements                 | 21,253    | 15,573 | 5,680                                  | 20,750  | 13,803  | 6,947                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,753)   | 2,067  | 9,820                                  | (8,050) | (2,603) | 5,447                                  |
| CASH, JANUARY 1                     | 16,254    | 16,254 | 0                                      | 18,857  | 18,857  | 0                                      |
| CASH, DECEMBER 31                   | \$ 8,501  | 18,321 | 9,820                                  | 10,807  | 16,254  | 5,447                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit K

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 VICTIMS OF DOMESTIC VIOLENCE

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 600                     | 590    | (10)                                   | 600    | 585    | (15)                                   |
| Interest                            |    | 60                      | 98     | 38                                     | 60     | 71     | 11                                     |
| Total Receipts                      |    | 660                     | 688    | 28                                     | 660    | 656    | (4)                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Victims' shelter                    |    | 2,000                   | 0      | 2,000                                  | 1,000  | 0      | 1,000                                  |
| Total Disbursements                 |    | 2,000                   | 0      | 2,000                                  | 1,000  | 0      | 1,000                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (1,340)                 | 688    | 2,028                                  | (340)  | 656    | 996                                    |
| CASH, JANUARY 1                     |    | 1,681                   | 1,681  | 0                                      | 1,025  | 1,025  | 0                                      |
| CASH, DECEMBER 31                   |    | \$ 341                  | 2,369  | 2,028                                  | 685    | 1,681  | 996                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |          |               |          |         |               |  |
|-------------------------------------|----------|---------------|----------|---------|---------------|--|
| 1999                                |          |               | 1998     |         |               |  |
|                                     |          | Variance      |          |         | Variance      |  |
|                                     |          | Favorable     |          |         | Favorable     |  |
|                                     |          | (Unfavorable) |          |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget   | Actual  |               |  |
| RECEIPTS                            |          |               |          |         |               |  |
| Charges for services                | \$ 7,000 | 6,930         | 6,750    | 7,334   | 584           |  |
| Interest                            | 750      | 623           | 250      | 561     | 311           |  |
| Total Receipts                      | 7,750    | 7,553         | 7,000    | 7,895   | 895           |  |
| DISBURSEMENTS                       |          |               |          |         |               |  |
| Ex Officio Recorder of Deeds        | 15,000   | 3,656         | 18,500   | 10,232  | 8,268         |  |
| Total Disbursements                 | 15,000   | 3,656         | 18,500   | 10,232  | 8,268         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,250)  | 3,897         | (11,500) | (2,337) | 9,163         |  |
| CASH, JANUARY 1                     | 9,767    | 9,767         | 12,104   | 12,104  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,517 | 13,664        | 604      | 9,767   | 9,163         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FEES FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | \$ 26,000 | 23,629        | 18,000 | 27,706 | 9,706         |  |
| Interest                            | 700       | 1,217         | 200    | 674    | 474           |  |
| Total Receipts                      | 26,700    | 24,846        | 18,200 | 28,380 | 10,180        |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Sheriff                             | 28,063    | 19,920        | 18,000 | 4,461  | 13,539        |  |
| Total Disbursements                 | 28,063    | 19,920        | 18,000 | 4,461  | 13,539        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,363)   | 4,926         | 200    | 23,919 | 23,719        |  |
| CASH, JANUARY 1                     | 25,214    | 25,214        | 1,295  | 1,295  | 0             |  |
| CASH, DECEMBER 31                   | \$ 23,851 | 30,140        | 1,495  | 25,214 | 23,719        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 COUNTY PARK FUND

|                                     | Year Ended December 31, |        |  |          |         |  |
|-------------------------------------|-------------------------|--------|--|----------|---------|--|
|                                     | 1999                    |        |  | 1998     |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |          |         |  |
| Property taxes                      | \$ 33,375               | 33,606 | 231                                    | 34,376   | 33,375  | (1,001)                                |
| Intergovernmental                   | 5,675                   | 5,802  | 127                                    | 675      | 891     | 216                                    |
| Charges for services                | 5,900                   | 6,875  | 975                                    | 2,000    | 4,225   | 2,225                                  |
| Interest                            | 1,000                   | 1,580  | 580                                    | 1,200    | 1,580   | 380                                    |
| Other                               | 1,250                   | 3,617  | 2,367                                  | 1,670    | 2,169   | 499                                    |
| Total Receipts                      | 47,200                  | 51,480 | 4,280                                  | 39,921   | 42,240  | 2,319                                  |
| DISBURSEMENTS                       |                         |        |  |          |         |  |
| Salaries                            | 14,638                  | 14,428 | 210                                    | 14,250   | 14,168  | 82                                     |
| Equipment and equipment repairs     | 1,500                   | 1,598  | (98)                                   | 2,000    | 1,880   | 120                                    |
| Insurance                           | 2,500                   | 2,256  | 244                                    | 2,400    | 2,129   | 271                                    |
| Utilities                           | 8,750                   | 6,631  | 2,119                                  | 8,750    | 7,879   | 871                                    |
| Bookkeeping                         | 600                     | 600    | 0                                      | 600      | 600     | 0                                      |
| Supplies                            | 1,250                   | 591    | 659                                    | 1,500    | 1,059   | 441                                    |
| Upkeep and repair                   | 6,000                   | 6,955  | (955)                                  | 12,500   | 10,308  | 2,192                                  |
| Improvements                        | 5,295                   | 1,187  | 4,108                                  | 8,500    | 8,433   | 67                                     |
| Total Disbursements                 | 40,533                  | 34,246 | 6,287                                  | 50,500   | 46,456  | 4,044                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 6,667                   | 17,234 | 10,567                                 | (10,579) | (4,216) | 6,363                                  |
| CASH, JANUARY 1                     | 13,274                  | 13,274 | 0                                      | 17,490   | 17,490  | 0                                      |
| CASH, DECEMBER 31                   | \$ 19,941               | 30,508 | 10,567                                 | 6,911    | 13,274  | 6,363                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit O

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |          |  |
|-------------------------------------|-------------------------|---------|--|---------|----------|--|
|                                     | 1999                    |         |  | 1998    |          |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |          |  |
| Property taxes                      | \$ 175,000              | 171,910 | (3,090)                                | 175,000 | 170,713  | (4,287)                                |
| Intergovernmental                   | 244,368                 | 224,325 | (20,043)                               | 250,000 | 200,728  | (49,272)                               |
| Charges for services                | 52,958                  | 39,116  | (13,842)                               | 50,000  | 59,014   | 9,014                                  |
| Interest                            | 15,000                  | 13,674  | (1,326)                                | 15,000  | 14,667   | (333)                                  |
| Other                               | 2,240                   | 2,712   | 472                                    | 60,000  | 2,159    | (57,841)                               |
| Loan proceeds                       | 0                       | 58,000  | 58,000                                 | 0       | 0        | 0                                      |
| Total Receipts                      | 489,566                 | 509,737 | 20,171                                 | 550,000 | 447,281  | (102,719)                              |
| DISBURSEMENTS                       |                         |         |  |         |          |  |
| Salaries and fringe benefits        | 412,620                 | 377,490 | 35,130                                 | 430,160 | 372,776  | 57,384                                 |
| Office expenditures                 | 26,100                  | 23,175  | 2,925                                  | 33,450  | 22,376   | 11,074                                 |
| Equipment                           | 11,500                  | 4,063   | 7,437                                  | 31,500  | 14,944   | 16,556                                 |
| Mileage and training                | 15,000                  | 14,200  | 800                                    | 18,000  | 13,921   | 4,079                                  |
| Wellness/nursing/WIC                | 33,000                  | 32,688  | 312                                    | 25,000  | 31,211   | (6,211)                                |
| Other                               | 10,000                  | 22,842  | (12,842)                               | 11,000  | 8,378    | 2,622                                  |
| Total Disbursements                 | 508,220                 | 474,458 | 33,762                                 | 549,110 | 463,606  | 85,504                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (18,654)                | 35,279  | 53,933                                 | 890     | (16,325) | (17,215)                               |
| CASH, JANUARY 1                     | 244,226                 | 244,226 | 0                                      | 260,551 | 260,551  | 0                                      |
| CASH, DECEMBER 31                   | \$ 225,572              | 279,505 | 53,933                                 | 261,441 | 244,226  | (17,215)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

MACON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ENHANCED 911 FUND

| Year Ended December 31,             |            |         |  |          |          |  |
|-------------------------------------|------------|---------|--|----------|----------|--|
| 1999                                |            |         | 1998                                   |          |          |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |          |  |
| Sales taxes                         | \$ 388,500 | 377,858 | (10,642)                               | 350,000  | 370,374  | 20,374                                 |
| Intergovernmental                   | 0          | 2,580   | 2,580                                  | 0        | 4,193    | 4,193                                  |
| Charges for services                | 4,400      | 0       | (4,400)                                | 4,200    | 0        | (4,200)                                |
| Interest                            | 13,200     | 13,038  | (162)                                  | 12,500   | 9,769    | (2,731)                                |
| Other                               | 261        | 489     | 228                                    | 2,225    | 2,521    | 296                                    |
| Total Receipts                      | 406,361    | 393,965 | (12,396)                               | 368,925  | 386,857  | 17,932                                 |
| DISBURSEMENTS                       |            |         |  |          |          |  |
| Salaries                            | 281,785    | 253,003 | 28,782                                 | 246,931  | 241,727  | 5,204                                  |
| Office expenditures                 | 19,900     | 11,208  | 8,692                                  | 32,148   | 32,218   | (70)                                   |
| Equipment                           | 264,700    | 73,298  | 191,402                                | 113,200  | 109,582  | 3,618                                  |
| Mileage and training                | 4,700      | 7,001   | (2,301)                                | 4,446    | 4,007    | 439                                    |
| Other                               | 6,800      | 5,423   | 1,377                                  | 8,099    | 10,440   | (2,341)                                |
| Total Disbursements                 | 577,885    | 349,933 | 227,952                                | 404,824  | 397,974  | 6,850                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (171,524)  | 44,032  | 215,556                                | (35,899) | (11,117) | 24,782                                 |
| CASH, JANUARY 1                     | 277,360    | 277,566 | 206                                    | 279,610  | 288,683  | 9,073                                  |
| CASH, DECEMBER 31                   | \$ 105,836 | 321,598 | 215,762                                | 243,711  | 277,566  | 33,855                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENATE BILL 40 BOARD FUND

| Year Ended December 31,               |            |               |         |         |               |  |
|---------------------------------------|------------|---------------|---------|---------|---------------|--|
| 1999                                  |            |               | 1998    |         |               |  |
|                                       |            | Variance      |         |         | Variance      |  |
|                                       |            | Favorable     |         |         | Favorable     |  |
|                                       |            | (Unfavorable) |         |         | (Unfavorable) |  |
|                                       | Budget     | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                              |            |               |         |         |               |  |
| Property taxes                        | \$ 113,760 | 114,856       | 113,662 | 114,067 | 405           |  |
| Interest                              | 1,200      | 2,135         | 1,200   | 1,932   | 732           |  |
| Total Receipts                        | 114,960    | 116,991       | 114,862 | 115,999 | 1,137         |  |
| DISBURSEMENTS                         |            |               |         |         |               |  |
| Administrative expenses               | 21,689     | 19,625        | 43,486  | 27,973  | 15,513        |  |
| Service contracts and special support | 78,462     | 77,051        | 53,026  | 60,815  | (7,789)       |  |
| Building payment and repairs          | 18,244     | 18,244        | 17,783  | 16,439  | 1,344         |  |
| Total Disbursements                   | 118,395    | 114,920       | 114,295 | 105,227 | 9,068         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (3,435)    | 2,071         | 567     | 10,772  | 10,205        |  |
| CASH, JANUARY 1                       | 58,138     | 58,138        | 31,116  | 47,366  | 16,250        |  |
| CASH, DECEMBER 31                     | \$ 54,703  | 60,209        | 31,683  | 58,138  | 26,455        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 5,070 | 5,015         | 3,400   | 5,180  | 1,780         |  |
| Interest                            | 30       | 190           | 0       | 149    | 149           |  |
| Total Receipts                      | 5,100    | 5,205         | 3,400   | 5,329  | 1,929         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Circuit Judge                       | 10,000   | 2,640         | 7,036   | 2,112  | 4,924         |  |
| Total Disbursements                 | 10,000   | 2,640         | 7,036   | 2,112  | 4,924         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,900)  | 2,565         | (3,636) | 3,217  | 6,853         |  |
| CASH, JANUARY 1                     | 6,810    | 6,853         | 3,636   | 3,636  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,910 | 9,418         | 0       | 6,853  | 6,853         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

|                                     | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|-------------------------|--------|--|---------|--------|--|
|                                     | 1999                    |        |  | 1998    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |        |  |
| Interest                            | 3,500                   | 7,007  | 3,507                                  | 2,000   | 5,819  | 3,819                                  |
| Other                               | 0                       | 391    | 391                                    | 0       | 4,325  | 4,325                                  |
| Total Receipts                      | 3,500                   | 7,398  | 3,898                                  | 2,000   | 10,144 | 8,144                                  |
| DISBURSEMENTS                       |                         |        |  |         |        |  |
| Circuit Clerk                       | 10,000                  | 8,128  | 1,872                                  | 3,500   | 4,730  | (1,230)                                |
| Total Disbursements                 | 10,000                  | 8,128  | 1,872                                  | 3,500   | 4,730  | (1,230)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (6,500)                 | (730)  | 5,770                                  | (1,500) | 5,414  | 6,914                                  |
| CASH, JANUARY 1                     | 6,934                   | 6,934  | 0                                      | 1,520   | 1,520  | 0                                      |
| CASH, DECEMBER 31                   | \$ 434                  | 6,204  | 5,770                                  | 20      | 6,934  | 6,914                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

MACON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT INTEREST FUND

|                                     | Year Ended December 31, |        |  |        |         |  |
|-------------------------------------|-------------------------|--------|--|--------|---------|--|
|                                     | 1999                    |        |  | 1998   |         |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |         |  |
| Interest                            | 1,800                   | 1,657  | (143)                                  | 2,000  | 1,870   | (130)                                  |
| Other                               | 0                       | 0      | 0                                      | 0      | 2,358   | 2,358                                  |
| Total Receipts                      | 1,800                   | 1,657  | (143)                                  | 2,000  | 4,228   | 2,228                                  |
| DISBURSEMENTS                       |                         |        |  |        |         |  |
| Associate Circuit Judge             | 2,400                   | 1,253  | 1,147                                  | 1,000  | 5,774   | (4,774)                                |
| Total Disbursements                 | 2,400                   | 1,253  | 1,147                                  | 1,000  | 5,774   | (4,774)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (600)                   | 404    | 1,004                                  | 1,000  | (1,546) | (2,546)                                |
| CASH, JANUARY 1                     | 606                     | 606    | 0                                      | 2,152  | 2,152   | 0                                      |
| CASH, DECEMBER 31                   | \$ 6                    | 1,010  | 1,004                                  | 3,152  | 606     | (2,546)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

MACON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SOUND RECORDING FUND

| Year Ended December 31,             |          |        |               |
|-------------------------------------|----------|--------|---------------|
| 1999                                |          |        |               |
|                                     |          |        | Variance      |
|                                     | Budget   | Actual | Favorable     |
|                                     |          |        | (Unfavorable) |
| RECEIPTS                            |          |        |               |
| Charges for services                | \$ 1,500 | 1,365  | (135)         |
| Interest                            | 0        | 17     | 17            |
| Total Receipts                      | 1,500    | 1,382  | (118)         |
| DISBURSEMENTS                       |          |        |               |
| Equipment                           | 0        | 780    | (780)         |
| Supplies                            | 1,500    | 599    | 901           |
| Total Disbursements                 | 1,500    | 1,379  | 121           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 3      | 3             |
| CASH, JANUARY 1                     | 0        | 0      | 0             |
| CASH, DECEMBER 31                   | \$ 0     | 3      | 3             |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



MACON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Macon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Senate Bill 40 Board, or the Enhanced 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Parent Education Fund for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the Circuit Clerk Interest Fund and the Associate Circuit Interest Fund in 1998. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show

receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 1999, did not include the Parents Education Program Fund.

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

The investment policy provides that only legal investments will be purchased from financial institutions approved by the Missouri Division of Finance. Macon County's investment preferences are U.S. Treasuries and Securities and collateralized time and demand deposits.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Enhanced 911's and Senate Bill 40's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's holding bank in the county's and respective board's name.

The health center's deposits at December 31, 1999, were entirely covered by federal depository insurance or by collateral securities held by the county's holding bank in the health center's name.

Of the health center's bank balance at December 31, 1998, \$262,700 was covered by federal depository insurance or by collateral securities held by the health center's holding bank in the health center's name, and \$5,800 was uninsured and uncollateralized.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

MACON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number           | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number          | Federal Expenditures            |                                 |
|-------------------------------------|--|--|---------------------------------|---------------------------------|
|                                     |  |  | Year Ended December 31,         |                                 |
|                                     |  |  | 1999                            | 1998                            |
| U. S. DEPARTMENT OF AGRICULTURE     |  |  |                                 |                                 |
|                                     | Passed through state:  |  |                                 |                                 |
|                                     | Department of Health -   |  |                                 |                                 |
| 10.557                              | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ERO045-8161<br>ERO045-9161<br>ERO045-0161                | \$ 54,858                       | 41,866                          |
| U.S. DEPARTMENT OF JUSTICE          |  |  |                                 |                                 |
|                                     | Direct programs:   |  |                                 |                                 |
| 16.unknown                          | Equitable Sharing of Seized and Forfeited Property                         | N/A  | 6,407                           | 0                               |
|                                     | Passed through:  |  |                                 |                                 |
|                                     | State Department of Public Safety -  |  |                                 |                                 |
| 16.579                              | Byrne Formula Grant Program  | 98-NCDI-11   | 6,696                           | 13,156                          |
|                                     | Missouri Sheriffs' Association -   |  |                                 |                                 |
| 16.unknown                          | Domestic Cannabis Eradication/Suppression Program                          | N/A  | 830                             | 0                               |
| U. S. DEPARTMENT OF TRANSPORTATION  |  |  |                                 |                                 |
|                                     | Passed through state Highway and Transportation<br>Commission:             |  |                                 |                                 |
| 20.205                              | Highway Planning and Construction  | BRO-061(15)<br>BRO-061(17)<br>BRO-061(18)<br>BRO-061(21) | 0<br>214,301<br>11,726<br>3,803 | 4,111<br>15,541<br>0<br>187,460 |
|                                     | Program Total  |  | <u>229,830</u>                  | <u>207,112</u>                  |
| GENERAL SERVICES ADMINISTRATION     |  |  |                                 |                                 |
|                                     | Passed through state Office of Administration -                            |  |                                 |                                 |
| 39.003                              | Donation of Federal Surplus Personal Property                              | N/A  | 31                              | 0                               |
| FEDERAL EMERGENCY MANAGEMENT AGENCY |  |  |                                 |                                 |
|                                     | Passed through state Department of Public Safety:                          |  |                                 |                                 |
| 83.544                              | Public Assistance Grants   | FEMA-1253-DR-MO  | 50,979                          | 82,089                          |

## Schedule

MACON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---|---|---|-------------------------|----------------|
|   |   |   | Year Ended December 31, |                |
|   |   |   | 1999                    | 1998           |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |   |                         |                |
| Direct Program:                               |   |   |                         |                |
| 93.268  | Immunization Grants   | N/A   | 1,771                   | 344            |
| Passed through state:                         |   |   |                         |                |
| Department of Health -                        |   |   |                         |                |
| 93.268  | Immunization Grants   | N/A   | 30,213                  | 17,473         |
|   |   | PG0064-8161IAP                                  | 1,285                   | 6,080          |
|   |   | PG0064-9161IAP                                  |                         |                |
|   |   | PG0064-0161IAP                                  |                         |                |
|   | Program Total   |   | <u>33,269</u>           | <u>23,897</u>  |
| Department of Social Services -               |   |   |                         |                |
| 93.563  | Child Support Enforcement                                       | N/A   | 3,382                   | 27,425         |
| Department of Health -                        |   |   |                         |                |
| 93.575  | Child Care and Development Block Grant                          | ERO146-8161<br>ERO146-9161                      | 358                     | 836            |
|   |   | PG0067-9161                                     | 2,310                   | 1,730          |
|   |   | PG0067-8161                                     |                         |                |
|   | Program Total   |   | <u>2,668</u>            | <u>2,566</u>   |
| 93.991  | Preventive Health and Health Services Block Grant               | N/A   | 360                     | 454            |
| 93.994  | Maternal and Child Health Services<br>Block Grant to the States | N/A   | 1,798                   | 1,588          |
|   |   | ERO146-9161                                     | 19,185                  | 21,046         |
|   |   | ERO146-8161                                     |                         |                |
|   | Program Total   |   | <u>20,983</u>           | <u>22,634</u>  |
|   | Total Expenditures of Federal Awards                            |   | <u>\$ 410,293</u>       | <u>421,199</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

MACON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Macon County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$30,213 and \$17,473 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$360 and \$454 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,798 and \$1,588 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$970 to a subrecipient under the Child Care and Development Block Grant (CFDA number 93.575) during the year ended December 31, 1999.



FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Macon County, Missouri

Compliance

We have audited the compliance of Macon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Macon County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

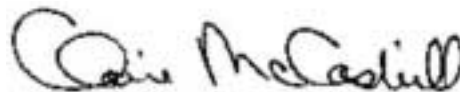
OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

#### Internal Control Over Compliance

The management of Macon County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Macon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 2, 2000 (fieldwork completion date)

Schedule

MACON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?        yes    x    no

Reportable condition identified that is  
not considered to be material weakness?        yes    x    none reported

Noncompliance material to the financial statements  
noted?        yes    x    no

Federal Award

Internal control over major program:

Material weakness identified?        yes    x    no

Reportable condition identified that is  
not considered to be material weakness?        yes    x    none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?    x    yes        no

Identification of major program:

|                   |                                   |
|-------------------|-----------------------------------|
| CFDA or           |                                   |
| Other Identifying |                                   |
| <u>Number</u>     | <u>Program Title</u>              |
| 20.205            | Highway Planning and Construction |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

**99-1**

### **Schedule of Expenditures of Federal Awards**

|                        |  |
|------------------------|--|
| Federal Grantor:       | U.S. Department of Transportation                      |
| Pass- Through Grantor: | State Highway and Transportation Commission            |
| Federal CFDA Number:   | 20.205   |
| Program Title:         | Highway Planning and Construction                      |
| Pass-Through Entity    |  |
| Identifying Number:    | BRO-061(15), BRO-061(17), BRO-061(18) &<br>BRO-061(21) |
| Award Years:           | 1999 and 1998  |
| Questioned Costs:      | Not Applicable   |

Section .310(b) of Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county prepared a SEFA for the years ended December 31, 1999 and 1998; however, the information presented for some of the programs did not agree with the county's expenditure records.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Commission prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

### **AUDITEE'S RESPONSE**

*The County Commission indicated they will make every attempt to implement the recommendation with the schedule submitted for calendar year 2000. Most of the programs were accurately presented; however, there were timing differences associated with some of the amounts reported.*

*The County Commission stated they will talk to health center personnel about the information submitted for health programs; however, they have no way to verify that information.*



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

MACON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

MACON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

MACON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Macon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 2, 2000. We also have audited the compliance of Macon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 2, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Macon County Samaritan Memorial Board of Trustees is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers for the year ended December 31, 1999.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned

Costs. These findings resulted from our audit of the special-purpose financial statements of Macon County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|                                |
|--------------------------------|
| <b>1. Senate Bill 40 Board</b> |
|--------------------------------|

The majority of Senate Bill 40 (SB 40) Board Fund expenditures are to not-for-profit (NFP) corporations for purchase of service (POS) contracts. The NFP corporations provide various services to the handicapped residents of Macon County. In addition, the SB 40 Board contracts for administrative services with one of these NFP corporations. During our review of Senate Bill 40 Board contracts and related expenditures and procedures we noted the following:

- A. As part of the administrative services contract, the NFP corporation was assigned the responsibility of monitoring other POS providers. We noted financial information and audit reports were received for all but one of the POS providers as provided by the contracts; however, we saw little indication that the information provided had been reviewed by the administrative services NFP corporation or relayed to the SB 40 Board. In addition, there is no evidence the SB 40 Board is monitoring the administrative or client services contract requirements of the NFP corporation providing oversight. There were several instances in which the SB 40 Board was unable to answer our questions and had to rely upon the NFP administrative liaison.

Without adequate monitoring, the SB 40 Board cannot ensure the reasonableness and propriety of expenditures or compliance with contract terms and statutory provisions.

- B. The 1999 administrative services contract provided for a monthly payment of \$833 (\$10,000 annually) to the NFP corporation. During 1999 we noted additional expenditures of approximately \$1,500 for rent, \$980 for utilities, \$1,000 for telephone, \$1,100 for a copier, and \$2,300 for office supplies.

The office is utilized on a full-time basis by the administrative services NFP corporation which also lists this location as a satellite office in its 1999 annual report. Office space and related expenditures are not provided for in the contract with the NFP corporation. The percentage of office expenditures has not been allocated between the NFP corporation and the SB 40 Board. The NFP corporation has not reimbursed the SB 40 Board for any office expenses, although they did pay the telephone bill from September through December.

By providing office space and utilities to the NFP which are not required by the contract, the SB 40 Board may be incurring unnecessary expenses.

- C. The 1999 rental agreement binding the SB 40 Board to pay monthly rent of \$125 and half of office utilities was signed by the administrative services liaison (an employee



of the NFP corporation) rather than a SB 40 Board member. There does not appear to be any provision in the contract with the NFP corporation which allows the NFP corporation to enter into contracts which bind the SB 40 Board.

**WE RECOMMEND** the Senate Bill 40 Board:

- A. Ensure that adequate documentation is received from all service providers and monitored for compliance with statutory and contract provisions.
- B. Determine whether incurring the cost of office space and related expenditures for the NFP corporation in addition to the monthly fee is a reasonable and prudent use of funds. If the SB 40 Board decides to continue this practice, the contract should be amended to specify the office expenditures each party is responsible for.
- C. Approve and sign all contracts.

**AUDITEE'S RESPONSE** the Senate Bill 40 Board President indicated:

- A. *The SB40 Board will monitor the contracts and document the monitoring in the minutes.*
- B. *The SB 40 Board will discuss this situation at the next monthly meeting.*
- C. *The recommendation will be implemented immediately.*

|   |
|---|
| <b>2. Procurement Policies and Procedures</b> |
|---|

Bid documentation was not always retained for various equipment purchases made by the county during the audit period. The County Commission indicated they solicit bids for equipment, but do not always maintain the bid documentation. Examples of items purchased, for which bid documentation could not be found are as follows:

|                      |          |
|----------------------|----------|
| Playground Surfacing | \$ 4,999 |
| Used Dump Truck      | 20,000   |
| Used Dump Truck      | 27,000   |
| Trailer              | 22,584   |

Section 50.660, RSMo 1999, requires the advertisement for bids for all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding assures all parties are given an equal opportunity to participate in county business.

Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper, publication notices, bids received,

the basis of justification for awarding bids, and documentation of all discussions with vendors.

**WE RECOMMEND** the County Commission solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.

### **AUDITEE'S RESPONSE**

*The County Commission indicated they will document the solicitation of bids on used equipment. They stated the trailer had been bid although the bid file could not be located. The County Commission will talk with the County Park Board and inform them that they are required to solicit bids. This recommendation will be implemented immediately.*

**3.**

### **Circuit Clerk**

The Circuit Clerk's office collects court costs for each case filed. Additionally, amounts may be collected for court ordered restitution, bonds, prisoner board bills, and other items. These amounts are held on deposit by the clerk in the fee account until the full amount is received. The monies are then distributed to the applicable parties. Many of the funds on deposit are for old cases which contain amounts insufficient to cover all costs charged in the case.

The Circuit Clerk's December 31, 1999, open items listing included approximately 390 entries totaling \$118,000. Approximately \$49,000 of this balance is related to cases originating prior to 1997 with some cases dating as far back as 1983. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance to be prorated among the applicable recipients. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected deprives the state, county, and other parties of the use of those monies.

**WE RECOMMEND** the Circuit Clerk investigate the status of cases for which monies are being held in the fee account and distribute those monies for those accounts which appear unlikely to be collected in the future.

## **AUDITEE'S RESPONSE**

*The Circuit Clerk is implementing this recommendation. As of July 1, 2000, there was a balance of approximately \$28,800 related to cases originating prior to 1997. A bond in the amount of \$10,500 is included in this balance which cannot be distributed because the case has yet to be determined.*

|                                |
|--------------------------------|
| <b>4. Restricted Use Funds</b> |
|--------------------------------|

- A. In 1998, carpeting was purchased from the Law Library Fund and installed in the law library, jury room, and the Circuit Judge's office at a total cost of approximately \$950.

Sections 514.440 - 450, RSMo 1994, allows the collection of a law library fee to be used for the maintenance and upkeep of the law library.

As a result, the costs related to the jury room and the Circuit Judge's do not appear to be a reasonable and prudent use of the Law Library Fund.

- B. During 1998 an entity began paying the Circuit Clerk/Ex Officio Recorder of Deeds' office \$100 per month to perform record searches. During our review of this arrangement we noted the following:

- 1) From January through October 1998, a total of \$1,000 was received for these services and deposited into the Circuit Clerk Interest Fund. We could find no authority for the Circuit Clerk/Ex Officio Recorder of Deeds to retain these monies. As a result, \$1,000 is due to the General Revenue Fund from the Circuit Clerk Interest Fund.
- 2) The Ex Officio Recorder of Deeds indicated that beginning in November 1998, the monies were no longer paid to the office, but were paid directly to the employee performing the records search. She further indicated the employee reimbursed the office for copies related to the records search. However, there has been no determination of whether other costs were incurred by the county for which there was no reimbursement. Effective June 2000, the payment for the record search is made to the Ex Officio Recorder of Deeds' office and turned over to the General Revenue Fund.

### **WE RECOMMEND:**

- A. The Circuit Judge ensure expenditures from the Law Library Fund are reasonable and prudent.
- B. The Circuit Clerk/Ex Officio Recorder of Deeds pay \$1,000 to the General Revenue Fund from the Circuit Clerk Interest Fund. In addition, the Circuit Clerk/Ex Officio

Recorder of Deeds and County Commission should review this situation and determine whether any monies are due for the use of county resources.

**AUDITEE'S RESPONSE**

- A. *The Circuit Judge indicated he uses his office for most of his research. There are some library books in his chambers, there is restricted space in the law library, and there is not a telephone in the law library. In past years the General Revenue Fund has provided funding of \$5,000 to \$6,000 for the law library. This year there is only \$100 budgeted in the General Revenue Fund for the law library. The Circuit Judge stated he believes the carpeting was a legitimate expense.*
- B. *The Circuit Clerk paid \$1,000 to the General Revenue from the Circuit Clerk Interest Fund on August 7, 2000. The Circuit Clerk indicated that she was in the office after hours when the deputy was performing this work; therefore, no additional costs were incurred.*

*The County Commission indicated it would be impossible to identify additional costs to the county beyond the cost of copies which had already been reimbursed. Since the situation has been rectified, the County Commission will not take any further action regarding this matter.*

This report is intended for the information of the management of Macon County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## MACON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Macon County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Purchase of Used Equipment

Bid documentation was not always retained for various purchases of used equipment made by the county. The County Commission indicated they solicited bids for used equipment, but did not always maintain documentation of such.

#### Recommendation:

The County Commission solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.

#### Status:

Not implemented. See MAR No. 2.

### 2. Federal Financial Assistance

The officer working on the D.A.R.E. program did not spend 100 percent of his time on D.A.R.E. activities. However, 100 percent of his salary was claimed for reimbursement.

#### Recommendation:

The County Commission consult with the grantor agency to resolve the questioned costs. In addition, the County Commission should ensure salary reimbursements are allocated equitably between work being performed for federal programs and other projects.

#### Status:

Implemented. The Department of Public Safety indicated it will not pursue reimbursement of funds.

3. Prosecuting Attorney's Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated.
- B. An open items listing was not prepared. Consequently, open items were not reconciled with bank and book balances.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Prepare a listing of open items on a monthly basis and reconcile the listing to bank and book balances.

Status:

- A. Partially implemented. The Prosecuting Attorney does review bank reconciliations. Although not repeated in the current report, our recommendation remains as stated above.
- B. Partially implemented. The Prosecuting Attorney's office currently prepares an open items listing; however, the reconciled bank balance at December 31, 1999, exceeded the open items listing by approximately \$700. The Prosecuting Attorney's office is currently trying to identify the difference and at June 30, 2000, the reconciled bank balance exceeded the open items listing by approximately \$600. Although not repeated in the current report, our recommendation remains as stated above.

4. Health Center

The Board of Trustees approved expenditures in excess of budgeted amounts for the years ended December 31, 1997 and 1996.

Recommendation:

The Health Center Board of Trustees refrain from incurring expenditures in excess of budget amounts. If the county receives additional funds which could not be anticipated when the budget was adopted, the Board of Trustees should amend its budget by following procedures required by state law.

Status:

Implemented.

5. Senate Bill 40 Board

The Senate Bill 40 Board approved expenditures in excess of budgeted amounts for the years ended December 31, 1997 and 1996.

Recommendation:

The Senate Bill 40 Board refrain from incurring expenditures in excess of budget amounts. If additional are received which could not be anticipated when the budget was adopted, the Senate Bill 40 Board should amend its budget by following procedures required by state law.

Status:

Implemented.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

MACON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1837, the county of Macon was named after Nathaniel Macon, a U.S. Congressman and Senator. Macon County is a county-organized, third-class county and is part of the Forty-First Judicial Circuit. The county seat is Macon.

Macon County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Macon County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 658,772   | 23         | 637,909   | 25         |
| Sales taxes               | 500,995      | 18         | 491,136   | 19         |
| Federal and state aid     | 1,173,015    | 42         | 1,044,305 | 41         |
| Fees, interest, and other | 469,127      | 17         | 399,957   | 15         |
| Total                     | \$ 2,801,909 | 100        | 2,573,307 | 100        |

The following chart shows how Macon County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 730,187   | 26         | 752,252   | 28         |
| Public safety             | 591,805      | 21         | 622,759   | 24         |
| Highways and roads        | 1,493,977    | 53         | 1,279,248 | 48         |
| Total                     | \$ 2,815,969 | 100        | 2,654,259 | 100        |

In addition, significant sales tax and intergovernmental receipts and capital improvement expenses are accounted for in the Capital Improvement Sales Tax Fund. Receipts of the Capital Improvements Sales Tax Fund were \$872,556 and \$693,073 and disbursements were \$828,431 and \$810,961 for the years ended December 31, 1999 and 1998, respectively.

The county maintains approximately 259 county bridges and 919 miles of county roads.

The county's population was 15,432 in 1970 and 15,345 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |       |       |        |        |
|------------------------|----|-------------------------|-------|-------|--------|--------|
|                        |    | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |       |       |        |        |
| Real estate            | \$ | 69.6                    | 62.4  | 56.3  | 32.6   | 19.7   |
| Personal property      |    | 36.0                    | 34.7  | 14.8  | 10.7   | 6.1    |
| Railroad and utilities |    | 18.1                    | 17.1  | 18.3  | 10.2   | 9.4    |
| Total                  | \$ | 123.7                   | 114.2 | 89.4  | 53.5   | 35.2   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Macon County's property tax rates per \$100 of assessed valuations were as follows:

|                               |    | Year Ended December 31, |      |
|-------------------------------|----|-------------------------|------|
|                               |    | 1999                    | 1998 |
| General Revenue Fund          | \$ | .22                     | .22  |
| Special Road and Bridge Fund* |    | .67                     | .67  |
| Health Center Fund            |    | .15                     | .15  |
| Senate Bill 40 Board Fund     |    | .10                     | .10  |
| County Park Fund              |    | .03                     | .03  |

\* The county retains all tax proceeds from areas not within road districts. The county has two road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

| Year Ended February 28,                |              |           |
|--|--------------|-----------|
|  | 2000         | 1999      |
| State of Missouri                      | \$ 38,164    | 34,452    |
| General Revenue Fund                   | 274,675      | 247,193   |
| Road Funds                             | 733,008      | 666,225   |
| Assessment Fund                        | 75,729       | 69,387    |
| Health Center Fund                     | 185,434      | 167,388   |
| Senate Bill 40 Board Fund              | 123,861      | 111,810   |
| School districts                       | 4,244,320    | 3,908,254 |
| Hospital Fund                          | 247,815      | 223,553   |
| Ambulance district                     | 185,909      | 167,829   |
| County Park Fund                       | 37,183       | 33,566    |
| Nursing home districts                 | 185,756      | 167,702   |
| Cities                                 | 100,690      | 95,521    |
| County Clerk fees, licenses, and other | 14,635       | 11,146    |
| County Employees' Retirement           | 24,307       | 20,102    |
| Commissions and fees:                  |              |           |
| General Revenue Fund                   | 113,722      | 103,385   |
| Total                                  | \$ 6,585,208 | 6,027,513 |

Percentages of current taxes collected were as follows:

| Year Ended February 28, |        |        |
|-------------------------|--------|--------|
|                         | 2000   | 1999   |
| Real estate             | 95.4 % | 94.5 % |
| Personal property       | 89.4   | 90.0   |
| Railroad and utilities  | 100.0  | 91.6   |

Macon County also has the following sales taxes; rates are per \$1 of retail sales:

|                                      | Rate       | Expiration Date | Required Property Tax Reduction |
|--------------------------------------|------------|-----------------|---------------------------------|
| General                              | \$ 0.00500 | None            | 50 %                            |
| Road and Bridge Capital Improvements | 0.00500    | April, 2001     | None                            |
| Enhanced 911                         | 0.00375    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder                                     | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:                           |        |        |        |
| Craig Jones, Presiding Commissioner              | \$     | 27,080 |        |
| Roger Kohl, Presiding Commissioner               |        |        | 17,500 |
| Gail Smith, Associate Commissioner               |        | 25,080 | 17,500 |
| Steven J. Fuller, Associate Commissioner         |        | 25,080 | 17,500 |
| Pat Clarke, County Clerk                         |        | 38,000 | 29,500 |
| R. Timothy Bickhaus, Prosecuting Attorney        |        | 45,000 |        |
| David A. Masters, Prosecuting Attorney           |        |        | 34,000 |
| Robert Dawson, Sheriff                           |        | 36,000 | 36,000 |
| Carol Walker, County Treasurer                   |        | 28,120 | 20,555 |
| Shawn M. Armstrong, County Coroner               |        | 6,500  | 6,500  |
| John Richard Jones, Public Administrator *       |        | 29,839 | 29,001 |
| Jeanette Ronchetto, Collector                    | 38,000 |        |        |
| year ended February 28 (29),                     |        |        |        |
| Wayne Lyda, County Collector,                    |        | 32,560 |        |
| year ended February 28,                          |        |        |        |
| Floyd R. Kilgore, County Assessor **, year ended |        | 38,900 | 38,900 |
| August 31,                                       |        |        |        |
| Edward A. Cleaver, County Surveyor ***           |        |        |        |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

\*\*\* Compensation on a fee basis.

State-Paid Officials:

|   |  |        |        |
|---|--|--------|--------|
| Judy Roberts, Circuit Clerk and<br>Ex Officio Recorder of Deeds |  | 44,292 | 42,183 |
| Hadley E. Grimm, Associate Circuit Judge                        |  | 87,235 |        |
| James Foley, Associate Circuit Judge                            |  |        | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 2                           | 3        |
| County Clerk                                   | 3                           | 0        |
| Prosecuting Attorney                           | 3                           | 0        |
| Sheriff *                                      | 15                          | 0        |
| County Collector **                            | 3                           | 0        |
| County Assessor                                | 4                           | 0        |
| Associate Division                             | 0                           | 3        |
| Probate Division                               | 0                           | 1        |
| Road and Bridge ***                            | 26                          | 0        |
| Health Center *                                | 15                          | 0        |
| County Park ***                                | 3                           | 0        |
| Enhanced 911 ****                              | 13                          | 0        |
| Total  | <u>87</u>                   | <u>7</u> |

\* Includes four part-time employees.

\*\* Includes two part-time employees.

\*\*\* Includes one part-time employee.

\*\*\*\* Includes three part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Macon County's share of the forty-first Judicial Circuit's expenses is 68.85 percent.

\* \* \* \* \*



REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
CROSSROADS CORRECTIONAL CENTER

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-78  
August 23, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of a review conducted by our office of the Department of Corrections, Crossroads Correctional Center.**

---

*The Crossroads Correctional Center, which opened in March 1997, is located one-half mile north of Cameron, Missouri and is a maximum security facility. This facility has a maximum capacity of 1,500 inmates which are housed in six housing units. The facility is situated on 60 acres, of which, approximately 40 acres lie within the perimeter of the facility.*

The Crossroads Correctional Center (CRCC) maintains an armory of firearms and ammunitions which are accessed via the armory sergeant or shift supervisor at the control center. To account for the issuance of these firearms and ammunitions, the armory sergeant maintains an armory log which is a written record of routine and emergency distributions of firearms. A review of the armory log for the periods of January, November, and December 1999 revealed several instances in which issuance information was not properly documented. Instances of improper documentation included: indicating the area rather than the individual the firearm was issued to; not indicating the date and time the firearm was checked out and back in; and, not always documenting the individual who issued the firearm.

In addition, firearm certification cards are not checked prior to issuing firearms to staff. This is in direct violation of department procedures which state that, prior to being issued a firearm, staff must present a firearms certification card for the firearm being issued.

To properly account for all firearms and ammunitions at any given time, a properly completed armory issuance log should be maintained. In addition, to enhance the safety and security of all staff and inmates, current firearm certification cards should be requested and reviewed prior to issuing firearms.

In July 1997, the Department of Corrections, Division of Offender Rehabilitative Services entered into a contract with Missouri Western State College to provide adult basic education to CRCC inmates. Contract expenditures totaled approximately \$740,000 and \$616,000 for the fiscal years ended June 30, 1999, and 1998, respectively.

(over)

YELLOW SHEET

Each month the CRCC receives an invoice accompanied by an itemized listing of all program expenses and a payroll report. Supporting documentation is not routinely provided for the non-payroll expense entries, such as travel costs, educational and data processing supplies, telephone, etc. As a result, significant payments (now exceeding \$60,000/month) are being approved without obtaining supporting documentation.

A careful review of supporting documentation is necessary, at least on a periodic basis, to substantiate the validity, propriety, and reasonableness of amounts billed by the college. Because CRCC personnel are more familiar with the college personnel and services being provided, it appears essential that these detailed comparisons of billings to supporting documentation be performed at the correctional center prior to transmitting the billing to the Department of Corrections – Central Office for payment.

Our review of the CRCC's fire safety plan found that it did not outline procedures for conducting monthly fire safety inspections, quarterly evacuation drills, or weekly inspections of detection and warning systems, which are required by department guidelines. Also, we found that monthly fire safety inspections were not performed from September 1999 through February 2000, and there was no documentation to indicate the CRCC was performing any quarterly evacuation drills.

A comprehensive fire safety plan would help provide CRCC staff with specific guidance on how to better protect employees, inmates, visitors, and prison property in the event of a fire emergency. In addition, the CRCC needs to immediately implement the performance of monthly fire safety inspections and quarterly evacuation drills as required by department policy.

Other items noted in the report included:

- Inventories for some food items were overstocked. No one independent of the food service section verifies the month-end physical inventory counts. Invoices are not stamped with the conditional acceptance stamp at the time the goods are delivered.
- Month-end physical inventory counts of canteen food and personal items are not compared to any records and no one independent of the canteen verifies the inventory counts.
- Vending machine commissions paid to the facility did not comply with the written agreement, resulting in an approximate underpayment of over \$1,600 from March 1997 through February 2000.
- Cell searches within the administrative segregation housing units were not completed as frequently as required by CRCC policy. In addition, cell search documentation was unclear, making it difficult to determine which cells had or had not been searched.
- Duties related to the purchasing and receiving of raw materials and tools for the furniture factory are not adequately segregated.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
CROSSROADS CORRECTIONAL CENTER

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Dora Schriro, Director  
Department of Corrections  
and  
Mike L. Kemna, Superintendent  
Crossroads Correctional Center

We have conducted a review of the Department of Corrections, Crossroads Correctional Center. The scope of our review included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the correctional center.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the correctional center's revenues, expenditures, contracts, applicable legal provisions, rules and regulations, and other pertinent procedures and documents, and interviewed correctional center and other state personnel.

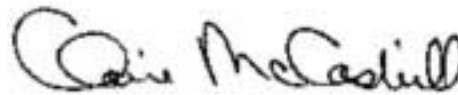
As a part of our review, we assessed the correctional center's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed

additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the correctional center's management and the Statewide Accounting for Missouri (SAM) system and was not subjected to the procedures applied in the review of the Department of Corrections, Crossroads Correctional Center.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Department of Corrections, Crossroads Correctional Center.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 16, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Regina Pruitt, CPA     |
| In-Charge Auditor:  | Joel Abeln             |
| Audit Staff:        | Christina Brown        |
|                     | Casey Henry            |

## MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
CROSSROADS CORRECTIONAL CENTER  
SUMMARY OF FINDINGS

1. Food Inventories (pages 7-9)

Inventories for some food items were overstocked. No one independent of the food service section verifies the month end physical inventory counts. Invoices are not stamped with the conditional acceptance stamp at the time the goods are delivered.

2. Canteen Procedures (pages 9-10)

Month-end physical inventory counts of food and personal items are not compared to any records and no one independent of the canteen verifies the month end physical inventory counts.

3. Vending Machine Commissions (pages 10-12)

Commissions paid to the facility by the vending machine company did not comply with their agreement and resulted in an approximate underpayment of \$1,606 from March 1997 through February 2000.

4. Fire Safety Policies and Procedures (pages 12-13)

Monthly fire inspections have not been performed for the period of September 1999 through February 2000. In addition, there was no documentation indicating quarterly evacuation drills were performed.

5. Firearm Issuance Procedures (pages 13-14)

Armory issuance logs do not properly document all firearm issuances. In addition, firearm certification cards are not reviewed prior to issuing staff firearms.

6. Administrative Segregation Cell Searches (pages 14-15)

Administrative segregation cells are to be searched on a bi-weekly basis. Our review noted some cells were not being searched as policy requires. These cell searches are not documented in a manner to allow easy identification of cells which have or have not been searched.

7. Education Contract with Missouri Western State College (pages 15-16)

The Crossroads Correctional Center approves monthly invoices submitted by the college for payment without obtaining or reviewing sufficient supporting documentation.



8. Furniture Factory (pages 16-17)

Duties related to the purchasing and receiving of raw materials and tools are not adequately segregated.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
CROSSROADS CORRECTIONAL CENTER  
MANAGEMENT ADVISORY REPORT –  
STATE AUDITOR’S RECOMMENDATIONS

|           |                         |
|-----------|-------------------------|
| <b>1.</b> | <b>Food Inventories</b> |
|-----------|-------------------------|

During the year ended June 30, 1999, the Crossroads Correctional Center (CRCC) served over 1,580,000 meals to inmates at a cost of approximately \$1,211,900. Our review of internal controls and inventory methods and procedures over food inventories indicated the following areas where improvements are needed:

- A. The CRCC orders canned and dry foods every three months. Department policy also allows each institution a six week emergency supply of grocery items. Thus, institutions should stock a supply of canned and dry foods to meet its needs for approximately three months, in addition to the six week emergency supply.

Considering the abovementioned ordering timeframes and recommended emergency supply to be maintained, a comparison of fiscal year 1999 food usage to February 2000 inventory on hand identified several items which appear to be overstocked:

| <u>Food Item</u>   | <u>Quantity<br/>On Hand<br/>February 2000</u> | <u>Quantity<br/>Used During<br/>Fiscal Year 1999</u> | <u>Number of<br/>Months<br/>Supply<br/>On Hand</u> |
|--------------------|---|--|--|
| Juice - Grapefruit | 75 cases                                      | 2 cases  | 450  |
| Juice - Grape      | 56 cases                                      | 2 cases  | 336  |
| Juice - Cranberry  | 111 cases                                     | 1 case   | 1332   |
| Baking Powder      | 43 cases                                      | 21 cases   | 25   |
| Cranberry Sauce    | 68 cases                                      | 40 cases   | 20   |
| Garlic Powder      | 351 cases                                     | 97 cases   | 43   |
| Cocoa              | 5 cases                                       | 3 cases  | 20   |
| Coconut            | 13 cases                                      | 1 case   | 156  |
| Cornstarch         | 60 cases                                      | 76 cases   | 9  |
| Dressing French    | 186 cases                                     | 101 cases  | 22   |
| Farina – Cereal    | 77 cases                                      | 16 cases   | 58   |
| Flavoring Vanilla  | 9 cases                                       | 11 cases   | 10   |
| Food Color - Egg   | 4 cases                                       | 2 cases  | 24   |
| Liquid Smoke       | 14 cases                                      | 8 cases  | 21   |

Maintaining food inventories at levels of expected usage, given the reorder time frames, is necessary to reduce the potential for spoilage, misuse, or loss. In addition, carrying excessive inventories may result in increased costs.

- B. The CRCC food service employees perform the monthly food physical inventory counts. These employees also have custody of the inventory.

This practice is not in accordance with Department of Corrections (DOC) Procedure No. IS10-1.15, Section III.B.1, which requires an employee, who is not assigned to the food service section, to verify the physical inventory counts by comparing them against the perpetual inventory record.

An independent verification enhances controls over the institution's food inventories. Since this control is not in place, food inventories could more easily be misappropriated without detection.

- C. During our review of food service invoices, we found that the food service storekeeper does not stamp the invoices with the conditional acceptance stamp as food items are delivered. An internal audit conducted by DOC in July 1999 found that the stamp was only being used for invoices relating to meat purchases. Since this DOC audit, there has been turnover in the storekeeper position and currently no invoices are being stamped.

The food service storekeeper should stamp all invoices with the conditional acceptance stamp, as required by DOC Procedure No. IS10-1.14.

**WE RECOMMEND** the CRCC:

- A. Order food items based on expected usage and attempt to reduce excessive food inventories. The institutions should transfer appropriate excessive stock of food items to the DOC central warehouse for redistribution.
- B. Assign an employee independent of the food service section to verify physical inventory counts performed by the food service section.
- C. Stamp all invoices with the conditional acceptance stamp as the items are delivered.

**AUDITEE'S RESPONSE**

- A. *We concur with the auditor's findings that several food items were overstocked. Corrective action has been taken.*
  - ◆ *Beginning in November 1999, the Food Service Storekeeper utilizes inventory records to determine monthly usage of each food item. Current inventory levels and pending orders are considered when determining quantities to order.*

- ◆ *Beginning in December 1999, CRCC has been reducing excessive food inventories to appropriate levels specified by policy through normal food usage at CRCC and by transferring food items to other facilities.*
- B. *We concur with the auditor's findings that no one independent of the food service section verifies the month end inventory counts. Beginning with the July 2000 inventory, the Assistant Superintendent of Operations will assign a Business Office staff person each month to verify the monthly food service inventory counts.*
- C. *We concur with the auditor's finding that all food service invoices were not stamped with the conditional acceptance stamp upon delivery of the goods. Beginning March 16, 2000, the Food Service Storekeeper stamps all invoices with the conditional acceptance stamp as the items are delivered.*

|                              |
|------------------------------|
| <b>2. Canteen Procedures</b> |
|------------------------------|

The CRCC operates a canteen for the inmates' benefit. Perpetual inventory records are not maintained for all canteen items. Perpetual inventory records are maintained for expensive or high-risk items, such as radios, tape players, televisions, and cigarettes; however, perpetual records are not maintained for food and personal use items.

As required by department policy, the canteen employees perform physical inventories of all canteen items held for resale at each month-end. Because no perpetual inventory records are maintained for food and personal use items, the results of these counts are not compared to any records. It was also noted that the employees performing the month-end counts also have custody of the inventory and no verification by someone independent of canteen responsibilities is performed. As a result of these various concerns, there is limited monitoring of changes in canteen inventory and the benefit of month-end physical inventory procedures is lessened without comparison to perpetual inventory records and independent verification.

Deficiencies with the current automated canteen system, such as the improper handling of voided sales and problems with the entry of some item codes, have contributed to the inventory monitoring problems. Discussions with Department of Corrections personnel indicate they are aware of the limitations of the current canteen inventory system and are working toward implementation of a new inventory system which will provide perpetual inventory records. This new system had been installed in one facility as of May 2000. Once the new inventory system is in place, monthly inventory counts of all items held for resale should be compared to the perpetual inventory record to lessen the possibility that instances of loss, misuse, or theft of canteen inventory will not go undetected. In the meantime, the CRCC should consider utilizing data available from the various canteen reports to verify the month-end balances of selected canteen items and ensure that month-end counts are verified by an institutional employee not assigned to the canteen.

**WE RECOMMEND** the CRCC reconcile month-end physical inventory counts to the new perpetual inventory records once this system is implemented. Until this time, however, records currently available should be utilized to verify month-end counts for some canteen items (at least on a test basis). In either case, any discrepancies should be investigated in a timely manner. Also, assign an employee independent of the canteen to verify physical inventory counts performed by the canteen.

### **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that month-end physical inventory counts of food and personal items are not compared to any records and no one independent of the canteen verifies the month-end physical inventory counts. As part of a comprehensive upgrade to our canteen operations, a new automated canteen system has been developed over the past six months which corrects these deficiencies. Implementation at all DOC institutions is currently underway. As an interim corrective step, beginning in July 2000, the Daily Canteen Item Movement reports are being utilized to conduct spot checks on inventory and to verify month-end item counts. Also, beginning with the June 2000 inventory, an employee independent of the canteen operation is assigned on a rotating basis to verify physical inventory counts performed by the canteen. Any discrepancies will be investigated.*

|                                       |
|---------------------------------------|
| <b>3. Vending Machine Commissions</b> |
|---------------------------------------|

Since opening in March 1997, the CRCC has utilized the same private vendor to provide and service vending machines at the facility. Each month the vendor provides a commission statement and remits two checks (one payable to the facility's personnel club account and one payable to the inmate canteen fund) to the CRCC. The October 1996 contract indicates the vendor is to remit commissions as a percentage of total gross sales. Vending machine commissions paid to the CRCC from March 1997 through February 2000 totaled approximately \$96,725. The DOC Procedure No. D4-4.4, Section III.C. establishes the guidelines for the income from vending machines to be allocated between the inmate canteen fund and an authorized employee organization or activity.

Our review of the vending arrangement noted that the abovementioned contract indicates that the CRCC will receive commissions monthly with commission rates being based on the type of vending item sold. Both the CRCC and vendor personnel indicated that commission percentages have been the same since March 1997. Our review of the commission statements for the period of March 1997 through February 2000 noted that the vendor was using incorrect commission rates for some items when calculating the CRCC's monthly commission revenue. The following schedule shows the commission rate discrepancies determined:

| <u>Vending Item</u>                | <u>Commission Rate<br/>Per Contract</u> | <u>Commission Rate<br/>Actually Received<br/>March 1997 through<br/>September 1998</u> | <u>Commission Rate<br/>Actually Received<br/>October 1998 through<br/>March 2000</u> |
|------------------------------------|---|--|--|
| Candy, chips,<br>popcorn, pastries | 29.0%                                   | 29.0%  | 28.5%  |
| Soup and Sandwiches                | 20.0%                                   | 28.0%  | 20.0%  |
| Beverages                          | 32.0%                                   | 28.0%  | 32.0%  |
| Cigarettes                         | 32.0%                                   | 28.0%  | 32.0%  |

It was also noted that commissions on one cigarette machine during the period October 1998 to January 1999 were calculated on net sales (gross sales after sales taxes had been withheld) rather than total gross sales as required by the contract terms.

Incorrect commission rates used by the vendor along with the incorrect computations of total gross cigarette sales resulted in the vendor owing the staff personnel club approximately \$170 and the inmate canteen fund approximately \$1,436.

After we brought this matter to CRCC's attention, institution staff contacted the vendor. The vendor indicated that all commission payments since March 1997 would be recalculated and any underpayment of commissions would be forwarded to the CRCC. As of May 2000, the CRCC has yet to receive recalculation information and payment for past commission errors.

Although monthly commission statements had been provided by the vendor, none of the errors noted above had been detected by the CRCC business office. In addition to not adequately reviewing the vendor's monthly commission statements, the CRCC also has no procedures in place to verify reported sales on which commissions are based. Thorough reviews are necessary to ensure the propriety of commissions received and compliance with contract terms.

**WE RECOMMEND** the CRCC establish procedures to verify the reported sales, implement a review procedure that will ensure compliance with contract terms, check the accuracy of commission statements and amounts remitted, and continue to pursue payment for past commission errors from the vendor.

#### **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that commissions paid to the facility by the vending machine company did not comply with their contractual agreement which resulted in an approximate underpayment of \$1,606 from March 1997 through February 2000.*

- ◆ *To correct this item, the vending contract was rebid with more specific commission rate language. Beginning June 1, 2000, a flat commission rate for all vended items was established and meter readings are provided for all vending machines.*
- ◆ *Beginning in July 2000 staff compare sales with commissions on a minimum of three items each month. Different items will be selected monthly.*
- ◆ *The institution is developing a payment plan with the vendor to collect the past due commission payment within the next 90 days.*

|   |
|---|
| <b>4. Fire Safety Policies and Procedures</b> |
|---|

The DOC Procedure No. D4-2.1, Section III.C. provides that all facilities shall develop and maintain a fire safety plan. The components to be addressed in this plan shall strictly follow the guidelines listed in the DOC Fire Safety Plan Guidelines for Institutions. These guidelines state that the fire safety plan shall address monthly fire safety inspections. Our review of the CRCC's fire safety plan found that it did not address procedures for conducting monthly fire safety inspections. For the period of September 1999 through February 2000, monthly fire safety inspections were not performed. CRCC indicated that the facility's fire and safety specialist is responsible for performing monthly fire safety inspections; however, this individual resigned in September 1999 and his duties were not reassigned.

In addition to monthly fire safety inspections, the DOC Fire Safety Plan Guidelines state that evacuation procedures are to be tested quarterly and detection and warning systems checked weekly. Our review of the CRCC's fire safety plan found that it did not outline procedures for conducting quarterly evacuation drills or weekly inspections of detection and warning systems. Also, we found no documentation that would indicate the CRCC was performing any quarterly tests.

A comprehensive and detailed fire safety plan, which addresses procedures for conducting fire safety inspections, evacuation drills, and inspections of detection and warning systems, would help provide CRCC staff with specific guidance on how to better protect employees, inmates, visitors, and prison property in the event of a fire emergency. In addition, the CRCC needs to immediately implement the performance of monthly fire safety inspections and quarterly evacuation drills as required by department policy. To facilitate policy and performance improvements in this area, the fire and safety specialist position needs to be filled or the required duties reassigned.

**WE RECOMMEND** the CRCC review their fire safety plan to ensure compliance with departmental guidelines. In addition, the CRCC needs to begin performing the various

inspections and drills immediately with the results documented. Also, the CRCC needs to fill the fire and safety specialist position or reassign the position's required tasks.

### **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that inadequate documentation was maintained indicating quarterly evacuation drills.*

- ◆ *Beginning May 2, 2000, quarterly evacuation drills and monthly fire safety inspections are being conducted and documented.*
- ◆ *Fire detection and alarm devices are integrated into the institution's Central Alarm Control System. This allows for continuous, rather than weekly, operational status monitoring of detection and alarm devices. Departmental procedures are in the process of being revised to reflect current technology and practice in the area of detection and alarm devices.*

|                                       |
|---------------------------------------|
| <b>5. Firearm Issuance Procedures</b> |
|---------------------------------------|

The CRCC maintains an armory of firearms and ammunitions which are accessed via the armory sergeant or shift supervisor at the control center. To account for the issuance of these firearms and ammunitions, the armory sergeant maintains an armory log which is a written record of routine and emergency distribution of firearms. We reviewed the armory log for the periods of January, November, and December 1999 and found several instances in which issuance information was not properly documented. Instances of improper documentation included: indicating the area rather than the individual the firearm was issued to; making general rather than specific references regarding the location of the firearm, such as, "CRCC"; not indicating the date and time the firearm was checked out, as well as, the date and time the firearm was checked in; and not always documenting the individual who issued the firearm. DOC Procedure No. IS20-2.1, Section III.E.2. states that each institution shall maintain an armory log providing written records of routine and emergency distribution of firearms.

In addition, the armory sergeant indicated that firearm certification cards are not checked prior to issuing staff firearms. This is in direct violation of DOC Procedure No. IS20-2.1, Section III.D.4. which states that, prior to being issued a firearm, staff must present a firearms certification card for the firearm being issued.

To properly account for all firearms and ammunitions at any given time, a properly documented armory issuance log should be maintained which includes the issuer's name, the name of the person being issued a weapon, the location of the weapon, and the date and time of check out and check in of the weapon. In addition, to ensure the safety and security of all staff and inmates, a current firearm certification card should be requested and reviewed prior to issuing staff a firearm.



**WE RECOMMEND** the CRCC maintain a complete and properly documented armory issuance log. In addition, firearm certification cards should be requested and reviewed prior to issuing staff a firearm.

### **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that armory issuance logs do not properly document all firearm issuances and firearm certification cards are not always reviewed prior to issuing staff firearms.*

- ◆ *In April 2000, the institution implemented procedures requiring that each time a firearm is issued, the issuing officer must ensure that the receiving officer has a valid firearm certification card and the armory log is completed in detail each time a firearm is issued or returned.*
- ◆ *In addition, effective July 2000, CRCC established a requirement that firearm certification for officers assigned to a patrol vehicle be verified during each shift.*

|  |
|--|
| <b>6. Administrative Segregation Cell Searches</b> |
|--|

The Chief of Custody at the CRCC has developed a set of policies and procedures referred to as "Post Orders." These Post Orders were developed to provide the security staff at the CRCC with a set of security and reporting guidelines to be followed in the performance of their duties. We reviewed Post Order 21.04, which addresses procedures for security measures within the administrative segregation housing units. Post Order 21.04 II. D. states that cell searches are to be completed for every cell in the administrative segregation unit on a bi-weekly basis. We reviewed cell search documentation for administrative segregation housing unit one for the month of January 2000. The results of our review found that out of 60 cells in housing unit one, only 24 cells were searched on a bi-weekly basis. Examples of items that were confiscated included, but were not limited to, a lighter, expired medications, sugar, string, ink pens, wicks, extra clothes, soap, and food trays.

Cell searches are documented on a DOC institutional search report. During our review of housing unit one cell searches, we also found that the CRCC staff was not documenting cells searched in any particular order, making it very difficult for staff to determine which cells had and had not been searched. Not documenting cells searched in any systematic order on the DOC institutional search report may have contributed to only 24 out of 60 administrative segregation cells being searched bi-weekly during January 2000.

Bi-weekly searches of administrative segregation units allows staff to identify and confiscate illegal contraband in the inmates possession, thus creating a safe environment for all staff and inmates.

**WE RECOMMEND** the CRCC perform administrative segregation cell searches in accordance with facility policy and develop an institutional search report that will readily document that the required searches have been performed and/or clearly identify cells not searched and the reasons searches were not performed.

**AUDITEE'S RESPONSE**

*We concur with the auditor's findings that some administrative segregation cells were not always being searched bi-weekly as policy requires and the cell searches are not documented in a manner to allow easy identification of cells that have been searched.*

- ◆ *The post orders will be revised during July 2000 to comply with the Standard Operating Procedure 20-1.3-Searches, which requires "Unannounced, random searches of all occupied inmate cells in each housing unit to include a tunnel search should be performed at least once each month by officers on each shift."*
- ◆ *Cell search reports are now formatted in numerical order by cell.*

**7.**

**Education Contract with  
Missouri Western State College**

In July 1997, the DOC, Division of Offender Rehabilitative Services entered into a contract with Missouri Western State College to provide adult basic education to CRCC inmates. Contract expenditures totaled approximately \$740,000 and \$616,000 for the fiscal years ended June 30, 1999, and 1998, respectively. There are several individuals employed full-time by the college to provide the adult basic education services and costs associated with the program are accumulated by the college's business office throughout the month. These individuals work out of office space maintained at the CRCC. We reviewed the contract terms, monthly billings, and supporting documentation, and noted some concerns.

Each month the CRCC receives an invoice accompanied by an itemized listing of all program expenses and a payroll report. Supporting documentation is not routinely provided for the non-payroll expense entries such as travel costs (motel, mileage, meals), educational and data processing supplies, postage, telephone, furniture/equipment, publications/books, etc. The CRCC Superintendent of Inmate Management receives the college's invoice and reviews for unusual or questionable items prior to forwarding to the department for approval, processing, and payment. The CRCC does not obtain supporting documentation to assist in its review and approval process. We obtained the college's invoices and reviewed the itemized listings of program expenses and payroll reports for the months of June 1999 and 1998. A comparison of this information to supporting documentation (ie; invoices, expense reimbursement claims, etc.) on file at the college revealed no discrepancies.

Significant payments (now exceeding \$60,000/month) are being approved without obtaining supporting documentation. A careful review of supporting documentation (invoices, expense reimbursement claims, etc.) is necessary, at least on a periodic basis, to substantiate the validity, propriety, and reasonableness of amounts billed by the college for monthly program expenses. Because CRCC personnel are more familiar with the college personnel and services being provided, it appears essential that these detailed comparisons of billings to supporting documentation be performed at the correctional center prior to transmitting the billing to the DOC – Central Office for payment. Without such procedures in place, inappropriate billings and/or errors could occur and go undetected.

**WE RECOMMEND** the CRCC work with the college to obtain and/or review, at least on a periodic basis, all supporting documentation for charges billed and resolve any questions or discrepancies prior to approving the college invoices for payment.

### **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that monthly invoices submitted by the college were not accompanied by supporting documentation. As a result of the auditor's findings, procedures were amended to comply with the auditor's recommendation starting with the February 2000 invoice.*

- ◆ *Staff at the Department's institutions reviewed invoices submitted by Missouri Western State College and then submitted them to the Department's Central Office with documentation available to them attached to the invoice.*
- ◆ *All interagency agreement invoices for education services between the Department and contractors were forwarded to the Coordinator for Education Interagency Agreements in the Division of Offender Rehabilitative Services, Missouri Department of Corrections. The coordinator reviewed each invoice and ensured that sufficient documentation was present prior to processing accordingly. The coordinator also requested any documentation needed to resolve concerns and made adjustments as deemed necessary prior to submitting the invoices for payment.*
- ◆ *Effective immediately this process will be amended and all documentation and billings will accompany the invoices when submitted from the education contractor to the Department's institution. The institutional staff will ensure that all documentation is verified at the local level. The process described in this paragraph will ensure that there is double checking of the invoices, and that each institution as well as the Department's Central Office has a full set of documentation for each invoice.*

**8.**

**Furniture Factory**

The Missouri Vocational Enterprises operates a furniture factory at CRCC. The furniture factory employs approximately 80-100 inmates which produce wood and laminate office furniture. A review of the furniture factory revealed there is a lack of segregation of duties related to the purchasing and receiving of raw materials and tools. Both these duties are performed by the factory manager.

To safeguard against possible loss or misuse of raw material and tool inventories, internal controls should provide reasonable assurance that all assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance.

**WE RECOMMEND** the CRCC properly segregate the purchasing and receiving duties regarding the raw material and tool inventories.

### **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that duties related to the purchasing and receiving of raw materials and tools are not adequately segregated. Effective immediately the person responsible for signing purchase orders will be different from the person responsible for signing receiving reports.*

This report is intended for the information of the management of the Crossroads Correctional Center and other applicable governmental officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF CORRECTIONS  
CROSSROADS CORRECTIONAL CENTER  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Crossroads Correctional Center (CRCC), which opened in March 1997, is located one-half mile north of Cameron, Missouri and is a maximum security facility. This facility has a maximum capacity of 1,500 inmates which are housed in six housing units. The facility is situated on 60 acres, of which, approximately 40 acres lie within the perimeter of the facility. The perimeter consists of a three fence system, an electric motion detection system on the interior chain link fence, a lethal electric fence, and a razor wire covered outer chain link fence. In addition to the perimeter fencing, an armed vehicular patrol provides additional perimeter security on a 24-hour basis.

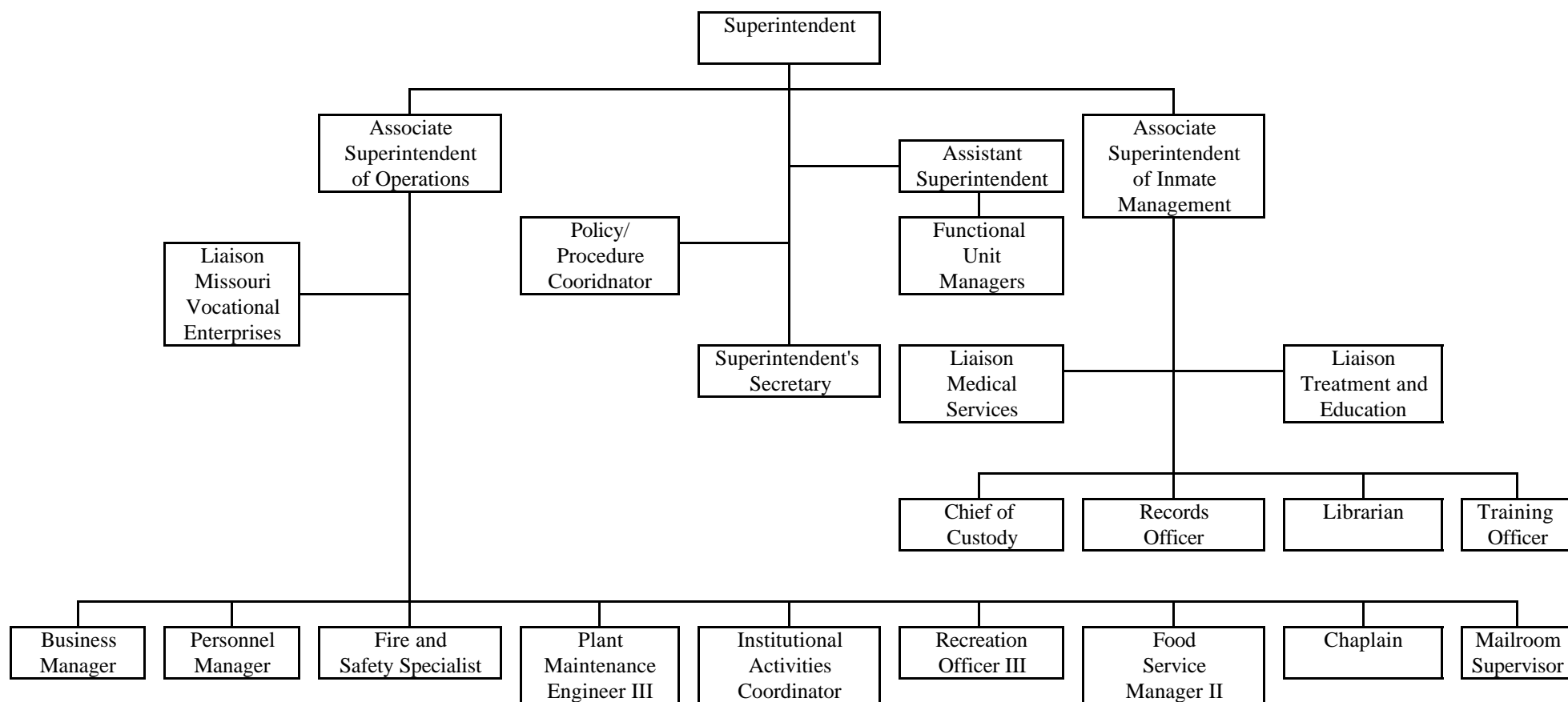
The administration of the CRCC consists of one superintendent, two associate superintendents, and one assistant superintendent. The associate superintendent of operations is responsible for inmate food services, recreation, institutional activities, facilities maintenance, and fire and safety, as well as the operations of the business office, mailroom, and personnel office. The associate superintendent of operations also acts as a liaison between the Department of Corrections and the Missouri Vocational Enterprises personnel working at the facility. The associate superintendent of inmate management is responsible for inmate custody, inmate records, officer training, and acts as a liaison between the Department of Corrections and Missouri Western State College personnel working at the facility. The assistant superintendent is responsible for inmate classification and supervision of the housing unit functional unit managers.

The Department of Corrections has entered into an inter-agency agreement with Missouri Western State College. Through this agreement the college provides adult basic education to the facility's inmates. At June 30, 1999, approximately 364 inmates participated in the adult basic education program. The adult basic education program is overseen by the continuing education department at Missouri Western State College and is certified by the Department of Elementary and Secondary Education.

Sentences of CRCC inmates range from two years to life without parole, and are for all types of crimes. The average commitment age is approximately twenty-eight years, and average current age is approximately thirty-five years. The average sentence length is approximately 275 months. Nearly two-thirds of the inmates at the Crossroads Correctional Center were sentenced in the St. Louis and Kansas City areas.

Mike Kemna has served as the facility superintendent since its opening in March 1997. The CRCC employed approximately 408 employees assigned to various administrative, service, and security functions as of June 30, 1999. Missouri Western State College had approximately 27 employees assigned to the adult basic education program at the facility as of June 30, 1999. An organization chart follows.

DEPARTMENT OF CORRECTIONS  
CROSSROADS CORRECTIONAL CENTER  
ORGANIZATION CHART  
JUNE 30, 1999





Appendix A

DEPARTMENT OF CORRECTIONS

CROSSROADS CORRECTIONAL CENTER

COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES (See Note)

|                                    |    | Year Ended June 30, |              |          |                |              |          |
|------------------------------------|----|---------------------|--------------|----------|----------------|--------------|----------|
|                                    |    | 1999                |              |          | 1998           |              |          |
|                                    |    |                     |              | Lapsed   |                |              | Lapsed   |
|                                    |    | Appropriations      | Expenditures | Balances | Appropriations | Expenditures | Balances |
| GENERAL REVENUE FUND - STATE       |    |                     |              |          |                |              |          |
| Personal Service                   | \$ | 5,187,571           | 5,164,805    | 22,766   | 7,714,008      | 7,596,486    | 117,522  |
| Expense and Equipment              |    | 91,308              | 87,105       | 4,203    | 1,108,672      | 1,025,567    | 83,105   |
| Total General Revenue Fund - State | \$ | 5,278,879           | 5,251,910    | 26,969   | 8,822,680      | 8,622,053    | 200,627  |

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the state treasurer as fund custodian and the Office of Administration provide administrative control over the fund resources within the authority prescribed by the General Assembly. This does not represent all expenditures of the facility. Some expenditures relating to individual facilities are charged to department-wide appropriations and are not identified by facility (including some purchases of food inventory, computer equipment, and paper products). Expenditures charged to department-wide appropriations that are identified to the facility are noted in Appendix B.

Appendix B

DEPARTMENT OF CORRECTIONS  
CROSSROADS CORRECTIONAL CENTER  
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS) (See Note)

|   |   | Year Ended June 30,                                       |   |
|---|---|---|---|
|   |   | 1999  | 1998  |
|   | Expenditures From Facility Appropriations | Expenditures From Department-wide Appropriations for CRCC | Expenditures From Department-wide Appropriations for CRCC |
| Salaries for permanent employees            | \$ 5,154,451                              | 4,079,239   | 7,551,248   |
| Wages for temporary employees               | 10,354                                    | 56,486  | 45,238  |
| Travel and vehicle expense                  | 4,301                                     | 0   | 16,100  |
| Office expense                              | 11,605                                    | 0   | 63,428  |
| Office and communication equipment purchase | 0   | 0   | 9,807   |
| Communication expense                       | 620                                       | 0   | 5,098   |
| Institution and physical plant expense      | 36,221                                    | 645,487   | 669,424   |
| Institution and physical plant purchase     | 14,310                                    | 14,777  | 189,705   |
| Data processing expense and equipment       | 2,249                                     | 0   | 15,286  |
| Professional services                       | 345                                       | 752,787   | 17,365  |
| Other expense                               | 17,454                                    | 0   | 39,354  |
| Total Expenditures                          | \$ 5,251,910                              | 5,548,776   | 8,622,053   |
|   |   |   | 961,105   |

Note: Not included in this schedule are expenditures paid from department-wide appropriations that do not specify amounts by facility.

\* \* \* \* \*



REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
WESTERN RECEPTION AND DIAGNOSTIC  
CORRECTIONAL CENTER

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-77  
August 23, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of a review conducted by our office of the Department of Corrections, Western Reception and Diagnostic Correctional Center.**

-----  
*The Western Reception and Diagnostic Correctional Center was originally established as a satellite facility of the Western Missouri Correctional Center in 1993 and occupied one building on the grounds of the St. Joseph State Hospital. The intent of the satellite facility was for the inmates to help the community with the massive devastation to the local area from the 1993 floods. In 1994, the Park Building Treatment Center became operational and the decision was made by the Department of Corrections to take over the old hospital facilities once the hospital had moved to its new site. The final phase of construction was completed in September 1999. The newly named Western Reception and Diagnostic Correctional Center is the Department of Corrections' reception center for the western region of the state. Newly convicted offenders or those returned from probation and parole supervision, will be housed there while they undergo evaluation and classification to determine their permanent institutional assignments. The Western Reception and Diagnostic Correctional Center will continue to house general population offenders and offenders participating in substance abuse prevention programs. The total capacity for all classifications of offenders is 1,880.*

The Western Reception and Diagnostic Correctional Center (WRDCC) maintains an armory for firearms, ammunition, chemical agents, restraints, and miscellaneous items which are accessed through the armory sergeant, armory officer, or shift supervisor at the control center.

- To account for the issuance of these firearms and ammunitions, an armory log is maintained which is a written record of routine and emergency distributions of firearms. A review of the armory log for June 1999 revealed that firearms were recorded as being issued to a particular post rather than to an individual. In addition, the individual actually issued the firearm was not required to sign the log. The armory log should provide a record of who has responsibility for each weapon issued.
- Monthly physical inventories of the armory are performed by the same armory officer that has custody of inventory. This practice is in violation of department procedures which state that the physical inventory must be verified by an institutional employee whose duties do not include the maintenance of that particular inventory.

(over)

YELLOW SHEET

- The armory's perpetual inventory records have not been updated since June 1999. As a result, a comparison of physical inventory counts to balances recorded in the perpetual records is not possible, and the effectiveness of the periodic physical inventory procedures is minimized. Department procedures require the armory to maintain a perpetual inventory of stock.

In January 1999, the Department of Corrections, Division of Offender Rehabilitative Services entered into a contract with Missouri Western State College to provide adult basic education and diagnostic services to WRDCC. Contract expenditures totaled \$229,331 for the fiscal year ended June 30, 1999.

Each month the WRDCC receives an invoice accompanied by an itemized listing of all program expenses with a payroll report attached. Supporting documentation is not routinely provided for the non-payroll expense entries, such as travel costs, educational and data processing supplies, telephone, etc. As a result, significant payments are being approved without obtaining supporting documentation.

A careful review of supporting documentation is necessary, at least on a periodic basis, to substantiate the validity, propriety, and reasonableness of amounts billed by the college. Because WRDCC personnel are more familiar with the college personnel and services being provided, it appears essential that these detailed comparisons of billings to supporting documentation be performed at the correctional center prior to transmitting the billing to the Department of Corrections – Central Office for payment.

Other items noted in the report included:

- Vending machine commissions paid to the facility did not comply with the written agreement resulting in an approximate underpayment of \$774 from October 1998 to December 1999.
- There is no independent verification of physical counts of food inventory items. Food requisitions are not being properly signed by the food service manager. U.S. Department of Agriculture foods are not being properly reported.
- Perpetual inventory records are not maintained for all canteen items. Month-end physical inventory counts of canteen food and personal items are not compared to any records and no one independent of the canteen verifies the inventory counts.
- Some inmate monies found during the intake process are not being recorded on the reception center receipts log.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
WESTERN RECEPTION AND DIAGNOSTIC  
CORRECTIONAL CENTER

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Dora Schriro, Director  
Department of Corrections  
and  
Ronald Schmitz, Superintendent  
Western Reception and Diagnostic Correctional Center

We have conducted a review of the Department of Corrections, Western Reception and Diagnostic Correctional Center. The scope of our review included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the correctional center.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the correctional center's revenues, expenditures, contracts, applicable legal provisions, rules and regulations, and other pertinent procedures and documents, and interviewed correctional center and other state personnel.

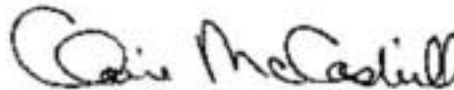
As a part of our review, we assessed the correctional center's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.



Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the correctional center's management and the Statewide Accounting for Missouri (SAM) system and was not subjected to the procedures applied in the review of the Department of Corrections, Western Reception and Diagnostic Correctional Center.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Department of Corrections, Western Reception and Diagnostic Correctional Center.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 2, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Regina Pruitt, CPA     |
| In-Charge Auditor:  | Lori Bryant            |
| Audit Staff:        | Renee` Alvarez         |
|                     | Casey Henry            |

## MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
WESTERN RECEPTION AND DIAGNOSTIC  
CORRECTIONAL CENTER  
SUMMARY OF FINDINGS

1. Education and Diagnostic Contracts with Missouri Western State College (pages 6-7)

Monthly invoices submitted by the college are not accompanied by supporting documentation.

2. Vending Machine Commissions (pages 7-8)

Commissions paid to the facility by the vending company did not comply with contract terms and resulted in an approximate underpayment of \$774 from October 1998 to December 1999.

3. Food Inventories (pages 8-10)

There is no independent verification of physical inventory counts. Food requisitions are not being properly signed by the food service manager. U.S. Department of Agriculture foods are not being properly reported.

4. Canteen Procedures (pages 10-12)

Perpetual inventory records are not maintained for all canteen items. Month-end physical inventory counts are not compared to any records and there is no independent verification of physical inventory counts. Periodic calculations of canteen sales are not being performed and compared to reported sales.

5. Reception Center Inmate Receipts (pages 12-13)

Some inmate monies found during the intake process are not recorded on the reception center receipts log.

6. Armory Procedures (pages 13-14)

The armory log does not include adequate documentation regarding the issuance of firearms. There is no independent verification of physical inventory counts for the armory. The armory's perpetual inventory records are no longer being maintained.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
WESTERN RECEPTION AND DIAGNOSTIC  
CORRECTIONAL CENTER  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S RECOMMENDATIONS

|  |
|--|
| <b>1. Education and Diagnostic Contracts with<br/>Missouri Western State College</b> |
|--|

In January 1999, the Department of Corrections (DOC), Division of Offender Rehabilitative Services entered into a contract with Missouri Western State College to provide adult basic education and diagnostic services to Western Reception and Diagnostic Correctional Center (WRDCC) inmates. Contract expenditures totaled \$229,331 for the fiscal year ended June 30, 1999. There are several individuals employed full-time by the college to provide the services. These individuals work out of office space maintained at WRDCC. The college treats the program as if it were another department of the college and accumulates the related costs throughout the month. We reviewed the contract terms, monthly billings, and supporting documentation, and noted some concerns.

Each month the WRDCC receives an invoice accompanied by an itemized listing of all program expenses with a payroll report attached. Supporting documentation is not routinely provided for the non-payroll expense entries, such as travel costs (motel, mileage, meals), educational and data processing supplies, postage, telephone, furniture/equipment, publications/books, etc. Although the WRDCC business office receives the college's invoice, no review of the invoice details is performed. Rather, the invoice is forwarded to the DOC – Central Office for approval, processing, and payment. According to college personnel, no supporting documentation has been requested by the DOC – Central Office. We obtained the college's invoice for June 1999 and reviewed the itemized listing of program expenses and payroll report. A comparison of this information to supporting documentation (ie; invoices, expense reimbursement claims, etc.) on file at the college revealed no discrepancies.

Significant payments are being approved without obtaining supporting documentation. A careful review of supporting documentation (invoices, expense reimbursement claims, etc) is necessary, at least on a periodic basis, to substantiate the validity, propriety, and reasonableness of amounts billed by the college for monthly program expenses. Because WRDCC personnel are more familiar with the college personnel and services being provided, it appears essential that these detailed comparisons of billings to supporting documentation be performed at the correctional center prior to transmitting the billing to the DOC – Central Office for payment. Without such procedures in place, inappropriate billings and/or errors could occur and go undetected.

**WE RECOMMEND** the WRDCC work with the college to obtain and/or review, at least on a periodic basis, all supporting documentation for charges billed and resolve any questions or discrepancies prior to approving the college invoices for payment.

## **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that monthly invoices submitted by the college were not accompanied by supporting documentation. As a result of the auditor's findings, procedures were amended to comply with the auditor's recommendation starting with the February 2000 invoice.*

- ◆ *Staff at the department's institutions reviewed invoices submitted by Missouri Western State College and then submitted them to the Department's Central Office with documentation available to them attached to the invoice.*
- ◆ *All interagency agreement invoices for education services between the department and contractors were forwarded to the Coordinator for Education Interagency Agreements in the Division of Offender Rehabilitative Services, Missouri Department of Corrections. The coordinator reviewed each invoice and ensured that sufficient documentation was present prior to processing accordingly. The coordinator also requested any documentation needed to resolve concerns and made adjustments as deemed necessary prior to submitting the invoices for payment.*
- ◆ *Effective immediately this process will be amended and all documentation and billings will accompany the invoices when submitted from the education contractor to the department's institution. The institutional staff will ensure that all documentation is verified at the local level. The process described in this paragraph will ensure that there is double checking of the invoices, and that each institution as well as the Department's Central Office has a full set of documentation for each invoice.*

|                                       |
|---------------------------------------|
| <b>2. Vending Machine Commissions</b> |
|---------------------------------------|

The WRDCC utilizes a private vendor to provide and service vending machines at the facility. The vendor periodically provides a commissions statement and remits two checks (one payable to the facility's personnel club and one payable to the inmate canteen fund). The contract on file at the WRDCC indicates the vendor is to remit commissions to be computed as a percentage of total gross sales. Vending machine commissions totaled over \$55,000 during the two years ended June 30, 1999. Department of Corrections Procedure No. D4-4.4, Section III.C. provides that in all institutions the income from vending machines located in areas accessible to both staff and offenders or the public are to be allocated 40 percent to an authorized employee organization or activity and 60 percent to the inmate canteen fund, while all income from vending machines located in institutional areas accessible to employees only may be retained by the authorized employee organization or for an authorized activity. Our review of the vending arrangement at the WRDCC noted areas where improvements are needed.

During October 1998, the WRDCC determined the vendor had not been paying commissions on several machines from July 1997 to August 1998. The WRDCC contacted the vendor and subsequently received \$5,020 in commissions in November 1998.

We reviewed commissions statements for the period October 1998 to December 1999 and noted that commissions on two cigarette machines were calculated on net sales (gross sales after sales taxes had been withheld) rather than gross sales as required by the terms of the contract. As a result, the vendor underpaid commissions on these machines by \$463. It was also noted that commissions were not paid on three new machines during September, October, and November 1999, resulting in the vendor owing an additional \$281 in commissions. Once these errors were brought to the WRDCC's attention, the WRDCC contacted the vendor and subsequently received \$774 in commissions in February 2000.

Despite periodic contact with the vendor, commission payments are frequently not received by the WRDCC until approximately two months or more after the end of the month applicable to the commission statement. The vending company's contract stipulates that sales figures will be computed on a monthly basis, a report generated, and check issued.

While the WRDCC did review monthly commission statements, the errors occurring since October 1998 as noted above had not been detected. It appears changes in the WRDCC's business office personnel since late 1998 have resulted in less effective reviews of vending commission receipts. The WRDCC also has no procedures in place to verify reported sales on which commissions are based. Thorough reviews are necessary to ensure the propriety of commissions received and compliance with contract terms.

**WE RECOMMEND** the WRDCC establish procedures to verify the reported sales, improve its review procedure to ensure compliance with contract terms, check the accuracy of commission statements and amounts remitted, and continue its efforts to have the vendor remit monies timely.

### **AUDITEE'S RESPONSE**

*We concur with the auditor's findings that the vendor did not comply with the contract terms which resulted in an underpayment of approximately \$774 for October 1998 to December 1999.*

- ◆ *During February 2000, the \$774 outstanding commission was collected from the vendor.*
- ◆ *Beginning in July 2000, sales are compared with commission on a minimum of three items each month. Different items will be selected monthly.*

|           |                         |
|-----------|-------------------------|
| <b>3.</b> | <b>Food Inventories</b> |
|-----------|-------------------------|

During the year ended June 30, 1999, the WRDCC served 812,926 meals to inmates with food costs of approximately \$564,000. The institution maintains perpetual inventory records for all food items except for bread and milk products and fresh produce.

- A. Generally, the food service employees perform the monthly physical counts of food inventories. These employees also have custody of the inventory. We scanned the computer generated inventory summaries for the period July 1998 to

December 1999. The reports for only three of the 18 months had the signature of an employee not regularly assigned to the food service section.

This practice is in violation of the Department of Corrections (DOC)'s policy IS10-1.15, Section III.B., which states that the physical inventory count must be verified by an institutional employee who is not assigned to the food service section. An independent verification enhances the controls over the food inventories.

- B. The food services manager prepares the daily menus for the cooks and the cooks prepare a food requisition form listing the food needed for each day's meals. The cooks send the completed requisition to the food storage area. The food services storekeeper then fills the order. We noted that the food service manager did not sign the requisition form as required by the DOC policy IS10-1.17.

To maintain adequate control and accountability over food inventories, food should only be removed from storage with an authorized requisition form. Failure to enforce proper controls and procedures over the food inventory subjects the facility to an increased risk of theft.

- C. WRDCC receives commodity food items through the U. S. Department of Agriculture (USDA) Food Distribution Program. These commodities are inventoried and accounted for separately from other food items used by the facility. Each month the food service storekeeper performs physical inventory counts and prepares an expendable inventory summary report, documenting the beginning and ending commodity food inventory balances as well as the quantity of commodity food items received and used. The WRDCC also maintains perpetual inventory records for all USDA food items.

DOC Procedure No. IS10-1.17, Section III.B.3. requires USDA foods used to be included on the daily food services reports (DFSR) along with other food items. WRDCC began recording USDA foods on the DFSRs in January 1999. However, the USDA food usage on these daily reports is not reconciled to the expendable inventory summary report.

Our comparison of the DFSRs and the expendable inventory summary reports for the calendar year 1999 indicated that for all but three months, there were differences in the quantities of the various USDA foods usage presented on the two reports. Our review of this information for the year ended December 31, 1999, indicated that the total value of the usage reported on the expendable inventory summary reports was \$3,669 more than what was reported on the DFSRs and the majority of this relates to one item, dry milk. Based upon discussions with food service employees, procedures were not in place to ensure that USDA foods were included on the DFSRs and the amounts used on the expendable inventory summary reports were calculated based upon the actual physical counts at the beginning and ending of the month, taking into account any items received during the month.

To maintain adequate control and accountability over USDA food inventories, the WRDCC must require reconciliations between amounts reported as used per the

DFSRs, perpetual inventory records, and the monthly expendable inventory summary. Otherwise, improprieties may occur without detection.

**WE RECOMMEND** the WRDCC:

- A. Segregate the duties of inventory taking from the custody of food inventories. An employee who is not assigned to the Food Service Section should observe the inventory and perform test counts.
- B. Require the food service manager to sign completed requisitions.
- C. Reconcile the USDA Food Distribution Program usage reported on the daily food service report to the expendable inventory summary report and perpetual inventory records on a periodic basis to ensure the inventories are accounted for properly.

**AUDITEE'S RESPONSE**

- A. *We concur with the auditor's findings that there was no independent verification of inventory counts. Beginning April 2000, the Associate Superintendent of Operations assigned a Correctional Classification Assistant and other non-food service staff to verify the monthly food service physical inventory.*
- B. *We concur with the auditor's findings that food requisitions were not properly signed for by the food service manager. Effective July 11, 2000, the Food Service Manager (or in his absence a designated Cook III) signs all completed food requisitions.*
- C. *We concur that the U.S. Department of Agriculture foods were not properly reported. Effective July 11, 2000, for all USDA foods issued, their costs are recorded on the Daily Food Services Report for that day. A running total of USDA food costs for the month is also entered on each Daily Food Service Report.*

|                              |
|------------------------------|
| <b>4. Canteen Procedures</b> |
|------------------------------|

The WRDCC operates a canteen for the inmates' benefit. We reviewed the canteen's inventory controls and reporting and noted some concerns.

- A. Perpetual inventory records are not maintained for all canteen items. Perpetual inventory records are maintained for expensive or high-risk items, such as radios, tape players, and televisions, however, perpetual records are not maintained for food, cigarettes, and personal use items. As required by department policy, the canteen employees perform physical inventories of all canteen items held for resale at each month-end. Because no perpetual inventory records are maintained for food, cigarettes, and personal use items, the results of these counts are not compared to any records. It was also noted that the employees performing the month-end counts also have custody of the inventory and no verification by someone independent of canteen responsibilities is performed. As a result of these various concerns, there is limited monitoring of changes in canteen



inventory and the benefit of month-end physical inventory procedures is lessened without comparison to perpetual inventory records and independent verification.

Deficiencies with the current automated canteen system's handling of certain transactions and problems with the entry of item code and price data for some products have contributed to the inventory monitoring problems. Discussions with Department of Corrections personnel indicate they are aware of the limitations of the current canteen inventory system and are working toward implementation of a new inventory system which will provide perpetual inventory records. This new system had been installed in one facility as of May 2000. Once the new inventory system is in place, monthly inventory counts of all items held for resale should be compared to the perpetual inventory record to lessen the possibility that instances of loss, misuse, or theft of canteen inventory will go undetected. In the meantime, the WRDCC should consider utilizing data available from the various canteen reports to verify the month-end balances of selected canteen items and ensure that month-end counts are verified by an institutional employee not assigned to the canteen.

- B. We performed calculations to estimate canteen sales for October 1999 and November 1999 based on purchases and the beginning and ending inventory levels from the month-end report of inventory on hand. The estimated sales were \$769 less than and \$114 more than actual reported sales per the daily close reports for October and November 1999, respectively.

Differences between calculated sales and reported sales may occur for various reasons, such as inaccurate physical inventory counts; recording sales incorrectly in the cash register; goods returned to vendor; and, theft, loss, or misappropriation of canteen resalable goods.

The WRDCC's management should periodically perform similar calculations to determine if irregularities are occurring. Significant variances should be investigated.

**WE RECOMMEND** the WRDCC:

- A. Reconcile month-end physical inventory counts to the new perpetual inventory records once this system is implemented. Until this time, however, records currently available should be utilized to verify month-end counts for some canteen items (at least on a test basis). In either case, any discrepancies should be investigated in a timely manner. Also, assign an employee independent of the canteen to verify physical inventory counts performed by the canteen.
- B. Periodically estimate canteen sales and compare the estimated sales to reported sales. Management should investigate and account for all significant variances.

**AUDITEE'S RESPONSE**

- A. *We concur with the auditor's findings that perpetual inventory records were not maintained for all canteen items and there is no independent verification of physical inventory counts.*

- ◆ *Beginning in March 2000, perpetual inventories were established and are maintained for all canteen warehouse items.*
- ◆ *Beginning in June 2000, all inventory counts are verified by an employee independent of the canteen.*

*B. We concur with the auditor's findings that periodic calculations of canteen sales were not being performed and compared to reported sales. As part of a comprehensive upgrade to our canteen operation, a new automated canteen system has been developed over the past six months which corrects these deficiencies. Implementation at all DOC institutions is currently underway. As an interim corrective step, beginning in July 2000, the Daily Canteen Item Movement reports are being utilized to conduct spot checks on inventory and to verify month-end item counts.*

|           |   |
|-----------|---|
| <b>5.</b> | <b>Reception Center Inmate Receipts</b> |
|-----------|---|

The WRDCC receives newly convicted offenders and those returned from probation and parole supervision at the reception center. The offenders bring with them personal property, including cash. If monies are received at the initial intake point, the monies are posted to the reception center receipts log; however, if monies are found on the offender at a later step in the intake process, it is recorded on the inmate's personal property inventory form but not included on the log.

All monies regardless of when found are put into a locked box to be picked up by the facility's business office along with the log. Currency is placed in sealed envelopes indicating the name of the offender, amount, and date. The offender, the receiving officer, and a witness are required to sign the envelope to attest to the amount placed in the envelope. These envelopes are not numbered. The business office prepares revenue transmittals to send collections to the DOC – Inmate Finance Section for deposit into the individual inmate's account.

To ensure all inmate receipts are properly accounted for and transmitted, all monies should be placed in prenumbered envelopes and recorded on the reception center log. The envelope number should be posted to the log and the numerical sequence accounted for properly. The logs should be reconciled to revenue transmittals. In addition, the log should be modified to indicate whether monies were found at initial intake point or later in the process.

**WE RECOMMEND** the WRDCC maintain a log of all inmate receipts and reconcile the log to revenue transmittals. In addition, prenumbered envelopes should be used for all inmate receipts and the numerical sequence of the envelopes should be accounted for properly.

**AUDITEE'S RESPONSE**

*We concur in part with the auditor's findings that receipts of specific inmate monies at the reception center were not all recorded on the reception center log. This finding primarily*

*concerns monies that were concealed by the inmate at admission to the institution. Beginning January 2000, all monies received from inmates, including concealed monies that are found after the inmate's initial reception processing, are placed in a sealed envelope and logged. Numbered envelopes are not desirable as there are numerous locations where monies may be discovered. Maintaining envelopes in sequence is not practical due to the number of these areas.*

|                             |
|-----------------------------|
| <b>6. Armory Procedures</b> |
|-----------------------------|

The WRDCC maintains an armory for firearms, ammunition, chemical agents, restraints, and miscellaneous items which are accessed through the armory sergeant, armory officer, or shift supervisor at the control center.

- A. To account for the issuance of these firearms and ammunitions, an armory log is maintained which is a written record of routine and emergency distribution of firearms. We reviewed the armory log for June 1999 and found that items were recorded as being issued to a particular post rather than to an individual. In addition, the individual actually issued the firearm is not required to sign the log. While DOC policy IS20-2 indicates that the institution head may authorize routine assignment of firearms to personnel in certain posts when considered essential to maintain the security of the institution, the armory log should provide a record of who has responsibility for each weapon issued.
- B. Monthly physical inventories of the armory are performed by the same armory officer that has custody of inventory. This practice is in violation of the Department of Corrections Procedure No. D4-5.1, Section III.B.1., which states that the physical inventory must be verified by an institutional employee whose duties are not the maintenance of that particular inventory. An independent verification enhances controls of armory inventories.
- C. The armory's perpetual records of inventory items have not been updated since June 1999. As a result, a comparison of physical inventory counts to balances recorded in the perpetual records is not possible, and the effectiveness of the periodic physical inventory procedure is minimized. Department of Corrections Procedure No. D4-5.1, Section III.A., requires the armory to maintain a perpetual inventory of stock.

Effective internal controls over inventories require perpetual records be maintained on all inventory items in accordance with departmental policy. In addition, a comparison of the balances obtained during the physical inventory count with the balances recorded on the perpetual inventory records must be required. Furthermore, adequate controls over inventories are necessary to ensure errors and other irregularities are prevented or detected in a timely manner.

**WE RECOMMEND** the WRDCC:

- A. Maintain a complete and properly documented armory issuance log. In addition, the individual being issued a firearm should be required to sign the log.
- B. Require the armory to have the physical inventories verified by an employee independent of custodial and record-keeping duties.
- C. Update and continuously maintain perpetual inventory records for items held in the armory, compare the balances to the monthly physical inventory counts and document this comparison on the perpetual inventory records, and follow up on discrepancies noted.

**AUDITEE'S RESPONSE**

- A. *We concur with the auditor's findings that the armory log did not include adequate documentation regarding the issuance of firearms. In January 2000, the institution implemented procedures that require completion of the armory issuance log for all firearm and ammunition issuance.*
- B. *We concur with the auditor's findings that monthly physical inventories were performed by the armory officer. Effective January 2000, the monthly physical inventories are conducted by an employee independent from the armory.*
- C. *We concur with the auditor's findings that perpetual inventory records of the armory were no longer being maintained. Effective January 2000, WRDCC began updating the perpetual inventory records for all armory items and resumed monthly maintenance of those records.*

This report is intended for the information of the management of the Western Reception and Diagnostic Correctional Center and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF CORRECTIONS  
WESTERN RECEPTION AND DIAGNOSTIC  
CORRECTIONAL CENTER  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Western Reception and Diagnostic Correctional Center was originally established as a satellite facility of the Western Missouri Correctional Center in 1993 and occupied one building on the grounds of the St. Joseph State Hospital. The intent of the satellite facility was for the inmates to help the community with the massive devastation to the local area from the 1993 floods. In 1994, the Park Building Treatment Center became operational and the decision was made by the Department of Corrections to take over the old hospital facilities once the hospital had moved to its new site. The final phase of construction was completed in September 1999. The newly named Western Reception and Diagnostic Correctional Center is the Department of Corrections' reception center for the western region of the state. Newly convicted offenders, or those returned from probation and parole supervision, will be housed there while they undergo evaluation and classification to determine their permanent institutional assignments. The Western Reception and Diagnostic Correctional Center will continue to house general population offenders and offenders participating in substance abuse prevention programs. The total capacity for all classifications of offenders is 1,880.

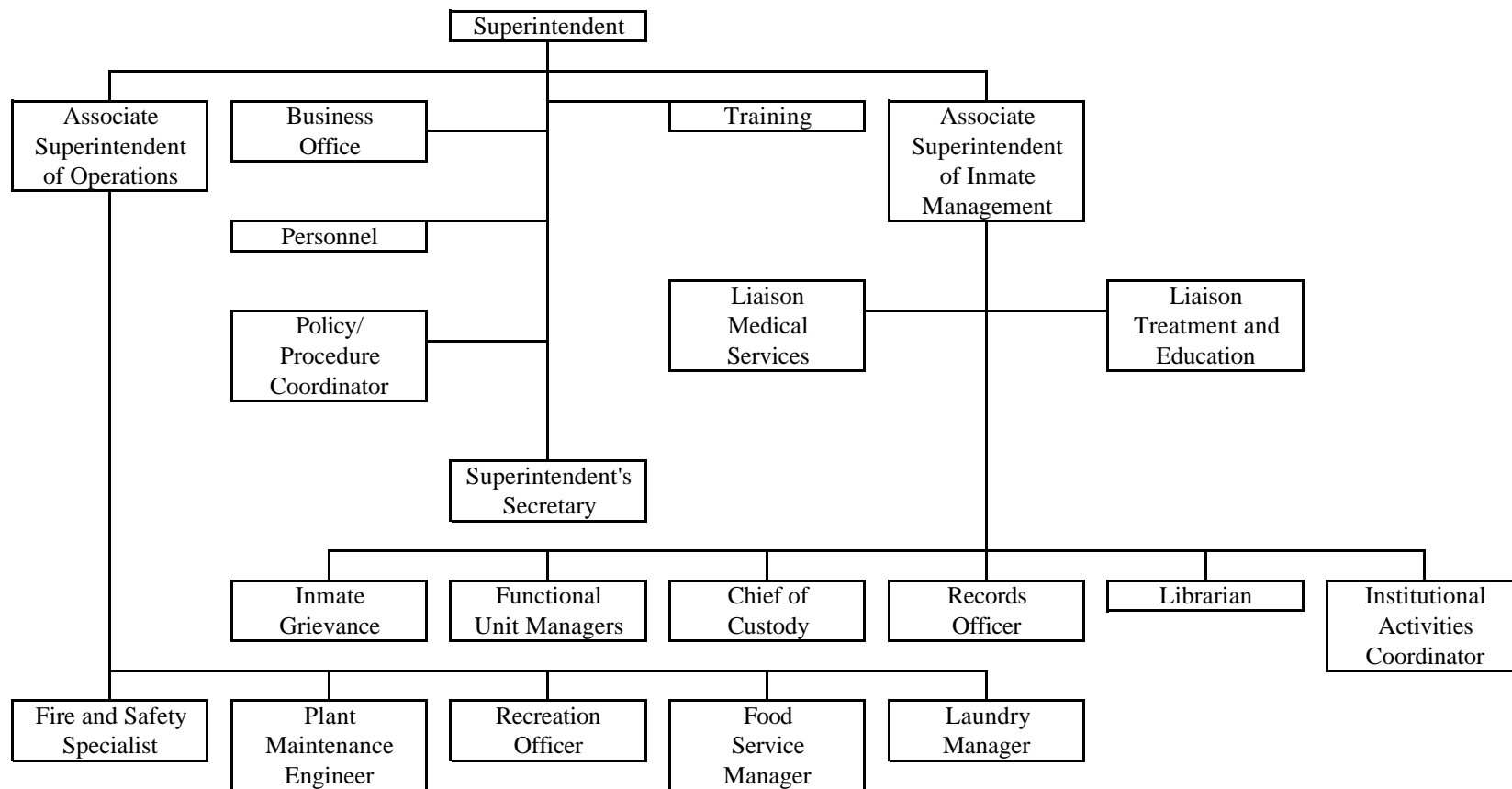
The administration of Western Reception and Diagnostic Correctional Center consists of one superintendent and two associate superintendents. The associate superintendent of operations is responsible for inmate food service, recreation, institutional activities, facilities maintenance, fire and safety, and laundry. The associate superintendent of inmate management is responsible for inmate custody and classification.

The Department of Corrections has entered into an inter-agency agreement with Missouri Western State College. Starting in September 1999, through this agreement the university provides adult basic education for the general inmate population and educational diagnostic services for reception center's inmates.

The Western Reception and Diagnostic Correctional Center was selected to be the pilot site to implement the Parallel Universe Program which began in October 1999. The concept is for the DOC to move away from making every decision for inmates. Under this program, the inmates will be placed in different levels. Each level can only be obtained with good adjustment and each level will give the inmate more privileges and additional responsibilities.

The Western Reception and Diagnostic Correctional Center employed approximately 590 assigned to various administrative, service and security functions as of June 30, 1999. Ronald Schmitz serves as the facility superintendent. An organization chart follows:

DEPARTMENT OF CORRECTIONS  
 WESTERN RECEPTION AND DIAGNOSTIC CORRECTIONAL CENTER  
 ORGANIZATION CHART  
 JUNE 30, 1999





Appendix A

DEPARTMENT OF CORRECTIONS  
WESTERN RECEPTION AND DIAGNOSTIC CORRECTIONAL CENTER  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES (See Note)

| Year Ended June 30,  |              |                 |                |              |                 |         |
|--|--------------|-----------------|----------------|--------------|-----------------|---------|
| 1999   |              |                 | 1998           |              |                 |         |
|  |              |                 |                |              |                 | Lapsed  |
| Appropriations   | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |         |
| GENERAL REVENUE FUND - STATE   |              |                 |                |              |                 |         |
| Costs associated with increased inmate population department-wide, including, but not limited to funding for personal services, expense and equipment, contractual services, repairs, renovations, capital improvements and the Western Reception and Diagnostic Correctional Center | \$ 0         | 0               | 0              | 11,888,063   | 11,499,319      | 388,744 |
| Personal Service   | 1,311,438    | 1,040,624       | 270,814        | 1,246,794    | 1,229,070       | 17,724  |
| Installation of fencing, exterior lighting, and other work necessary for the St. Joseph Buchanan Building to function as a correctional facility   | 17,547       | 13,112          | 4,435          | 294,955      | 277,408         | 17,547  |
| Total General Revenue Fund - State   | \$ 1,328,985 | 1,053,736       | 275,249        | 13,429,812   | 13,005,796      | 424,016 |

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the state treasurer as fund custodian and the Office of Administration provide administrative control over the fund resources withing the authority prescribed by the General Assembly. This does not represent all expenditures of the facility. Some expenditures relating to individual facilities are charged to department-wide appropriations and are not identified by facility (including some purchases of food inventory, computer equipment, and paper products). Expenditures charged to department-wide appropriations that are identified to the facility are noted in Appendix B.

Appendix B

DEPARTMENT OF CORRECTIONS  
WESTERN RECEPTION AND DIAGNOSTIC CORRECTIONAL CENTER  
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS) (See Note)

| YEAR ENDED JUNE 30,                             |   |   |   |                  |
|---|---|---|---|------------------|
| 1999  |   | 1998  |   |                  |
| Expenditures<br>From Facility<br>Appropriations | Expenditures From<br>Department-wide<br>Appropriations<br>for WRDCC | Expenditures<br>From Facility<br>Appropriations | Expenditures From<br>Department-wide<br>Appropriations<br>for WRDCC |                  |
| Salaries for permanent employees                | \$ 1,040,024  | 9,249,178                                       | 3,136,084   | 2,551,502        |
| Wages for temporary employees                   | 600   | 26,668  | 11,354  | 9,153            |
| Repairs and improvements                        | 10,800  | 0   | 245,509   | 0                |
| Travel and vehicle expense                      | 0   | 66,367  | 22,388  | 18,173           |
| Transportation equipment purchase               | 0   | 339,261   | 549,020   | 0                |
| Office expense                                  | 0   | 219,163   | 174,823   | 33,199           |
| Office and communication equipment purchases    | 0   | 1,022,763                                       | 710,230   | 11,479           |
| Communication expense                           | 0   | 528,580   | 2,318   | 3,655            |
| Institution and physical plant expense          | 0   | 2,827,338                                       | 4,159,018   | 114,672          |
| Institution and physical plant purchase         | 0   | 1,672,233                                       | 3,576,717   | 29,830           |
| Data processing expense and equipment           | 0   | 281,704   | 220,751   | 4,365            |
| Professional services                           | 2,312   | 28,384  | 37,348  | 4,090            |
| Other expense                                   | 0   | 147,817   | 160,236   | 6,815            |
| Total Expenditures                              | \$ <u>1,053,736</u>   | <u>16,409,456</u>                               | <u>13,005,796</u>   | <u>2,786,933</u> |

Note: Not included in this schedule are expenditures paid from department-wide appropriations that do not specify amounts by facility. Except for salaries, expenditures presented pertain largely to construction, renovations, and start-up costs.

\* \* \* \* \*



OZARK COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-76  
August 22, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ozark, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Ozark County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

# OZARK COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Ozark County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ozark County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

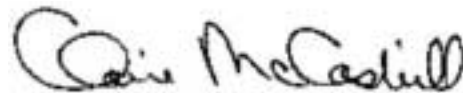
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ozark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ozark County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ozark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 6, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | John Blattel, CPA     |
| In-Charge Auditor:  | David Martin, CPA     |
| Audit Staff:        | Mark Rodabaugh        |
|                     | Jennifer Roderick     |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Ozark County, Missouri

We have audited the special-purpose financial statements of various funds of Ozark County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

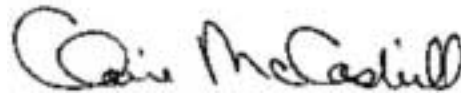
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ozark County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ozark County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Ozark County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is cursive and somewhat stylized, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

OZARK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                             | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|----------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                  | \$ 111             | 994,616   | 973,076       | 21,651               |
| Special Road and Bridge          | 51,253             | 882,638   | 884,414       | 49,477               |
| Assessment                       | 15                 | 125,052   | 124,987       | 80                   |
| Law Enforcement Training         | 1,126              | 3,320     | 2,068         | 2,378                |
| Prosecuting Attorney Training    | 1,237              | 390       | 535           | 1,092                |
| Prosecuting Attorney Bad Check   | 2,476              | 2,649     | 2,057         | 3,068                |
| Capial Improvements Sales Tax    | 109,894            | 238,332   | 214,950       | 133,276              |
| Project #97 PF-21                | 0                  | 326,280   | 326,280       | 0                    |
| Associate Circuit Court Interest | (6)                | 520       | 514           | 0                    |
| Circuit Clerk Interest           | 2,060              | 1,003     | 2,250         | 813                  |
| Law Library                      | 1,332              | 1,186     | 154           | 2,364                |
| Recorder User Fee                | 16,052             | 6,737     | 2,544         | 20,245               |
| Health Center                    | 66,755             | 540,269   | 549,162       | 57,862               |
| Sheriff's Equipment              | 51                 | 0         | 0             | 51                   |
| Children of Domestic Violence    | 0                  | 390       | 130           | 260                  |
| War Memorial                     | 469                | 0         | 100           | 369                  |
| Total                            | \$ 252,825         | 3,123,382 | 3,083,221     | 292,986              |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit A-2

OZARK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                             | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|----------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                  | \$ 1,573           | 1,026,618 | 1,028,080     | 111                  |
| Special Road and Bridge          | 2,321              | 862,217   | 813,285       | 51,253               |
| Assessment                       | 5                  | 116,041   | 116,031       | 15                   |
| Law Enforcement Training         | 425                | 2,285     | 1,584         | 1,126                |
| Prosecuting Attorney Training    | 1,288              | 421       | 472           | 1,237                |
| Prosecuting Attorney Bad Check   | 2,836              | 2,466     | 2,826         | 2,476                |
| Capial Improvements Sales Tax    | 164,656            | 216,192   | 270,954       | 109,894              |
| Project #97 PF-21                | 0                  | 23,400    | 23,400        | 0                    |
| Associate Circuit Court Interest | 2,374              | 862       | 3,242         | (6)                  |
| Circuit Clerk Interest           | 1,230              | 2,165     | 1,335         | 2,060                |
| Law Library                      | 229                | 1,535     | 432           | 1,332                |
| Recorder User Fee                | 10,931             | 6,268     | 1,147         | 16,052               |
| Health Center                    | 79,972             | 557,617   | 570,834       | 66,755               |
| Sheriff's Equipment              | 51                 | 0         | 0             | 51                   |
| Children of Domestic Violence    | 215                | 355       | 570           | 0                    |
| War Memorial                     | 469                | 0         | 0             | 469                  |
| Total                            | \$ 268,575         | 2,818,442 | 2,834,192     | 252,825              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

OZARK COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |         |  |           |           |  |
|-------------------------------------|-------------------------|---------|--|-----------|-----------|--|
|                                     | 1999                    |         |  | 1998      |           |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |         |  |           |           |  |
| Property taxes                      | \$ 109,700              | 106,408 | (3,292)                                | 109,100   | 101,395   | (7,705)                                |
| Sales taxes                         | 430,000                 | 472,266 | 42,266                                 | 440,000   | 419,697   | (20,303)                               |
| Intergovernmental                   | 71,113                  | 136,785 | 65,672                                 | 78,622    | 112,735   | 34,113                                 |
| Charges for services                | 129,100                 | 131,419 | 2,319                                  | 126,200   | 124,373   | (1,827)                                |
| Interest                            | 2,800                   | 2,053   | (747)                                  | 2,000     | 3,035     | 1,035                                  |
| Other                               | 117,095                 | 101,436 | (15,659)                               | 152,798   | 143,479   | (9,319)                                |
| Transfers in                        | 139,000                 | 44,249  | (94,751)                               | 106,250   | 121,904   | 15,654                                 |
| Total Receipts                      | 998,808                 | 994,616 | (4,192)                                | 1,014,970 | 1,026,618 | 11,648                                 |
| <b>DISBURSEMENTS</b>                |                         |         |  |           |           |  |
| County Commission                   | 61,224                  | 61,293  | (69)                                   | 52,750    | 54,013    | (1,263)                                |
| County Clerk                        | 47,420                  | 46,370  | 1,050                                  | 47,464    | 45,067    | 2,397                                  |
| Elections                           | 21,310                  | 20,307  | 1,003                                  | 38,120    | 32,905    | 5,215                                  |
| Buildings and grounds               | 49,650                  | 39,915  | 9,735                                  | 45,894    | 55,993    | (10,099)                               |
| Employee fringe benefits            | 107,930                 | 118,411 | (10,481)                               | 90,700    | 104,477   | (13,777)                               |
| County Treasurer                    | 22,362                  | 22,547  | (185)                                  | 20,120    | 19,579    | 541                                    |
| County Collector                    | 50,000                  | 47,133  | 2,867                                  | 46,004    | 43,147    | 2,857                                  |
| Ex Officio Recorder of Deeds        | 26,308                  | 18,929  | 7,379                                  | 25,760    | 24,549    | 1,211                                  |
| Associate Circuit Court             | 12,280                  | 5,600   | 6,680                                  | 12,110    | 5,982     | 6,128                                  |
| Court administration                | 4,826                   | 4,571   | 255                                    | 4,659     | 4,917     | (258)                                  |
| Public Administrator                | 12,820                  | 14,186  | (1,366)                                | 14,700    | 17,967    | (3,267)                                |
| Sheriff                             | 251,135                 | 239,457 | 11,678                                 | 262,372   | 219,730   | 42,642                                 |
| Jail                                | 109,601                 | 99,640  | 9,961                                  | 120,264   | 123,371   | (3,107)                                |
| Prosecuting Attorney                | 58,765                  | 54,421  | 4,344                                  | 62,140    | 56,349    | 5,791                                  |
| Juvenile Officer                    | 24,879                  | 22,130  | 2,749                                  | 32,520    | 31,730    | 790                                    |
| County Coroner                      | 9,075                   | 16,686  | (7,611)                                | 13,127    | 9,176     | 3,951                                  |
| Recycling                           | 35,966                  | 43,255  | (7,289)                                | 42,000    | 39,858    | 2,142                                  |
| IVD                                 | 18,644                  | 17,037  | 1,607                                  | 0         | 32,034    | (32,034)                               |
| LEPC                                | 1,368                   | 1,368   | 0                                      | 0         | 0         | 0                                      |
| Emergency Management                | 1,000                   | 1,252   | (252)                                  | 0         | 2,705     | (2,705)                                |
| Debt service                        | 0                       | 0       | 0                                      | 12,000    | 0         | 12,000                                 |
| Other                               | 58,200                  | 52,903  | 5,297                                  | 66,770    | 75,047    | (8,277)                                |
| Transfers out                       | 59,291                  | 25,665  | 33,626                                 | 52,390    | 29,484    | 22,906                                 |
| Emergency Fund                      | 29,865                  | 0       | 29,865                                 | 27,300    | 0         | 27,300                                 |
| Total Disbursements                 | 1,073,919               | 973,076 | 100,843                                | 1,089,164 | 1,028,080 | 61,084                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (75,111)                | 21,540  | 96,651                                 | (74,194)  | (1,462)   | 72,732                                 |
| CASH, JANUARY 1                     | 111                     | 111     | 0                                      | 1,573     | 1,573     | 0                                      |
| CASH, DECEMBER 31                   | \$ (75,000)             | 21,651  | 96,651                                 | (72,621)  | 111       | 72,732                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

OZARK COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |         |  |         |         |  |
|---------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                       | 1999                    |         |  | 1998    |         |  |
|                                       | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |         |  |         |         |  |
| Property taxes                        | \$ 157,200              | 153,268 | (3,932)                                | 135,000 | 151,417 | 16,417                                 |
| Intergovernmental                     | 668,560                 | 699,815 | 31,255                                 | 635,700 | 690,189 | 54,489                                 |
| Charges for services                  | 8,000                   | 22,496  | 14,496                                 | 6,500   | 10,938  | 4,438                                  |
| Interest                              | 3,500                   | 2,331   | (1,169)                                | 3,500   | 3,143   | (357)                                  |
| Other                                 | 1,800                   | 4,728   | 2,928                                  | 3,000   | 6,530   | 3,530                                  |
| Total Receipts                        | 839,060                 | 882,638 | 43,578                                 | 783,700 | 862,217 | 78,517                                 |
| DISBURSEMENTS                         |                         |         |  |         |         |  |
| Salaries                              | 295,000                 | 296,074 | (1,074)                                | 290,000 | 284,862 | 5,138                                  |
| Employee fringe benefits              | 69,500                  | 68,135  | 1,365                                  | 65,500  | 74,640  | (9,140)                                |
| Supplies                              | 56,000                  | 40,831  | 15,169                                 | 62,000  | 51,759  | 10,241                                 |
| Insurance                             | 19,000                  | 22,793  | (3,793)                                | 19,000  | 8,536   | 10,464                                 |
| Road and bridge materials             | 106,000                 | 123,294 | (17,294)                               | 101,000 | 122,977 | (21,977)                               |
| Equipment repairs                     | 91,000                  | 80,706  | 10,294                                 | 100,000 | 101,656 | (1,656)                                |
| Equipment purchases                   | 108,461                 | 94,457  | 14,004                                 | 24,500  | 56,893  | (32,393)                               |
| Construction, repair, and maintenance | 95,002                  | 114,971 | (19,969)                               | 73,700  | 76,457  | (2,757)                                |
| Other                                 | 18,350                  | 16,603  | 1,747                                  | 15,950  | 12,505  | 3,445                                  |
| Transfers out                         | 27,000                  | 26,550  | 450                                    | 23,000  | 23,000  | 0                                      |
| Total Disbursements                   | 885,313                 | 884,414 | 899                                    | 774,650 | 813,285 | (38,635)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (46,253)                | (1,776) | 44,477                                 | 9,050   | 48,932  | 39,882                                 |
| CASH, JANUARY 1                       | 51,253                  | 51,253  | 0                                      | 2,321   | 2,321   | 0                                      |
| CASH, DECEMBER 31                     | \$ 5,000                | 49,477  | 44,477                                 | 11,371  | 51,253  | 39,882                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

OZARK COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Intergovernmental                   | \$ 71,110               | 93,415  | 22,305                                 | 71,000  | 86,117  | 15,117                                 |
| Charges for services                | 250                     | 0       | (250)                                  | 250     | 0       | (250)                                  |
| Interest                            | 250                     | 260     | 10                                     | 210     | 302     | 92                                     |
| Other                               | 0                       | 36      | 36                                     | 0       | 138     | 138                                    |
| Transfers in                        | 59,291                  | 31,341  | (27,950)                               | 52,390  | 29,484  | (22,906)                               |
| Total Receipts                      | 130,901                 | 125,052 | (5,849)                                | 123,850 | 116,041 | (7,809)                                |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Assessor                            | 130,916                 | 124,987 | 5,929                                  | 123,850 | 116,031 | 7,819                                  |
| Total Disbursements                 | 130,916                 | 124,987 | 5,929                                  | 123,850 | 116,031 | 7,819                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (15)                    | 65      | 80                                     | 0       | 10      | 10                                     |
| CASH, JANUARY 1                     | 15                      | 15      | 0                                      | 5       | 5       | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 80      | 80                                     | 5       | 15      | 10                                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

OZARK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,300 | 3,320         | 2,600  | 2,285  | (315)         |  |
| Total Receipts                      | 2,300    | 3,320         | 2,600  | 2,285  | (315)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 3,000    | 2,068         | 3,000  | 1,584  | 1,416         |  |
| Total Disbursements                 | 3,000    | 2,068         | 3,000  | 1,584  | 1,416         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (700)    | 1,252         | (400)  | 701    | 1,101         |  |
| CASH, JANUARY 1                     | 1,126    | 1,126         | 425    | 425    | 0             |  |
| CASH, DECEMBER 31                   | \$ 426   | 2,378         | 25     | 1,126  | 1,101         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

OZARK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |                       |        |        |                       |
|-------------------------------------|----|-------------------------|--------|-----------------------|--------|--------|-----------------------|
|                                     |    | 1999                    |        |                       | 1998   |        |                       |
|                                     |    |                         |        | Variance<br>Favorable |        |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual | (Unfavorable)         | Budget | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |        |                       |        |        |                       |
| Charges for services                | \$ | 700                     | 390    | (310)                 | 600    | 421    | (179)                 |
| Total Receipts                      |    | 700                     | 390    | (310)                 | 600    | 421    | (179)                 |
| DISBURSEMENTS                       |    |                         |        |                       |        |        |                       |
| Prosecuting Attorney                |    | 1,000                   | 535    | 465                   | 0      | 472    | (472)                 |
| Total Disbursements                 |    | 1,000                   | 535    | 465                   | 0      | 472    | (472)                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (300)                   | (145)  | 155                   | 600    | (51)   | (651)                 |
| CASH, JANUARY 1                     |    | 1,237                   | 1,237  | 0                     | 1,288  | 1,288  | 0                     |
| CASH, DECEMBER 31                   |    | \$ 937                  | 1,092  | 155                   | 1,888  | 1,237  | (651)                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

OZARK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,450 | 2,649         | 2,300  | 2,466  | 166           |  |
| Total Receipts                      | 2,450    | 2,649         | 2,300  | 2,466  | 166           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 2,600    | 2,057         | 3,200  | 2,826  | 374           |  |
| Total Disbursements                 | 2,600    | 2,057         | 3,200  | 2,826  | 374           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (150)    | 592           | (900)  | (360)  | 540           |  |
| CASH, JANUARY 1                     | 2,476    | 2,476         | 2,836  | 2,836  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,326 | 3,068         | 1,936  | 2,476  | 540           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

OZARK COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CAPITAL IMPROVEMENTS SALES TAX FUND

|                                     |    | Year Ended December 31, |         |  |          |          |  |
|-------------------------------------|----|-------------------------|---------|--|----------|----------|--|
|                                     |    | 1999                    |         |  | 1998     |          |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |  |          |          |  |
| Sales taxes                         | \$ | 210,300                 | 235,507 | 25,207                                 | 208,000  | 212,795  | 4,795                                  |
| Interest                            |    | 2,700                   | 2,825   | 125                                    | 3,000    | 3,397    | 397                                    |
| Total Receipts                      |    | 213,000                 | 238,332 | 25,332                                 | 211,000  | 216,192  | 5,192                                  |
| DISBURSEMENTS                       |    |                         |         |  |          |          |  |
| Payments on jail bonds              |    | 165,000                 | 190,717 | (25,717)                               | 175,000  | 172,050  | 2,950                                  |
| Jail expenses                       |    | 0                       | 858     | (858)                                  | 0        | 0        | 0                                      |
| Courthouse renovations              |    | 0                       | 0       | 0                                      | 12,000   | 0        | 12,000                                 |
| Transfers out                       |    | 98,000                  | 23,375  | 74,625                                 | 70,500   | 98,904   | (28,404)                               |
| Total Disbursements                 |    | 263,000                 | 214,950 | 48,050                                 | 257,500  | 270,954  | (13,454)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (50,000)                | 23,382  | 73,382                                 | (46,500) | (54,762) | (8,262)                                |
| CASH, JANUARY 1                     |    | 109,894                 | 109,894 | 0                                      | 164,656  | 164,656  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 59,894                  | 133,276 | 73,382                                 | 118,156  | 109,894  | (8,262)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit I

OZARK COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROJECT #97 PF-21 FUND

|                                     |    | Year Ended December 31, |         |  |         |        |  |
|-------------------------------------|----|-------------------------|---------|--|---------|--------|--|
|                                     |    | 1999                    |         |  | 1998    |        |  |
|                                     |    |                         |         | Variance<br>Favorable<br>(Unfavorable) |         |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual  |  | Budget  | Actual |  |
| RECEIPTS                            |    |                         |         |  |         |        |  |
| Intergovernmental                   | \$ | 466,300                 | 326,280 | (140,020)                              | 936,300 | 23,400 | (912,900)                              |
| Total Receipts                      |    | 466,300                 | 326,280 | (140,020)                              | 936,300 | 23,400 | (912,900)                              |
| DISBURSEMENTS                       |    |                         |         |  |         |        |  |
| Bridge construction                 |    | 466,300                 | 326,280 | 140,020                                | 936,300 | 23,400 | 912,900                                |
| Total Disbursements                 |    | 466,300                 | 326,280 | 140,020                                | 936,300 | 23,400 | 912,900                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | 0       | 0                                      | 0       | 0      | 0                                      |
| CASH, JANUARY 1                     |    | 0                       | 0       | 0                                      | 0       | 0      | 0                                      |
| CASH, DECEMBER 31                   |    | \$ 0                    | 0       | 0                                      | 0       | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

OZARK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT COURT INTEREST FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1999                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Interest                            | \$ 500 | 520    | 20                                     |
| Total Receipts                      | 500    | 520    | 20                                     |
| DISBURSEMENTS                       |        |        |  |
| Associate Circuit Court             | 500    | 84     | 416                                    |
| Remittances to General Revenue Fund | 0      | 430    | (430)                                  |
| Total Disbursements                 | 500    | 514    | (14)                                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 6      | 6                                      |
| CASH, JANUARY 1                     | 280    | (6)    | (286)                                  |
| CASH, DECEMBER 31                   | \$ 280 | 0      | (280)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

OZARK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |         |         |               |
|-------------------------------------|---------|---------|---------------|
| 1999                                |         |         |               |
|                                     |         |         | Variance      |
|                                     | Budget  | Actual  | Favorable     |
|                                     |         |         | (Unfavorable) |
| RECEIPTS                            |         |         |               |
| Interest                            | \$ 720  | 1,003   | 283           |
| Total Receipts                      | 720     | 1,003   | 283           |
| DISBURSEMENTS                       |         |         |               |
| Circuit Clerk                       | 2,700   | 2,250   | 450           |
| Total Disbursements                 | 2,700   | 2,250   | 450           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,980) | (1,247) | 733           |
| CASH, JANUARY 1                     | 2,056   | 2,060   | 4             |
| CASH, DECEMBER 31                   | \$ 76   | 813     | 737           |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

OZARK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |        |               |
|-------------------------------------|----------|--------|---------------|
| 1999                                |          |        |               |
|                                     |          |        | Variance      |
|                                     | Budget   | Actual | Favorable     |
|                                     |          |        | (Unfavorable) |
| RECEIPTS                            |          |        |               |
| Charges for services                | \$ 1,200 | 1,186  | (14)          |
| Total Receipts                      | 1,200    | 1,186  | (14)          |
| DISBURSEMENTS                       |          |        |               |
| Law Library                         | 500      | 154    | 346           |
| Total Disbursements                 | 500      | 154    | 346           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 700      | 1,032  | 332           |
| CASH, JANUARY 1                     | 1,270    | 1,332  | 62            |
| CASH, DECEMBER 31                   | \$ 1,970 | 2,364  | 394           |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

OZARK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER USER FEE FUND

| Year Ended December 31,             |           |        |  |
|-------------------------------------|-----------|--------|--|
| 1999                                |           |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |
| Charges for services                | \$ 5,500  | 6,320  | 820                                    |
| Interest                            | 0         | 417    | 417                                    |
| Total Receipts                      | 5,500     | 6,737  | 1,237                                  |
| DISBURSEMENTS                       |           |        |  |
| Ex Officio Recorder of Deeds        | 1,200     | 2,544  | (1,344)                                |
| Total Disbursements                 | 1,200     | 2,544  | (1,344)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 4,300     | 4,193  | (107)                                  |
| CASH, JANUARY 1                     | 15,508    | 16,052 | 544                                    |
| CASH, DECEMBER 31                   | \$ 19,808 | 20,245 | 437                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

OZARK COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |          |  |
|-------------------------------------|-------------------------|---------|--|---------|----------|--|
|                                     | 1999                    |         |  | 1998    |          |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |          |  |
| Property taxes                      | \$ 65,000               | 61,108  | (3,892)                                | 60,000  | 60,341   | 341                                    |
| Intergovernmental                   | 433,500                 | 401,634 | (31,866)                               | 333,000 | 407,611  | 74,611                                 |
| Charges for services                | 85,000                  | 73,579  | (11,421)                               | 90,000  | 87,526   | (2,474)                                |
| Interest                            | 3,000                   | 3,948   | 948                                    | 1,500   | 2,139    | 639                                    |
| Total Receipts                      | 586,500                 | 540,269 | (46,231)                               | 484,500 | 557,617  | 73,117                                 |
| DISBURSEMENTS                       |                         |         |  |         |          |  |
| Salaries                            | 292,800                 | 286,384 | 6,416                                  | 289,000 | 274,476  | 14,524                                 |
| Office expenditures                 | 13,000                  | 14,391  | (1,391)                                | 8,500   | 11,912   | (3,412)                                |
| Supplies                            | 16,000                  | 15,701  | 299                                    | 15,000  | 14,827   | 173                                    |
| Mileage and training                | 35,000                  | 26,419  | 8,581                                  | 35,000  | 32,736   | 2,264                                  |
| Contractual payments                | 200,000                 | 191,734 | 8,266                                  | 75,000  | 210,791  | (135,791)                              |
| Other                               | 29,000                  | 14,628  | 14,372                                 | 24,000  | 25,997   | (1,997)                                |
| Total Disbursements                 | 585,800                 | 549,257 | 36,543                                 | 446,500 | 570,739  | (124,239)                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 700                     | (8,988) | (9,688)                                | 38,000  | (13,122) | (51,122)                               |
| CASH, JANUARY 1                     | 66,745                  | 66,850  | 105                                    | 79,957  | 79,972   | 15                                     |
| CASH, DECEMBER 31                   | \$ 67,445               | 57,862  | (9,583)                                | 117,957 | 66,850   | (51,107)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

## OZARK COUNTY, MISSOURI

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies

##### A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ozark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

##### B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

##### C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:



| <u>Fund</u>                           | <u>Years Ended December 31,</u> |
|---------------------------------------|---------------------------------|
| Sheriff's Equipment Fund              | 1999 and 1998                   |
| Children of Domestic Violence Fund    | 1999 and 1998                   |
| War Memorial Fund                     | 1999 and 1998                   |
| Associate Circuit Court Interest Fund | 1998                            |
| Circuit Clerk Interest Fund           | 1998                            |
| Law Library Fund                      | 1998                            |
| Recorder User Fee Fund                | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                           | <u>Years Ended December 31,</u> |
|---------------------------------------|---------------------------------|
| Associate Circuit Court Interest Fund | 1999                            |
| Recorder User Fee Fund                | 1999                            |
| Special Road and Bridge Fund          | 1998                            |
| Prosecuting Attorney Training Fund    | 1998                            |
| Capital Improvements Sales Tax Fund   | 1998                            |
| Health Center Fund                    | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the General Revenue Fund for the years ended December 31, 1999 and 1998. However, the budgets of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1999 and 1998, did not include the Health Center Fund.

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S.

Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy. The policy permits investment in securities having principal and interest guaranteed by the United States government and collateralized time and demand deposits.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

## Supplementary Schedule

## Schedule

OZARK COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                           | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|---|--|---|-------------------------|--------|
|   |  |   | Year Ended December 31, |        |
|   |  |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF AGRICULTURE                     |  |   |                         |        |
| Passed through state:                               |  |   |                         |        |
| Department of Health -                              |  |   |                         |        |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-8177                                     | 0                       | 22,587 |
|   |  | ER0045-9177                                     | 18,005                  | 7,117  |
|   |  | ER0045-0177                                     | 12,356                  | 0      |
|   | Program Total  |   | 30,361                  | 29,704 |
| Office of Administration -                          |  |   |                         |        |
| 10.665  | Schools and Roads - Grants to<br>States                                    | N/A   | 59,920                  | 51,599 |
| U.S. DEPARTMENT OF DEFENSE                          |  |   |                         |        |
| Passed through state:                               |  |   |                         |        |
| Office of Administration -                          |  |   |                         |        |
| 12.112  | Payments to States in Lieu of Real Estate Taxes                            | N/A   | 26,094                  | 14,388 |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT |  |   |                         |        |
| Passed through state:                               |  |   |                         |        |
| Department of Economic Development -                |  |   |                         |        |
| 14.228  | Community Development Block Grants/State's<br>Program                      | 97-PF-21  | 326,280                 | 23,400 |
| U.S. DEPARTMENT OF JUSTICE                          |  |   |                         |        |
| Direct programs:                                    |  |   |                         |        |
| 16.710  | Public Safety Partnership and Community Policing Grants                    | N/A   | 34,263                  | 5,866  |
| Passed through:                                     |  |   |                         |        |
| State Department of Public Safety -                 |  |   |                         |        |
| 16.579  | Byrne Formula Grant Program  | 97-NCD15B-123                                   | 3,429                   | 0      |
| 16.592  | Local Law Enforcement Block Grants Program                                 | N/A   | 0                       | 9,000  |
| Missouri Sheriffs' Association -                    |  |   |                         |        |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 2,278                   | 1,462  |

## Schedule

OZARK COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number   | Federal Expenditures                 |                                    |
|---|--|---|--------------------------------------|------------------------------------|
|   |  |   | Year Ended December 31,              |                                    |
|   |  |   | 1999                                 | 1998                               |
| U. S. DEPARTMENT OF TRANSPORTATION            |  |   |                                      |                                    |
|   | Passed through state Highway and Transportation Commission:  |   |                                      |                                    |
| 20.205  | Highway Planning and Construction  | BRO-077(7)  | 20,201                               | 22,445                             |
| GENERAL SERVICES ADMINISTRATION               |  |   |                                      |                                    |
|   | Passed through state Office of Administration -  |   |                                      |                                    |
| 39.003  | Donation of Federal Surplus Personal Property  | 2450  | 999                                  | 2,738                              |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                                      |                                    |
|   | Direct program -   |   |                                      |                                    |
| 93.268  | Immunization Grants  | N/A   | 344                                  | 1,720                              |
|   | Passed through state:  |   |                                      |                                    |
|   | Department of Health -   |   |                                      |                                    |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ER0146-0177CLPP<br>ER0146-9145CLPP  | 120<br>369                           | 0<br>0                             |
|   | Program Total  |   | 489                                  | 0                                  |
| 93.268  | Immunization Grants  | PG0064-8177IAP<br>PG0064-9177IAP<br>PG0064-8145IAP<br>PG0064-9145IAP<br>N/A                           | 0<br>2,550<br>0<br>2,435<br>9,442    | 2,835<br>0<br>14,505<br>0<br>8,744 |
|   | Program Total  |   | 14,427                               | 26,084                             |
|   | Department of Social Services -  |   |                                      |                                    |
| 93.563  | Child Support Enforcement  | N/A   | 7,341                                | 10,574                             |
|   | Department of Health -   |   |                                      |                                    |
| 93.575  | Child Care and Development Block Grant   | ER0146-9177CCH&SCS<br>ER0146-0177CCH&SCS<br>PGA067-0177C<br>PG0067-8177<br>PG0067-9177<br>PG0067-0177 | 865<br>135<br>230<br>0<br>660<br>135 | 215<br>0<br>0<br>615<br>171<br>0   |
|   | Program Total  |   | 2,025                                | 1,001                              |

## Schedule

OZARK COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures<br>Year Ended December 31, |                |
|---------------------------|--|---|---|----------------|
|                           |  |   | 1999  | 1998           |
| 93.919                    | Cooperative Agreements for State-Based<br>Comprehensive Breast and Cervical Cancer<br>Early Detection Programs | N/A   | 5,131   | 1,893          |
| 93.991                    | Preventive Health and Health Services Block Grant  | N/A   | 113   | 227            |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States  | ER0146-8177MCH                                  | 0   | 13,238         |
|                           |  | ER0146-9177MCH                                  | 8,611   | 2,232          |
|                           |  | ER0146-0177MCH                                  | 5,802   | 0              |
|                           |  | ER0146-8145MCH                                  | 0   | 23,990         |
|                           |  | ER0146-9145MCH                                  | 23,283  | 2,566          |
|                           |  | ER0146-0145MCH                                  | 10,478  | 0              |
|                           |  | ER0175-8177FP                                   | 0   | 2,622          |
|                           |  | ER0175-9177FP                                   | 1,829   | 1,001          |
|                           |  | ER0175-0177FP                                   | 587   | 0              |
|                           |  | N/A   | 562   | 795            |
|                           | Program Total  |   | <u>51,152</u>                                   | <u>46,444</u>  |
|                           | Total Expenditures of Federal Awards   |   | <u>\$ 584,847</u>                               | <u>248,545</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

OZARK COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ozark County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.



The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$9,442 and \$8,744 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$113 and \$227 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$562 and \$795 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

| <u>Federal<br/>CFDA Number</u> | <u>Program Title</u>   | <u>Amount Provided</u>                        |             |
|--------------------------------|--|---|-------------|
|                                |  | <u>Year Ended December 31,</u><br><u>1999</u> | <u>1998</u> |
| 93.197                         | Childhood Lead Poisoning<br>Prevention Projects-State<br>and Community-Based<br>Childhood Lead Poisoning<br>Prevention and Surveillance<br>of Blood Lead Levels in<br>Children | 369   | 0           |
| 93.268                         | Immunization Grants  | 2,435   | 14,505      |
| 93.994                         | Maternal and Child Health<br>Services Block Grant to the<br>States   | 33,761  | 26,556      |

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Ozark County, Missouri

Compliance

We have audited the compliance of Ozark County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

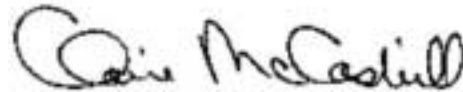
In our opinion, Ozark County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998.

## Internal Control Over Compliance

The management of Ozark County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Ozark County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

Schedule

OZARK COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Noncompliance material to the financial statements  
noted? \_\_\_\_\_ yes        x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133? \_\_\_\_\_ yes        x   no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>                              |
|---|---|
| 10.665  | Schools and Roads – Grants to States              |
| 14.228  | Community Development Block Grant/State's Program |

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

OZARK COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

OZARK COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## SECTION ON OTHER MATTERS

## OZARK COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Ozark County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000. We also have audited the compliance of Ozark County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Ozark County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Budgets

Budgets were not prepared for various county funds and actual expenditures exceeded approved budget amounts in some funds for the two years ended December 31, 1999. Budgets should be prepared for all county funds. In addition, if there are valid reasons which necessitate excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

### 2. Schedule of Expenditures of Federal Awards

The county is required by OMB Circular A-133 to prepare a schedule of expenditures of federal awards (SEFA). The SEFA schedule is used to determine the single audit requirements of the county. The county's SEFA contained numerous errors and omissions for the two years ended December 31, 1999. The SEFA should be accurately prepared to ensure all federal awards are properly reported.

### 3. Capital Improvement Transfers

The county is making transfers from the Capital Improvement Fund to repay the General Revenue and other funds for a 1996 elevator project. The county needs to review all costs

associated with the project and determine the total amounts due these funds. Documentation supporting the costs and amounts already reimbursed should be maintained and any amounts still due should be identified and properly budgeted each year until the entire costs are repaid.

This Letter on Other Matters is intended for the information of the management of Ozark County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



BARTON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-75  
August 14, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Barton, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Barton County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county did not reconcile total amounts claimed for reimbursement to the Department of Transportation to their actual expenditures for the project. Consequently, the county submitted claims for reimbursement exceeding actual costs incurred by \$28,082 due to an error in preparing one of the reimbursement claims.
- The county has a written agreement with the Prosecuting Attorney outlining the portion of the Prosecuting Attorney's office expenses to be paid by the county, however, the agreement does not address the secretaries' salaries paid by the county.
- Several instances were noted where leave amounts reported on the employee's time sheets did not agree to the amounts recorded on the employee's leave record. In addition, some annual leave and compensatory time balances were not carried forward in the subsequent year. Instances were noted where employee time sheets were not signed by the employee's supervisor.
- Similarly noted in two previous audits, the Circuit Clerk had been unable to reconcile the open items (liabilities) and cash balance for the traffic account. The unreconciled difference between the total open items balance and cash balance often fluctuated monthly.

**Copies of the audit are available upon request.**

YELLOW SHEET

BARTON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Barton County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Barton County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Barton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Barton County.

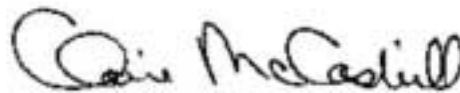
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Barton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we also have issued our report dated April 6, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Barton County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | David Holtmann, CPA   |
| In-Charge Auditor:  | John Lieser, CPA      |
| Audit Staff:        | Joyce Medlock         |
|                     | Tom Franklin          |
|                     | Jerry Lamprecht, CPA  |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Barton County, Missouri

We have audited the special-purpose financial statements of various funds of Barton County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

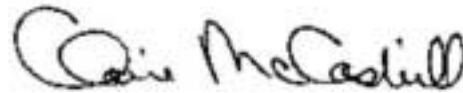
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Barton County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Barton County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Barton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

BARTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                    | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                         | \$ 337,269         | 725,604   | 749,232       | 313,641              |
| Special Road and Bridge                 | 469,937            | 864,090   | 930,367       | 403,660              |
| Assessment                              | 27                 | 129,454   | 129,471       | 10                   |
| Law Enforcement Training                | 4,269              | 5,578     | 2,719         | 7,128                |
| Prosecuting Attorney Training           | 2,876              | 1,092     | 1,117         | 2,851                |
| Recorder                                | 38,944             | 7,196     | 0             | 46,140               |
| Prosecuting Attorney Bad Check          | 10,448             | 15,081    | 8,190         | 17,339               |
| Law Enforcement Sales Tax               | 180,654            | 530,267   | 469,617       | 241,304              |
| Local Use Sales Tax                     | 107,661            | 4,743     | 37,232        | 75,172               |
| Emergency 911                           | 253,242            | 111,376   | 93,489        | 271,129              |
| Noxious Weed                            | 7,303              | 0         | 184           | 7,119                |
| Health Center                           | 355,001            | 704,679   | 744,690       | 314,990              |
| Special Law Enforcement Drug            | 6,640              | 316       | 2,338         | 4,618                |
| Associate and Circuit Division Interest | 6,301              | 3,331     | 660           | 8,972                |
| Law Library                             | 26,666             | 7,702     | 5,564         | 28,804               |
| FEMA                                    | 0                  | 236,045   | 221,822       | 14,223               |
| Drug Task Force                         | 0                  | 889       | 205           | 684                  |
| Total                                   | \$ 1,807,238       | 3,347,443 | 3,396,897     | 1,757,784            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

BARTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                    | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                         | \$ 394,979         | 700,915   | 758,625       | 337,269              |
| Special Road and Bridge                 | 295,449            | 674,420   | 499,932       | 469,937              |
| Assessment                              | 40                 | 129,516   | 129,529       | 27                   |
| Law Enforcement Training                | 2,671              | 5,631     | 4,033         | 4,269                |
| Prosecuting Attorney Training           | 2,224              | 1,098     | 446           | 2,876                |
| Recorder                                | 31,355             | 7,589     | 0             | 38,944               |
| Prosecuting Attorney Bad Check          | 10,979             | 14,262    | 14,793        | 10,448               |
| Law Enforcement Sales Tax               | 237,400            | 475,639   | 532,385       | 180,654              |
| Local Use Sales Tax                     | 103,522            | 4,329     | 190           | 107,661              |
| Emergency 911                           | 195,417            | 105,751   | 47,926        | 253,242              |
| Body Armor                              | 908                | 16        | 924           | 0                    |
| Noxious Weed                            | 7,417              | 0         | 114           | 7,303                |
| Health Center                           | 574,334            | 777,192   | 996,525       | 355,001              |
| Special Law Enforcement Drug            | 10,771             | 1,557     | 5,688         | 6,640                |
| Associate and Circuit Division Interest | 1,791              | 6,667     | 2,157         | 6,301                |
| Law Library                             | 12,901             | 18,327    | 4,562         | 26,666               |
| Total                                   | \$ 1,882,158       | 2,922,909 | 2,997,829     | 1,807,238            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

BARTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |          |  |           |          |  |
|-------------------------------------|-------------------------|----------|--|-----------|----------|--|
|                                     | 1999                    |          |  | 1998      |          |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |           |          |  |
| Property taxes                      | \$ 55,000               | 59,857   | 4,857                                  | 52,400    | 56,588   | 4,188                                  |
| Sales taxes                         | 381,000                 | 399,616  | 18,616                                 | 391,550   | 377,575  | (13,975)                               |
| Intergovernmental                   | 29,300                  | 50,057   | 20,757                                 | 50,150    | 46,296   | (3,854)                                |
| Charges for services                | 158,455                 | 143,292  | (15,163)                               | 132,755   | 146,513  | 13,758                                 |
| Interest                            | 20,000                  | 20,429   | 429                                    | 16,000    | 20,811   | 4,811                                  |
| Other                               | 30,200                  | 34,353   | 4,153                                  | 23,650    | 35,580   | 11,930                                 |
| Transfers in                        | 18,000                  | 18,000   | 0                                      | 17,000    | 17,552   | 552                                    |
| Total Receipts                      | 691,955                 | 725,604  | 33,649                                 | 683,505   | 700,915  | 17,410                                 |
| DISBURSEMENTS                       |                         |          |  |           |          |  |
| County Commission                   | 79,635                  | 74,390   | 5,245                                  | 72,041    | 59,061   | 12,980                                 |
| County Clerk                        | 68,100                  | 66,707   | 1,393                                  | 60,649    | 59,532   | 1,117                                  |
| Elections                           | 39,200                  | 34,823   | 4,377                                  | 63,910    | 51,100   | 12,810                                 |
| Buildings and grounds               | 281,800                 | 120,603  | 161,197                                | 283,175   | 208,406  | 74,769                                 |
| Employee fringe benefits            | 33,500                  | 28,022   | 5,478                                  | 46,500    | 28,473   | 18,027                                 |
| County Treasurer                    | 48,525                  | 48,504   | 21                                     | 43,215    | 38,639   | 4,576                                  |
| Ex Officio Collector                | 200                     | 88       | 112                                    | 250       | 0        | 250                                    |
| Ex Officio Recorder of Deeds        | 30,000                  | 28,870   | 1,130                                  | 23,450    | 22,999   | 451                                    |
| Circuit Clerk                       | 15,340                  | 11,461   | 3,879                                  | 23,966    | 16,073   | 7,893                                  |
| Court administration                | 17,437                  | 8,042    | 9,395                                  | 20,950    | 10,585   | 10,365                                 |
| Public Administrator                | 37,489                  | 30,454   | 7,035                                  | 32,976    | 40,486   | (7,510)                                |
| Jail                                | 25,000                  | 0        | 25,000                                 | 25,000    | 0        | 25,000                                 |
| Prosecuting Attorney                | 94,520                  | 87,093   | 7,427                                  | 67,842    | 58,862   | 8,980                                  |
| Juvenile Officer                    | 35,000                  | 28,667   | 6,333                                  | 46,907    | 34,915   | 11,992                                 |
| Other                               | 88,941                  | 93,344   | (4,403)                                | 86,065    | 80,112   | 5,953                                  |
| Computer                            | 41,000                  | 49,671   | (8,671)                                | 29,800    | 18,927   | 10,873                                 |
| Public health and welfare services  | 9,285                   | 8,468    | 817                                    | 8,300     | 7,555    | 745                                    |
| Transfers out                       | 42,130                  | 30,025   | 12,105                                 | 38,108    | 22,900   | 15,208                                 |
| Emergency Fund                      | 20,800                  | 0        | 20,800                                 | 20,505    | 0        | 20,505                                 |
| Total Disbursements                 | 1,007,902               | 749,232  | 258,670                                | 993,609   | 758,625  | 234,984                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (315,947)               | (23,628) | 292,319                                | (310,104) | (57,710) | 252,394                                |
| CASH, JANUARY 1                     | 337,269                 | 337,269  | 0                                      | 394,979   | 394,979  | 0                                      |
| CASH, DECEMBER 31                   | \$ 21,322               | 313,641  | 292,319                                | 84,875    | 337,269  | 252,394                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

BARTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |          |  |           |         |  |
|---------------------------------------|-------------------------|----------|--|-----------|---------|--|
|                                       | 1999                    |          |  | 1998      |         |  |
|                                       | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |          |  |           |         |  |
| Intergovernmental                     | \$ 910,000              | 804,573  | (105,427)                              | 626,350   | 652,534 | 26,184                                 |
| Charges for services                  | 10,000                  | 32,264   | 22,264                                 | 3,000     | 4,505   | 1,505                                  |
| Interest                              | 15,000                  | 26,004   | 11,004                                 | 10,000    | 15,642  | 5,642                                  |
| Other                                 | 1,000                   | 1,249    | 249                                    | 2,000     | 1,739   | (261)                                  |
| Transfers in                          | 0                       | 0        | 0                                      | 8,000     | 0       | (8,000)                                |
| Total Receipts                        | 936,000                 | 864,090  | (71,910)                               | 649,350   | 674,420 | 25,070                                 |
| DISBURSEMENTS                         |                         |          |  |           |         |  |
| Salaries                              | 30,000                  | 16,585   | 13,415                                 | 29,000    | 7,597   | 21,403                                 |
| Employee fringe benefits              | 36,000                  | 1,269    | 34,731                                 | 10,300    | 581     | 9,719                                  |
| Supplies                              | 7,000                   | 680      | 6,320                                  | 15,000    | 3,356   | 11,644                                 |
| Insurance                             | 3,000                   | 1,538    | 1,462                                  | 3,500     | 305     | 3,195                                  |
| Road and bridge materials             | 23,000                  | 2,913    | 20,087                                 | 203,000   | 1,041   | 201,959                                |
| Equipment repairs                     | 5,000                   | 8,475    | (3,475)                                | 4,000     | 7,298   | (3,298)                                |
| Rentals                               | 0                       | 418      | (418)                                  | 3,000     | 0       | 3,000                                  |
| Equipment purchases                   | 300,000                 | 95,714   | 204,286                                | 85,500    | 0       | 85,500                                 |
| Construction, repair, and maintenance | 770,000                 | 649,362  | 120,638                                | 308,000   | 366,734 | (58,734)                               |
| Distributions to townships            | 84,000                  | 126,491  | (42,491)                               | 84,000    | 84,000  | 0                                      |
| Emergency fund                        | 100,000                 | 0        | 100,000                                | 160,000   | 0       | 160,000                                |
| Other                                 | 12,300                  | 8,922    | 3,378                                  | 20,550    | 11,520  | 9,030                                  |
| Transfers out                         | 18,000                  | 18,000   | 0                                      | 17,500    | 17,500  | 0                                      |
| Total Disbursements                   | 1,388,300               | 930,367  | 457,933                                | 943,350   | 499,932 | 443,418                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (452,300)               | (66,277) | 386,023                                | (294,000) | 174,488 | 468,488                                |
| CASH, JANUARY 1                       | 469,937                 | 469,937  | 0                                      | 295,449   | 295,449 | 0                                      |
| CASH, DECEMBER 31                     | \$ 17,637               | 403,660  | 386,023                                | 1,449     | 469,937 | 468,488                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit D

BARTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |         |  |         |         |  |
|-------------------------------------|-----------|---------|--|---------|---------|--|
|                                     | 1999      |         |  | 1998    |         |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |         |  |
| Intergovernmental                   | \$ 97,845 | 98,380  | 535                                    | 103,815 | 105,497 | 1,682                                  |
| Charges for services                | 0         | 0       | 0                                      | 300     | 0       | (300)                                  |
| Interest                            | 500       | 477     | (23)                                   | 300     | 519     | 219                                    |
| Other                               | 500       | 572     | 72                                     | 100     | 600     | 500                                    |
| Transfers in                        | 42,130    | 30,025  | (12,105)                               | 38,108  | 22,900  | (15,208)                               |
| Total Receipts                      | 140,975   | 129,454 | (11,521)                               | 142,623 | 129,516 | (13,107)                               |
| DISBURSEMENTS                       |           |         |  |         |         |  |
| Assessor                            | 140,999   | 129,471 | 11,528                                 | 142,623 | 129,529 | 13,094                                 |
| Total Disbursements                 | 140,999   | 129,471 | 11,528                                 | 142,623 | 129,529 | 13,094                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (24)      | (17)    | 7                                      | 0       | (13)    | (13)                                   |
| CASH, JANUARY 1                     | 27        | 27      | 0                                      | 40      | 40      | 0                                      |
| CASH, DECEMBER 31                   | \$ 3      | 10      | 7                                      | 40      | 27      | (13)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit E

BARTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT TRAINING FUND

|                                     | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|-------------------------|--------|--|---------|--------|--|
|                                     | 1999                    |        |  | 1998    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |         |        |  |
| Charges for services                | \$ 3,500                | 5,339  | 1,839                                  | 3,000   | 5,494  | 2,494                                  |
| Interest                            | 100                     | 239    | 139                                    | 125     | 137    | 12                                     |
| Total Receipts                      | 3,600                   | 5,578  | 1,978                                  | 3,125   | 5,631  | 2,506                                  |
| DISBURSEMENTS                       |                         |        |  |         |        |  |
| Sheriff                             | 7,700                   | 2,719  | 4,981                                  | 5,625   | 4,033  | 1,592                                  |
| Total Disbursements                 | 7,700                   | 2,719  | 4,981                                  | 5,625   | 4,033  | 1,592                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,100)                 | 2,859  | 6,959                                  | (2,500) | 1,598  | 4,098                                  |
| CASH, JANUARY 1                     | 4,269                   | 4,269  | 0                                      | 2,671   | 2,671  | 0                                      |
| CASH, DECEMBER 31                   | \$ 169                  | 7,128  | 6,959                                  | 171     | 4,269  | 4,098                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 1,000 | 949           | 1,500   | 991    | (509)         |  |
| Interest                            | 100      | 143           | 85      | 107    | 22            |  |
| Total Receipts                      | 1,100    | 1,092         | 1,585   | 1,098  | (487)         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Prosecuting Attorney                | 1,500    | 1,117         | 2,700   | 446    | 2,254         |  |
| Total Disbursements                 | 1,500    | 1,117         | 2,700   | 446    | 2,254         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (400)    | (25)          | (1,115) | 652    | 1,767         |  |
| CASH, JANUARY 1                     | 2,876    | 2,876         | 2,224   | 2,224  | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,476 | 2,851         | 1,109   | 2,876  | 1,767         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER FUND

| Year Ended December 31,             |           |               |          |        |               |  |
|-------------------------------------|-----------|---------------|----------|--------|---------------|--|
| 1999                                |           |               | 1998     |        |               |  |
|                                     |           | Variance      |          |        | Variance      |  |
|                                     |           | Favorable     |          |        | Favorable     |  |
|                                     |           | (Unfavorable) |          |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget   | Actual |               |  |
| RECEIPTS                            |           |               |          |        |               |  |
| Charges for services                | \$ 6,000  | 5,164         | 5,000    | 6,173  | 1,173         |  |
| Interest                            | 1,200     | 2,032         | 1,300    | 1,416  | 116           |  |
| Total Receipts                      | 7,200     | 7,196         | 6,300    | 7,589  | 1,289         |  |
| DISBURSEMENTS                       |           |               |          |        |               |  |
| Ex-Officio Recorder of Deeds        | 36,000    | 0             | 27,000   | 0      | 27,000        |  |
| Total Disbursements                 | 36,000    | 0             | 27,000   | 0      | 27,000        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (28,800)  | 7,196         | (20,700) | 7,589  | 28,289        |  |
| CASH, JANUARY 1                     | 38,944    | 38,944        | 31,355   | 31,355 | 0             |  |
| CASH, DECEMBER 31                   | \$ 10,144 | 46,140        | 10,655   | 38,944 | 28,289        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

BARTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|----|-------------------------|--------|--|---------|--------|--|
|                                     |    | 1999                    |        |  | 1998    |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |         |        |  |
| Charges for services                | \$ | 12,500                  | 13,397 | 897                                    | 12,000  | 11,950 | (50)                                   |
| Interest                            |    | 500                     | 705    | 205                                    | 600     | 534    | (66)                                   |
| Other                               |    | 0                       | 979    | 979                                    | 0       | 1,778  | 1,778                                  |
| Total Receipts                      |    | 13,000                  | 15,081 | 2,081                                  | 12,600  | 14,262 | 1,662                                  |
| DISBURSEMENTS                       |    |                         |        |  |         |        |  |
| Prosecuting Attorney                |    | 13,900                  | 8,190  | 5,710                                  | 14,815  | 14,793 | 22                                     |
| Total Disbursements                 |    | 13,900                  | 8,190  | 5,710                                  | 14,815  | 14,793 | 22                                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (900)                   | 6,891  | 7,791                                  | (2,215) | (531)  | 1,684                                  |
| CASH, JANUARY 1                     |    | 10,448                  | 10,448 | 0                                      | 10,979  | 10,979 | 0                                      |
| CASH, DECEMBER 31                   | \$ | 9,548                   | 17,339 | 7,791                                  | 8,764   | 10,448 | 1,684                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT SALES TAX FUND

|                                     |    | Year Ended December 31, |         |  |           |          |  |
|-------------------------------------|----|-------------------------|---------|--|-----------|----------|--|
|                                     |    | 1999                    |         |  | 1998      |          |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |  |           |          |  |
| Sales taxes                         | \$ | 380,000                 | 399,176 | 19,176                                 | 390,500   | 376,922  | (13,578)                               |
| Charges for services                |    | 91,800                  | 121,145 | 29,345                                 | 75,800    | 90,518   | 14,718                                 |
| Interest                            |    | 6,500                   | 9,946   | 3,446                                  | 10,500    | 8,199    | (2,301)                                |
| Total Receipts                      |    | 478,300                 | 530,267 | 51,967                                 | 476,800   | 475,639  | (1,161)                                |
| DISBURSEMENTS                       |    |                         |         |  |           |          |  |
| Sheriff                             |    | 341,246                 | 297,671 | 43,575                                 | 345,946   | 291,443  | 54,503                                 |
| Jail                                |    | 285,575                 | 161,664 | 123,911                                | 331,810   | 231,662  | 100,148                                |
| Coroner                             |    | 13,450                  | 10,282  | 3,168                                  | 13,950    | 9,280    | 4,670                                  |
| Total Disbursements                 |    | 640,271                 | 469,617 | 170,654                                | 691,706   | 532,385  | 159,321                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (161,971)               | 60,650  | 222,621                                | (214,906) | (56,746) | 158,160                                |
| CASH, JANUARY 1                     |    | 180,654                 | 180,654 | 0                                      | 237,400   | 237,400  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 18,683                  | 241,304 | 222,621                                | 22,494    | 180,654  | 158,160                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL USE SALES TAX FUND

| Year Ended December 31,             |           |               |          |         |               |  |
|-------------------------------------|-----------|---------------|----------|---------|---------------|--|
| 1999                                |           |               | 1998     |         |               |  |
|                                     |           | Variance      |          |         | Variance      |  |
|                                     |           | Favorable     |          |         | Favorable     |  |
|                                     |           | (Unfavorable) |          |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget   | Actual  |               |  |
| RECEIPTS                            |           |               |          |         |               |  |
| Interest                            | \$ 2,000  | 4,743         | 5,000    | 4,329   | (671)         |  |
| Total Receipts                      | 2,000     | 4,743         | 5,000    | 4,329   | (671)         |  |
| DISBURSEMENTS                       |           |               |          |         |               |  |
| Equipment                           | 5,000     | 8,836         | 20,000   | 0       | 20,000        |  |
| Capital improvements                | 100,000   | 28,396        | 80,000   | 190     | 79,810        |  |
| Total Disbursements                 | 105,000   | 37,232        | 100,000  | 190     | 99,810        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (103,000) | (32,489)      | (95,000) | 4,139   | 99,139        |  |
| CASH, JANUARY 1                     | 107,661   | 107,661       | 103,522  | 103,522 | 0             |  |
| CASH, DECEMBER 31                   | \$ 4,661  | 75,172        | 8,522    | 107,661 | 99,139        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit K

BARTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY 911 FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Charges for services                | \$ 107,800              | 98,461  | (9,339)                                | 98,200   | 96,743  | (1,457)                                |
| Interest                            | 0                       | 12,915  | 12,915                                 | 9,500    | 9,008   | (492)                                  |
| Total Receipts                      | 107,800                 | 111,376 | 3,576                                  | 107,700  | 105,751 | (1,949)                                |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Supplies                            | 0                       | 268     | (268)                                  | 1,500    | 0       | 1,500                                  |
| Training                            | 1,000                   | 95      | 905                                    | 1,000    | 0       | 1,000                                  |
| Equipment                           | 200,000                 | 67,151  | 132,849                                | 103,800  | 16,718  | 87,082                                 |
| Telephone Services                  | 35,000                  | 25,975  | 9,025                                  | 40,000   | 31,208  | 8,792                                  |
| Transfers out                       | 0                       | 0       | 0                                      | 8,000    | 0       | 8,000                                  |
| Total Disbursements                 | 236,000                 | 93,489  | 142,511                                | 154,300  | 47,926  | 106,374                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (128,200)               | 17,887  | 146,087                                | (46,600) | 57,825  | 104,425                                |
| CASH, JANUARY 1                     | 253,242                 | 253,242 | 0                                      | 195,417  | 195,417 | 0                                      |
| CASH, DECEMBER 31                   | \$ 125,042              | 271,129 | 146,087                                | 148,817  | 253,242 | 104,425                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit L

BARTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
BODY ARMOR FUND

| Year Ended December 31,             |        |        |  |
|-------------------------------------|--------|--------|--|
| 1998                                |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Interest                            | \$ 39  | 16     | (23)                                   |
| Total Receipts                      | 39     | 16     | (23)                                   |
| DISBURSEMENTS                       |        |        |  |
| Transfers out                       | 947    | 924    | 23                                     |
| Total Disbursements                 | 947    | 924    | 23                                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (908)  | (908)  | 0                                      |
| CASH, JANUARY 1                     | 908    | 908    | 0                                      |
| CASH, DECEMBER 31                   | \$ 0   | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
NOXIOUS WEED FUND

|                                     |    | Year Ended December 31, |        |  |         |        |  |
|-------------------------------------|----|-------------------------|--------|--|---------|--------|--|
|                                     |    | 1999                    |        |  | 1998    |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |         |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget  | Actual |  |
| RECEIPTS                            |    |                         |        |  |         |        |  |
| Total Receipts                      | \$ | 0                       | 0      | 0                                      | 0       | 0      | 0                                      |
| DISBURSEMENTS                       |    |                         |        |  |         |        |  |
| Noxious weed                        |    | 7,303                   | 184    | 7,119                                  | 7,417   | 114    | 7,303                                  |
| Total Disbursements                 |    | 7,303                   | 184    | 7,119                                  | 7,417   | 114    | 7,303                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (7,303)                 | (184)  | 7,119                                  | (7,417) | (114)  | 7,303                                  |
| CASH, JANUARY 1                     |    | 7,303                   | 7,303  | 0                                      | 7,417   | 7,417  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 0                       | 7,119  | 7,119                                  | 0       | 7,303  | 7,303                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit N

BARTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |          |  |           |           |  |
|-------------------------------------|-------------------------|----------|--|-----------|-----------|--|
|                                     | 1999                    |          |  | 1998      |           |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |           |           |  |
| Property taxes                      | \$ 77,997               | 90,800   | 12,803                                 | 63,829    | 75,428    | 11,599                                 |
| Intergovernmental                   | 630,521                 | 508,264  | (122,257)                              | 721,335   | 627,317   | (94,018)                               |
| Charges for services                | 44,425                  | 31,913   | (12,512)                               | 27,200    | 41,720    | 14,520                                 |
| Interest                            | 20,661                  | 20,149   | (512)                                  | 9,500     | 16,578    | 7,078                                  |
| Other                               | 35,598                  | 53,553   | 17,955                                 | 23,104    | 16,149    | (6,955)                                |
| Total Receipts                      | 809,202                 | 704,679  | (104,523)                              | 844,968   | 777,192   | (67,776)                               |
| DISBURSEMENTS                       |                         |          |  |           |           |  |
| Salaries                            | 617,642                 | 528,507  | 89,135                                 | 632,574   | 553,663   | 78,911                                 |
| Office expenditures                 | 38,700                  | 41,908   | (3,208)                                | 49,650    | 34,456    | 15,194                                 |
| Equipment                           | 24,673                  | 19,356   | 5,317                                  | 34,671    | 22,412    | 12,259                                 |
| Mileage and training                | 31,602                  | 24,352   | 7,250                                  | 40,755    | 30,064    | 10,691                                 |
| Other                               | 97,427                  | 110,463  | (13,036)                               | 69,793    | 117,719   | (47,926)                               |
| Inservice/education                 | 5,896                   | 1,986    | 3,910                                  | 5,000     | 4,932     | 68                                     |
| Contractor labor/ professional fees | 28,205                  | 18,118   | 10,087                                 | 12,525    | 19,263    | (6,738)                                |
| Building & parking lot              | 750                     | 0        | 750                                    | 226,016   | 214,016   | 12,000                                 |
| Total Disbursements                 | 844,895                 | 744,690  | 100,205                                | 1,070,984 | 996,525   | 74,459                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (35,693)                | (40,011) | (4,318)                                | (226,016) | (219,333) | 6,683                                  |
| CASH, JANUARY 1                     | 355,001                 | 355,001  | 0                                      | 565,585   | 574,334   | 8,749                                  |
| CASH, DECEMBER 31                   | \$ 319,308              | 314,990  | (4,318)                                | 339,569   | 355,001   | 15,432                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

BARTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
FEMA FUND

| Year Ended December 31,             |            |         |  |
|-------------------------------------|------------|---------|--|
| 1999                                |            |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |
| Intergovernmental                   | \$ 250,000 | 236,045 | (13,955)                               |
| Total Receipts                      | 250,000    | 236,045 | (13,955)                               |
| DISBURSEMENTS                       |            |         |  |
| Townships                           | 200,000    | 221,822 | (21,822)                               |
| Other                               | 50,000     | 0       | 50,000                                 |
| Total Disbursements                 | 250,000    | 221,822 | 28,178                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0          | 14,223  | 14,223                                 |
| CASH, JANUARY 1                     | 0          | 0       | 0                                      |
| CASH, DECEMBER 31                   | \$ 0       | 14,223  | 14,223                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

BARTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DRUG TASK FORCE FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Intergovernmental                   | \$ 143,730              | 0      | (143,730)                              |
| Interest                            | 0                       | 14     | 14                                     |
| Other                               | 0                       | 875    | 875                                    |
| Total Receipts                      | 143,730                 | 889    | (142,841)                              |
| DISBURSEMENTS                       |                         |        |  |
| Salaries                            | 109,500                 | 0      | 109,500                                |
| Mileage and training                | 6,710                   | 0      | 6,710                                  |
| Equipment                           | 12,810                  | 0      | 12,810                                 |
| Supplies                            | 910                     | 205    | 705                                    |
| Other                               | 13,800                  | 0      | 13,800                                 |
| Total Disbursements                 | 143,730                 | 205    | 143,525                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 684    | 684                                    |
| CASH, JANUARY 1                     | 0                       | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 684    | 684                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

BARTON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Barton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                       | <u>Years Ended December 31,</u> |
|-----------------------------------|---------------------------------|
| Special Law Enforcement Drug Fund | 1999 and 1998                   |
| Associate and Circuit Division    |                                 |
| Interest Fund                     | 1999 and 1998                   |
| Law Library Fund                  | 1999 and 1998                   |

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                       | <u>Years Ended December 31,</u> |
|-----------------------------------|---------------------------------|
| Health Center Fund                | 1999 and 1998                   |
| Special Law Enforcement Drug Fund | 1999 and 1998                   |
| Associate and Circuit Division    |                                 |
| Interest Fund                     | 1999 and 1998                   |
| Law Library Fund                  | 1999 and 1998                   |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.



The health center's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

### Investments

The only investment of the various funds at December 31, 1999 and 1998, was a U.S. Treasury bill with a reported amount of \$20,000 (which approximated market).

This investment was held by the Health Center Board of Trustees in the Board's name.

## Supplementary Schedule

## Schedule

BARTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                   | Federal Grantor/Pass-Through Grantor/Program Title  | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|---|---|---|-------------------------|--------|
|   |   |   | Year Ended December 31, |        |
|   |   |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF AGRICULTURE                             |   |   |                         |        |
| Passed through state:                                       |   |   |                         |        |
| Department of Health -                                      |   |   |                         |        |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children  | ER0045-8105                                     | \$ 0                    | 31,450 |
|   |   | ER0045-9105                                     | 29,336                  | 10,588 |
|   |   | ER0045-0105                                     | 11,904                  | 0      |
|   | Program Total   |   | 41,240                  | 42,038 |
| U.S. DEPARTMENT OF JUSTICE                                  |   |   |                         |        |
| Passed through:   |   |   |                         |        |
| Missouri Sheriffs' Association -                            |   |   |                         |        |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program   | N/A   | 0                       | 891    |
| U. S. DEPARTMENT OF TRANSPORTATION                          |   |   |                         |        |
| Passed through state Highway and Transportation Commission: |   |   |                         |        |
| 20.205  | Highway Planning and Construction   | BRO-006(12)                                     | 295,077                 | 11,230 |
| U.S. ENVIRONMENTAL PROTECTION AGENCY                        |   |   |                         |        |
| Direct program -  |   |   |                         |        |
| 66.604  | Environmental Equity  | N/A   | 11,665                  | 0      |
| FEDERAL EMERGENCY MANAGEMENT AGENCY                         |   |   |                         |        |
| Passed through state Department of Public Safety:           |   |   |                         |        |
| 83.544  | Public Assistance Grants  | N/A   | 221,822                 | 0      |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES               |   |   |                         |        |
| Direct program -  |   |   |                         |        |
| 93.268  | Immunization Grants   | N/A   | 1,416                   | 344    |
| Passed through state:                                       |   |   |                         |        |
| Department of Health -                                      |   |   |                         |        |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State<br>and Community-Based Childhood Lead Poisoning<br>Prevention and Surveillance of Blood Lead Levels<br>in Children | ER0146-0105                                     | 1,001                   | 149    |
|   |   | ER0146-9105                                     | 359                     | 0      |
|   | Program Total   |   | 1,360                   | 149    |

## Schedule

BARTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures<br>Year Ended December 31, |                |
|---------------------------|---|---|---|----------------|
|                           |   |   | 1999  | 1998           |
| 93.268                    | Immunization Grants   | PG0064-85051                                    | 2,050   | 7,175          |
|                           |   | N/A   | 26,509  | 20,002         |
|                           | Program Total   |   | <u>28,559</u>                                   | <u>27,177</u>  |
|                           | Department of Social Services -                                 |   |   |                |
| 93.563                    | Child Support Enforcement                                       | N/A   | 1,292   | 1,659          |
|                           | Department of Health -  |   |   |                |
| 93.575                    | Child Care and Development Block Grant                          | ER0146-8105                                     | 0   | 594            |
|                           |   | ER0146-9105                                     | 630   | 110            |
|                           | Program Total   |   | <u>630</u>                                      | <u>704</u>     |
| 93.991                    | Preventive Health and Health Services Block Grant               | N/A   | 316   | 520            |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States | ER0146-8105                                     | 0   | 11,945         |
|                           |   | ER0146-9105                                     | 12,467  | 2,899          |
|                           |   | ER0146-0105                                     | 4,385   | 0              |
|                           |   | N/A   | 1,578   | 1,818          |
|                           | Program Total   |   | <u>18,430</u>                                   | <u>16,662</u>  |
|                           | Total Expenditures of Federal Awards                            |   | <u>\$ 621,807</u>                               | <u>101,374</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

BARTON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Barton County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$26,509

and \$20,002 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$316 and \$520 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,578 and \$1,818 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$220,926 to subrecipients under the Public Assistance Grants (CFDA number 83.544) during the year ended December 31, 1999.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION



## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Barton County, Missouri

Compliance

We have audited the compliance of Barton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Barton County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years

ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

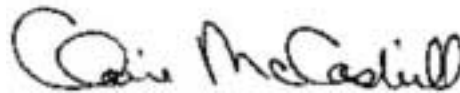
#### Internal Control Over Compliance

The management of Barton County Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Barton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

Schedule

BARTON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes      x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Noncompliance material to the financial statements  
noted? \_\_\_\_\_ yes      x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ yes      x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes    \_\_\_\_\_ no

Identification of major program(s):

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>              |
|---|-----------------------------------|
| 20.205  | Highway Planning and Construction |
| 83.544  | Public Assistance Grant           |

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|             |  |
|-------------|--|
| <b>99-1</b> | <b>Amounts Claimed for Reimbursement</b> |
|-------------|--|

|                       |                                       |
|-----------------------|---------------------------------------|
| Federal Grantor:      | U.S. Department of Transportation     |
| Pass-Through Grantor: | Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                |
| Program Title:        | Highway Planning and Construction     |
| Pass-Through Entity   |                                       |
| Identifying Number:   | BRO-006(12)                           |
| Award Year:           | 1999                                  |
| Questioned Costs:     | \$28,083                              |

The county did not reconcile total amounts claimed for reimbursement to the Department of Transportation to their actual expenditures for the project. Consequently, the county submitted claims for reimbursement exceeding actual costs incurred by \$28,083 due to an error in preparing one of the reimbursement claims. The grant agreement prohibits claims for reimbursements that exceed actual costs. As a result, \$28,083 is due the federal grantor agency.

**WE RECOMMEND** the County Commission resolve the questioned costs with the federal grantor agency. In addition, the county should reconcile amounts claimed for reimbursement to actual expenditures to ensure errors are detected in a timely manner.

### **AUDITEES RESPONSE:**

*The county has already contacted the Department of Transportation and is awaiting instructions on how to refund the remaining overpayment. We will keep a separate ledger of amounts claimed for reimbursement and expenditures incurred on future projects.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

BARTON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.



Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

BARTON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

BARTON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Barton County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000. We also have audited the compliance of Barton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Barton County Memorial Hospital is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These

findings resulted from our audit of the special-purpose financial statements of Barton County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|  |
|--|
| <b>1. Cost Sharing Agreement with the Prosecuting Attorney</b> |
|--|

The Prosecuting Attorney does not have an office in the courthouse; he performs his county duties from an office building used in the operation of his private law practice. The county does have a written agreement with the Prosecuting Attorney outlining the portion of the Prosecuting Attorney's office expenses to be paid by the county, however, secretaries' salaries are not addressed in the agreement. The county pays the two secretaries' salaries, one full-time and one part-time. These secretaries are the only clerical employees of the Prosecuting Attorney's private office and appear to also provide services to the private practice as well as the county. Salaries paid by the county to the clerical employees were \$30,070 and \$25,890 for the years ended December 31, 1999 and 1998, respectively. Time sheets are prepared by the secretaries, but do not reflect time worked on county business versus private practice business.

Since county resources should be used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what portion of the secretaries' salaries will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained. To ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for the allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work efforts to avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources. Additionally, time sheets prepared by the Prosecuting Attorney's secretaries should reflect time worked on county business. The Prosecuting Attorney indicated a supplemental written agreement would be drawn up in response to the prior audit; however, no changes have occurred.

The condition was noted in our prior report.

**WE AGAIN RECOMMEND** the County Commission enter into a written agreement with the Prosecuting Attorney outlining the specific arrangements regarding payment of the Prosecuting Attorney's secretaries' salaries. The basis for the arrangements should be documented and retained. In addition, the Prosecuting Attorney's secretaries should prepare time sheets to reflect time worked on county business.

## **AUDITEE'S RESPONSE**

*The Barton County Commission is in the process of entering into an agreement with the Barton County Prosecuting Attorney regarding the secretaries salaries to assure the county is getting full service for the salary paid for work done on county business.*

|   |
|---|
| <b>2. Personnel Policies and Procedures</b> |
|---|

Time sheets prepared monthly by all employees, are reviewed and approved by the employee's supervisor, and submitted to the County Clerk for filing. Employees occasionally work overtime and receive compensatory time off for overtime hours worked. Employees earn annual leave which can accumulate to a specified maximum. Employees are responsible for recording and accumulating their leave balances on the leave accrual records. The leave records are reviewed and approved by the employee's supervisor and maintained by the officeholders. Annually, the leave records are submitted to the County Clerk for filing. We reviewed the time sheets and leave records for several employees and noted the following concerns.

- A. Several instances were noted where leave amounts reported on the employee's time sheets did not agree to the amounts recorded on the employee's leave record. In addition, some annual leave and compensatory balances were not carried forward in the subsequent year.

The County Clerk should maintain centralized leave records and reconcile the employees time sheets to leave records monthly. Additionally, leave balances should be carried forward to subsequent years in accordance with the county's policy and the Fair Labor Standards Act.

- B. We noted instances where employee time sheets were not signed by the employee's supervisor. Properly completed time sheets prepared and signed by the employee and approved by the employee's supervisor provide supporting documentation for payroll expenditures.

### **WE RECOMMEND** the County Commission:

- A. Require the County Clerk to maintain centralized leave records and ensure those records reconcile to the employees' time sheets and ensure the leave balances are properly carried forward to subsequent years.
- B. Ensure time sheets are signed by the employee's supervisor.

### **AUDITEE'S RESPONSE**

*The Barton County Commission has recently met with all of the elected officials and have agreed that each supervisor is responsible for each of their employee's time sheet for accuracy of accumulation of compensatory time, vacation time, and sick leave and they will review, check for accuracy, sign, and turn them in each pay period to the County Clerk's office.*

|                                       |
|---------------------------------------|
| <b>3. Circuit Clerk's Liabilities</b> |
|---------------------------------------|

The Circuit Clerk had been unable to reconcile the open items (liabilities) and cash balance for the traffic account. The unreconciled difference between the total open items balance and cash balance often fluctuated monthly. Some of the unreconciled differences appear to be due to errors in the open items report. In April 1999, the Circuit Clerk tried to identify the unreconciled differences; however, we noted approximately \$1,100 in old case balances that the Circuit Clerk had identified and distributed but had not deducted from the open items report. In October 1999, the Circuit Clerk stopped preparing open items reports and sought assistance from the Office of State Court's Administrator (OSCA). The Circuit Clerk has still not identified the cause for the difference between the cash balance and open items. The reconciled bank balance of the traffic account was \$11,495 at December 31, 1999.

Monthly reports of open items should be properly prepared and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for payment of all liabilities.

A similar condition was noted in our two previous reports.

**WE AGAIN RECOMMEND** the Circuit Clerk ensure open-items reports are prepared monthly and reconciled to the bank balances for the traffic account.

### **AUDITEE'S RESPONSE**

*The Circuit Clerk provided the following response:*

*Since the completion of the audit, the majority of the unreconciled difference has been identified and the account is balanced to our open items listing.*

This report is intended for the information of the management of Barton County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



## Follow-Up on Prior Audit Findings

## BARTON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Barton County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. County Expenditures

- A. The County did not require an outside contractor to pay prevailing wages on road and bridge projects performed in 1993. As a result, the County incurred \$14,820 in legal and other fees in 1995 to resolve the results of a Department of Labor audit. In addition, the County was required to pay various employees of the contractor the differences between wages originally paid and the prevailing wage totaling \$55,518.
- B. The County's written agreement with the Prosecuting Attorney did not address the arrangements for dividing the salaries of the secretaries between the County and the private law practice of the Prosecuting Attorney. Additionally, the time sheets of the secretaries did not reflect time worked on county business versus private practice business.
- C. The County purchased a building and lot for \$70,000 without obtaining an appraisal on the property. The Assessor's office had this commercial property appraised at \$44,690.

### Recommendation:

The County Commission:

- A. Ensure prevailing wage is paid on all public works projects.
- B. Enter into a written agreement with the Prosecuting Attorney outlining the specific arrangements regarding payment of the Prosecuting Attorney's secretaries' salaries. The basis for the arrangements should be documented and retained. In addition, the Prosecuting Attorney's secretaries should prepare time sheets to reflect time worked on county business.
- C. Ensure justification of the selection process is thoroughly documented when an asset's cost exceeds market value.

Status:

A&C. Implemented.

B. Not implemented. See MAR No. 1.

2. Budgets and Published Financial Statements

A. Formal budgets were not prepared for various county funds.

B. The annual published financial statements of the county did not include the financial activity of some county funds as required.

Recommendation:

The County Commission:

A. Ensure budgets are prepared or obtained for all county funds.

B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A. Partially implemented. The county prepared budgets for all county funds except the Special Law Enforcement Drug, Associate and Circuit Division Interest, and Law Library Funds. Although budgets were not prepared for these funds, the county commission obtained information about the receipts, disbursements, and available balances of these funds from the County Treasurer and Circuit Clerk. Although not repeated in the current MAR, the county should prepare budgets for these funds.

B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

3. County Clerk's Procedures

Copies of property tax additions initiated by the Assessor were not forwarded to the County Clerk. Property tax additions were not always charged to the Ex Officio and Township Collectors.

Recommendation:

The County Clerk request a copy of the tax book additions initiated by the County Assessor and ensure all additions are added to the tax books and that the Ex Officio Collector and Township Collectors are properly charged.

Status:

Implemented.

4. County Treasurer and Ex Officio County Collector's Procedures

- A. Surtax collections were improperly allocated and distributed to the various political subdivisions.
- B. The collateral securities pledged by the county's depository banks were sometimes insufficient to cover deposits of the County Treasurer and Ex Officio County Collector. The County Treasurer and Ex Officio County Collector did not monitor collateral securities pledged.

Recommendation:

The County Treasurer and Ex Officio County Collector:

- A. Calculate the percentages which should have been used for each of the two years ended February 28 (29), 1997 and 1996, and apply these percentages to the respective surtax collections. The newly calculated distributions should be compared to the actual distributions and adjustments made to future distributions.
- B. Ensure the county's depository banks pledge adequate securities.

Status:

Implemented.

5. Circuit Clerk's Procedures

- A. Monthly listings of open items were not prepared for the traffic account.
- B. The general civil probate bank reconciliation of December 31, 1997, was inaccurate. Several checks written on the general civil probate and child support accounts had been outstanding more than one year.

Recommendation:

The Circuit Clerk:

- A. Ensure open-items listings are prepared monthly and reconciled to bank balances for the traffic account.

- B. Ensure accurate bank reconciliations are performed, and adopt procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, the monies should be distributed in accordance with state law.

Status:

- A. Not implemented. See MAR No. 3.
- B. Partially implemented. The bank reconciliations for the general civil probate were prepared. However, the Circuit Clerk did not follow-up and reissue the old outstanding checks. Although not repeated in the current MAR, the Circuit Clerk should adopt procedures to routinely follow up and reissue old outstanding checks and, if the payees cannot be located, distribute the monies in accordance with state law.

6. Prosecuting Attorney's Procedures and Controls

- A. Accounting duties were not adequately segregated.
- B. Receipt slips were not issued unless requested by the payee.
- C. Receipts were deposited once a week and were kept in an unsecured location until the time of deposit.
- D. A log of bad check complaints was not maintained.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Ensure prenumbered receipt slips are issued for all monies received.
- C. Deposit all monies intact daily or when receipts exceed \$100 and keep receipts in a secure location until deposited.
- D. Maintain a log of all bad check complaints filed with his office.

Status:

- A-C. Implemented.

- D. Partially implemented. The Prosecuting Attorney now assigns a sequential number to each complaint form received but does not maintain a log of bad check complaints. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Health Center's Procedures and Controls

- A. A facsimile stamp of the Health Center Board's President was sometimes used by the Health Center's Administrator to sign checks. Additionally, a report of expenditures was reviewed by the board, but checks and invoices were not compared by the board to the expenditure report.
- B.1. The Health Center authorized expenditures for employees and board members for flowers, T-shirts, and a plaque.
- 2. The Health Center paid bonuses to its employees.
- 3. The Health Center made payments for lawn work and maintenance for which a written contract and IRS Form 1099-MISC was not prepared.
- C. The collateral securities pledged by the Health Center's depository banks to cover deposits were sometimes insufficient.

Recommendation:

The Health Center Board:

- A. Discontinue the practice of allowing the Health Center Administrator to use the facsimile signature stamp and require another board member to sign all checks. In addition, the board should compare checks issued to invoices and expenditure reports.
- B.1. Ensure expenditures are limited to those necessary to properly administer and maintain the Health Center.
- 2. Discontinue the practice of paying employee bonuses.
- 3. Ensure such agreements are evidenced by a written contract and issue IRS Forms 1099-MISC for all applicable expenditures, as required.
- C. Monitor the bank balance and ensure adequate securities are pledged for all funds on deposit in excess of FDIC coverage.

Status:

Implemented.

8. Hospital Procedures

- A. The Hospital overspent the amounts budgeted.
- B. The Hospital paid bonuses to several of its employees.

Recommendation:

The Barton County Memorial Hospital Board of Trustees:

- A. Keep expenditures within budgetary limits. Budgets should be properly amended if necessary.
- B. Discontinue the practice of paying employee bonuses.

Status:

- A. Partially implemented. The hospital overspent amounts budgeted for the year ended December 31, 1998, by \$162,383. However, actual expenditures for 1999 did not exceed the amounts budgeted. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

## STATISTICAL SECTION



History, Organization, and  
Statistical Information

BARTON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1855, the county of Barton was named after David Barton, a U.S. Senator. Barton County is a township-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Lamar.

Barton County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Barton County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 59,857    | 4          | 56,588    | 4          |
| Sales taxes               | 399,616      | 25         | 377,575   | 27         |
| Federal and state aid     | 698,617      | 44         | 681,837   | 50         |
| Fees, interest, and other | 431,604      | 27         | 259,335   | 19         |
| Total                     | \$ 1,589,694 | 100        | 1,375,335 | 100        |

The following chart shows how Barton County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 625,004   | 37         | 657,293   | 52         |
| Public safety             | 115,760      | 7          | 93,777    | 7          |
| Health and Welfare        | 8,468        | 1          | 7,555     | 1          |
| Highways and roads        | 930,367      | 55         | 499,932   | 40         |
| Total                     | \$ 1,679,599 | 100        | 1,258,557 | 100        |

::

In addition, Barton County received \$530,267 and \$475,639 of revenues in the Law Enforcement Sales Tax Fund and expended \$469,617 and \$532,385 for the purpose of law enforcement in the years 1999 and 1998 respectively.

The county maintains approximately 123 county bridges and 723 miles of county roads.

The county's population was 10,431 in 1970 and 11,312 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |       |       |        |        |
|------------------------|----|-------------------------|-------|-------|--------|--------|
|                        |    | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |       |       |        |        |
| Real estate            | \$ | 67.9                    | 64.3  | 45.1  | 19.7   | 14.8   |
| Personal property      |    | 35.1                    | 30.9  | 13.7  | 8.6    | 5.3    |
| Railroad and utilities |    | 17.5                    | 14.5  | 10.3  | 9.7    | 7.4    |
| Total                  | \$ | 120.5                   | 109.7 | 69.1  | 38.0   | 27.5   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Barton County's property tax rates per \$100 of assessed valuations were as follows:

|                      |    | Year Ended December 31, |      |
|----------------------|----|-------------------------|------|
|                      |    | 1999                    | 1998 |
| General Revenue Fund | \$ | .05                     | .05  |
| Health Center Fund   |    | .08                     | .08  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                              |    | Year Ended February 28 (29), |           |
|------------------------------|----|------------------------------|-----------|
|                              |    | 2000                         | 1999      |
| State of Missouri            | \$ | 37,226                       | 33,293    |
| General Revenue Fund         |    | 73,488                       | 61,765    |
| Assessment Fund              |    | 58,989                       | 50,799    |
| Health Center Fund           |    | 98,179                       | 87,247    |
| Hospital Fund                |    | 110,791                      | 98,712    |
| School districts             |    | 4,069,134                    | 3,621,335 |
| Library district             |    | 176,232                      | 77,307    |
| Ambulance district           |    | 188,508                      | 168,370   |
| Fire protection district     |    | 8,644                        | 7,792     |
| Cities                       |    | 346,620                      | 309,352   |
| Townships                    |    | 573,999                      | 527,367   |
| County Clerk                 |    | 2,628                        | 3,062     |
| County Employees' Retirement |    | 29,162                       | 23,883    |

Commissions and fees:

|                      |                     |                  |
|----------------------|---------------------|------------------|
| General Revenue Fund | 43,343              | 33,899           |
| Townships            | 55,126              | 50,120           |
| Total                | \$ <u>5,872,069</u> | <u>5,154,303</u> |

::

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |        |
|------------------------|-------------------------|--------|
|                        | 2000                    | 1999   |
| Real estate            | 94.4 %                  | 94.1 % |
| Personal property      | 92.8                    | 93.1   |
| Railroad and utilities | 100.0                   | 95.2   |

Barton County also has the following sales taxes; rates are per \$1 of retail sales:

|                 | Rate     | Expiration Date | Required Property Tax Reduction |
|-----------------|----------|-----------------|---------------------------------|
| General         | \$ .0050 | None            | 50                              |
| Law Enforcement | .0050    | None            | None                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Gerry Miller, Presiding Commissioner   | \$     | 27,080 |        |
| Gary Frieden, Presiding Commissioner   |        |        | 16,422 |
| John Stockdale, Associate Commissioner   |        | 18,000 | 16,422 |
| Dennis Wilson, Associate Commissioner  |        | 18,000 | 16,422 |
| Bonda Rawlings, County Clerk   |        | 38,000 | 29,149 |
| Steven H. Kaderly, Prosecuting Attorney  |        | 45,000 | 32,592 |
| William A. Griffitt, Sheriff   |        | 37,000 | 37,000 |
| C. Tucker Joustra, D.O., County Coroner  |        | 7,000  | 7,000  |
| Teresa E. Achey, Public Administrator *  |        | 28,277 | 38,296 |
| Frances Cato, Treasurer and Ex Officio County Collector, year ended March 31, 2000 | 38,000 | 28,750 |        |
| Douglas J. Sprouls, County Assessor **, year ended August 31,                      |        | 38,900 | 36,900 |

\* Includes \$14,000 salary plus fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

|  |        |        |
|--|--------|--------|
| Jerry A. Moyer, Circuit Clerk and Ex Officio Recorder of Deeds | 44,292 | 42,183 |
| Charles Curless, Associate Circuit Judge                       | 87,234 | 85,158 |

::

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| County Commission*                             | 2                           | 0        |
| Circuit Clerk and Ex Officio Recorder of Deeds | 1                           | 5        |
| County Clerk                                   | 2                           | 0        |
| Prosecuting Attorney                           | 2                           | 0        |
| Sheriff **                                     | 21                          | 0        |
| Treasurer and Ex Officio County Collector      | 1                           | 0        |
| County Assessor                                | 3                           | 0        |
| Road and Bridge***                             | 2                           | 0        |
| Health Center                                  | 25                          | 0        |
| Total  | <u>59</u>                   | <u>5</u> |

\* Includes one part-time employee

\*\* Includes nine part-time employees

\*\*\* Includes two part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Barton County's share of the Twenty-Eighth Judicial Circuit's expenses is 22.67 percent.

\* \* \* \* \*



VERNON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-74  
August 11, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Vernon, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Vernon County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The budgets of the Special Road and Bridge Fund did not present a reasonable estimate of the fund's expenditures, and as such, did not reflect realistic estimates or goals of what the county intended to accomplish during the budget year. State law allows the County Commission to impose a 3% administrative service fee on the Special Road and Bridge Fund. Based on the fund's budgeted expenditures, the county transferred approximately \$117,000 to the General Revenue Fund during the audit period. Had more reasonable budget estimates or actual disbursements been used the transfer amounts to the General Revenue Fund would have been \$40,000 less. The County Commission needs to review its budgeting procedures for the Special Road and Bridge Fund as well as reevaluate the amounts being transferred annually for the administrative service fee.
- The county and health center do not have procedures in place to track federal monies for the preparation of the schedule of expenditures of federal awards. The county's schedule of expenditures of federal awards contained numerous errors and omissions. An accurate schedule of expenditures of federal awards is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.

Also, included in the audit are recommendations to improve the accounting controls and procedures for the Health Center, Prosecuting Attorney, Assessor, Circuit Clerk and Sheriff. Several of the accounting control and procedure issues applicable to the Sheriff, Prosecuting Attorney and Circuit Clerk have been noted similarly in prior audits. The audit also suggested improvements be made in the county's computer controls, such as changing passwords periodically and developing a formal contingency plan.

**Copies of the audit are available upon request.**

YELLOW SHEET

VERNON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Vernon County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Vernon County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Vernon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Vernon County.

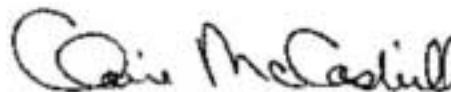
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Vernon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 30, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Vernon County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

March 30, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Jon Halwes, CPA, CGFM |
| In-Charge Auditor:  | Terrie Brady          |
| Audit Staff:        | Ayanna Merchant       |
|                     | Jennifer Roderick     |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Vernon County, Missouri

We have audited the special-purpose financial statements of various funds of Vernon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Vernon County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

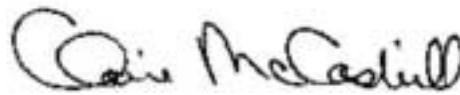
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Vernon County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of



the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Management Advisory Report.

This report is intended for the information of the management of Vernon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 30, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

VERNON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                     | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                          | \$ 373,798         | 1,679,699 | 1,638,668     | 414,829              |
| Special Road and Bridge                  | 351,294            | 1,428,196 | 1,207,826     | 571,664              |
| Assessment                               | 8,745              | 161,569   | 164,609       | 5,705                |
| Law Enforcement Training                 | 1,337              | 5,702     | 5,808         | 1,231                |
| Prosecuting Attorney Training            | 5,168              | 1,066     | 1,000         | 5,234                |
| Health Center                            | 217,544            | 429,555   | 440,837       | 206,262              |
| Prosecuting Attorney Bad Check           | 25,792             | 14,516    | 20,115        | 20,193               |
| Sewer                                    | 26,327             | 5,380     | 162           | 31,545               |
| Shelter for Victims of Domestic Violence | 0                  | 2,916     | 2,916         | 0                    |
| Local Emergency Planning Commission      | 9,880              | 4,527     | 3,043         | 11,364               |
| Recorder's User Fees                     | 68,173             | 13,794    | 3,880         | 78,087               |
| Community Outreach                       | 0                  | 15,000    | 15,000        | 0                    |
| Circuit Clerk Interest                   | 17,678             | 4,445     | 2,643         | 19,480               |
| Law Library                              | 17,136             | 9,804     | 5,463         | 21,477               |
| Sheriff Discretionary                    | 14,228             | 39,954    | 35,149        | 19,033               |
| Multa Flora Rose                         | 7,764              | 54        | 7,818         | 0                    |
| Victim Impact Panel                      | 3,991              | 1,713     | 1,100         | 4,604                |
| Prosecuting Attorney Delinquent Tax      | 8,807              | 773       | 554           | 9,026                |
| Sheriff Drug                             | 310                | 5         | 0             | 315                  |
| Commissioners Escrow                     | 0                  | 16,120    | 0             | 16,120               |
| Total                                    | \$ 1,157,972       | 3,834,788 | 3,556,591     | 1,436,169            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

VERNON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                     | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                          | \$ 400,057         | 1,642,319 | 1,668,578     | 373,798              |
| Special Road and Bridge                  | 661,220            | 1,170,197 | 1,480,123     | 351,294              |
| Assessment                               | 12,283             | 200,776   | 204,314       | 8,745                |
| Law Enforcement Training                 | 3,349              | 6,291     | 8,303         | 1,337                |
| Prosecuting Attorney Training            | 4,629              | 1,325     | 786           | 5,168                |
| Health Center                            | 229,731            | 386,369   | 398,556       | 217,544              |
| Prosecuting Attorney Bad Check           | 27,248             | 14,294    | 15,750        | 25,792               |
| Sewer                                    | 22,247             | 4,979     | 899           | 26,327               |
| Shelter for Victims of Domestic Violence | 0                  | 2,817     | 2,817         | 0                    |
| Local Emergency Planning Commission      | 9,644              | 7,289     | 7,053         | 9,880                |
| Recorder's User Fees                     | 54,550             | 13,623    | 0             | 68,173               |
| Community Outreach                       | 0                  | 8,200     | 8,200         | 0                    |
| Circuit Clerk Interest                   | 13,288             | 4,390     | 0             | 17,678               |
| Law Library                              | 12,875             | 8,768     | 4,507         | 17,136               |
| Sheriff Discretionary                    | 3,494              | 37,104    | 26,370        | 14,228               |
| Multa Flora Rose                         | 0                  | 10,000    | 2,236         | 7,764                |
| Sheriff K-9                              | 96                 | 850       | 946           | 0                    |
| Victim Impact Panel                      | 2,614              | 2,314     | 937           | 3,991                |
| Prosecuting Attorney Delinquent Tax      | 7,423              | 1,459     | 75            | 8,807                |
| Sheriff Drug                             | 304                | 6         | 0             | 310                  |
| Total                                    | \$ 1,465,052       | 3,523,370 | 3,830,450     | 1,157,972            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

VERNON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Property taxes                      | \$ 217,300              | 232,244   | 14,944                                 | 178,091   | 189,596   | 11,505                                 |
| Sales taxes                         | 704,900                 | 746,881   | 41,981                                 | 722,000   | 697,279   | (24,721)                               |
| Intergovernmental                   | 207,530                 | 182,992   | (24,538)                               | 194,556   | 243,140   | 48,584                                 |
| Charges for services                | 234,550                 | 252,576   | 18,026                                 | 213,275   | 253,142   | 39,867                                 |
| Interest                            | 20,000                  | 17,963    | (2,037)                                | 21,000    | 24,154    | 3,154                                  |
| Other                               | 159,286                 | 181,350   | 22,064                                 | 223,279   | 183,276   | (40,003)                               |
| Transfers in                        | 65,693                  | 65,693    | 0                                      | 51,581    | 51,732    | 151                                    |
| Total Receipts                      | 1,609,259               | 1,679,699 | 70,440                                 | 1,603,782 | 1,642,319 | 38,537                                 |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| County Commission                   | 88,572                  | 88,505    | 67                                     | 62,307    | 61,084    | 1,223                                  |
| County Clerk                        | 137,592                 | 134,025   | 3,567                                  | 120,549   | 119,346   | 1,203                                  |
| Elections                           | 31,950                  | 20,001    | 11,949                                 | 49,950    | 45,684    | 4,266                                  |
| Buildings and grounds               | 137,158                 | 108,257   | 28,901                                 | 114,101   | 109,744   | 4,357                                  |
| Employee fringe benefits            | 120,000                 | 102,697   | 17,303                                 | 83,436    | 83,205    | 231                                    |
| Ex Officio County Collector         | 64,569                  | 62,865    | 1,704                                  | 62,900    | 61,821    | 1,079                                  |
| Recorder of Deeds                   | 66,912                  | 65,737    | 1,175                                  | 56,117    | 54,456    | 1,661                                  |
| Circuit Clerk                       | 91,804                  | 41,860    | 49,944                                 | 93,665    | 38,271    | 55,394                                 |
| Court administration                | 22,732                  | 27,897    | (5,165)                                | 18,682    | 17,187    | 1,495                                  |
| Public Administrator                | 37,788                  | 43,115    | (5,327)                                | 36,751    | 37,645    | (894)                                  |
| Sheriff                             | 338,267                 | 323,787   | 14,480                                 | 328,009   | 313,089   | 14,920                                 |
| Jail                                | 180,721                 | 183,898   | (3,177)                                | 188,011   | 189,538   | (1,527)                                |
| Prosecuting Attorney                | 116,949                 | 107,812   | 9,137                                  | 106,671   | 101,809   | 4,862                                  |
| Juvenile Officer                    | 251,599                 | 174,266   | 77,333                                 | 307,134   | 248,643   | 58,491                                 |
| County Coroner                      | 14,926                  | 15,556    | (630)                                  | 14,787    | 11,641    | 3,146                                  |
| Other                               | 122,618                 | 112,801   | 9,817                                  | 143,447   | 132,678   | 10,769                                 |
| Transfers out                       | 24,082                  | 5,000     | 19,082                                 | 29,944    | 27,119    | 2,825                                  |
| Emergency Fund                      | 48,280                  | 20,589    | 27,691                                 | 47,500    | 15,618    | 31,882                                 |
| Total Disbursements                 | 1,896,519               | 1,638,668 | 257,851                                | 1,863,961 | 1,668,578 | 195,383                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (287,260)               | 41,031    | 328,291                                | (260,179) | (26,259)  | 233,920                                |
| CASH, JANUARY 1                     | 373,798                 | 373,798   | 0                                      | 400,057   | 400,057   | 0                                      |
| CASH, DECEMBER 31                   | \$ 86,538               | 414,829   | 328,291                                | 139,878   | 373,798   | 233,920                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

VERNON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 90,796               | 92,514    | 1,718                                  | 75,000    | 85,564    | 10,564                                 |
| Intergovernmental                     | 1,853,881               | 1,292,433 | (561,448)                              | 1,407,794 | 1,023,991 | (383,803)                              |
| Interest                              | 22,000                  | 19,830    | (2,170)                                | 30,000    | 27,763    | (2,237)                                |
| Other                                 | 30,200                  | 23,419    | (6,781)                                | 17,000    | 32,879    | 15,879                                 |
| Total Receipts                        | 1,996,877               | 1,428,196 | (568,681)                              | 1,529,794 | 1,170,197 | (359,597)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 171,000                 | 156,474   | 14,526                                 | 151,000   | 141,307   | 9,693                                  |
| Employee fringe benefits              | 31,072                  | 23,290    | 7,782                                  | 21,663    | 20,365    | 1,298                                  |
| Supplies                              | 25,000                  | 20,266    | 4,734                                  | 25,000    | 18,986    | 6,014                                  |
| Insurance                             | 8,000                   | 8,719     | (719)                                  | 7,000     | 6,878     | 122                                    |
| Road and bridge materials             | 54,500                  | 65,031    | (10,531)                               | 21,000    | 18,740    | 2,260                                  |
| Equipment repairs                     | 11,000                  | 17,094    | (6,094)                                | 10,000    | 6,791     | 3,209                                  |
| Rentals                               | 1,000                   | 0         | 1,000                                  | 0         | 0         | 0                                      |
| Equipment purchases                   | 56,000                  | 29,356    | 26,644                                 | 92,000    | 88,480    | 3,520                                  |
| Construction, repair, and maintenance | 430,000                 | 255,668   | 174,332                                | 400,000   | 308,506   | 91,494                                 |
| Distributions to townships            | 300,000                 | 300,000   | 0                                      | 400,000   | 550,000   | (150,000)                              |
| Bridge construction                   | 1,016,199               | 260,662   | 755,537                                | 582,000   | 255,935   | 326,065                                |
| Shop building                         | 80,000                  | 350       | 79,650                                 | 0         | 0         | 0                                      |
| Other                                 | 6,000                   | 5,223     | 777                                    | 14,749    | 12,403    | 2,346                                  |
| Transfers out                         | 65,693                  | 65,693    | 0                                      | 51,581    | 51,732    | (151)                                  |
| Total Disbursements                   | 2,255,464               | 1,207,826 | 1,047,638                              | 1,775,993 | 1,480,123 | 295,870                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (258,587)               | 220,370   | 478,957                                | (246,199) | (309,926) | (63,727)                               |
| CASH, JANUARY 1                       | 351,294                 | 351,294   | 0                                      | 661,220   | 661,220   | 0                                      |
| CASH, DECEMBER 31                     | \$ 92,707               | 571,664   | 478,957                                | 415,021   | 351,294   | (63,727)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

VERNON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |          |         |  |
|-------------------------------------|------------|---------|--|----------|---------|--|
|                                     | 1999       |         |  | 1998     |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |         |  |
| Intergovernmental                   | \$ 145,239 | 149,391 | 4,152                                  | 160,954  | 167,708 | 6,754                                  |
| Charges for services                | 2,700      | 2,700   | 0                                      | 2,700    | 2,700   | 0                                      |
| Interest                            | 1,000      | 1,204   | 204                                    | 2,000    | 1,843   | (157)                                  |
| Other                               | 3,800      | 3,274   | (526)                                  | 2,000    | 1,406   | (594)                                  |
| Transfers in                        | 24,082     | 5,000   | (19,082)                               | 29,944   | 27,119  | (2,825)                                |
| Total Receipts                      | 176,821    | 161,569 | (15,252)                               | 197,598  | 200,776 | 3,178                                  |
| DISBURSEMENTS                       |            |         |  |          |         |  |
| Assessor                            | 168,785    | 164,609 | 4,176                                  | 208,734  | 204,314 | 4,420                                  |
| Total Disbursements                 | 168,785    | 164,609 | 4,176                                  | 208,734  | 204,314 | 4,420                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 8,036      | (3,040) | (11,076)                               | (11,136) | (3,538) | 7,598                                  |
| CASH, JANUARY 1                     | 8,745      | 8,745   | 0                                      | 12,283   | 12,283  | 0                                      |
| CASH, DECEMBER 31                   | \$ 16,781  | 5,705   | (11,076)                               | 1,147    | 8,745   | 7,598                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Intergovernmental                   | \$ 1,800 | 2,112         | 1,500   | 1,821   | 321           |  |
| Charges for services                | 4,000    | 3,541         | 3,700   | 4,323   | 623           |  |
| Interest                            | 75       | 49            | 100     | 147     | 47            |  |
| Total Receipts                      | 5,875    | 5,702         | 5,300   | 6,291   | 991           |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Sheriff                             | 7,212    | 5,808         | 8,649   | 8,303   | 346           |  |
| Total Disbursements                 | 7,212    | 5,808         | 8,649   | 8,303   | 346           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,337)  | (106)         | (3,349) | (2,012) | 1,337         |  |
| CASH, JANUARY 1                     | 1,337    | 1,337         | 3,349   | 3,349   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 1,231         | 0       | 1,337   | 1,337         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit F

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,000 | 850           | 1,200  | 1,090  | (110)         |  |
| Interest                            | 200      | 216           | 200    | 235    | 35            |  |
| Total Receipts                      | 1,200    | 1,066         | 1,400  | 1,325  | (75)          |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 1,350    | 1,000         | 1,950  | 786    | 1,164         |  |
| Total Disbursements                 | 1,350    | 1,000         | 1,950  | 786    | 1,164         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (150)    | 66            | (550)  | 539    | 1,089         |  |
| CASH, JANUARY 1                     | 5,168    | 5,168         | 4,629  | 4,629  | 0             |  |
| CASH, DECEMBER 31                   | \$ 5,018 | 5,234         | 4,079  | 5,168  | 1,089         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

VERNON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

| Year Ended December 31,             |            |          |  |          |          |  |
|-------------------------------------|------------|----------|--|----------|----------|--|
|                                     | 1999       |          |  | 1998     |          |  |
|                                     | Budget     | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |          |  |          |          |  |
| Property taxes                      | \$ 128,454 | 152,742  | 24,288                                 | 119,260  | 120,673  | 1,413                                  |
| Intergovernmental                   | 215,990    | 204,941  | (11,049)                               | 184,834  | 193,094  | 8,260                                  |
| Charges for services                | 54,009     | 38,076   | (15,933)                               | 33,406   | 38,343   | 4,937                                  |
| Interest                            | 13,461     | 13,457   | (4)                                    | 14,000   | 13,461   | (539)                                  |
| Other                               | 21,600     | 20,339   | (1,261)                                | 15,396   | 20,798   | 5,402                                  |
| Total Receipts                      | 433,514    | 429,555  | (3,959)                                | 366,896  | 386,369  | 19,473                                 |
| DISBURSEMENTS                       |            |          |  |          |          |  |
| Salaries                            | 342,655    | 332,082  | 10,573                                 | 292,607  | 305,198  | (12,591)                               |
| Office expenditures                 | 85,375     | 83,605   | 1,770                                  | 96,494   | 76,915   | 19,579                                 |
| Equipment                           | 7,284      | 12,632   | (5,348)                                | 8,900    | 7,284    | 1,616                                  |
| Mileage and training                | 9,159      | 12,518   | (3,359)                                | 8,377    | 9,159    | (782)                                  |
| Emergency                           | 13,724     | 0        | 13,724                                 | 10,000   | 0        | 10,000                                 |
| Total Disbursements                 | 458,197    | 440,837  | 17,360                                 | 416,378  | 398,556  | 17,822                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (24,683)   | (11,282) | 13,401                                 | (49,482) | (12,187) | 37,295                                 |
| CASH, JANUARY 1                     | 217,544    | 217,544  | 0                                      | 229,731  | 229,731  | 0                                      |
| CASH, DECEMBER 31                   | \$ 192,861 | 206,262  | 13,401                                 | 180,249  | 217,544  | 37,295                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |               |          |         |               |  |
|-------------------------------------|-----------|---------------|----------|---------|---------------|--|
| 1999                                |           |               | 1998     |         |               |  |
|                                     |           | Variance      |          |         | Variance      |  |
|                                     |           | Favorable     |          |         | Favorable     |  |
|                                     |           | (Unfavorable) |          |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget   | Actual  |               |  |
| RECEIPTS                            |           |               |          |         |               |  |
| Charges for services                | \$ 12,000 | 13,642        | 12,000   | 13,125  | 1,125         |  |
| Interest                            | 1,000     | 874           | 1,000    | 1,169   | 169           |  |
| Total Receipts                      | 13,000    | 14,516        | 13,000   | 14,294  | 1,294         |  |
| DISBURSEMENTS                       |           |               |          |         |               |  |
| Prosecuting Attorney                | 20,566    | 20,115        | 40,248   | 15,750  | 24,498        |  |
| Total Disbursements                 | 20,566    | 20,115        | 40,248   | 15,750  | 24,498        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,566)   | (5,599)       | (27,248) | (1,456) | 25,792        |  |
| CASH, JANUARY 1                     | 25,792    | 25,792        | 27,248   | 27,248  | 0             |  |
| CASH, DECEMBER 31                   | \$ 18,226 | 20,193        | 0        | 25,792  | 25,792        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SEWER FUND

| Year Ended December 31,             |          |               |          |        |               |  |
|-------------------------------------|----------|---------------|----------|--------|---------------|--|
| 1999                                |          |               | 1998     |        |               |  |
|                                     |          | Variance      |          |        | Variance      |  |
|                                     |          | Favorable     |          |        | Favorable     |  |
|                                     |          | (Unfavorable) |          |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget   | Actual |               |  |
| RECEIPTS                            |          |               |          |        |               |  |
| Special assessments                 | \$ 4,000 | 4,235         | 4,000    | 3,812  | (188)         |  |
| Interest                            | 1,200    | 1,145         | 1,000    | 1,167  | 167           |  |
| Total Receipts                      | 5,200    | 5,380         | 5,000    | 4,979  | (21)          |  |
| DISBURSEMENTS                       |          |               |          |        |               |  |
| Sewer repairs and maintenance       | 31,527   | 162           | 27,247   | 899    | 26,348        |  |
| Total Disbursements                 | 31,527   | 162           | 27,247   | 899    | 26,348        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (26,327) | 5,218         | (22,247) | 4,080  | 26,327        |  |
| CASH, JANUARY 1                     | 26,327   | 26,327        | 22,247   | 22,247 | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 31,545        | 0        | 26,327 | 26,327        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHELTER FOR VICTIMS OF DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,700 | 2,883         | 2,500  | 2,790  | 290           |  |
| Interest                            | 25       | 33            | 50     | 27     | (23)          |  |
| Total Receipts                      | 2,725    | 2,916         | 2,550  | 2,817  | 267           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Health and welfare                  | 2,725    | 2,916         | 2,550  | 2,817  | (267)         |  |
| Total Disbursements                 | 2,725    | 2,916         | 2,550  | 2,817  | (267)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 0             | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0        | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 0             | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL EMERGENCY PLANNING COMMISSION FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Intergovernmental revenues          | \$ 15,000 | 4,127         | 3,500   | 7,019  | 3,519         |  |
| Interest                            | 100       | 400           | 250     | 270    | 20            |  |
| Total Receipts                      | 15,100    | 4,527         | 3,750   | 7,289  | 3,539         |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Civil defense                       | 24,980    | 3,043         | 13,394  | 7,053  | 6,341         |  |
| Total Disbursements                 | 24,980    | 3,043         | 13,394  | 7,053  | 6,341         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (9,880)   | 1,484         | (9,644) | 236    | 9,880         |  |
| CASH, JANUARY 1                     | 9,880     | 9,880         | 9,644   | 9,644  | 0             |  |
| CASH, DECEMBER 31                   | \$ 0      | 11,364        | 0       | 9,880  | 9,880         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |           |               |          |        |               |  |
|-------------------------------------|-----------|---------------|----------|--------|---------------|--|
| 1999                                |           |               | 1998     |        |               |  |
|                                     |           | Variance      |          |        | Variance      |  |
|                                     |           | Favorable     |          |        | Favorable     |  |
|                                     |           | (Unfavorable) |          |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget   | Actual |               |  |
| RECEIPTS                            |           |               |          |        |               |  |
| Charges for services                | \$ 9,000  | 10,758        | 9,000    | 10,762 | 1,762         |  |
| Interest                            | 2,500     | 3,036         | 2,000    | 2,861  | 861           |  |
| Total Receipts                      | 11,500    | 13,794        | 11,000   | 13,623 | 2,623         |  |
| DISBURSEMENTS                       |           |               |          |        |               |  |
| Recorder of Deeds                   | 50,000    | 3,880         | 40,000   | 0      | 40,000        |  |
| Total Disbursements                 | 50,000    | 3,880         | 40,000   | 0      | 40,000        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (38,500)  | 9,914         | (29,000) | 13,623 | 42,623        |  |
| CASH, JANUARY 1                     | 68,173    | 68,173        | 54,550   | 54,550 | 0             |  |
| CASH, DECEMBER 31                   | \$ 29,673 | 78,087        | 25,550   | 68,173 | 42,623        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COMMUNITY OUTREACH FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Intergovernmental                   | \$ 15,000 | 15,000        | 8,200  | 8,200  | 0             |  |
| Total Receipts                      | 15,000    | 15,000        | 8,200  | 8,200  | 0             |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Community food bank                 | 15,000    | 15,000        | 8,200  | 8,200  | 0             |  |
| Total Disbursements                 | 15,000    | 15,000        | 8,200  | 8,200  | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 0             | 0      | 0      | 0             |  |
| CASH, JANUARY 1                     | 0         | 0             | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0      | 0             | 0      | 0      | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit N

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |    |               |        |        |               |       |
|-------------------------------------|----|---------------|--------|--------|---------------|-------|
| 1999                                |    |               | 1998   |        |               |       |
|                                     |    | Variance      |        |        | Variance      |       |
|                                     |    | Favorable     |        |        | Favorable     |       |
|                                     |    | (Unfavorable) |        |        | (Unfavorable) |       |
| Budget                              |    | Actual        | Budget |        | Actual        |       |
| RECEIPTS                            |    |               |        |        |               |       |
| Interest                            | \$ | 3,200         | 4,445  | 2,500  | 4,390         | 1,890 |
| Total Receipts                      |    | 3,200         | 4,445  | 2,500  | 4,390         | 1,890 |
| DISBURSEMENTS                       |    |               |        |        |               |       |
| Circuit Clerk                       |    | 3,600         | 2,643  | 0      | 0             | 0     |
| Total Disbursements                 |    | 3,600         | 2,643  | 0      | 0             | 0     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (400)         | 1,802  | 2,500  | 4,390         | 1,890 |
| CASH, JANUARY 1                     |    | 17,678        | 17,678 | 13,288 | 13,288        | 0     |
| CASH, DECEMBER 31                   | \$ | 17,278        | 19,480 | 15,788 | 17,678        | 1,890 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | 9,200     | 9,333         | 7,200  | 8,398  | 1,198         |  |
| Interest                            | \$ 400    | 471           | 225    | 370    | 145           |  |
| Total Receipts                      | 9,600     | 9,804         | 7,425  | 8,768  | 1,343         |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Law library                         | 4,780     | 5,463         | 4,000  | 4,507  | (507)         |  |
| Total Disbursements                 | 4,780     | 5,463         | 4,000  | 4,507  | (507)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 4,820     | 4,341         | 3,425  | 4,261  | 836           |  |
| CASH, JANUARY 1                     | 17,136    | 17,136        | 12,875 | 12,875 | 0             |  |
| CASH, DECEMBER 31                   | \$ 21,956 | 21,477        | 16,300 | 17,136 | 836           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF DISCRETIONARY FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Charges for services                | 35,000    | 39,207        | 26,000  | 37,104 | 11,104        |  |
| Interest                            | \$ 0      | 747           | 50      | 0      | (50)          |  |
| Total Receipts                      | 35,000    | 39,954        | 26,050  | 37,104 | 11,054        |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Sheriff                             | 32,800    | 35,149        | 29,544  | 26,370 | 3,174         |  |
| Total Disbursements                 | 32,800    | 35,149        | 29,544  | 26,370 | 3,174         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,200     | 4,805         | (3,494) | 10,734 | 14,228        |  |
| CASH, JANUARY 1                     | 14,228    | 14,228        | 3,494   | 3,494  | 0             |  |
| CASH, DECEMBER 31                   | \$ 16,428 | 19,033        | 0       | 14,228 | 14,228        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MULTA FLORA ROSE FUND

| Year Ended December 31,             |         |               |        |        |               |  |
|-------------------------------------|---------|---------------|--------|--------|---------------|--|
| 1999                                |         |               | 1998   |        |               |  |
|                                     |         | Variance      |        |        | Variance      |  |
|                                     |         | Favorable     |        |        | Favorable     |  |
|                                     |         | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |         |               |        |        |               |  |
| Intergovernmental                   | 0       | 0             | 10,000 | 10,000 | 0             |  |
| Interest                            | 0       | 54            | 0      | 0      | 0             |  |
| Total Receipts                      | 0       | 54            | 10,000 | 10,000 | 0             |  |
| DISBURSEMENTS                       |         |               |        |        |               |  |
| Weed control                        | 7,764   | 312           | 10,000 | 2,236  | 7,764         |  |
| Return of unspent grant funding     | 0       | 7,506         | 0      | 0      | 0             |  |
| Total Disbursements                 | 7,764   | 7,818         | 10,000 | 2,236  | 7,764         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,764) | (7,764)       | 0      | 7,764  | 7,764         |  |
| CASH, JANUARY 1                     | 7,764   | 7,764         | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0    | 0             | 0      | 7,764  | 7,764         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

VERNON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF K-9 FUND

|                                     | 1998   |        |  |
|-------------------------------------|--------|--------|--|
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |
| Other                               | 800    | 850    | 50                                     |
| Total Receipts                      | 800    | 850    | 50                                     |
| DISBURSEMENTS                       |        |        |  |
| Sheriff                             | 800    | 946    | (146)                                  |
| Total Disbursements                 | 800    | 946    | (146)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | (96)   | (96)                                   |
| CASH, JANUARY 1                     | 0      | 96     | 96                                     |
| CASH, DECEMBER 31                   | \$ 0   | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

VERNON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Vernon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>               | <u>Years Ended December 31,</u> |
|---------------------------|---------------------------------|
| Victim Impact Panel Fund  | 1999 and 1998                   |
| Sheriff Drug Fund         | 1999 and 1998                   |
| Commissioners Escrow Fund | 1999                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                                   | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Shelter for Victims of Domestic Violence Fund | 1999 and 1998                   |
| Law Library Fund                              | 1999 and 1998                   |
| Sheriff Discretionary Fund                    | 1999                            |
| Multa Flora Rose Fund                         | 1999                            |
| Sheriff K-9 Fund                              | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>       | <u>Years Ended December 31,</u> |
|-------------------|---------------------------------|
| Sheriff Drug Fund | 1999 and 1998                   |
| Sheriff K-9 Fund  | 1998                            |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial



institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and Health Center Board's deposits at December 31, 1999, and the county's deposits at December 31, 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's or the Health Center Board's custodial bank in the county's or Health Center Board's name.

Of the Health Center Board's bank balance at December 31, 1998, \$167,821 was covered by federal depositary insurance and \$74,642 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances for the Health Center Board were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

VERNON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                       | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                                 |  |   |                         |         |
| Passed through state:   |  |   |                         |         |
| Department of Social Services -                                 |  |   |                         |         |
| 10.550  | Food Distribution  | N/A   | \$ 496                  | 440     |
| Department of Health -  |  |   |                         |         |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ERO-045-0209                                    | 52,387                  | 54,860  |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT             |  |   |                         |         |
| Passed through state Department of Social Services -            |  |   |                         |         |
| 14.231  | Emergency Shelter Grants Program   | ERO-164-0203                                    | 0                       | 8,200   |
|   |  | ERO-164-0281                                    | 15,000                  | 0       |
|   | Program Total  |   | 15,000                  | 8,200   |
| U.S. DEPARTMENT OF JUSTICE                                      |  |   |                         |         |
| Direct program:   |  |   |                         |         |
| 16.710  | Public Safety Partnership and Community Policing Grants                    | N/A   | 6,347                   | 8,702   |
| Passed through state:   |  |   |                         |         |
| Department of Public Safety-                                    |  |   |                         |         |
| 16.575  | Crime Victim Assistance  | 97-VOCA-73                                      | 0                       | 5,775   |
|   |  | 97-VOCA-154                                     | 7,699                   | 2,086   |
|   |  | 98-VOCA-66                                      | 868                     | 0       |
|   | Program Total  |   | 8,567                   | 7,861   |
| Missouri Sheriffs' Association -                                |  |   |                         |         |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 820                     | 1,016   |
| U. S. DEPARTMENT OF TRANSPORTATION                              |  |   |                         |         |
| Passed through state Highway and Transportation<br>Commission - |  |   |                         |         |
| 20.205  | Highway Planning and Construction  | BRO-108-24                                      | 221,093                 | 211,372 |
|   |  | BRO-108-26                                      | 4,612                   | 21,388  |
|   | Program Total  |   | 225,705                 | 232,760 |

## Schedule

VERNON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                       | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|--|---|-------------------------|---------|
|   |  |   | Year Ended December 31, |         |
|   |  |   | 1999                    | 1998    |
| GENERAL SERVICES ADMINISTRATION                 |  |   |                         |         |
| Passed through state Office of Administration - |  |   |                         |         |
| 39.003  | Donation of Federal Surplus Personal Property  | N/A   | 19                      | 1,229   |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES   |  |   |                         |         |
| Passed through state:                           |  |   |                         |         |
| Department of Health -                          |  |   |                         |         |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ERO146-0209-CLPP                                | 598                     | 299     |
| 93.268  | Immunization Grants  | PG0064-9209-IAP                                 | 2,935                   | 0       |
|   |  | PG0064-8209-IAP                                 | 0                       | 12,065  |
|   |  | N/A   | 37,057                  | 32,124  |
|   | Program Total  |   | 39,992                  | 44,189  |
| Department of Social Services -                 |  |   |                         |         |
| 93.563  | Child Support Enforcement  | N/A   | 7,255                   | 6,346   |
| Department of Health -                          |  |   |                         |         |
| 93.575  | Child Care and Development Block Grant   | PGA067-0209C                                    | 2,288                   | 3,120   |
|   |  | PGA067-0209S                                    | 2,610                   | 3,280   |
|   | Program Total  |   | 4,898                   | 6,400   |
| Department of Social Services -                 |  |   |                         |         |
| 93.667  | Social Service Block Grant   | ERO-172-017                                     | 4,260                   | 335     |
|   |  | ERO-172-062                                     | 14,194                  | 14,147  |
|   |  | ERO-172-111                                     | 13,794                  | 12,192  |
|   | Program Total  |   | 32,248                  | 26,674  |
| Department of Health -                          |  |   |                         |         |
| 93.991  | Preventive Health and Health Services Block Grant  | N/A   | 441                     | 834     |
| 93.994  | Maternal and Child Health Services Block Grant to the States   | ERS146-0209M                                    | 26,246                  | 18,012  |
|   |  | N/A   | 2,206                   | 2,920   |
|   | Program Total  |   | 28,452                  | 20,932  |
|   | Total Expenditures of Federal Awards   |   | \$ 423,225              | 420,742 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

VERNON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Vernon County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the pass-through amounts for Immunization Grants (CFDA number 93.268) \$37,057 and \$32,124 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$441 and \$834 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,206 and \$2,920 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION



## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Vernon County, Missouri

Compliance

We have audited the compliance of Vernon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Vernon County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance

of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

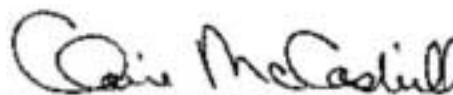
#### Internal Control Over Compliance

The management of Vernon County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Vernon County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 30, 2000 (fieldwork completion date)

Schedule

VERNON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes    x    no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes    x    none reported

Noncompliance material to the financial statements  
noted?        yes    x    no

Federal Awards

Internal control over major program:

Material weaknesses identified?        yes    x    no

Reportable condition identified that is  
not considered to be a material weakness?    x    yes        none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?    x    yes        no

Identification of major program:

CFDA or  
Other Identifying  
Number

Program Title

20.205 Highway Planning and Construction

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes        x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|  |
|--|
| <b>99-1.                      Schedule of Expenditures of Federal Awards</b> |
|--|

|                       |                                   |
|-----------------------|-----------------------------------|
| Federal Grantor:      | U.S. Department of Transportation |
| Pass-Through Grantor: | State Highway and Transportation  |
| Federal CFDA Number:  | 20.205                            |
| Program Title:        | Highway Planning and Construction |
| Pass-Through Entity   |                                   |
| Identifying Number:   | BRO-108-24<br>BRO-108-26          |
| Award Year:           | 1999 and 1998                     |
| Questioned Costs:     | Not applicable                    |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's office as part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The County Clerk prepares the SEFA as part of the annual county budget process. The Health Center Administrator submits information related to grants administered by the health center to the County Clerk for inclusion in the schedule.

The county and health center do not have procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 1999 and 1998, the county's SEFA contained numerous errors and omissions. For example, expenditures related to several federal grants were not included on the schedule or included at the wrong amounts. In addition, some expenditures shown were not even related to federal grant programs.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk, with the assistance of the Health Center, prepare a complete and accurate schedule of expenditures of federal awards.

**AUDITEE'S RESPONSE**

*The County Clerk indicated she would prepare a complete and accurate schedule. This recommendation will be implemented for the 2000 SEFA to be submitted with the budget due in January 2001.*

*The Health Center Administrator indicated she will work with the County Clerk to ensure the expenditures for all federal grant programs the Health Center participates in are reported on the 2000 SEFA.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*



VERNON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

VERNON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

VERNON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Vernon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 30, 2000. We also have audited the compliance of Vernon County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 30, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Vernon County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

**1.****Computer Controls**

The offices of the County Clerk, County Assessor, and County Treasurer and Ex-Officio County Collector have access to a computer system that is networked together to maintain records of the county's financial transactions, property tax information, and other computerized information. Our review of the computer system controls and procedures indicated the following concerns:

- A. Passwords are used, but are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords effectively limit access to the data files and programs to only those individuals who need access for completion of job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.
- B. The county does not have a formal emergency contingency plan for its computer system. As a result, the county has not made a formal arrangement for the use of backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster of extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on data processing, the need for contingency planning is evident.

**WE RECOMMEND** the County Commission:

- A. Ensure passwords are periodically changed and remain confidential.
- B. Develop a formal contingency plan for the county's computer systems.

**AUDITEE'S RESPONSE**

- A. *The County's programmer will be contacted to evaluate the changes necessary to implement this recommendation. We anticipate implementation by December 31, 2000.*
- B. *We are reviewing this issue with the State Emergency Management Agency and anticipate a plan in place by December 31, 2000.*

The Sheriff's department is responsible for collecting civil and criminal process fees, gun permit fees and cash bonds and billing for incarceration costs. Civil, criminal, and gun permit fees are deposited to the Sheriff's main account and remitted to the County Treasurer monthly.

- A. Accounting duties are not adequately segregated. One individual is responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. There is no documentation that an independent review of deposits and accounting records is performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- B. Our review of cash receipting and depositing procedures for the main account indicated the following concerns:

- 1) Receipts are not deposited on a timely basis. Deposits are made approximately six times per month and average approximately \$1,500. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.
- 2) Monies received are not always receipted or recorded in a timely manner. During a cash count conducted February 2, 2000, we noted that receipt slips had not been issued for checks and cash on hand totaling \$115 and these monies had not been recorded in the cash control ledger.

Receipt slips should be promptly prepared for all monies received and data posted to the cash control ledger timely. An immediate record of receipt is necessary to properly document and account for all monies received.

- 3) Although the method of payment is noted on receipt slips, it is not reconciled to the composition of bank deposits. To ensure all monies are deposited intact, and to reduce the potential for loss, theft, or misuse of funds, the composition of receipt slips should be reconciled to the composition of bank deposits.
- 4) Check and money orders received are not restrictively endorsed immediately upon receipt. Endorsements are applied at the time deposits are prepared. To



adequately safeguard receipts, all check and money orders to be deposited should be restrictively endorsed immediately upon receipt.

C. The Sheriff's department houses prisoners for other entities (primarily counties) in the county jail and bills the various entities for these services. Generally, the only prisoners held for other entities have been arrested by the sheriff's department on an outstanding warrant and are only held until picked up by the jurisdiction that issued the warrant. Payments are made directly to the County Treasurer. Our review of these billings indicated the following areas where improvements are needed:

- 1) An employee in the Sheriff's department reviews the prisoner log periodically and bills incarceration costs to the applicable entity. Some entities are not billed based on mutual agreement or if the prisoner is held only a limited time. The prisoner log indicates the name of the prisoner, date of incarceration, date of release, the reason the individual is being held, and the entity to bill if necessary. A billing log is maintained to track billings which are sent out. Review of the billing log indicated only one billing was sent out in 1999 and fourteen were sent out in 1998. However, our review of the January and February 1999 prisoner log indicated the county failed to bill other entities for at least four prisoners (total estimated billing \$1,395) for this period.
- 2) The Sheriff has not established a formal policy for follow up collection efforts for unpaid incarceration billings. There appeared to be no follow up on bills that were not paid after the first billing. This may have resulted from incomplete documentation being included on the billing log. The Sheriff is notified by the County Treasurer when a prisoner billing payment is made. The payments are to be reported on the billing log; however, it did not appear that payments were always recorded on it. In addition, bills written off because the other entity refused to pay or that will remain uncollected for other reasons were not clearly indicated on the log. The documentation problems may have limited the billing follow up performed by the department since it may have been difficult to determine the true payment status of each billing.

To adequately account for all incarceration billings due and to maximize county revenues, adequate summary records of amounts due should be maintained. In addition, the Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of periodically identifying billings with past due balances and follow up on the payment status of these billings.

Conditions similar to A, B and C.2 were also noted in our prior report.

**WE RECOMMEND** the Sheriff:

A. Adequately segregate accounting duties or ensure periodic supervisory reviews are

performed and documented.

- B.1. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- 2. Issue prenumbered receipt slips immediately upon receipt for all monies received and post the receipts to the cash control ledger on a timely basis.
- 3. Reconcile the composition of receipt slips to the composition of bank deposits.
- 4. Restrictively endorse checks and money orders immediately upon receipt.
- C. Establish procedures to ensure the cost of boarding prisoners for other entities is properly billed and the log maintained on these billings is accurate and complete. Written procedures should also be established and implemented for pursuing collections of delinquent amounts.

### **AUDITEE'S RESPONSE**

- A. *A new employee has been hired and duties are now going to be segregated.*
- B.1. *Deposits will now be made more timely with the assistance of the new employee.*
  - 2. *This recommendation has been implemented.*
  - 3. *This recommendation will be immediately implemented.*
  - 4. *Checks and money orders are now restrictively endorsed upon receipt.*
- C. *Each jurisdiction is now billed for prisoners held in the county jail. Delinquent billings notices will be sent every six months for up to one year after the original billing until the amount is collected or the decision is made to write off the receivable.*

|   |
|---|
| <b>3. Jail Commissary Controls and Procedures</b> |
|---|

The Sheriff's department maintains a separate checking account to account for personal monies of inmates. These monies are used by inmates to purchase candy, soda, stamps, and various other products from the commissary. Each inmate's money upon incarceration, as well as amounts received from family members and friends during the inmate's incarceration are deposited with the Sheriff for the inmate's use. A record is maintained for each inmate which reflects monies received on the inmate's behalf, purchases made from the commissary and the available cash balance. When an inmate purchases items from the commissary, the purchase amount is deducted from the balance on the inmate's record. Invoices for the replenishment of commissary inventory are paid from the county's General Revenue Fund and proceeds from commissary sales are paid to the County Treasurer monthly for credit to

the General Revenue Fund. During our review of this account, the related controls, and procedures surrounding it, we noted the following concerns:

- A. Receipt slips are not issued for some monies received. To adequately account for all receipts, prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly.
- B. Receipts are not deposited on a timely basis. Deposits are made approximately four times a month and average approximately \$220. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.
- C. Although the method of payment is noted on receipt slips, it is not reconciled to the composition of bank deposits. To ensure all monies are deposited intact, and to reduce the potential for loss, theft, or misuse of funds, the composition of receipt slips should be reconciled to the composition of bank deposits.
- D. Follow up on outstanding checks is not done timely. At December 31, 1999, the commissary account included twenty-two checks totaling \$103 that had been outstanding more than one year. These old outstanding checks create additional and unnecessary record keeping responsibilities.

The Sheriff should adopt procedures to routinely follow up on checks outstanding for a considerable time and reissue checks if the payee can be located. If payees cannot be located, the Sheriff should dispose of the monies in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed monies.

- E. Commissary order forms filled out by prisoners are not consistently signed by them. A review of one prisoner's account noted four of five order forms were not signed. The prisoner's signature provides support that items were actually ordered and received. To ensure the accuracy of commissary account balances procedures should be developed to ensure that order forms are signed.
- F. Each month the ending balances on the prisoner account cards are totaled and that amount is deducted from the reconciled bank balance of the commissary account to determine the amount of money to transmit to the General Revenue Fund. This method provides no assurances that all monies have been appropriately accounted for since reconciliation of prisoner commissary purchases to the amount turned over to the County Treasurer is not also done. Our attempts to reconcile the turnover amount to prisoner purchases for two months during the audit period were unsuccessful. To ensure the money turned over to the County Treasurer is accurate, the projected turnover amount should be agreed to the total purchases noted on commissary order

forms used during the month; with any differences identified and resolved prior to the turnover being made.

**WE RECOMMEND** the Sheriff:

- A. Issue prenumbered receipt slips immediately upon receipt for all monies received.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- C. Reconcile the composition of receipt slips to the composition of bank deposits.
- D. Establish procedures to investigate checks outstanding for a considerable time. Any remaining unclaimed monies should be disposed of in accordance with state law.
- E. Ensure prisoners sign all commissary order forms.
- F. Ensure the amount turned over to the County Treasurer monthly for the commissary account agrees to total purchases noted on commissary order forms used for that month. Any differences identified should be reviewed and resolved prior to the turnover being made.

**AUDITEE'S RESPONSE**

- A. *Staff turnover has resulted in some weaknesses in receipt slip procedures. If turnover is reduced this problem should be eliminated or immensely reduced.*
- B. *Monies will continue to be deposited every Monday. Current procedures appear sufficient for the limited monies handled.*
- C. *This recommendation will be immediately implemented.*
- D. *We will evaluate turning these monies over to the state Unclaimed Property Fund and anticipate completion of this review prior to December 31, 2000.*
- E. *The department's office manager and chief jailer will discuss this issue and ensure forms are appropriately signed in the future.*
- F. *We will start a reconciliation process for the July turnover in August 2000.*

#### **4. Prosecuting Attorney's Accounting Controls and Procedures**

The Prosecuting Attorney collects fees and restitution on bad checks, delinquent sales tax payments, and receives fees from the courts for prosecution services. The Prosecutor's office requests that bad check offenders remit two money orders, one payable to the merchant for restitution and one payable to the Prosecuting Attorney for the administrative fee. If the offender submits only one money order for the bad check restitution and fees, the monies are deposited to and disbursed from the Prosecuting Attorney's bank account. The bank account is maintained to account for those money orders and all other bad check fee money orders.

- A. Accounting duties are not adequately segregated. One individual is responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. There is no documentation that an independent review of deposits and accounting records is performed.

Proper segregation of duties helps to ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving, depositing and disbursing receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- B. Check and money orders received made payable to the Prosecuting Attorney are not restrictively endorsed immediately upon receipt. Endorsements are applied at the time deposits are prepared. To adequately safeguard receipts, all checks and money orders should be restrictively endorsed immediately upon receipt.
- C. Receipts are not deposited on a timely basis. Deposits are made weekly and average approximately \$450. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.
- D. Monthly bank reconciliations were not performed from August 1998 to December 1999. The reconciliations were brought up to date in January 2000. Accurate and complete bank reconciliations are necessary to ensure that all monies are properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected on a timely basis.
- E. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks has not been established. Currently, Vernon County merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. The Prosecuting Attorney's office enters the information from the complaint form into a computer file. The bad check data file is not maintained in a manner that bad check complaint forms can be accounted for. In addition,

procedures have not been established to ensure all bad check complaint forms are accounted for properly and that all bad check complaints are entered on the computer system.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned complaint number, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

- F. Backup of computerized bad check information is not performed. The computerized records are at risk of loss due to equipment failure or other electronic disaster. A backup disk should be periodically prepared to provide a means of recreating destroyed master disks. Backup disks should be stored off-site to provide increased assurance that any lost data can be recreated.

Conditions similar to A, D and E were also noted in our prior report.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Restrictively endorse checks and money orders made payable to the Prosecuting Attorney immediately upon receipt.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- D. Prepare complete and accurate bank reconciliations.
- E. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form and a log to account for the numerical sequence and ultimate disposition of each bad check.
- F. Ensure computerized bad check records are backed up on disk and these disks are stored in a secure, off-site location.

### **AUDITEE'S RESPONSE**

- A. *Segregation of duties will be improved where practical and supervisory review of records will be done at least monthly.*
- B. *This recommendation has been implemented.*
- C. *This recommendation has been implemented.*
- D. *Reconciliations are now done monthly.*
- E. *Improvements in the tracking and accounting for bad checks will be evaluated between now and the end of the year and changes made if a cost effective system can be obtained or developed.*
- F. *Computerized bad check information will now be backed up weekly with the disks stored off-site.*

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|--|
| <b>5. Circuit Clerk's Accounting Controls and Procedures</b> |
|--|

The associate and probate divisions are consolidated with the circuit division. During our review of the Circuit Clerk's accounting procedures the following concerns were noted:

- A. Accounting duties are not adequately segregated in the probate division. One individual is responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. There is no documentation that an independent review of deposits and accounting records is performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- B. Although the method of payment is noted on receipt slips, it is not reconciled to the composition of bank deposits. To ensure all monies are deposited intact, and to reduce the potential for loss, theft, or misuse of funds, the composition of receipt slips should be reconciled to the composition of bank deposits.
- C. At December 31, 1999 nine checks totaling \$603 had been outstanding on the child support account for more than one year. These old checks create additional and unnecessary record keeping responsibilities.

The Circuit Clerk should adopt procedures to routinely follow up on checks outstanding for a considerable time and reissue checks if the payee can be located. If payees cannot be located, the Circuit Clerk should dispose of the monies in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed monies.

- D. The December 31, 1999 open items listing for the general account included items totaling \$14,700 for cases which date back to 1997 and prior. In addition, the Circuit Clerk has held in a separate checking account approximately \$2,400 since January 1992. The address of the payee is unknown.

The status of old open items should be routinely reviewed to determine if any disbursement is necessary. If disbursement is possible, but proper payees cannot be located the monies should be disposed of in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed monies.

Conditions similar to A, C and D were also noted in our prior report.

**WE RECOMMEND** the Circuit Clerk:

- A. Adequately segregate accounting duties or ensure periodic reviews are performed and documented.
- B. Reconcile the composition of receipt slips to the composition of bank deposits.
- C. Establish procedures to investigate checks outstanding for a considerable time. Any remaining unclaimed monies should be disposed of in accordance with state law.
- D. Establish procedures to routinely review the status of old open items. Any unclaimed monies should be disposed of in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *Duties will be segregated beginning September 2000.*
- B. *We will immediately implement this recommendation.*
- C. *Old outstanding checks will now periodically be evaluated and appropriate action taken.*
- D. *As part of automation conversion to the state's banner system we have recently evaluated the status of these cases. The \$2,400 will be turned over to the state Unclaimed Property Fund.*



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| <b>6. Assessor's Accounting Controls and Procedures</b> |
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The Assessor's office sells maps, public record information and copies to the public. Receipts are transmitted monthly to the County Treasurer. Our review noted the following concerns:

- A. Receipt slips are not prenumbered or issued for all monies received. During a February 3, 2000 cash count conducted one check dated January 24, 2000 had not been receipted. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies and the numerical sequence accounted for properly.
- B. Although the method of payment is noted on receipt slips, it is not reconciled to the composition of transmittals. To ensure all monies are transmitted intact, and to reduce the potential for loss, theft, or misuse of funds, the composition of receipt slips should be reconciled to the composition of transmittals.

**WE RECOMMEND** the Assessor:

- A. Issue prenumbered receipt slips for all monies received.
- B. Reconcile the composition of receipt slips to the composition of transmittals.

**AUDITEE'S RESPONSE**

- A. *We will begin to use a prenumbered receipt book immediately.*
- B. *This procedure was implemented in March 2000.*

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| <b>7. Health Center's Accounting Controls and Procedures</b> |
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- A. Receipt slips are not issued, unless requested. Monies received are recorded on a ledger which is to indicate the method of payment received (cash or check); however, the method of payment is not consistently indicated on it and the method indicated is not always correct based on test work performed. To help ensure that all monies are properly accounted for, prenumbered receipt slips indicating the method of payment should be issued for all monies received. The numerical sequence of receipt slips should be accounted for and the composition of receipt slips issued should be reconciled to the composition of bank deposits.
- B. Monies received are not deposited intact. Personal checks are cashed for Health Center employees from the daily receipts. To ensure receipts are accounted for properly and deposited intact, personal checks should not be cashed from Health Center receipts.

**WE RECOMMEND** the Health Center:

- A. Issue prenumbered receipt slips for all monies received, account for the numerical sequence of those receipt slips, ensure the method of payment is consistently and correctly recorded on the receipt slips issued and reconcile the composition of receipt slips to the composition of the bank deposits.
- B. Deposit all receipts intact and discontinue the practice of cashing personal checks.

**AUDITEE'S RESPONSE**

- A. *Receipt slips are now issued for all monies received and the composition of receipt slips is reconciled to the composition of deposits.*
- B. *Effective April 3, 2000, this practice was eliminated. Receipts will now be deposited intact.*

|  |
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| <b>8. Special Road and Bridge Fund Budgets</b> |
|--|

The budgets for the Special Road and Bridge Fund did not present a reasonable estimate of the fund's expenditures, particularly so for the year ended December 31, 1999. As Exhibit C illustrates, budgeted expenditures exceeded actual expenditures of the Special Road and Bridge Fund during the years ended December 31, 1999 and 1998, by \$1,047,638 and \$295,870, respectively. Additionally, the county budgeted expenditures in excess of revenues by over \$200,000 in each year. Part of the reason for the significant difference between budgeted and actual expenditures appears to be due to delays in the start or completion of anticipated bridge projects; however, part of the problem also appears to be due to bridge projects being started in a year being budgeted in full even if only a portion of the project will be completed in the budget year. The uncompleted portion of projects will be budgeted again in the subsequent year.

Such budgeting procedures do not allow for proper monitoring and use of the budget as a management tool. The Special Road and Bridge Fund budgets do not reflect realistic estimates or goals of what the county intends to accomplish during the budget year. Additionally, having a larger budget has allowed the county to transfer \$65,693 and \$51,732 during the years ended December 31, 1999 and 1998, respectively to the General Revenue Fund. Section 50.515, RSMo 1994, allows the County Commission to impose an administrative service fee on the Special Road and Bridge Fund. The fee is statutorily limited to a maximum of 3 percent of the Special Road and Bridge Fund budget. For the years ended December 31, 1999 and 1998, Vernon County computed the amount of the annual administrative service fee to be 3 percent of the total Special Road and Bridge Fund budget (not including the amount of the administrative service fee). However, by budgeting the same portion of some bridge projects over more than one year, the 3 percent transfer amount appears to be inflated. Had a more reasonable budget estimate been used or actual

disbursements, the transfer amounts to the General Revenue Fund would have been about \$40,000 less over the audit period.

Budgets that do not reasonably estimate the actual activity of the Special Road and Bridge Fund do not present an accurate financial position of the fund and result in more monies being transferred to the General Revenue Fund than would otherwise occur. The County Commission needs to review its budgeting procedures for the Special Road and Bridge Fund as well as reevaluate the amounts being transferred annually for the administrative service fee.

**WE RECOMMEND** the County Commission review procedures used to establish the annual Special Road and Bridge Fund budget and prepare more reasonable budgets. The County Commission should also limit the administrative service fee to 3 percent of actual or reasonable budgeted expenditures of that fund.

### **AUDITEE'S RESPONSE**

*The County Commission stated that attempts will be made for future Special Road and Bridge Fund budgets to only budget the portion of bridge projects anticipated to be completed during the budget year. The County Commission stated the overbudgeting that occurred in 1999 was caused when federal bridge projects did not proceed as quickly as planned. Even though the dollars were not spent, the commission expended significant time on the projects. The transfers made did not exceed 3 percent of the budget and therefore, are in compliance with the law.*

This report is intended for the information of the management of Vernon County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## VERNON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Vernon County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented have been repeated in the current MAR.

### 1. Federal Financial Assistance

The county did not advertise or solicit bids for a computer costing \$3,656 of which \$2,742 was claimed as a grant expenditure.

#### Recommendation:

The County Commission consult with the grantor agency to resolve the questioned costs and obtain bids in compliance with state law.

#### Status:

The grantor agency reviewed the expenditure and determined no repayment of funds would be necessary.

### 2. Sheriff's Accounting Procedures and Controls

- A. An open-items (liabilities) listing was not prepared for the commissary account and reconciled to the cash balance on a monthly basis.
- B.1. Receipts were not deposited on a timely basis. In addition, checks and money orders were not restrictively endorsed immediately upon receipt.
  - 2. An open-items (liabilities) listing was not prepared for the fee account and reconciled with cash balances on a monthly basis.
  - 3. Fees collected were not remitted to the County Treasurer on a timely basis.
- C.1. Donations received to purchase and care for a K-9 unit were deposited into a separate K-9 account and not turned over to the County Treasurer.
  - 2. Receipt slips were not always issued for these donations.
- D. Accounting duties were not adequately segregated.
- E. Adequate logs of amounts billed to other entities for boarding prisoners were not maintained and follow up procedures on amounts billed were not adequate.

Recommendation:

The Sheriff:

- A. Prepare an open items listing on a monthly basis and reconcile it to the cash balance.
- B.1. Deposit receipts daily or when accumulated receipts exceed \$100, and ensure all checks and money orders are restrictively endorsed immediately upon receipt.
  - 2. Prepare an open items listing on a monthly basis and reconcile it to the cash balance.
  - 3. Remit all fees to the County Treasurer on a timely basis.
- C.1. Close the K-9 bank account and turn over all K-9 monies to the County Treasurer.
  - 2. Issue receipt slips for all K-9 monies received.
- D. Adequately segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- E. Adequately maintain the log of amounts billed to other entities for board of prisoners, follow up on any unpaid bills on a timely basis, and instruct the other entities to send their payments directly to the Vernon County Treasurer. In addition, an independent reconciliation of the Sheriff's billing records and the payments received by the County Treasurer should be performed.

Status:

- A. Partially implemented. An open-items listing is prepared for the commissary account; however, procedures used do not ensure all monies are appropriately being accounted for. The Sheriff's department uses the open-items listing to determine the amount of cash to retain in the commissary account with all remaining monies turned over to the County Treasurer. See MAR No. 3.
- B.3,  
&C.1. Implemented
- B.1&  
D. Not implemented. See MAR No. 2 and 3.
- B.2. Each month's accountable fees are generally distributed from the account monthly, as a result, an open items list does not appear necessary.
- C.2. The Sheriff closed the K-9 account in 1998 and all monies were turned over to the County Treasurer. Donations are no longer received by the county for the K-9 Fund.

- E. Partially implemented. Board of prisoner payments are now sent directly to the County Treasurer; however, an adequate log of amounts billed is not maintained and follow up on unpaid bills is not performed. See MAR No. 2.

3. Circuit Clerk's Procedures

- A. Accounting duties were not adequately segregated.
- B.1. Formal bank reconciliations for the General account were not prepared on a timely basis.
  - 2. The open items listing for this account included items totaling \$11,776 for cases, which dated back to 1995, and prior years.
- C.1. The bank reconciliation for the Child Support account contained numerous reconciling items that were not resolved as of March 1998.
  - 2. The account had twenty-six checks totaling \$2,704 which have been outstanding for more than one year.

Recommendation:

The Circuit Clerk:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B.1. Ensure formal bank reconciliation are prepared on a monthly basis.
  - 2. Establish procedures to routinely follow up on older open items and dispose of them in accordance with state law.
- C.1. Attempt to resolve these reconciling items.
  - 2. Attempt to locate the payees of the old outstanding checks and reissue the checks, if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.

Status:

- A. Partially implemented. Duties are now adequately segregated or appropriate supervisory review is now performed in each division of the court except the probate division. See MAR No.5.

B.1.&

C.1. Implemented.

B.2.&

C.2. Not implemented. See MAR No. 5.

4. Prosecuting Attorney's Procedures and Controls

A. Accounting duties were not adequately segregated.

B. Bank reconciliations were not properly performed and documented.

C. An adequate system to account for all bad checks received and their ultimate disposition had not been established.

D. Monthly reports of fees were not filed with the County Commission.

Recommendation:

The Prosecuting Attorney:

A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

B. Ensure bank reconciliations are properly performed and documented.

C. Implement procedures to adequately account for bad checks received, as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check.

D. File monthly reports of fees with the County Commission as required by state law.

Status:

A-C. Not implemented. See MAR No. 4.

D. Implemented.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

VERNON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1855, the county of Vernon was named after Miles Vernon, a state senator. Vernon County is a township-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Nevada.

Vernon County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Vernon County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 324,758   | 10         | 275,160   | 10         |
| Sales taxes               | 746,881      | 24         | 697,279   | 25         |
| Federal and state aid     | 1,475,425    | 48         | 1,267,131 | 45         |
| Fees, interest, and other | 560,831      | 18         | 572,946   | 20         |
| Total                     | \$ 3,107,895 | 100        | 2,812,516 | 100        |

The following chart shows how Vernon County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 833,349   | 29         | 803,858   | 26         |
| Public safety             | 805,319      | 28         | 864,720   | 27         |
| Highways and roads        | 1,207,826    | 43         | 1,480,123 | 47         |
| Total                     | \$ 2,846,494 | 100        | 3,148,701 | 100        |

The county maintains approximately 246 county bridges and 997 miles of county roads.

The county's population was 19,065 in 1970 and 19,041 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        | Year Ended December 31, |       |       |        |        |
|------------------------|-------------------------|-------|-------|--------|--------|
|                        | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        | (in millions)           |       |       |        |        |
| Real estate            | \$ 102.5                | 96.5  | 68.1  | 36.3   | 23.2   |
| Personal property      | 71.3                    | 62.7  | 20.6  | 14.9   | 8.4    |
| Railroad and utilities | 23.4                    | 19.0  | 14.5  | 13.2   | 10.2   |
| Total                  | \$ 197.2                | 178.2 | 103.2 | 64.4   | 41.8   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Vernon County's property tax rates per \$100 of assessed valuations were as follows:

|                      | Year Ended December 31, |      |
|----------------------|-------------------------|------|
|                      | 1999                    | 1998 |
| General Revenue Fund | \$ 0.15                 | 0.12 |
| Health Center Fund   | 0.08                    | 0.08 |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                              | Year Ended February 28 (29), |           |
|------------------------------|------------------------------|-----------|
|                              | 2000                         | 1999      |
| State of Missouri            | \$ 60,619                    | 54,136    |
| General Revenue Fund         | 303,115                      | 218,496   |
| Special Road and Bridge Fund | 98,618                       | 87,099    |
| Assessment Fund              | 87,173                       | 75,419    |
| Health Center Fund           | 161,237                      | 143,815   |
| Ambulance Fund               | 280,911                      | 250,572   |
| Sewer Fund                   | 4,152                        | 3,861     |
| Schools                      | 6,628,312                    | 5,484,363 |
| Townships                    | 209,858                      | 186,971   |
| Township Road                | 479,922                      | 429,109   |
| Township Special Road        | 224,738                      | 211,869   |
| Cities                       | 108,543                      | 99,775    |
| County Clerk                 | 369                          | 369       |
| County Employees' Retirement | 39,750                       | 30,522    |
| Commissions and fees:        |                              |           |
| General Revenue Fund         | 70,453                       | 59,782    |
| Township Collectors          | 67,545                       | 60,864    |
| Total                        | \$ 8,825,315                 | 7,397,022 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28 (29), |        |
|------------------------|------------------------------|--------|
|                        | 2000                         | 1999   |
| Real estate            | 91.6 %                       | 91.0 % |
| Personal property      | 92.8                         | 92.7   |
| Railroad and utilities | 99.7                         | 100.0  |

Vernon County also has the following sales taxes; rates are per \$1 of retail sales:

|         | Rate    | Expiration Date | Required Property Tax Reduction |
|---------|---------|-----------------|---------------------------------|
| General | \$ .005 | None            | 50 %                            |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder  | 2000   | 1999   | 1998   |
|---|--------|--------|--------|
| County-Paid Officials:  |        |        |        |
| Charles Johnson, Presiding Commissioner                                     |        | 29,060 |        |
| Jime Earnest, Presiding Commissioner  |        |        | 19,000 |
| Neal Gerster, Associate Commissioner *                                      |        | 19,000 | 19,000 |
| Bonnie McCord, Associate Commissioner *                                     |        | 19,000 | 19,000 |
| Doug Shupe, Recorder of Deeds   |        | 41,000 | 29,000 |
| Wava Halcomb, County Clerk  |        | 41,000 | 31,500 |
| Lynn M. Ewing III, Prosecuting Attorney                                     |        | 49,000 |        |
| Neal Quitno, Prosecuting Attorney   |        |        | 36,000 |
| Mickey Mason, Sheriff   |        | 38,000 | 38,000 |
| David Ferry, County Coroner   |        | 6,500  | 6,500  |
| Virginia Habjan, Public Administrator **                                    |        | 40,063 | 34,708 |
| Phil Couch, Treasurer and Ex Officio County Collector, year ended March 31, | 41,047 | 41,047 |        |
| Jeannie M. Reed, County Assessor, year ended August 31, ***                 |        | 41,900 | 41,900 |
| John C. Douglas, County Surveyor ****                                       |        |        |        |

\* For 1999, \$8,060 in additional salary for each associate commissioner is being held pending resolution of a lawsuit filed in Laclede County regarding associate commissioner compensation.

\*\* Includes fees received from probate cases and salary of \$10,000 in 1998. The 1999 salary will be determined by the Salary Commission at the November 2001 meeting based on the Commission's interpretation of an appellant court ruling on a lawsuit filed by the the Public Administrator against the county.

\*\*\* Includes \$900 annual compensation received from the state.

\*\*\*\* Compensation on a fee basis. In addition, the County Surveyor resigned December 31, 1998 and has not been replaced.

State-Paid Officials:

|  |        |        |
|--|--------|--------|
| Vickie Erwin, Circuit Clerk            | 44,292 | 42,183 |
| Gerald McBeth, Associate Circuit Judge | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office                                    | Number of Employees Paid by |           |
|---|-----------------------------|-----------|
|   | County                      | State     |
| Circuit Clerk (1)                         | 0                           | 9         |
| Recorder of Deeds                         | 1                           | 0         |
| County Clerk                              | 5                           | 0         |
| Prosecuting Attorney (1)                  | 4                           | 0         |
| Sheriff (2)                               | 38                          | 0         |
| County Coroner (1)                        | 1                           | 0         |
| Public Administrator (1)                  | 1                           | 0         |
| Treasurer and Ex Officio County Collector | 1                           | 0         |
| County Assessor (1)                       | 5                           | 0         |
| County Surveyor                           | 1                           | 0         |
| Associate Division                        | 0                           | 2         |
| Probate Division (1)                      | 0                           | 2         |
| Road and Bridge                           | 7                           | 0         |
| Health Center (3)                         | 11                          | 0         |
| Janitor                                   | 1                           | 0         |
| Juvenile                                  | 0                           | 5         |
| Total                                     | <u>76</u>                   | <u>18</u> |

(1) Includes one part-time employee.

(2) Includes nineteen part-time employees.

(3) Includes five part-time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Vernon County's share of the Twenty-Eighth Judicial Circuit's expenses is 38.16 percent.



REVIEW OF THE  
MISSOURI DEVELOPMENT FINANCE BOARD

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-73  
August 8, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of a review conducted by our office of the Missouri Development Finance Board.**

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In 1982, the legislature established the Industrial Development Board and the Industrial Development and Reserve Fund. This board was authorized to issue loans, bonds and notes to help fund economic development projects. They also established the Industrial Development Guarantee Fund and the Export Finance Fund for use by the Economic Development Commission. This board was to issue guarantees for loans, bonds and notes arising from economic development projects. The Export Finance Fund was established to accept contributions from businesses for the purpose of funding export activities of other Missouri based companies and the contributions would earn a tax credit of 50 percent of the contribution. In 1985, these two entities were combined.

- The Industrial Development Guarantee Fund authorized by state statute has not had any activity since 1985. It appears the Industrial Development Guarantee Fund is no longer necessary. The Missouri Development Finance Board continues to use the Industrial Development and Reserve Fund and the activity of the loan guarantee program is accounted for in this fund. The board should consider requesting the legislature to rescind the authority for the Industrial Development Guarantee Fund.
- It appears there is no meaningful incentive for potential contributors to make donations to the Export Finance Fund. Therefore, no contributions have been received and no export finance tax credits have been issued. The board should consider requesting the legislature rescind the authority for the export finance tax credit program and the attendant Export Finance Fund.

The Missouri Development Finance Board granted retroactive pay increases totaling \$3,838 to several employees. In August and October of 1997, the board granted salary increases to four employees and made the increases retroactive to July 1, 1997. Those four employees received retroactive payments totaling \$1,429. In September 1998, the board granted four employees salary increases and made the increases retroactive to July 1, 1998. Those four employees received retroactive payments totaling \$1,299. In August 1999, the board again granted retroactive increases back to July 1, 1999, to three employees and those employees received \$1,110 in retroactive payments.

Article III, Section 39 of the Missouri Constitution prohibits political subdivisions from granting additional compensation for services already rendered. Although the amounts of the individual retroactive raises were not significant, the practice is prohibited.

YELLOW SHEET



REVIEW OF THE  
MISSOURI DEVELOPMENT FINANCE BOARD

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Members of the Board of Directors  
and  
Robert V. Miserez, Executive Director  
Missouri Development Finance Board  
Jefferson City, Missouri 65102

We have conducted a review of the Missouri Development Finance Board (MDFB). The scope of our review included, but was not necessarily limited to, the two fiscal years ended June 30, 1999. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with constitutional provisions, statutes, attorney general's opinions, and board policies.
2. Review the efficiency and effectiveness of certain management practices.
3. Follow-up on the status of recommendations made in our previous report.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The MDFB had engaged KPMG LLP, Certified Public Accountants, to perform annual audits of the board for the years ended June 30, 1999 and 1998. To minimize any duplication of effort, we reviewed the reports and substantiating workpapers of the CPA firm. We also reviewed the MDFB records, made inquiries of MDFB employees, and examined other papers and documents as deemed appropriate for the review.

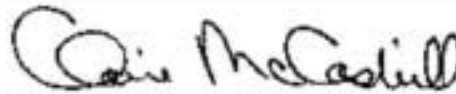
As part of our review, we assessed the MDFB's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selected tests and procedures considered appropriate in the circumstances. Had we performed additional

procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the MDFB's management and was not subjected to the procedures applied in our review of the MDFB.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the MDFB.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Blattel, CPA      |
| In-Charge Auditors: | Dennis Lockwood, CPA   |
|                     | Merit Voshage, CPA     |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

REVIEW OF THE  
MISSOURI DEVELOPMENT FINANCE BOARD  
SUMMARY OF FINDINGS

1. Retroactive Pay Increases (page 7-8)

The board granted retroactive raises to most employees totaling \$3,838.

2. Elimination of Unused Funds and Programs (page 8-9)

The Industrial Development Guarantee Fund has not had any activity since 1985. The Export Finance Fund has never had any activity. The export finance tax credit program does not contain any meaningful incentives.

REVIEW OF THE  
MISSOURI DEVELOPMENT FINANCE BOARD  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

|                                     |
|-------------------------------------|
| <b>1. Retroactive Pay Increases</b> |
|-------------------------------------|

The Missouri Development Finance Board (MDFB) granted retroactive pay increases totaling \$3,838 to several employees. In August and October of 1997, the board granted salary increases to four employees and made the increases retroactive to July 1, 1997. Those four employees received retroactive payments totaling \$1,429. In September 1998, the board granted four employees salary increases and made the increases retroactive to July 1, 1998. Those four employees received retroactive payments totaling \$1,299. In August 1999, the board again granted retroactive increases back to July 1, 1999, to three employees and those employees received \$1,110 in retroactive payments.

Article III, Section 39 of the Missouri Constitution prohibits political subdivisions from granting additional compensation for services already rendered. Attorney General's Opinion No. 72, 1955 to Pray, indicates Section 39 also applies to state agencies. Although the amounts of the individual retroactive raises were not significant, this practice is prohibited.

**WE RECOMMEND** the MDFB discontinue granting retroactive raises.

**AUDITEE'S RESPONSE**

*Effective immediately, the Board will no longer implement retroactive pay increases.*

*Board membership is comprised of nine private volunteer members appointed by the Governor with the advice and consent of the Senate, the Directors of the Department of Economic Development and Department of Agriculture, and the Lieutenant Governor. The members serve without compensation. Seven members constitute a quorum.*

*The Board has the power to employ and fix the compensation of an executive director and such other agents or employees as it considers necessary (Section 100.270 (16) RSMo Cumulative Supp. 1999). Compensation for Board staff, along with all other Board operating costs, are funded by fee income generated from Board project financings. Compensation is not funded from state appropriations.*

*The reasons for authorizing retroactive pay raises were due to various unforeseen circumstances. These circumstances included the necessity of holding telephone conference call meetings in lieu of meetings en masse to obtain a quorum - the Board does not discuss personnel except in closed meetings. Circumstances also required meeting cancellations for lack of a quorum or lack of sufficient business agenda items to bring the members together for a meeting, and member decisions to table this action to future meetings based upon time constraints*



*resulting from the then current volume of project presentations, all with the express understanding that these increases would be implemented retroactively when time allowed to formally approve them. And, that had time or circumstances allowed to have formally considered these actions at the June or July meetings immediately preceding the end of the fiscal year, these same annual increases would have been formally approved.*

*Notwithstanding any of the above, the Board will no longer implement retroactive pay increases. Instead, the Board will strive to begin addressing these issues earlier in the year to mitigate the future uncertainty of whether a more timely meeting will be held.*

|  |
|--|
| <b>2. Elimination of Unused Funds and Programs</b> |
|--|

In 1982, the legislature established the Industrial Development Board and the Industrial Development and Reserve Fund. This board was authorized to issue loans, bonds, and notes to help fund economic development projects. The legislature also established the Industrial Development Guarantee Fund and the Export Finance Fund for use by the Economic Development Commission. This board was to issue guarantees for loans, bonds, and notes arising from economic development projects. The Export Finance Fund was established to accept contributions from businesses for the purpose of funding export activities of other Missouri based companies, and the contributions would earn a tax credit of 50 percent of the contribution. In 1985, these two entities were combined.

- A. The Industrial Development Guarantee Fund authorized under Section 100.260, RSMo, has not had any activity since 1985. It appears the Industrial Development Guarantee Fund is no longer necessary. The MDFB continues to use the Industrial Development and Reserve Fund and the activity of the loan guarantee program is accounted for in this fund. The MDFB should consider requesting the legislature to rescind the authority for the Industrial Development Guarantee Fund.
- B. It appears there is no meaningful incentive for potential contributors to make donations to the Export Finance Fund. Therefore, no contributions have been received and no export finance tax credits have been issued. The MDFB should consider requesting the legislature rescind the authority for the export finance tax credit program and the attendant Export Finance Fund.

**WE RECOMMEND** the MDFB request the legislature to eliminate the Industrial Development Guarantee Fund. In addition, the MDFB should request the legislature to rescind the authority for the export finance tax credit program and the attendant Export Finance Fund.

**AUDITEE'S RESPONSE**

*The Missouri Development Finance Board does not set legislative economic development agendas or attempt to have legislation introduced on its behalf. The Board administers*

*programs authorized under statute's enacted. The Board does work closely with the Department of Economic Development (DED) on legislative matters that impact or enhance the Board's authority. These matters are included in DED sponsored legislation. During the just concluded legislative session, Senate Bill 1048, the DED economic development bill, attempted to repeal the Board's authority to grant tax credits for contributions given to the Development and Reserve Fund and the Export Finance Fund. S.B. 1048 did not pass.*

This report is intended for the information of the management of the Missouri Development Finance Board and other governmental officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

REVIEW OF THE  
MISSOURI DEVELOPMENT FINANCE BOARD  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Missouri Development Finance Board (MDFB), formerly known as the Missouri Economic Development, Export and Infrastructure Board (MEDEIB), on recommendations made in the Management Advisory Report (MAR) on our prior report issued for the two years ended June 30, 1993. Although the remaining unimplemented recommendations have not been repeated, the MDFB should consider implementing these recommendations.

1. Purchase of State Office Buildings

The board issued \$14,305,000 of state revenue bonds to finance the purchase of three state office buildings. The board did not require appraisals or mechanical inspections to be submitted for review prior to the completion of the purchases.

Recommendation:

The MEDEIB obtain appraisals and mechanical inspections before purchasing properties. In addition, detailed cost studies should be prepared to ensure that the transaction is clearly cost beneficial to the state.

Status:

The MDFB has not purchased any properties since the prior audit. The Executive Director of the MDFB states that the board would require, as a standard business practice, appraisals and inspections before making any future purchases.

2. Banking Services

Board deposits of \$1,068,000 and \$1,164,020 were not adequately collateralized as of June 30, 1993 and 1992, respectively. In addition, the board does not bid banking services or obtain collateral security agreements for all of its deposited funds.

Recommendation:

The MEDEIB ensure that sufficient collateral securities are pledged at all times. In addition, the MEDEIB should competitively procure banking services for board deposits.

Status:

Partially implemented. While the board receives bids for all investments, the MDFB does not solicit bids for depositary accounts. The Independent Auditor's Report indicated deposits at June 30, 1999 and 1998 were fully collateralized. Although not repeated in the current MAR, the MDFB should consider fully implementing this recommendation.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

## MISSOURI DEVELOPMENT FINANCE BOARD HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Industrial Development Board was created with the enactment of the Industrial Development Funding Act by the General Assembly in 1982. Initially this board consisted of seven members appointed by the Governor with the advice and consent of the Senate. The members were appointed for four year terms.

Along with the adoption of this act, the Economic Development Act was enacted. This act also created the Economic Development Commission. The commission consisted of nine members. Terms were for six years. The commission was authorized to guarantee up to 90 percent of privately obtained loans up to \$1 million and up to 100 percent of revenue bonds issued by eligible local agencies. The commission was also authorized to grant 50 percent tax credits to taxpayers making contributions to its reserve fund.

In 1985, legislation was enacted which merged the commission into the board. Membership for the board was also expanded to nine. Subsequent legislation broadened the board's powers into the areas of export financing and public infrastructure financing with a resultant name change of the board to the Missouri Economic Development, Export and Infrastructure Board.

In 1993, the legislature authorized the board's third name change to the Missouri Development Finance Board. The Directors of the Department of Economic Development and the Department of Agriculture along with the Lieutenant Governor were designated as voting members of the board. The addition of these three officials increased the board's membership to twelve.

The board was created to promote the economic development of the state of Missouri. This is accomplished primarily by the issuance of revenue bonds, direct loans, and tax credits for projects which will benefit the economy or infrastructure of the state and its political subdivisions. The authority and activities of the board are set forth in Sections 100.250 to 100.297, RSMo 1994, and RSMo Cumulative Supp. 1999, the Missouri Development Finance Board Act, and Sections 100.700 to 100.850, RSMo Cumulative Supp. 1999, the Missouri Business Use Incentives for Large-Scale Development Act.

The following were board members as of June 30, 1999:

|  | <u>Term Expires<br/>September 14,</u> |
|--|---------------------------------------|
| Thomas P. Rackers, Chairman                                      | 2000                                  |
| Martin E. Harrington, Vice Chairman                              | 2000                                  |
| John Morrissey, Secretary *                                      | 1996                                  |
| John Starr, Treasurer  | 2003                                  |
| Bill Burch   | 2003                                  |
| Susan Lauman Constance *   | 1999                                  |
| Darwin A. Hindman Jr. **   | 1999                                  |
| William V. Turner  | 2002                                  |
| Lynne Nikolaisen ***   | 1998                                  |
| Joseph L. Driskill, Director, Department of Economic Development |                                       |
| John L. Saunders, Director, Department of Agriculture            |                                       |
| Roger B. Wilson, Lieutenant Governor                             |                                       |

\* Members continue to serve until a replacement is named.

\*\* Term expired on March 21, 1999 and continues to serve until a replacement is named.

\*\*\* Member resigned and position is still vacant

At June 30, 1999, the board had 6 employees.



Appendix A

MISSOURI DEVELOPMENT FINANCE BOARD  
COMBINED BALANCE SHEETS

|  |    | June 30,    |             |
|--|----|-------------|-------------|
| <b>Assets</b>  |    | <b>1999</b> | <b>1998</b> |
| Cash and investments   | \$ | 5,691,278   | 7,439,681   |
| Loans and notes receivable   |    | 12,869,021  | 7,830,490   |
| Accrued interest on investments  |    | 158,713     | 97,156      |
| Accrued interest and fees on loans receivable                              |    | 36,854      | 60,301      |
| Prepaid expense and other assets   |    | 156,613     | 20,121      |
| Restricted assets  |    | 71,190,960  | 43,722,918  |
| Bond issuance costs, less accumulated amortization                         |    | 34,052      | 49,500      |
| Land, building, and equipment, net   |    | 1,820,728   | 1,887,718   |
|  |    |             |             |
| Total assets   | \$ | 91,958,219  | 61,107,885  |
|  |    |             |             |
|  |    |             |             |
| <b>Liabilities and Fund Equity</b>   |    |             |             |
| Liabilities:   |    |             |             |
| Accounts payable and other accrued liabilities                             | \$ | 18,375      | 21,897      |
| Tax credit for contribution deposits                                       |    | 69,785,960  | 42,817,918  |
| Deferred revenue   |    | 2,750,000   | 2,752,997   |
|  |    |             |             |
| Total liabilities  |    | 72,554,335  | 45,592,812  |
|  |    |             |             |
| Fund equity:   |    |             |             |
| Contributed capital  |    | 11,383,159  | 8,943,159   |
| Retained earnings  |    | 8,020,725   | 6,571,914   |
|  |    |             |             |
| Total fund equity  |    | 19,403,884  | 15,515,073  |
|  |    |             |             |
| Total liabilities and fund equity  | \$ | 91,958,219  | 61,107,885  |
|  |    |             |             |
|  |    |             |             |
| Source: Missouri Development Finance Board                                 |    |             |             |
| Combined Financial Statements and Schedules                                |    |             |             |
| June 30, 1999 and 1998   |    |             |             |
| Audited by KMPG, LLP   |    |             |             |
|  |    |             |             |
| Note: See audit report for accompanying notes to the financial statements. |    |             |             |

## Appendix B

## MISSOURI DEVELOPMENT FINANCE BOARD

## COMBINED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

|  |    | Year Ended June 30 |           |
|--|----|--------------------|-----------|
|  |    | 1999               | 1998      |
| Operating revenues:  |    |                    |           |
| Participation fees   | \$ | 894,503            | 1,302,647 |
| Interest on loans and notes receivable                                     |    | 308,915            | 565,377   |
| Rental income  |    | 32,061             | 52,568    |
| Contractual income   |    | 58,918             | 72,149    |
| Other income   |    | 174                | 88        |
|  |    |                    |           |
| Total operating revenues   |    | 1,294,571          | 1,992,829 |
|  |    |                    |           |
| Operating expenses:  |    |                    |           |
| Personnel  |    | 263,387            | 250,168   |
| Professional fees  |    | 111,893            | 38,680    |
| Travel   |    | 47,532             | 32,214    |
| Supplies and other   |    | 43,496             | 54,846    |
| Depreciation and amortization expense                                      |    | 95,292             | 74,426    |
| Bond expense   |    | -                  | 15,000    |
| Loan guarantee default   |    | 257,037            | 96,301    |
|  |    |                    |           |
| Total operating expenses   |    | 818,637            | 561,635   |
|  |    |                    |           |
| Operating income   |    | 475,934            | 1,431,194 |
|  |    |                    |           |
| Nonoperating income:   |    |                    |           |
| State appropriations for loan guarantee default                            |    | 257,037            | 96,301    |
| Interest on cash and investments   |    | 655,840            | 386,600   |
|  |    |                    |           |
| Net income   |    | 1,388,811          | 1,914,095 |
|  |    |                    |           |
| Add depreciation on contributed capital                                    |    | 60,000             | 60,000    |
|  |    |                    |           |
| Increase in retained earnings  |    | 1,448,811          | 1,974,095 |
|  |    |                    |           |
| Retained earnings, beginning of year                                       |    | 6,575,914          | 4,601,819 |
| Retained earnings, end of year   | \$ | 8,024,725          | 6,575,914 |
|  |    |                    |           |
| Source: Missouri Development Finance Board                                 |    |                    |           |
| Combined Financial Statements and Schedules                                |    |                    |           |
| June 30, 1999 and 1998   |    |                    |           |
| Audited by KMPG, LLP   |    |                    |           |
|  |    |                    |           |
| Note: See audit report for accompanying notes to the financial statements. |    |                    |           |



NEW MADRID COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-72  
August 1, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like New Madrid, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of New Madrid County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

- The Health Center did not bid the purchase of food and supplies during 1998. Therefore the audit questioned costs of \$183,600 which is the federal share of the food and supplies purchased for the Summer Food program during 1998.
- As similarly noted in a prior audit, the county procured bridge replacement engineering services during the audit period without documentation of consideration of other firms. The County Clerk indicated this firm was chosen because of the county's prior experience with the firm on other projects. As a result, the audit report questioned costs of \$37,759 which is the federal share of engineering costs paid during 1999.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

# NEW MADRID COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of New Madrid County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of New Madrid County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

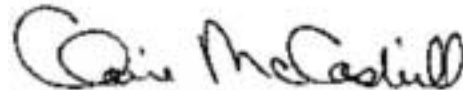
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of New Madrid county, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of New Madrid County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of New Madrid County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended

December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 24, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Debra S. Lewis, CPA   |
| In-Charge Auditor:  | Douglas E. Brewer     |
| Audit Staff:        | Scott L. Fontana      |
|                     | Tirennia C. Miller    |
|                     | Carl E. Zilch, Jr.    |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of New Madrid County, Missouri

We have audited the special-purpose financial statements of various funds of New Madrid County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

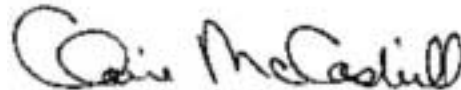
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of New Madrid County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of New Madrid County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of New Madrid County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

NEW MADRID COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                             | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|----------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                  | \$ 1,830,572       | 2,747,734 | 2,460,214     | 2,118,092            |
| Special Road and Bridge          | 1,349,629          | 2,084,933 | 1,986,311     | 1,448,251            |
| Assessment                       | 13,057             | 265,668   | 273,990       | 4,735                |
| Law Enforcement Training         | 7,530              | 5,905     | 3,144         | 10,291               |
| Prosecuting Attorney Training    | 303                | 1,479     | 1,098         | 684                  |
| Johnson Grass                    | 56,498             | 39,288    | 28,523        | 67,263               |
| Senate Bill 40 Board             | 109,681            | 76,272    | 69,440        | 116,513              |
| Recorder's User Fee              | 9,093              | 7,482     | 10,079        | 6,496                |
| Prosecuting Attorney Bad Check   | 3,675              | 15,905    | 15,000        | 4,580                |
| Criminal Investigation           | 109,091            | 24,296    | 37,027        | 96,360               |
| Domestic Violence                | 0                  | 715       | 715           | 0                    |
| Jail Bond                        | 27,514             | 111       | 27,625        | 0                    |
| 911 Emergency                    | 76,706             | 140,919   | 154,862       | 62,763               |
| Peace Officer Standards Training | 0                  | 3,041     | 3,041         | 0                    |
| Health Center                    | 576,431            | 1,162,982 | 1,269,947     | 469,466              |
| Total                            | \$ 4,169,780       | 6,576,730 | 6,341,016     | 4,405,494            |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit A-2

NEW MADRID COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 1,827,898       | 2,518,279 | 2,515,605     | 1,830,572            |
| Special Road and Bridge             | 1,194,462          | 1,916,646 | 1,761,479     | 1,349,629            |
| Assessment                          | 25,892             | 244,398   | 257,233       | 13,057               |
| Law Enforcement Training            | 1,448              | 9,871     | 3,789         | 7,530                |
| Prosecuting Attorney Training       | (131)              | 1,646     | 1,212         | 303                  |
| Johnson Grass                       | 47,992             | 38,420    | 29,914        | 56,498               |
| Senate Bill 40 Board                | 100,317            | 73,156    | 63,792        | 109,681              |
| Recorder's User Fee                 | 19,254             | 7,408     | 17,569        | 9,093                |
| Prosecuting Attorney Delinquent Tax | 617                | 747       | 1,364         | 0                    |
| Prosecuting Attorney Bad Check      | 3,290              | 15,385    | 15,000        | 3,675                |
| Criminal Investigation              | 76,678             | 71,769    | 39,356        | 109,091              |
| Domestic Violence                   | 1,010              | 785       | 1,795         | 0                    |
| Jail Bond                           | 27,568             | 31,334    | 31,388        | 27,514               |
| Local Use Tax                       | 77,272             | 0         | 77,272        | 0                    |
| 911 Emergency                       | 58,400             | 399,376   | 381,070       | 76,706               |
| Peace Officer Standards Training    | 3,271              | 3,079     | 6,350         | 0                    |
| Health Center                       | 528,334            | 1,236,634 | 1,188,537     | 576,431              |
| Total                               | \$ 3,993,572       | 6,568,933 | 6,392,725     | 4,169,780            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 618,500              | 644,595   | 26,095                                 | 506,300   | 559,975   | 53,675                                 |
| Sales taxes                         | 850,000                 | 902,961   | 52,961                                 | 897,000   | 857,028   | (39,972)                               |
| Intergovernmental                   | 535,268                 | 591,893   | 56,625                                 | 486,818   | 514,016   | 27,198                                 |
| Charges for services                | 347,100                 | 377,456   | 30,356                                 | 311,900   | 358,689   | 46,789                                 |
| Interest                            | 108,071                 | 108,987   | 916                                    | 103,192   | 104,049   | 857                                    |
| Other                               | 22,175                  | 71,883    | 49,708                                 | 28,000    | 27,827    | (173)                                  |
| Transfers in                        | 49,528                  | 49,959    | 431                                    | 105,000   | 96,695    | (8,305)                                |
| Total Receipts                      | 2,530,642               | 2,747,734 | 217,092                                | 2,438,210 | 2,518,279 | 80,069                                 |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 97,100                  | 94,710    | 2,390                                  | 72,000    | 69,695    | 2,305                                  |
| County Clerk                        | 118,300                 | 111,329   | 6,971                                  | 106,000   | 98,483    | 7,517                                  |
| Elections                           | 39,700                  | 25,281    | 14,419                                 | 93,200    | 78,906    | 14,294                                 |
| Buildings and grounds               | 192,775                 | 123,455   | 69,320                                 | 239,000   | 239,743   | (743)                                  |
| Employee fringe benefits            | 369,200                 | 354,062   | 15,138                                 | 329,000   | 322,122   | 6,878                                  |
| County Treasurer                    | 34,600                  | 34,497    | 103                                    | 24,690    | 24,233    | 457                                    |
| County Collector                    | 88,418                  | 92,821    | (4,403)                                | 75,750    | 67,735    | 8,015                                  |
| Ex Officio Recorder of Deeds        | 102,184                 | 91,340    | 10,844                                 | 88,165    | 78,151    | 10,014                                 |
| Circuit Clerk                       | 29,600                  | 25,730    | 3,870                                  | 26,000    | 23,281    | 2,719                                  |
| Associate Circuit Court             | 54,450                  | 23,944    | 30,506                                 | 47,450    | 20,322    | 27,128                                 |
| Auditor                             | 0                       | 16,482    | (16,482)                               | 0         | 0         | 0                                      |
| Court administration                | 26,000                  | 29,122    | (3,122)                                | 38,500    | 22,838    | 15,662                                 |
| Public Administrator                | 25,300                  | 21,238    | 4,062                                  | 16,290    | 16,415    | (125)                                  |
| Sheriff                             | 429,136                 | 429,063   | 73                                     | 570,590   | 552,530   | 18,060                                 |
| Jail                                | 358,952                 | 308,398   | 50,554                                 | 328,433   | 312,785   | 15,648                                 |
| Prosecuting Attorney                | 189,708                 | 177,447   | 12,261                                 | 164,880   | 161,399   | 3,481                                  |
| Juvenile Officer                    | 42,240                  | 33,361    | 8,879                                  | 52,096    | 50,744    | 1,352                                  |
| County Coroner                      | 32,470                  | 19,525    | 12,945                                 | 27,770    | 25,550    | 2,220                                  |
| Public health and welfare services  | 3,500                   | 635       | 2,865                                  | 3,500     | 1,216     | 2,284                                  |
| Other                               | 467,968                 | 397,774   | 70,194                                 | 352,877   | 309,457   | 43,420                                 |
| Transfers out                       | 160,000                 | 50,000    | 110,000                                | 60,000    | 40,000    | 20,000                                 |
| Emergency Fund                      | 80,000                  | 0         | 80,000                                 | 80,000    | 0         | 80,000                                 |
| Total Disbursements                 | 2,941,601               | 2,460,214 | 481,387                                | 2,796,191 | 2,515,605 | 280,586                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (410,959)               | 287,520   | 698,479                                | (357,981) | 2,674     | 360,655                                |
| CASH, JANUARY 1                     | 1,830,572               | 1,830,572 | 0                                      | 1,827,898 | 1,827,898 | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,419,613            | 2,118,092 | 698,479                                | 1,469,917 | 1,830,572 | 360,655                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 818,700              | 841,576   | 22,876                                 | 769,000   | 788,349   | 19,349                                 |
| Intergovernmental                     | 1,408,200               | 1,153,047 | (255,153)                              | 1,264,897 | 1,028,896 | (236,001)                              |
| Interest                              | 88,322                  | 88,346    | 24                                     | 84,171    | 85,401    | 1,230                                  |
| Other                                 | 0                       | 1,964     | 1,964                                  | 0         | 14,000    | 14,000                                 |
| Total Receipts                        | 2,315,222               | 2,084,933 | (230,289)                              | 2,118,068 | 1,916,646 | (201,422)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 690,000                 | 678,518   | 11,482                                 | 657,000   | 637,375   | 19,625                                 |
| Employee fringe benefits              | 247,990                 | 232,668   | 15,322                                 | 232,950   | 225,138   | 7,812                                  |
| Supplies                              | 16,500                  | 14,843    | 1,657                                  | 19,000    | 16,868    | 2,132                                  |
| Insurance                             | 2,000                   | 0         | 2,000                                  | 2,000     | 521       | 1,479                                  |
| Road and bridge materials             | 436,000                 | 222,407   | 213,593                                | 417,500   | 298,427   | 119,073                                |
| Equipment repairs                     | 231,500                 | 215,615   | 15,885                                 | 226,500   | 218,615   | 7,885                                  |
| Rentals                               | 10,000                  | 6,909     | 3,091                                  | 10,000    | 8,217     | 1,783                                  |
| Equipment purchases                   | 228,203                 | 205,456   | 22,747                                 | 135,000   | 153,331   | (18,331)                               |
| Construction, repair, and maintenance | 614,000                 | 248,585   | 365,415                                | 418,000   | 30,325    | 387,675                                |
| Other                                 | 199,000                 | 161,310   | 37,690                                 | 194,000   | 172,662   | 21,338                                 |
| Total Disbursements                   | 2,675,193               | 1,986,311 | 688,882                                | 2,311,950 | 1,761,479 | 550,471                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (359,971)               | 98,622    | 458,593                                | (193,882) | 155,167   | 349,049                                |
| CASH, JANUARY 1                       | 1,349,629               | 1,349,629 | 0                                      | 1,194,462 | 1,194,462 | 0                                      |
| CASH, DECEMBER 31                     | \$ 989,658              | 1,448,251 | 458,593                                | 1,000,580 | 1,349,629 | 349,049                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |          |          |  |
|-------------------------------------|------------|---------|--|----------|----------|--|
| 1999                                |            |         | 1998                                   |          |          |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |          |  |
| Intergovernmental                   | \$ 207,219 | 212,535 | 5,316                                  | 198,219  | 201,384  | 3,165                                  |
| Interest                            | 2,280      | 2,454   | 174                                    | 2,837    | 3,014    | 177                                    |
| Other                               | 0          | 679     | 679                                    | 200      | 0        | (200)                                  |
| Transfers in                        | 160,000    | 50,000  | (110,000)                              | 60,000   | 40,000   | (20,000)                               |
| Total Receipts                      | 369,499    | 265,668 | (103,831)                              | 261,256  | 244,398  | (16,858)                               |
| DISBURSEMENTS                       |            |         |  |          |          |  |
| Assessor                            | 381,254    | 273,990 | 107,264                                | 282,820  | 257,233  | 25,587                                 |
| Total Disbursements                 | 381,254    | 273,990 | 107,264                                | 282,820  | 257,233  | 25,587                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (11,755)   | (8,322) | 3,433                                  | (21,564) | (12,835) | 8,729                                  |
| CASH, JANUARY 1                     | 13,057     | 13,057  | 0                                      | 25,892   | 25,892   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,302   | 4,735   | 3,433                                  | 4,328    | 13,057   | 8,729                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit E

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 6,000                   | 5,905  | (95)                                   | 5,200  | 6,600  | 1,400                                  |
| Transfer In                         |    | 0                       | 0      | 0                                      | 0      | 3,271  | 3,271                                  |
| Total Receipts                      |    | 6,000                   | 5,905  | (95)                                   | 5,200  | 9,871  | 4,671                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Sheriff                             |    | 11,000                  | 3,144  | 7,856                                  | 6,000  | 3,789  | 2,211                                  |
| Total Disbursements                 |    | 11,000                  | 3,144  | 7,856                                  | 6,000  | 3,789  | 2,211                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (5,000)                 | 2,761  | 7,761                                  | (800)  | 6,082  | 6,882                                  |
| CASH, JANUARY 1                     |    | 7,530                   | 7,530  | 0                                      | 1,448  | 1,448  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 2,530                   | 10,291 | 7,761                                  | 648    | 7,530  | 6,882                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 1,500                   | 1,479  | (21)                                   | 2,000  | 1,646  | (354)                                  |
| Total Receipts                      |    | 1,500                   | 1,479  | (21)                                   | 2,000  | 1,646  | (354)                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 1,500                   | 1,098  | 402                                    | 1,400  | 1,212  | 188                                    |
| Total Disbursements                 |    | 1,500                   | 1,098  | 402                                    | 1,400  | 1,212  | 188                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |                         |        |  |        |        |  |
|                                     |    | 0                       | 381    | 381                                    | 600    | 434    | (166)                                  |
| CASH, JANUARY 1                     |    | 303                     | 303    | 0                                      | (131)  | (131)  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 303                     | 684    | 381                                    | 469    | 303    | (166)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 JOHNSON GRASS FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Property taxes                      | \$ 34,500 | 35,455 | 955                                    | 33,780 | 34,491 | 711                                    |
| Intergovernmental                   | 215       | 215    | 0                                      | 190    | 218    | 28                                     |
| Interest                            | 3,618     | 3,618  | 0                                      | 3,710  | 3,711  | 1                                      |
| Total Receipts                      | 38,333    | 39,288 | 955                                    | 37,680 | 38,420 | 740                                    |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Salaries                            | 24,350    | 23,623 | 727                                    | 23,525 | 22,826 | 699                                    |
| Equipment                           | 1,500     | 494    | 1,006                                  | 1,500  | 976    | 524                                    |
| Other                               | 10,000    | 4,406  | 5,594                                  | 10,000 | 6,112  | 3,888                                  |
| Total Disbursements                 | 35,850    | 28,523 | 7,327                                  | 35,025 | 29,914 | 5,111                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,483     | 10,765 | 8,282                                  | 2,655  | 8,506  | 5,851                                  |
| CASH, JANUARY 1                     | 56,498    | 56,498 | 0                                      | 47,992 | 47,992 | 0                                      |
| CASH, DECEMBER 31                   | \$ 58,981 | 67,263 | 8,282                                  | 50,647 | 56,498 | 5,851                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENATE BILL 40 BOARD FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Property taxes                      | \$ 67,500               | 68,246  | 746                                    | 65,310   | 66,340  | 1,030                                  |
| Intergovernmental                   | 450                     | 430     | (20)                                   | 375      | 435     | 60                                     |
| Interest                            | 7,196                   | 7,196   | 0                                      | 6,381    | 6,381   | 0                                      |
| Other                               | 0                       | 400     | 400                                    | 0        | 0       | 0                                      |
| Total Receipts                      | 75,146                  | 76,272  | 1,126                                  | 72,066   | 73,156  | 1,090                                  |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Programs                            | 65,500                  | 49,825  | 15,675                                 | 58,500   | 42,760  | 15,740                                 |
| Office expenditures                 | 300                     | 24      | 276                                    | 300      | 0       | 300                                    |
| Insurance                           | 1,500                   | 900     | 600                                    | 1,500    | 900     | 600                                    |
| Mileage and training                | 1,000                   | 0       | 1,000                                  | 1,000    | 0       | 1,000                                  |
| Other                               | 32,100                  | 18,691  | 13,409                                 | 30,400   | 20,132  | 10,268                                 |
| Total Disbursements                 | 100,400                 | 69,440  | 30,960                                 | 91,700   | 63,792  | 27,908                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (25,254)                | 6,832   | 32,086                                 | (19,634) | 9,364   | 28,998                                 |
| CASH, JANUARY 1                     | 109,681                 | 109,681 | 0                                      | 100,317  | 100,317 | 0                                      |
| CASH, DECEMBER 31                   | \$ 84,427               | 116,513 | 32,086                                 | 80,683   | 109,681 | 28,998                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit I

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |          |         |  |          |          |  |
|-------------------------------------|----------|---------|--|----------|----------|--|
| 1999                                |          |         | 1998                                   |          |          |  |
|                                     | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |         |  |          |          |  |
| Charges for services                | \$ 7,000 | 7,482   | 482                                    | 7,000    | 7,408    | 408                                    |
| Total Receipts                      | 7,000    | 7,482   | 482                                    | 7,000    | 7,408    | 408                                    |
| DISBURSEMENTS                       |          |         |  |          |          |  |
| Salaries                            | 450      | 0       | 450                                    | 0        | 500      | (500)                                  |
| Office expenditures                 | 10,200   | 10,079  | 121                                    | 13,100   | 12,812   | 288                                    |
| Equipment                           | 200      | 0       | 200                                    | 5,000    | 4,257    | 743                                    |
| Total Disbursements                 | 10,850   | 10,079  | 771                                    | 18,100   | 17,569   | 531                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,850)  | (2,597) | 1,253                                  | (11,100) | (10,161) | 939                                    |
| CASH, JANUARY 1                     | 9,093    | 9,093   | 0                                      | 19,254   | 19,254   | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,243 | 6,496   | 1,253                                  | 8,154    | 9,093    | 939                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1998                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Intergovernmental                   | \$ 2,300 | 660    | (1,640)                                |
| Interest                            | 0        | 87     | 87                                     |
| Other                               | 200      | 0      | (200)                                  |
| Total Receipts                      | 2,500    | 747    | (1,753)                                |
| DISBURSEMENTS                       |          |        |  |
| Transfers Out                       | 2,000    | 1,364  | 636                                    |
| Total Disbursements                 | 2,000    | 1,364  | 636                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 500      | (617)  | (1,117)                                |
| CASH, JANUARY 1                     | 617      | 617    | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,117 | 0      | (1,117)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |                            |        |        |                            |
|-------------------------------------|----|-------------------------|--------|----------------------------|--------|--------|----------------------------|
|                                     |    | 1999                    |        |                            | 1998   |        |                            |
|                                     |    |                         |        | Variance                   |        |        | Variance                   |
|                                     |    | Budget                  | Actual | Favorable<br>(Unfavorable) | Budget | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |                            |        |        |                            |
| Charges for services                | \$ | 15,000                  | 15,905 | 905                        | 15,000 | 15,385 | 385                        |
| Total Receipts                      |    | 15,000                  | 15,905 | 905                        | 15,000 | 15,385 | 385                        |
| DISBURSEMENTS                       |    |                         |        |                            |        |        |                            |
| Transfers Out                       |    | 15,000                  | 15,000 | 0                          | 15,000 | 15,000 | 0                          |
| Total Disbursements                 |    | 15,000                  | 15,000 | 0                          | 15,000 | 15,000 | 0                          |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | 905    | 905                        | 0      | 385    | 385                        |
| CASH, JANUARY 1                     |    | 3,675                   | 3,675  | 0                          | 3,290  | 3,290  | 0                          |
| CASH, DECEMBER 31                   |    | \$ 3,675                | 4,580  | 905                        | 3,290  | 3,675  | 385                        |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit L

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CRIMINAL INVESTIGATION FUND

| Year Ended December 31,             |            |          |  |        |         |  |
|-------------------------------------|------------|----------|--|--------|---------|--|
| 1999                                |            |          | 1998                                   |        |         |  |
|                                     | Budget     | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |          |  |        |         |  |
| Charges for services                | \$ 50,000  | 17,296   | (32,704)                               | 45,000 | 62,725  | 17,725                                 |
| Intergovernmental                   | 0          | 0        | 0                                      | 0      | 9,000   | 9,000                                  |
| Interest                            | 40         | 0        | (40)                                   | 0      | 44      | 44                                     |
| Other                               | 0          | 7,000    | 7,000                                  | 6,000  | 0       | (6,000)                                |
| Total Receipts                      | 50,040     | 24,296   | (25,744)                               | 51,000 | 71,769  | 20,769                                 |
| DISBURSEMENTS                       |            |          |  |        |         |  |
| Office expenditures                 | 8,300      | 4,881    | 3,419                                  | 6,800  | 3,269   | 3,531                                  |
| Equipment                           | 19,000     | 7,972    | 11,028                                 | 19,000 | 10,991  | 8,009                                  |
| Mileage and training                | 4,500      | 2,962    | 1,538                                  | 3,500  | 6,607   | (3,107)                                |
| Other                               | 14,200     | 13,878   | 322                                    | 10,000 | 15,430  | (5,430)                                |
| Transfers out                       | 10,000     | 7,334    | 2,666                                  | 10,000 | 3,059   | 6,941                                  |
| Total Disbursements                 | 56,000     | 37,027   | 18,973                                 | 49,300 | 39,356  | 9,944                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (5,960)    | (12,731) | (6,771)                                | 1,700  | 32,413  | 30,713                                 |
| CASH, JANUARY 1                     | 109,091    | 109,091  | 0                                      | 76,678 | 76,678  | 0                                      |
| CASH, DECEMBER 31                   | \$ 103,131 | 96,360   | (6,771)                                | 78,378 | 109,091 | 30,713                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |        |               |         |         |               |  |
|-------------------------------------|--------|---------------|---------|---------|---------------|--|
| 1999                                |        |               | 1998    |         |               |  |
|                                     |        | Variance      |         |         | Variance      |  |
|                                     |        | Favorable     |         |         | Favorable     |  |
|                                     |        | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |        |               |         |         |               |  |
| Charges for services                | \$ 700 | 715           | 700     | 785     | 85            |  |
| Total Receipts                      | 700    | 715           | 700     | 785     | 85            |  |
| DISBURSEMENTS                       |        |               |         |         |               |  |
| Contract services                   | 700    | 715           | 1,710   | 1,795   | (85)          |  |
| Total Disbursements                 | 700    | 715           | 1,710   | 1,795   | (85)          |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 0             | (1,010) | (1,010) | 0             |  |
| CASH, JANUARY 1                     | 0      | 0             | 1,010   | 1,010   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0   | 0             | 0       | 0       | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
JAIL BOND FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1998                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Property taxes                      | \$ 4,500 | 30,460 | 25,960                                 |
| Intergovernmental                   | 235      | 26     | (209)                                  |
| Interest                            | 700      | 848    | 148                                    |
| Total Receipts                      | 5,435    | 31,334 | 25,899                                 |
| DISBURSEMENTS                       |          |        |  |
| Bond principal                      | 30,000   | 30,000 | 0                                      |
| Bond interest                       | 1,388    | 1,388  | 0                                      |
| Total Disbursements                 | 31,388   | 31,388 | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (25,953) | (54)   | 25,899                                 |
| CASH, JANUARY 1                     | 27,568   | 27,568 | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,615 | 27,514 | 25,899                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL USE TAX FUND

| Year Ended December 31,             |          |          |  |
|-------------------------------------|----------|----------|--|
| 1998                                |          |          |  |
|                                     | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |          |  |
| Total Receipts                      | \$ 0     | 0        | 0                                      |
| DISBURSEMENTS                       |          |          |  |
| Transfers out                       | 77,272   | 77,272   | 0                                      |
| Total Disbursements                 | 77,272   | 77,272   | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (77,272) | (77,272) | 0                                      |
| CASH, JANUARY 1                     | 77,272   | 77,272   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 0        | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 911 EMERGENCY FUND

|                                     | Year Ended December 31, |          |  |         |         |  |
|-------------------------------------|-------------------------|----------|--|---------|---------|--|
|                                     | 1999                    |          |  | 1998    |         |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |         |         |  |
| Intergovernmental                   | \$ 15,000               | 0        | (15,000)                               | 265,000 | 261,693 | (3,307)                                |
| Charges for services                | 135,000                 | 137,536  | 2,536                                  | 137,000 | 135,273 | (1,727)                                |
| Interest                            | 3,383                   | 3,383    | 0                                      | 2,410   | 2,410   | 0                                      |
| Total Receipts                      | 153,383                 | 140,919  | (12,464)                               | 404,410 | 399,376 | (5,034)                                |
| DISBURSEMENTS                       |                         |          |  |         |         |  |
| Salaries                            | 87,900                  | 89,767   | (1,867)                                | 92,400  | 90,077  | 2,323                                  |
| Employee fringe benefits            | 24,900                  | 21,984   | 2,916                                  | 22,840  | 20,986  | 1,854                                  |
| Office expenditures                 | 35,000                  | 35,677   | (677)                                  | 36,200  | 34,661  | 1,539                                  |
| Equipment                           | 1,800                   | 2,848    | (1,048)                                | 239,100 | 232,402 | 6,698                                  |
| Mileage and training                | 1,000                   | 791      | 209                                    | 1,200   | 572     | 628                                    |
| Other                               | 3,000                   | 3,795    | (795)                                  | 12,900  | 2,372   | 10,528                                 |
| Total Disbursements                 | 153,600                 | 154,862  | (1,262)                                | 404,640 | 381,070 | 23,570                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (217)                   | (13,943) | (13,726)                               | (230)   | 18,306  | 18,536                                 |
| CASH, JANUARY 1                     | 76,706                  | 76,706   | 0                                      | 58,400  | 58,400  | 0                                      |
| CASH, DECEMBER 31                   | \$ 76,489               | 62,763   | (13,726)                               | 58,170  | 76,706  | 18,536                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit Q

NEW MADRID COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PEACE OFFICER STANDARDS TRAINING FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Intergovernmental                   | \$ 3,000 | 3,041         | 2,600   | 3,079   | 479           |  |
| Total Receipts                      | 3,000    | 3,041         | 2,600   | 3,079   | 479           |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Mileage and training                | 3,000    | 3,041         | 5,871   | 3,079   | 2,792         |  |
| Transfers out                       | 0        | 0             | 0       | 3,271   | (3,271)       |  |
| Total Disbursements                 | 3,000    | 3,041         | 5,871   | 6,350   | (479)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 0             | (3,271) | (3,271) | 0             |  |
| CASH, JANUARY 1                     | 0        | 0             | 3,271   | 3,271   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 0             | 0       | 0       | 0             |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

NEW MADRID COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 311,800              | 315,626   | 3,826                                  | 303,000   | 305,586   | 2,586                                  |
| Intergovernmental                     | 862,500                 | 777,933   | (84,567)                               | 841,125   | 866,935   | 25,810                                 |
| Charges for services                  | 16,800                  | 22,869    | 6,069                                  | 20,000    | 18,641    | (1,359)                                |
| Interest                              | 30,000                  | 29,353    | (647)                                  | 25,000    | 30,629    | 5,629                                  |
| Other                                 | 20,100                  | 17,201    | (2,899)                                | 19,100    | 14,843    | (4,257)                                |
| Total Receipts                        | 1,241,200               | 1,162,982 | (78,218)                               | 1,208,225 | 1,236,634 | 28,409                                 |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 522,200                 | 504,591   | 17,609                                 | 489,500   | 475,062   | 14,438                                 |
| Office expenditures                   | 115,500                 | 87,240    | 28,260                                 | 98,500    | 118,012   | (19,512)                               |
| Equipment                             | 44,800                  | 34,440    | 10,360                                 | 24,000    | 43,286    | (19,286)                               |
| Mileage and training                  | 22,000                  | 18,177    | 3,823                                  | 25,500    | 19,593    | 5,907                                  |
| Professional services                 | 35,000                  | 74,933    | (39,933)                               | 45,000    | 30,444    | 14,556                                 |
| Building lease interest and principal | 83,000                  | 81,423    | 1,577                                  | 85,000    | 79,468    | 5,532                                  |
| New building land and parking lot     | 40,000                  | 68,784    | (28,784)                               | 82,000    | 34,355    | 47,645                                 |
| School health grant                   | 40,000                  | 32,030    | 7,970                                  | 350,000   | 344,531   | 5,469                                  |
| Summer food program                   | 345,000                 | 317,301   | 27,699                                 | 3,000     | 0         | 3,000                                  |
| Other                                 | 81,050                  | 51,028    | 30,022                                 | 36,900    | 43,786    | (6,886)                                |
| Total Disbursements                   | 1,328,550               | 1,269,947 | 58,603                                 | 1,239,400 | 1,188,537 | 50,863                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (87,350)                | (106,965) | (19,615)                               | (31,175)  | 48,097    | 79,272                                 |
| CASH, JANUARY 1                       | 576,431                 | 576,431   | 0                                      | 528,334   | 528,334   | 0                                      |
| CASH, DECEMBER 31                     | \$ 489,081              | 469,466   | (19,615)                               | 497,159   | 576,431   | 79,272                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

NEW MADRID COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of New Madrid County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Jail Bond Fund for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                           | <u>Years Ended December 31,</u> |
|---------------------------------------|---------------------------------|
| Domestic Violence Fund                | 1999 and 1998                   |
| 911 Emergency Fund                    | 1999                            |
| Peace Officer Standards Training Fund | 1999 and 1998                   |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1999 and 1998, did not include the Health Center Fund.

#### 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

#### Deposits

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

At December 31, 1999, the reported amount of the county's deposits was \$4,549,871 and the bank balance was \$4,712,562. The bank balance was entirely covered by federal depository insurance, collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a surety bond.

At December 31, 1998, the reported amount of the county's deposits was \$8,164,188 and the bank balance was \$8,321,439. The bank balance was entirely covered by federal depositary insurance or collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or collateral securities held by the health center's custodial bank in the health center's name.

### Investments

The only investments of the various funds at December 31, 1999 and 1998, were U.S. Treasury bills with a reported amount of \$3,600,000 and \$2,100,000, respectively (which approximated fair value).

These investments were held by the Federal Reserve Bank in the county's name.

## Supplementary Schedule

## Schedule

NEW MADRID COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--|--|---|-------------------------|---------|
|  |  |   | Year Ended December 31, |         |
|  |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                          |  |   |                         |         |
| Passed through state:                                    |  |   |                         |         |
| Department of Social Services -                          |  |   |                         |         |
| 10.550   | Food Distribution  | N/A   | \$ 780                  | 787     |
| Department of Health -                                   |  |   |                         |         |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ERO045-9172                                     | 72,722                  | 83,815  |
| 10.559   | Summer Food Service Program for Children                                   | ERO046-92-059                                   | 317,301                 | 0       |
|  |  | ERO046-82-048                                   | 0                       | 344,531 |
|  | Program Total  |   | 317,301                 | 344,531 |
| U.S. DEPARTMENT OF DEFENSE                               |  |   |                         |         |
| Passed through state Department of Public Safety-        |  |   |                         |         |
| 12.unknown   | Surplus Property   | N/A   | 0                       | 11,473  |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT      |  |   |                         |         |
| Passed through state Department of Economic Development- |  |   |                         |         |
| 14.228   | Community Development Block Grant/State's Program                          | 94-PF-30  | 0                       | 12,045  |
| U.S. DEPARTMENT OF JUSTICE                               |  |   |                         |         |
| Direct programs-   |  |   |                         |         |
| 16.710   | Public Safety Partnership and Community Policing Grants                    | N/A   | 10,237                  | 4,147   |
| Passed through:  |  |   |                         |         |
| State Department of Public Safety -                      |  |   |                         |         |
| 16.579   | Byrne Formula Grant Program  | 98NCDDI-015                                     | 16,548                  | 7,586   |
| 16.592   | Local Law Enforcement Block Grants Program                                 | N/A   | 0                       | 9,000   |
| Missouri Sheriffs' Association -                         |  |   |                         |         |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 1,084                   | 879     |



## Schedule

NEW MADRID COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title  | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|---|---|---|-------------------------|--------|
|   |   |   | Year Ended December 31, |        |
|   |   |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF TRANSPORTATION            |   |   |                         |        |
|   | Passed through state Highway and Transportation Commission-   |   |                         |        |
| 20.205  | Highway Planning and Construction   | BRO-072 (33)                                    | 199,772                 | 0      |
| GENERAL SERVICES ADMINISTRATION               |   |   |                         |        |
|   | Passed through state Office of Administration -   |   |                         |        |
| 39.003  | Donation of Federal Surplus Personal Property   | N/A   | 0                       | 53,200 |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |   |                         |        |
|   | Direct program -  |   |                         |        |
| 93.268  | Immunization Grants   | N/A   | 1,406                   | 688    |
|   | Passed through Southeast Area Agency on Aging -   |   |                         |        |
| 93.043  | Special Programs for the Aging Title III, Part F - Disease Prevention and Health Promotion Services   | N/A   | 2,975                   | 3,012  |
|   | Passed through state:   |   |                         |        |
|   | Department of Health -  |   |                         |        |
| 93.197  | Childhood Lead Poisoning Prevention Program - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ERO146-0172CLPP                                 | 503                     | 126    |
| 93.268  | Immunization Grants   | PG0064-9172IAP                                  | 3,135                   | 5,495  |
|   |   | N/A   | 19,827                  | 13,977 |
|   | Program Total   |   | 22,962                  | 19,472 |
|   | Department of Social Services -   |   |                         |        |
| 93.563  | Child Support Enforcement   | N/A   | 32,232                  | 27,417 |
|   | Department of Health -  |   |                         |        |
| 93.575  | Child Care and Development Block Grant  | PGA067-0172C                                    | 990                     | 1,240  |
|   |   | PG067-9172                                      | 2,165                   | 3,230  |
|   | Program Total   |   | 3,155                   | 4,470  |

## Schedule

NEW MADRID COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---------------------------|--|---|-------------------------|---------|
|                           |  |   | Year Ended December 31, |         |
|                           |  |   | 1999                    | 1998    |
|                           | Department of Social Services -  |   |                         |         |
| 93.667                    | Social Services Block Grant  |   |                         |         |
|                           |  | ERO0172115                                      | 17,895                  | 18,384  |
|                           |  | ERO0172116                                      | 21,571                  | 18,500  |
|                           | Program Total  |   | 39,466                  | 36,884  |
|                           | Department of Health-  |   |                         |         |
| 93.919                    | Cooperative Agreements for State-Based<br>Comprehensive Breast and Cervical Cancer<br>Early Detection Programs | ERO161-90063                                    | 9,621                   | 11,636  |
| 93.991                    | Preventive Health and Health Services Block Grant  | N/A   | 236                     | 363     |
| 93.994                    | Maternal and Child Health Services   | ERO146-9172MCH                                  | 24,118                  | 14,246  |
|                           | Block Grant to the States  | AOC9000018                                      | 0                       | 9,902   |
|                           |  | ADC9000064                                      | 14,393                  | 20,535  |
|                           |  | ERO146-8009-8172PSI                             | 0                       | 3,272   |
|                           |  | ERO175-9172FP                                   | 13,611                  | 13,734  |
|                           |  | N/A   | 1,180                   | 1,271   |
|                           | Program Total  |   | 53,302                  | 62,960  |
|                           | Total Expenditures of Federal Awards   | \$  | 784,302                 | 694,491 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

NEW MADRID COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by New Madrid County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Distribution (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of

receipt. The amount for Surplus Property (CFDA number 12.unknown) represents the military acquisition costs provided by the state Department of Public Safety.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$21,233 and \$14,665 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$236 and \$363 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,180 and \$1,271 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$12,045 to a subrecipient under the Community Development Block Grant/State's Program (CFDA number 14.228) during the year ended December 31, 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of New Madrid County, Missouri

Compliance

We have audited the compliance of New Madrid County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, New Madrid County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed



instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-1 and 99-2.

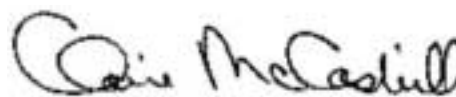
### Internal Control Over Compliance

The management of New Madrid County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of New Madrid County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

Schedule

NEW MADRID COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses?

\_\_\_\_\_ yes        x   none reported

Noncompliance material to the financial statements  
noted?

\_\_\_\_\_ yes        x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

\_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses?

  x   yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for  
major programs:

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?

  x   yes      \_\_\_\_\_ no

Identification of major programs:

CFDA or  
Other Identifying

Number

Program Title

10.559

Summer Food Service Program for Children

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes        x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

**99-1.**

### **Summer Food Program**

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Agriculture           |
| Pass-Through Grantor: | Department of Health                     |
| Federal CFDA Number:  | 10.559                                   |
| Program Title:        | Summer Food Service Program for Children |
| Pass-Through Entity   |  |
| Identifying Number:   | ERO046-92059                             |
| Award Year:           | 1998                                     |
| Questioned Costs:     | \$183,600                                |

The county contracts with the State Department of Health to provide a summer food service program for children. The Health Center did not bid the purchase of food and supplies during 1998. Therefore, we have questioned costs of \$183,600 which is the federal share of the food and supplies purchased for the Summer Food program during 1998. Bids were solicited for food and supplies during 1999.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Part I of the Compliance Supplement, requires that states, and government subrecipients of states, use the same policies and procedures used for procurements from non-federal funds. As a result, the procurement of food and supplies should comply with section 50.660, RSMo Cum. Supp. 1999, which requires bids for all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help ensure the county receives fair value by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

**WE RECOMMEND** the Health Center solicit bids for purchases in accordance with state law.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*During the year ended December 31, 1998, purchases were made by comparison shopping and questioned costs from the prior audit have been resolved with the Department of Health. Since 1999, bids have been obtained for all food and supplies, and we will continue to solicit bids for these items in the future.*

**99-2.**

**Highway Planning and Construction**

|                       |                                       |
|-----------------------|---------------------------------------|
| Federal Grantor:      | U.S. Department of Transportation     |
| Pass-Through Grantor: | Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                |
| Program Title:        | Highway Planning and Construction     |
| Pass-Through Entity   |                                       |
| Identifying Number:   | BRO-072(33)                           |
| Award Year:           | 1999                                  |
| Questioned Costs:     | \$37,759                              |

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded.

During our review, we noted the county procured bridge replacement engineering services during the audit period without documentation of consideration of other firms. The County Clerk indicated this firm was chosen because of the county's prior experience with the firm on other projects. As a result, we have questioned costs of \$37,759 which is the federal share of engineering costs paid during 1999.

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in Part I of the Compliance Supplement, requires that states, and government subrecipients of states, use the same policies and procedures used for procurements of non-federal funds. As a result, the procurement of services should comply with Sections 8.289 and 8.291, RSMo 1994, which provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

**WE RECOMMEND** the County Commission obtain information as required by law when contracting for professional services.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Clerk will implement this recommendation on our next BRO project.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

NEW MADRID COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.



Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

NEW MADRID COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

1. County Expenditures

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Transportation                        |
| Pass-Through Grantor: | Highway and Transportation Commission                    |
| Federal CFDA Number:  | 20.205   |
| Program Title:        | Off-System Bridge Replacement and Rehabilitation Program |
| Pass-Through Entity   |  |
| Identifying Number:   | BRO-072(30)(31)(32)                                      |
| Award Year:           | 1997 and 1996  |
| Questioned Costs:     | \$64,385   |

The county procured bridge replacement engineering services without documentation of consideration of other firms.

Recommendation:

Obtain information as required by law when contracting for professional services.

Status:

Not implemented. See finding number 99-2.

11. Summer Food Program

Federal Grantor: U.S. Department of Agriculture  
Pass-Through Grantor: Department of Health  
Federal CFDA Number: 10.559  
Program Title: Summer Food Service Program for Children  
Pass-Through Entity  
Identifying Number: ERO046-72046  
Award Year: 1997 and 1996  
Questioned Costs: \$421,012

- A. The New Madrid County Health Center (NMCHC) over billed the Summer Food program and received excess reimbursement.
- B. The NMCHC failed to document bids for the purchase of groceries and non-food supplies for the Summer Food program.

Recommendation:

- A. Ensure future reimbursement requests represent actual costs incurred to operate the Summer Food program.
- B. Solicit bids for purchase in accordance with Section 50.660, RSMo. Cum. Supp. 1999 as allowed by federal regulations. Documentation of bids solicited and justification for bid awards should be retained by the NMCHC. If it is not practical to obtain bids in a specific instance, or if sole procurement is necessary, the circumstances should be thoroughly documented.

Status:

- A. Implemented.
- B. Partially implemented. The NMCHC bid the purchase of food and supplies during 1999; however, no bids were solicited during 1998. The Health Center resolved questioned costs with the Department of Health. See finding number 99-1.

## SECTION ON OTHER MATTERS

NEW MADRID COUNTY, MISSOURI  
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of New Madrid County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 24, 2000. We also have audited the compliance of New Madrid County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 24, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of New Madrid County, and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards and OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Personnel Policies and Procedures

The county does not have a personnel policies and procedures manual.

2. Schedule of Federal Financial Assistance

The Schedule of Federal Awards prepared by the County Clerk contained various errors and omissions.

3. Computer Consultation

The county awarded a consulting contract to an employee of a business owned by the County Clerk without conducting a formal selection process.

4. County Disbursement Procedures

Prenumbered checks are not issued.

5. Health Center Procedures

The health center board did not require their contractor to submit change orders before additional work was performed on the construction of their building. As a result, the health center paid the contractor approximately \$16,000 in excess of the original contract for additional work performed.

This Letter on Other Matters is intended for the information of the management of New Madrid County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



*Missouri State Auditor*

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DEPARTMENT OF AGRICULTURE

STATE MILK BOARD

TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-65  
July 31, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of an audit conducted by our office of the Department of Agriculture, State Milk Board.**

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The State Milk Board is responsible for conducting the state's Grade A and manufacturing grade milk inspection programs.

The State Milk Board requires water test samples to be taken every six months for manufacturing grade plants and receiving stations and every three years for farms. During our review, we noted seven of twelve water tests for which the board had no record on file. Of the seven tests, two were from plants, one from a receiving station, and four from farms. Without the actual water test or a report regarding each entity's water test results, the board has no assurance that the tests were conducted and any violations were resolved.

The State Milk Board requires manufacturing grade farms to be inspected at least annually. Because of funding limitations, the board has arranged for manufacturing milk plant fieldmen to perform the required inspections of the producers at not cost to the state. However, the duties of the milk plant fieldmen conflict with the regulatory responsibilities imposed by the board.

Our review of the February 2000 delinquent farm inspection report indicated twenty farm inspections which were delinquent and five of the farms were delinquent more than thirteen months. According to State Milk Board management, a stop sell order is to be issued if the farm inspection is not received within thirteen months. As of March 17, 2000, four of the five farms delinquent more than thirteen months had not been issued a stop sell order.

As pointed out in previous audits, the board has not established a program which requires regular pesticide testing of raw manufacturing milk and milk products. Federal requirements include a provision which states milk containing pesticides or other chemical residues in excess of the established limits shall not be sold or offered for sale for human food.

State law requires the State Milk Board, at a minimum, to ensure compliance with the Grade A Pasteurized Milk Ordinance of the United States Public Health Services. Such regulations shall be enforced by the State Milk Board through either contractual agreements with political subdivisions of the state or employees of the board.

(over)

YELLOW SHEET

The contract between the board and the local health departments (contractors) requires the contractors to make inspection and regulatory records available. The contract does not require the contractors to submit the actual inspections or other compliance monitoring tests to the board; however, some of the inspections and other compliance monitoring tests are forwarded to the board. The State Milk Board does require contractors to submit a monthly report. These reports provide summary data of the total number of: inspections performed, on-site visits, water tests conducted and unsatisfactory results, pesticide testing and unsatisfactory results, raw milk samples and unsatisfactory results, finished product samples and unsatisfactory results. The monthly reports lack detailed information on individual plants, farms, receiving and transfer stations, and haulers. Without detailed information by entity, the State Milk Board has no assurance that inspection and compliance monitoring is being properly performed by the contractors and that adequate follow up is being performed in those cases where violations are detected.

**Note:** Milk inspection fees collected from producers are no longer sufficient to cover costs of payments to contractors who perform inspections. In addition, the local health departments received payments in excess of the amount allowed by statute. The State Milk Board could save approximately \$143,000 per year by assuming the management responsibilities of the Springfield area.



DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD

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STATE MILK BOARD

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Honorable Mel Carnahan, Governor  
and  
John Saunders, Director  
Department of Agriculture  
and  
Terry S. Long, Executive Secretary  
State Milk Board  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the State Milk Board as of and for the years ended June 30, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the Milk Inspection Fees Fund; receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the State Milk Board and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the board.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Milk Inspection Fees Fund; receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the State Milk Board as of and for the years ended June 30, 1999 and 1998, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 7, 2000, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

February 7, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Regina Pruitt, CPA     |
| In-Charge Auditor:  | Lonnie Breeding, III   |
| Audit Staff:        | Gabriel Rackers        |



**CLAIRE C. McCASKILL**  
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor  
and  
John Saunders, Director  
Department of Agriculture  
and  
Terry S. Long, Executive Secretary  
State Milk Board  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the State Milk Board as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated February 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the State Milk Board are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the State Milk Board, we considered the board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial

statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the State Milk Board and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

February 7, 2000 (fieldwork completion date)



## Financial Statements

Exhibit A

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND INVESTMENTS - MILK INSPECTION FEES FUND

|                                     | Year Ended June 30, |           |
|-------------------------------------|---------------------|-----------|
|                                     | 1999                | 1998      |
| RECEIPTS:                           |                     |           |
| Milk inspection fees                | \$ 1,427,041        | 1,390,581 |
| DISBURSEMENTS:                      |                     |           |
| Personal service                    | 95,552              | 95,635    |
| Employee fringe benefits            | 25,284              | 25,374    |
| Expense and equipment               | 40,568              | 43,532    |
| Inspection contract costs           | 1,194,009           | 1,234,416 |
| Total Disbursements                 | 1,355,413           | 1,398,957 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 71,628              | -8,376    |
| CASH AND INVESTMENTS, JULY 1        | 201,488             | 209,864   |
| CASH AND INVESTMENTS, JUNE 30       | \$ 273,116          | 201,488   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
COMPARATIVE STATEMENT OF RECEIPTS - GENERAL REVENUE FUND-STATE

|                       | Year Ended June 30,     |                      |
|-----------------------|-------------------------|----------------------|
|                       | <u>1999</u>             | <u>1998</u>          |
| Other inspection fees | \$ <u>16,709</u>        | <u>18,499</u>        |
| Total                 | \$ <u><u>16,709</u></u> | <u><u>18,499</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| <b>GENERAL REVENUE FUND - STATE</b>  |                     |              |                 |                |              |                 |
| Personal Service and Expense and Equipment and for contractual services with local health agencies   | \$ 250,000          | 242,266      | 7,734           | 250,000        | 246,067      | 3,933           |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment | 7,916               | 7,679        | 237             | 7,916          | 7,679        | 237             |
| Personal Service   | 94,606              | 88,516       | 6,090           | 90,037         | 80,539       | 9,498           |
| Expense and Equipment  | 24,800              | 22,837       | 1,963           | 24,800         | 24,456       | 344             |
| Total General Revenue Fund - State   | 377,322             | 361,298      | 16,024          | 372,753        | 358,741      | 14,012          |
| <b>MILK INSPECTION FEES FUND</b>   |                     |              |                 |                |              |                 |
| Personal Service   | 108,647             | 95,552       | 13,095          | 103,576        | 95,635       | 7,941           |
| Expense and Equipment  | 38,065              | 32,525       | 5,540           | 38,065         | 35,109       | 2,956           |
| Personal Service and Expense and Equipment and for contractual services with local health agencies   | 1,500,000           | 1,220,660    | 279,340         | 1,500,000      | 1,316,925    | 183,075         |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment | 10,214              | 8,297        | 1,917           | 10,214         | 8,297        | 1,917           |
| Total Milk Inspection Fees Fund  | 1,656,926           | 1,357,034    | 299,892         | 1,651,855      | 1,455,966    | 195,889         |
| <b>STATE CONTRACTED MANUFACTURING DAIRY PLANT INSPECTION AND GRADING FEE FUND</b>  |                     |              |                 |                |              |                 |
| Expense and Equipment  | 8,000               | 0            | 8,000           | 8,000          | 0            | 8,000           |
| Total State Contracted Manufacturing Dairy Plant Inspection and Grading Fee Fund   | 8,000               | 0            | 8,000           | 8,000          | 0            | 8,000           |
| Total All Funds  | \$ 2,042,248        | 1,718,332    | 323,916         | 2,032,608      | 1,814,707    | 217,901         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

## Schedule 1

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30, |                  |                  |                  |                  |
|--|---------------------|------------------|------------------|------------------|------------------|
|  | 1999                | 1998             | 1997             | 1996             | 1995             |
| Personal service                             | \$ 239,730          | 176,174          | 159,467          | 160,859          | 149,828          |
| Travel and vehicle expense                   | 36,590              | 29,496           | 24,918           | 22,477           | 24,924           |
| Transportation equipment purchases           | 14,000              | 0                | 3,643            | 0                | 42,000           |
| Office expense                               | 5,822               | 5,436            | 6,205            | 6,579            | 6,732            |
| Office and communication equipment purchases | 0                   | 688              | 777              | 787              | 5,742            |
| Communication expense                        | 8,279               | 7,081            | 6,428            | 5,550            | 4,447            |
| Institution and physical plant:              |                     |                  |                  |                  |                  |
| Expense                                      | 24,147              | 28,183           | 26,874           | 25,983           | 24,888           |
| Purchases                                    | 512                 | 0                | 0                | 0                | 3,905            |
| Data processing expense and equipment        | 2,779               | 3,900            | 4,256            | 7,949            | 3,669            |
| Professional services                        | 1,384,344           | 1,562,640        | 1,545,437        | 1,628,676        | 1,671,141        |
| Other expense                                | 2,129               | 1,109            | 1,584            | 1,273            | 1,495            |
| Total Expenditures                           | \$ <u>1,718,332</u> | <u>1,814,707</u> | <u>1,779,589</u> | <u>1,860,133</u> | <u>1,938,771</u> |

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS (NOTE 5)

| Type of General Fixed Assets       | Balance<br>June 30, 1997 | Additions | Dispositions | Balance<br>June 30, 1998 | Additions | Dispositions | Balance<br>June 30, 1999 |
|------------------------------------|--------------------------|-----------|--------------|--------------------------|-----------|--------------|--------------------------|
| GENERAL REVENUE FUND - STATE       |                          |           |              |                          |           |              |                          |
| Office furniture and equipment     | \$ 35,824                | 4,531     | -2,513       | 37,842                   | 5,163     | -1,795       | 41,210                   |
| Automobiles                        | 30,493                   | 0         | 0            | 30,493                   | 0         | 0            | 30,493                   |
| Total General Revenue Fund - State | 66,317                   | 4,531     | -2,513       | 68,335                   | 5,163     | -1,795       | 71,703                   |
| MILK INSPECTION FEES FUND          |                          |           |              |                          |           |              |                          |
| Office furniture and equipment     | 179,800                  | 0         | -500         | 179,300                  | 14,491    | -2,469       | 191,322                  |
| Automobiles                        | 14,000                   | 0         | 0            | 14,000                   | 0         | 0            | 14,000                   |
| Total Milk Inspection Fees Fund    | 193,800                  | 0         | -500         | 193,300                  | 14,491    | -2,469       | 205,322                  |
| Total General Fixed Assets         | \$ 260,117               | 4,531     | -3,013       | 261,635                  | 19,654    | -4,264       | 277,025                  |

The accompanying Note to the Supplementary Data is an integral part of this statement.

## Notes to the Financial Statements and Supplementary Data



DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Department of Agriculture, State Milk Board.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Milk Inspection Fees Fund. Appropriations from this fund are expended by or for the board for restricted purposes.

Receipts are presented in Exhibit B for the General Revenue Fund-State. Receipts include monies the board collects during its normal activities and remits to the fund. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the board's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Statements of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General

Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The board administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Milk Inspection Fees Fund: This fund is authorized by Section 196.947, RSMo 1994, to receive all monies paid to the state for milk inspection. Expenditures, authorized by appropriations, are to be used exclusively for the purpose of defraying the costs of the state milk inspection program, which may include payments to other agencies for services provided related to the program. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund.

General Revenue Fund - State: The board receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for basic operation of the board, including those programs and services that have no other funding source. These appropriations also may be used to initially fund or to provide matching funds or support for programs paid wholly or partially from other sources.

State Contracted Manufacturing Dairy Plant Inspection and Grading Fee Fund: This fund is authorized by Section 196.614, RSMo 1994, to receive all monies paid to the state by the United States Department of Agriculture for contracted manufacturing dairy plant inspection and grading. Expenditures, authorized by appropriations, are to be used exclusively for the purpose of defraying the costs of the contracted manufacturing dairy plant inspection and grading program. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund. Through fiscal year 1999, no monies have yet been received by or expended from this fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and, beginning January 1, 1996, a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the Milk Inspection Fees Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

The Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* requires certain disclosures regarding public employee retirement systems and postemployment benefits such as health care and life insurance benefits provided to retired employees. Required disclosures for the state financial reporting entity are included in the State of Missouri Comprehensive Annual Financial Report issued by the Office of Administration.

2. Cash and Investments

The balance of the Milk Inspection Fees Fund is pooled with other state funds and invested by the state treasurer.

3. Inspection Contract Costs

During the year ended June 30, 1998, the State Milk Board contracted with the county of St. Louis and the cities of Kansas City and Springfield to inspect Grade A milk supplies. During the year ended June 30, 1999, the State Milk Board contracted with the county of St. Louis and the city of Springfield and the State Milk Board assumed management responsibility from the city of Kansas City. This expenditure category represents the cost associated with these contracts paid from the Milk Inspection Fees Fund. During the fiscal years 1999 and 1998, an additional \$242,266 and \$246,067, respectively, was paid to these agencies from an appropriation from the General Revenue Fund-State.

4. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

|                             |    | Milk Inspection Fees Fund |                  |
|-----------------------------|----|---------------------------|------------------|
|                             |    | Year Ended June 30,       |                  |
|                             |    | 1999                      | 1998             |
| DISBURSEMENTS PER EXHIBIT A | \$ | 1,355,413                 | 1,398,957        |
| Employee fringe benefits    |    | (25,284)                  | (25,374)         |
| Lapse period expenditures:  |    |                           |                  |
| 1999                        |    | 145,951                   | 119,046          |
| 1998                        |    | (119,046)                 | (36,663)         |
| EXPENDITURES PER EXHIBIT C  | \$ | <u>1,357,034</u>          | <u>1,455,966</u> |

Note to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
SUMMARY OF FINDINGS

1. Milk Inspection Program (pages 22-25)

Milk inspection fees collected from producers are no longer sufficient to cover costs of payments to contractors who perform inspections. In addition, the local health departments received payments in excess of the amount allowed by statute. The State Milk Board (SMB) could save approximately \$143,000 per year by assuming the management responsibilities of the Springfield area.

2. Revenue Maximization (page 25)

The SMB has no formal policies or procedures for ensuring that reported volume and fees are correct, and that all inspection fee revenues are remitted to the SMB as required by statute.

3. Grade A Compliance Monitoring (page 26)

The local health departments are not required to submit to the SMB the actual inspection details or other compliance monitoring results.

4. Manufacturing Grade Compliance Issues (pages 27-29)

The SMB had no record of some water sample tests and inspections of manufacturing grade producers and processors. Manufacturing milk plant fieldmen perform conflicting duties by regularly inspecting producers and the SMB does not adequately follow-up with the fieldmen to ensure manufacturing grade producers are inspected annually as required by SMB regulations. Some bulk milk haulers are not regularly inspected for compliance with sanitary and other requirements. The SMB has not established regular pesticide testing of raw manufacturing milk or manufacturing milk products.

5. Rating Surveys (pages 29-30)

The state Department of Health (DOH), as the designated rating agency for the SMB, does not make annual rating surveys as required by law. In addition, documentation was not available to support some rating survey results.

STATE MILK BOARD  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the State Milk Board as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated February 7, 2000.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the board's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                                |
|-----------|--------------------------------|
| <b>1.</b> | <b>Milk Inspection Program</b> |
|-----------|--------------------------------|

The Milk Inspection Fees Fund (MIF) was established to receive fees collected from milk producers. Section 196.945, RSMo 1994, allows the SMB to set fees not exceeding five cents per one hundred pounds of milk produced. The monies collected are used for inspection and compliance monitoring expenses, including payments to local health departments which contract with the SMB to perform these services. Effective for fiscal year 1999, the SMB assumed management of the Kansas City area and contracted with the Springfield and St. Louis health departments to provide these services in their specified areas. In fiscal years 1997, 1998, and 1999, approximately \$250,000 was appropriated each year from the General Revenue Fund-State to help cover payments made to contractors.

Amounts paid to local health department contractors for the past five years are shown below:

| <u>Fiscal Year</u> | <u>Payments<br/>To<br/>Contractors</u> | <u>Number<br/>Of Milk<br/>Producers</u> |
|--------------------|--|---|
| 1999*              | \$1,462,926                            | 1,724                                   |
| 1998               | 1,562,992                              | 2,017                                   |
| 1997               | 1,542,905                              | 2,161                                   |
| 1996               | 1,625,527                              | 2,337                                   |
| 1995               | 1,666,660                              | 2,487                                   |

\* Payments to contractors are for St. Louis and Springfield only.

- A. Payments made to contractors are based on the pounds of milk produced in each contractor's area. The SMB receives annual budget estimates from each of the health



department milk inspection programs; however, actual cost data is not obtained from the contractors.

The payments to the health department contractors represent the most significant expenditure outlay for the SMB. In addition, it appears the fees collected from producers are not adequate to cover inspection and compliance monitoring costs as appropriations from General Revenue Fund-State were requested in fiscal years 1995, 1996, 1997, 1998, and 1999 to help cover payments to contractors. As a result, it is important the SMB carefully analyze budget and cost data from the contractors to ensure payments are appropriate and reasonable.

The SMB's records indicate costs incurred by the SMB for assuming management responsibility of the Kansas City area for fiscal year 1999 totaled approximately \$129,000, whereas payments to the Kansas City Health Department for fiscal year 1998 totaled \$254,681. Therefore, the SMB saved approximately \$126,000 in fiscal year 1999 by assuming management of the Kansas City area. Similar savings could possibly be realized by assuming management responsibility of the St. Louis or Springfield area. According to the SMB management, these possibilities have been considered because of the potential cost savings. Discussions with the SMB management indicate it would cost approximately \$311,000 to assume management of the Springfield area, while fiscal year 1999 contract payments were approximately \$454,000. This represents an approximate \$143,000 cost savings to the SMB. An analysis for the St. Louis area was not performed.

A comprehensive review of the fee structure should be performed to determine if a statutory fee increase is necessary to cover costs of inspections and compliance monitoring or if alternatives such as the SMB providing these services itself should be given further consideration.

- B. As noted above, the SMB contracts with local health departments to perform inspections and compliance monitoring of milk producers. The contracts state the SMB will pay each agency 4.75 cents per one hundred pounds of instate milk and 3.75 cents per one hundred pounds of imported milk inspected by the agency. Starting in fiscal year 1995, the contracts provided for additional payments to be made from a General Revenue Fund-State appropriation. Contract payments, including the amounts received from the General Revenue Fund-State, totaled \$1,462,926 and \$1,562,992 for the health departments for fiscal year 1999 and 1998, respectively.

Section 196.947, RSMo 1994, limits the total payment to each health department to five cents per one hundred pounds of milk or milk products. Based on the SMB's records of milk produced in fiscal years 1999 and 1998, it appears the Springfield and St. Louis Health Departments were paid approximately \$62,446 and \$7,909, respectively, more than the limit set by statute.

Similar conditions were also noted in several prior reports.

**WE AGAIN RECOMMEND** the SMB:

- A. Develop an estimated cost for the inspection and compliance monitoring program for each contractors area and then compare these costs to MIF revenues for that area. Once this analysis is completed, the SMB should consider any justified changes in management responsibilities of the Springfield or St. Louis area, or determine whether legislation increasing fees should be pursued to ensure sufficient monies are collected to cover costs of inspection and compliance monitoring.
- B. Ensure payments to the local health departments for the inspection of milk and milk products do not exceed limits established by state law or pursue legislation to amend state law to allow such payments.

**AUDITEE'S RESPONSE**

- A. *The State Milk Board feels that involvement of local health departments in milk inspection gives Missouri consumers assurance that their health is foremost in the minds of those responsible for the safety of dairy products presented for their consumption. The milk contracts provide a means of establishing not only inspection systems but local laboratories capable of testing and just as importantly, assuring consumers of safe products in their area by investigating complaints individually and locally. The board, however, has taken a position that as future contracts may be given up by local health departments it will attempt to assume enforcement authority as it did with Kansas City.*
- B. *The State Milk Board was prompted to seek appropriations from general revenue to add to the available fee payment appropriate for contract defrayment after a study conducted by its long range management committee and after study of contract agency costs, along with a university study about inspection fees and their effect on the dairy industry in Missouri during the 1994-1995 fiscal years. The costs of inspections and fee collections have increased and compounded by all accounts since the studies were conducted.*

*The State Milk Board respectfully disagrees with the auditors findings regarding the interpretation of Section 196.947, RSMo 1994. Specifically, the auditor has found that Section 196.947, RSMo 1994, limits the total payment to each health department to five cents per 100 lbs. of milk or milk products. The board considers that Section 196.947, RSMo 1994, is limited in its application to those funds which are collected and placed in the milk inspection fee fund. The statute does not have any application to those amounts appropriated for contract defrayment from other funds. The board has never interpreted Section 196.947, RSMo 1994, as restricting the board from utilizing appropriated funds in order to subsidize the cost of milk inspection. The board utilizes funds from general revenue when the local jurisdictions have documented that their costs exceeded those which are provided for under the milk inspection fee fund. Accordingly the board does not agree with the auditor's interpretation of Section 196.947, RSMo 1994, and submits that according to*

*its appropriations and contract payments for fiscal years 1999 and 1998, no overpayments to any of the contract agencies exist.*

**2.**

## **Revenue Maximization**

Section 196.945, RSMo 1994, requires an inspection fee not to exceed five cents per one hundred pounds of all Grade A raw milk produced to be assessed and remitted to the SMB. These fees are to be paid by all milk plants, milk dealers, processors, or distributors selling graded fluid milk and fluid milk products in the state. To comply with this statute, the SMB requires the entities to prepare a monthly volume and fee report which details the volume of milk received or shipped and applicable fees. This record is checked for mathematical accuracy; however, the SMB has no formal procedures in place to ensure that the reported volume and applicable fees are correct. According to the SMB's Executive Secretary, SMB personnel will occasionally review on-site records to ensure that all fees have been properly remitted.

Information provided in the SMB's minutes for May 15, 1998, and April 16, 1999, indicated unremitted inspection fees totaling \$32,230 from a milk plant and distributor were determined. The SMB Executive Secretary determined the unremitted fees by more closely evaluating volume and fee report information provided by one entity and as a result of an on-site review of records at the other entity. These fees were subsequently remitted to the SMB.

Antibiotic testing logs and product distribution records which detail all shipments received and the source of each shipment are maintained by the various entities paying these statutory fees. These records contain enough information to allow the SMB to ensure that all fees are paid on applicable milk and milk products. According to SMB management, these records are not routinely checked due to insufficient personnel and because the current staff does not possess the expertise necessary to audit the product distribution records. Increased review of on-site records may result in additional determinations of unremitted fees. The SMB needs to give consideration to developing a procedure to expand (at least on a test or sample basis) its verification of volume and fee report information submitted along with statutory fees.

**WE RECOMMEND** the SMB develop procedures to ensure that all inspection fee revenues are properly remitted.

### **AUDITEE'S RESPONSE**

*The State Milk Board has never established a procedure or a formal process to audit incoming milk or products subject to fee assessments. The board is now trying to acquire personnel to accomplish routine auditing of receipt records at plants and distributors throughout Missouri to assure fees are properly submitted on export products.*

**3.****Grade A Compliance Monitoring**

Section 196.939, RSMo 1994, requires the SMB, at a minimum, to ensure compliance with the Grade A Pasteurized Milk Ordinance (PMO) of the United States Public Health Services. Such regulations shall be enforced by the SMB through either contractual agreements with political subdivisions of the state or employees of the SMB. As previously noted, these services are provided by either local health departments, or the SMB.

The contract between SMB and the local health departments (contractors) requires the contractors to make inspection and regulatory records available to the SMB. The contract does not require the contractors to submit the actual inspections or other compliance monitoring tests to the SMB. However, some of the inspections and other compliance monitoring tests are forwarded to the SMB. The SMB does require the contractors to submit a monthly report. These reports provide summary data of the total number of: inspections performed, on-site visits, water tests conducted and unsatisfactory results, pesticide testing and unsatisfactory results, raw milk samples and unsatisfactory results, finished product samples and unsatisfactory results. The monthly reports lack detailed information on individual plants, farms, receiving and transfer stations, and haulers. Without detailed information by entity the SMB has no assurance that inspection and compliance monitoring is being properly performed by the contractors or that adequate follow up is being performed in those cases where violations are detected.

The SMB's Executive Secretary indicated that the SMB is considering developing a computerized system which would link the contractors data to the SMB, so that inspection records and test results for each entity could be electronically transferred to the SMB. A review of the board's meeting minutes and discussions with the SMB Executive Secretary provided no specific information or time frames for when and how this automated process will be implemented. As a result, the SMB needs to consider timely and alternative procedures to gain increased assurance that its contractors are satisfying their inspection and compliance monitoring responsibilities.

**WE RECOMMEND** the SMB require that all inspection forms and compliance monitoring tests be forwarded to the SMB or, at a minimum, require that the monthly contractors' reports provide sufficient detail by entity so that the SMB can better ensure that each producer, processor, and hauler is being properly monitored and that any violations of the PMO or state statute are being properly handled.

**AUDITEE'S RESPONSE**

*The State Milk Board will again consider the possibility of linking contractee databases to its own. The development of equipment and programs has greatly enhanced the electronic capabilities of both the state and its contract agencies. The current staff size of the board along with the volume of data make this an extremely cumbersome system without the electronic transfer of the reports the auditor is referring to.*

**4.****Manufacturing Grade Compliance Issues**

Manufacturing grade milk laws and regulations are promulgated by the SMB. The SMB is responsible for inspecting all manufacturing grade plants, receiving stations, and haulers. Manufacturing grade farms are inspected and tested by manufacturing milk plant fieldmen. Farm inspections and water tests are forwarded to the SMB. For fiscal year 1998, raw milk samples from the farms were retained by the cooperatives; any violations are reported to the SMB. Beginning in fiscal year 1999, the SMB started receiving a monthly report of all test results along with a report on violations.

- A. The SMB requires water test samples to be taken every six months for plants and receiving stations and every three years for farms. During our review, we noted seven of twelve water tests for which the SMB had no record on file. Of the seven tests, two were from plants, one from a receiving station, and four from farms. Without the actual water test or a report regarding each entity's water test results, the SMB has no assurance that the tests were conducted and any violations were resolved.
- B. The SMB requires manufacturing grade farms to be inspected at least annually. Because of funding limitations, the SMB has arranged for manufacturing milk plant fieldmen to perform the required inspections of the producers at no cost to the state. However, the duties of the milk plant fieldmen conflict with the regulatory responsibilities imposed by the SMB.

Manufacturing grade milk laws and regulations promulgated by the SMB require manufacturing grade farms to be inspected annually to ensure minimum quality standards are met and to determine eligibility for recertification. The SMB maintains a computerized listing of manufacturing grade producers along with the inspection dates. From this information, the SMB prepares a monthly delinquent inspection listing which is distributed to the fieldmen; however, the SMB does not adequately follow-up with the fieldmen to ensure manufacturing grade producers are inspected annually.

Our review of the February 2000 delinquent farm inspection report indicated twenty farm inspections which were delinquent and five of the farms were delinquent more than thirteen months. According to SMB management, a stop sell order is to be issued if the farm inspection is not received within thirteen months. As of March 17, 2000, four of the five farms delinquent more than thirteen months had not been issued a stop sell order. Without adequately following up on delinquent inspections, the SMB has less assurance that minimum quality standards are met. Furthermore, since SMB regulations provide that no milk for manufacturing purposes produced on an uncertified farm shall be bought or sold, it is especially important for the SMB to ensure that inspection procedures for recertification are followed.

It should be noted that the SMB's follow up efforts and use of data available from the delinquent inspection tracking system has improved since the audit for the year ended June 30, 1997.

- C. There are approximately 450 bulk milk haulers (BMH) operating in the state. The majority of the licensed BMH also have a Grade A milk license and are inspected for compliance with Grade A standards every six months. The remaining haulers, which are manufacturing grade haulers, are not inspected on a regular basis. Although the procedures used by both kinds of haulers when transferring milk from the bulk tanks to the trucks are the same, state and federal regulations do not require regular inspections of manufacturing BMH. During our review, we noted three manufacturing grade haulers which were not inspected during the audit period. Regular inspections of all haulers are necessary to ensure proper procedures are followed to guarantee the safety of milk and milk products sold in the state.
- D. The SMB has not established a program which requires regular pesticide testing of raw manufacturing milk and milk products. Federal requirements include a provision which states milk containing pesticides or other chemical residues in excess of the established limits shall not be sold or offered for sale for human food.

Some of the above findings have been included in prior reports back to 1985. In each of these areas, we have recommended the SMB continue to address these concerns, including funding and legislative requests. The SMB has previously requested funding regarding parts B., C., and D., and these requests were not granted by the General Assembly. Thus, the funding requests have been withdrawn and have not been reintroduced since fiscal year 1997.

**WE RECOMMEND** the SMB:

- A. Ensure that water samples are tested every six months for plants and receiving stations. In addition, water samples should be tested every three years for farms. Finally, the SMB should maintain a record of each water sample tested.
- B. Ensure that manufacturing grade farms are inspected annually. In addition, the SMB should issue stop sell orders on all farms which have not been inspected within a thirteen month period, as established by the SMB. Also, the SMB should continue to seek alternatives to accomplish inspections of manufacturing grade farms with state inspectors rather than milk plant fieldmen.
- C. Require manufacturing grade haulers be inspected at regular intervals.
- D. Establish a manufacturing grade pesticide testing program.

## **AUDITEE'S RESPONSE**

A,B,

&C. *The State Milk Board had a period of time within the two year audit period during which the position responsible for filing and monitoring the records in question was repeatedly refilled and trained. The position was part time during the same period. The position is currently filled by a full time employee. The State Milk Board management feels improvement will be shown in fiscal year 2001. The board management is working directly with the position responsible for accumulating and monitoring data to assure better compliance performance with manufacturing grade records. The board will strive to inspect all manufacturing haulers annually.*

D. *The State Milk Board has not been able to acquire appropriations to cover costs of testing manufacturing milk for pesticides, and by law, Grade A fee fund money cannot be substituted. However, much of the manufacturing milk not tested individually is subject to test when commingled with Grade A milk which is sampled and tested for pesticides. This should be considered when questioning the legislature's reluctance to appropriate general funds. Nevertheless, some milk is not tested on a regular basis so the board will once again request general revenue funding for this purpose.*

|                          |
|--------------------------|
| <b>5. Rating Surveys</b> |
|--------------------------|

Section 196.951, RSMo 1994, requires the Department of Health (DOH), as the official rating agency for the SMB, to make an official rating survey at least annually on all Grade A BTU's (Bulk Tank Unit - a group of dairy farms), plants, and receiving and transfer stations. The rating survey scores are reported to the USFDA (United States Food & Drug Administration) for inclusion in the IMS (Interstate Milk Shipper) report. The FDA also conducts inspections of Grade A producers and processors. The rating surveys contains two scores; one for sanitation and the other is for enforcement of the PMO (Pasteurized Milk Ordinance) and state laws. The SMB Executive Secretary indicated the SMB relies somewhat on the enforcement score determined by DOH's rating surveys to provide evidence that its contractors are complying with the terms of the contract by ensuring compliance with the PMO and state laws.

During the audit period, the rating surveys were conducted on an eighteen to twenty-four month schedule instead of annually as required by state law. DOH uses a standardized form for rating an entity during an on-site visit. This documentation is necessary to provide evidence of the actual on-site visits and to detail any violations noted during the visits. During our review of the official survey ratings, we noted the files pertaining to three of seven plants and two receiving stations did not contain the standardized form. As a result, there is no documentation to support the entities' official survey ratings. Because the rating surveys are not conducted in a timely manner and some of the ratings are not supported with adequate documentation, the SMB should reconsider the extent of its reliance on the DOH rating surveys as a measure of its contractors' performance.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the SMB, through the DOH, ensure annual rating surveys are conducted as required by state law. In addition, all rating surveys should be supported by adequate documentation. Finally, SMB should find alternative methods for monitoring its contractors' performance.

### **AUDITEE'S RESPONSE**

*The State Milk Board will bring the auditor's findings to the Department of Health's attention. The programs are separated in Missouri by law and the board must leave management decisions pertaining to the surveys to the legal administration of the rating program. The board will try to link its efforts to improve this item to the computer issue discussed in MAR No. 3.*

This report is intended for the information of the management of the State Milk Board and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



## Follow-Up on State Auditor's Prior Recommendations

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Department of Agriculture, State Milk Board on recommendations made in the Management Advisory Report (MAR) of our report issued for the year ended June 30, 1997. The prior recommendations which have not been implemented are repeated in the current MAR.

1. Inspection and Testing Issues

- A. The State Milk Board (SMB) had not established a program requiring regular pesticide testing of raw manufacturing milk or manufacturing milk products.
- B. Because of funding limitations, the SMB had arranged for manufacturing milk plant fieldmen to perform the required inspections of the producers. The SMB requires certified farms to be inspected annually; however, the SMB did not adequately follow-up with the fieldmen to ensure manufacturing grade producers were inspected annually.
- C. Section 196.951, RSMo 1994, requires the Department of Health (DOH), as the official rating agency for the SMB, to make an official rating survey at least annually.
- D. Manufacturing grade bulk milk haulers (BMH) operating in the state were not required to be inspected regularly.

Recommendation:

The SMB continue efforts which would address these areas, including funding and legislative requests.

Status:

- A,B,  
&D. Not implemented. See MAR No. 4.
- C. Not implemented. See MAR No. 5.

2. Milk Inspection Program

- A. The SMB received annual budget estimates from each of the health departments milk inspection programs; however, actual cost data was not regularly obtained. In addition, it appears the fees collected from producers were no longer adequate to cover inspection costs as appropriations from General Revenue Fund - State were requested in fiscal years 1995, 1996, and 1997 to cover payments to contractors. A

comprehensive review of the fee structure was not performed to determine if a statutory fee increase was necessary to cover increased costs of inspection.

- B. Based on the SMB's records of milk produced for fiscal year 1997, it appears the Springfield Health Department was paid approximately \$30,000 more than the limit set by statute.

Recommendation:

The SMB:

- A. Periodically analyze budget and cost data from contractors to ensure payments are appropriate. In addition, the SMB should determine whether legislation increasing fees should be pursued to ensure sufficient monies are collected to cover costs of inspections.
- B. Ensure payments to local health departments for inspection of milk and milk products do not exceed limits established by state law or pursue legislation to amend state law to allow such payments.

Status:

A&B. Not implemented. See MAR No. 1.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
HISTORY AND ORGANIZATION

The Missouri State Milk Board was created in 1972 when the General Assembly adopted and the Governor signed into law House Bill No. 1280. In accordance with the Omnibus State Reorganization Act of 1974, the State Milk Board was transferred to the Department of Agriculture under a Type III transfer. Under a Type III transfer, the Director of the Department of Agriculture does not maintain supervision over substantive matters relating to policies and regulative functions of the State Milk Board.

Pursuant to Executive Order No. 82-9, effective August 13, 1982, A . . . All powers, duties, and functions vested in the Division of Animal Health and the Director of the Department of Agriculture with respect to administering and enforcing the provisions of Sections 196.520 through 196.610, RSMo Supp. 1996, (relating to The Missouri Manufacturing Milk and Dairy Market Testing Law) . . .@ were transferred to the State Milk Board.

The State Milk Board consists of twelve members, ten of whom are appointed by the governor. The two remaining members of the board are the director of the Department of Health and the director of the Department of Agriculture or their designated representatives. An executive secretary serves as the administrative officer of the board, which administers the inspection of milk supplies.

The Fluid Milk Inspection Program is funded from milk inspection fees. Beginning in fiscal year 1995, the General Assembly has annually appropriated \$250,000 from the General Revenue Fund-State to help cover inspection costs. Section 196.945, RSMo 1994, limits milk inspection fees to five cents per one hundred pounds of fluid milk. The inspection fee is set by the board after holding a public hearing giving thirty days public notice. The inspection fee for the two fiscal years ended June 30, 1999 was five cents per one hundred pounds for milk produced in Missouri and four cents per one hundred pounds for milk produced in other states and imported into Missouri. Imported milk is charged a lesser rate because the originating state inspects its producers.

During the year ending June 30, 1998, the State Milk Board contracted with the county of St. Louis and the cities of Kansas City and Springfield to perform the actual inspections. On July 1, 1998, the State Milk Board assumed management responsibility for the Kansas City area. The board's enforcement of statutes and regulations ensures that fluid milk and milk products are uniformly inspected, regulated, and graded throughout the state. The board's operation of the Fluid Milk Inspection Program is funded by the difference between the inspection fee collected and the contract payments to the other governmental units.

The Manufacturing Milk and Dairy Market Testing Law Program is funded by appropriations from the state's General Revenue Fund. The State Milk Board is responsible for the enforcement of laws relating to the sanitation and quality standards of milk used for manufacturing dairy products and to market test all milk at first point of sale. Milk producers, manufacturing plants, field superintendents, testers, graders, samplers, and milk truck operators are also licensed under this program.

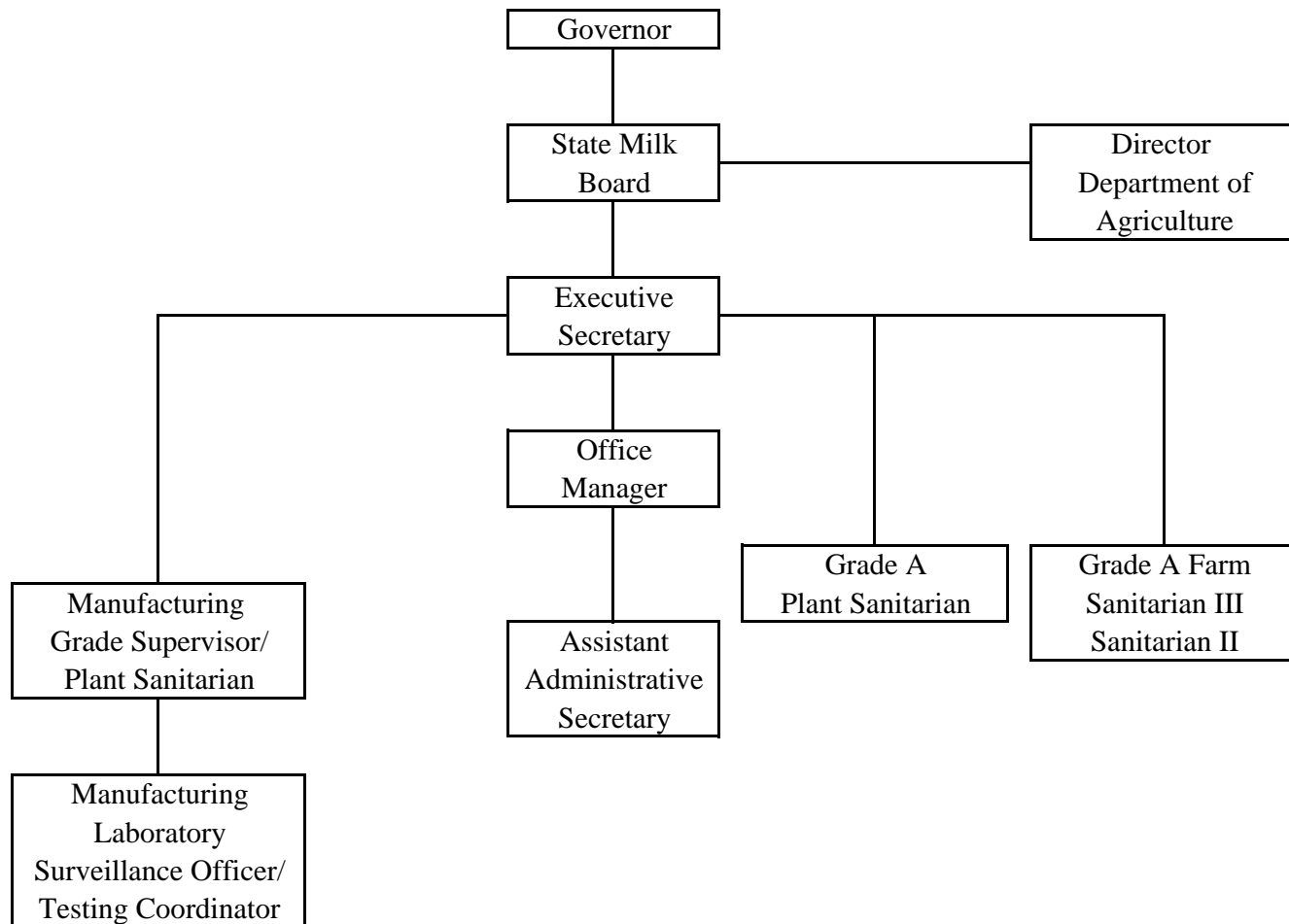
At June 30, 1999, State Milk Board members were as follows:

| <u>Name</u>               | <u>Organization</u>                            | <u>Term Expires</u> |
|---------------------------|--|---------------------|
| Jean Grabeel              | Consumers-at-large                             | September 28, 2000  |
| Ronald D. Boyer           | Springfield/Greene County<br>Health Department | September 28, 1998* |
| Vacant                    | St. Louis City Health Division                 | September 28, 2002  |
| Lester Evans              | Missouri Farmers Association                   | September 28, 1999  |
| Barry Drucker             | St. Louis County Health<br>Department          | September 28, 2001  |
| Gale L. Hackman           | Central Dairy                                  | September 28, 2000  |
| Dr. Chuck Massengill, DVM | Department of Agriculture                      | Ex Officio          |
| Roger Gibson              | Missouri Department of<br>Health               | Ex Officio          |
| William Siebenborn        | Farm Bureau                                    | September 28, 2001  |
| Cynthia Davis             | Kansas City Health<br>Department               | September 28, 1997* |
| Kate Borman               | Holstein Association                           | September 28, 2002  |
| Robert W. Cary            | Prairie Farms Dairy                            | September 28, 2002  |

\* Continues to serve until a replacement is appointed.

Mr. Terry Long serves as the Executive Secretary of the board. In addition to Mr. Long, the State Milk Board has seven employees. An organization chart follows.

DEPARTMENT OF AGRICULTURE  
STATE MILK BOARD  
ORGANIZATION CHART  
JUNE 30, 1999



\* \* \* \* \*





SHELBY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-64  
July 31, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Shelby, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Shelby County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county imposed a sales tax under Section 67.547, RSMo 1994, (a general sales tax) for the purpose of establishing an enhanced 911 emergency telephone service; however, the county also has another one-half of one percent sales tax levy imposed under the same section of law. With this additional sales tax, the county is levying one percent under this section of law, which is apparently above the statutory maximum allowed by state law. The county could have submitted this issue to voters under a different section of state law.
- The county does not have a procedure in place to adequately track federal assistance for preparation of the schedule of expenditures of federal awards. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.
- One case handled by the Public Administrator has a promissory note receivable. Based upon information provided by the Public Administrator's attorney and the terms of the note, the balance reported as due was considerably understated on the annual settlement prepared by the Public Administrator.

(over)

YELLOW SHEET

It was noted that the Public Administrator inconsistently charges fees on various types of transactions and does not provide calculations of his fees to the Probate Court. There is no written policy identifying the types of monies received or transactions which should be considered as income.

Also included in the audit are recommendations to improve the county's federal cash management procedures, purchasing procedures and fixed asset records. Additional recommendations were made to improve controls in the County Collector and Public Administrator records.

**Copies of the audit are available upon request.**

SHELBY COUNTY, MISSOURI

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SHELBY COUNTY, MISSOURI

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## FINANCIAL SECTION



## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Shelby County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Shelby County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Shelby County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Shelby County.

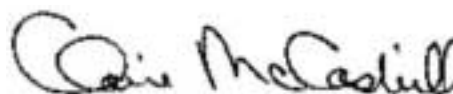
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Shelby County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 30, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Shelby County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 30, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Peggy Schler, CPA     |
| In-Charge Auditor:  | Brenda Gierke, CPA    |
| Audit Staff:        | Andrea Higgins        |
|                     | Sarah Glosemeyer      |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Shelby County, Missouri

We have audited the special-purpose financial statements of various funds of Shelby County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

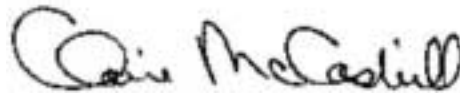
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Shelby County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Shelby County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

This report is intended for the information of the management of Shelby County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 30, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

SHELBY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                   | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                        | \$ 105,245         | 835,857   | 749,766       | 191,336              |
| Special Road and Bridge                | 79,352             | 869,084   | 749,529       | 198,907              |
| Assessment                             | 14,936             | 89,757    | 100,594       | 4,099                |
| Law Enforcement Training               | 14,150             | 4,237     | 5,787         | 12,600               |
| Prosecuting Attorney Training          | 319                | 590       | 456           | 453                  |
| Health Center                          | 99,380             | 363,638   | 367,311       | 95,707               |
| Prosecuting Attorney Fees              | 18,361             | 3,875     | 828           | 21,408               |
| Recorder User Fees                     | 13,762             | 3,808     | 6,630         | 10,940               |
| Children's Trust/Domestic Violence     | 1,998              | 308       | 0             | 2,306                |
| Sheriff Civil Fees                     | 8,504              | 12,920    | 9,981         | 11,443               |
| Emergency 911                          | 157,696            | 228,424   | 209,614       | 176,506              |
| Chemical Emergency Preparedness        | 3,138              | 176       | 0             | 3,314                |
| Associate Circuit and Probate Interest | 2,471              | 907       | 1,429         | 1,949                |
| Circuit Clerk and Recorder Interest    | 14,050             | 5,461     | 5,487         | 14,024               |
| Law Library                            | 2,799              | 3,471     | 2,030         | 4,240                |
| Sheriff Escrow                         | 3,940              | 0         | 3,940         | 0                    |
| Sound Recording Equipment              | 0                  | 580       | 0             | 580                  |
| Parent Education                       | 0                  | 245       | 0             | 245                  |
| Total                                  | \$ 540,101         | 2,423,338 | 2,213,382     | 750,057              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SHELBY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                   | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|--|--------------------|-----------|---------------|----------------------|
| General Revenue                        | \$ 143,033         | 722,765   | 760,553       | 105,245              |
| Special Road and Bridge                | 102,916            | 1,029,782 | 1,053,346     | 79,352               |
| Assessment                             | 2,913              | 111,043   | 99,020        | 14,936               |
| Law Enforcement Training               | 16,012             | 4,821     | 6,683         | 14,150               |
| Prosecuting Attorney Training          | 217                | 628       | 526           | 319                  |
| Health Center                          | 74,508             | 366,343   | 341,471       | 99,380               |
| Prosecuting Attorney Fees              | 14,615             | 4,360     | 614           | 18,361               |
| Recorder User Fees                     | 10,805             | 3,586     | 629           | 13,762               |
| Children's Trust/Domestic Violence     | 1,791              | 207       | 0             | 1,998                |
| Sheriff Civil Fees                     | 3,375              | 11,046    | 5,917         | 8,504                |
| Emergency 911                          | 15,599             | 201,364   | 59,267        | 157,696              |
| Chemical Emergency Preparedness        | 2,987              | 151       | 0             | 3,138                |
| Associate Circuit and Probate Interest | 3,164              | 1,143     | 1,836         | 2,471                |
| Circuit Clerk and Recorder Interest    | 11,170             | 6,221     | 3,341         | 14,050               |
| Law Library                            | 892                | 2,955     | 1,048         | 2,799                |
| Sheriff Escrow                         | 3,940              | 0         | 0             | 3,940                |
| CDBG                                   | 0                  | 28,019    | 28,019        | 0                    |
| Total                                  | \$ 407,937         | 2,494,434 | 2,362,270     | 540,101              |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit B

SHELBY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |         |  |           |          |  |
|-------------------------------------|-------------------------|---------|--|-----------|----------|--|
|                                     | 1999                    |         |  | 1998      |          |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |           |          |  |
| Property taxes                      | \$ 194,099              | 199,809 | 5,710                                  | 170,219   | 185,419  | 15,200                                 |
| Sales taxes                         | 318,000                 | 376,271 | 58,271                                 | 357,000   | 317,323  | (39,677)                               |
| Intergovernmental                   | 51,260                  | 61,430  | 10,170                                 | 63,790    | 64,145   | 355                                    |
| Charges for services                | 99,076                  | 111,247 | 12,171                                 | 97,161    | 99,516   | 2,355                                  |
| Interest                            | 12,500                  | 12,151  | (349)                                  | 12,000    | 13,318   | 1,318                                  |
| Other                               | 81,290                  | 74,949  | (6,341)                                | 28,350    | 43,044   | 14,694                                 |
| Transfers in                        | 35,000                  | 0       | (35,000)                               | 37,500    | 0        | (37,500)                               |
| Total Receipts                      | 791,225                 | 835,857 | 44,632                                 | 766,020   | 722,765  | (43,255)                               |
| DISBURSEMENTS                       |                         |         |  |           |          |  |
| County Commission                   | 57,185                  | 56,710  | 475                                    | 41,690    | 41,321   | 369                                    |
| County Clerk                        | 57,315                  | 50,712  | 6,603                                  | 51,005    | 48,510   | 2,495                                  |
| Elections                           | 8,600                   | 1,197   | 7,403                                  | 20,600    | 18,607   | 1,993                                  |
| Buildings and grounds               | 56,600                  | 42,479  | 14,121                                 | 62,100    | 34,030   | 28,070                                 |
| Employee fringe benefits            | 93,000                  | 83,116  | 9,884                                  | 94,000    | 81,453   | 12,547                                 |
| County Treasurer                    | 25,000                  | 24,564  | 436                                    | 19,000    | 18,339   | 661                                    |
| County Collector                    | 45,309                  | 43,582  | 1,727                                  | 41,836    | 41,625   | 211                                    |
| Ex Officio Recorder of Deeds        | 25,348                  | 22,242  | 3,106                                  | 24,148    | 23,271   | 877                                    |
| Associate Circuit Court             | 9,600                   | 8,889   | 711                                    | 8,250     | 6,564    | 1,686                                  |
| Associate Circuit (Probate)         | 500                     | 284     | 216                                    | 2,400     | 253      | 2,147                                  |
| Court administration                | 11,150                  | 1,026   | 10,124                                 | 9,450     | 464      | 8,986                                  |
| Public Administrator                | 11,000                  | 10,678  | 322                                    | 11,100    | 11,346   | (246)                                  |
| Sheriff                             | 172,617                 | 166,642 | 5,975                                  | 174,442   | 165,526  | 8,916                                  |
| Jail                                | 104,165                 | 86,687  | 17,478                                 | 93,600    | 84,031   | 9,569                                  |
| Prosecuting Attorney                | 62,724                  | 57,872  | 4,852                                  | 59,173    | 49,262   | 9,911                                  |
| Juvenile Officer                    | 40,579                  | 34,234  | 6,345                                  | 55,236    | 48,431   | 6,805                                  |
| County Coroner                      | 8,050                   | 5,966   | 2,084                                  | 7,800     | 6,222    | 1,578                                  |
| Other                               | 15,368                  | 10,424  | 4,944                                  | 15,760    | 10,422   | 5,338                                  |
| University Extension                | 20,000                  | 20,000  | 0                                      | 25,200    | 25,200   | 0                                      |
| Insurance and bonds                 | 25,000                  | 10,011  | 14,989                                 | 25,000    | 16,276   | 8,724                                  |
| Transfers out                       | 12,451                  | 12,451  | 0                                      | 29,400    | 29,400   | 0                                      |
| Emergency Fund                      | 22,000                  | 0       | 22,000                                 | 35,000    | 0        | 35,000                                 |
| Total Disbursements                 | 883,561                 | 749,766 | 133,795                                | 906,190   | 760,553  | 145,637                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (92,336)                | 86,091  | 178,427                                | (140,170) | (37,788) | 102,382                                |
| CASH, JANUARY 1                     | 105,245                 | 105,245 | 0                                      | 143,033   | 143,033  | 0                                      |
| CASH, DECEMBER 31                   | \$ 12,909               | 191,336 | 178,427                                | 2,863     | 105,245  | 102,382                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

SHELBY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |         |  |           |           |  |
|---------------------------------------|-------------------------|---------|--|-----------|-----------|--|
|                                       | 1999                    |         |  | 1998      |           |  |
|                                       | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |         |  |           |           |  |
| Property taxes                        | \$ 175,000              | 175,496 | 496                                    | 170,000   | 175,713   | 5,713                                  |
| Sales taxes                           | 62,000                  | 78,737  | 16,737                                 | 70,000    | 60,096    | (9,904)                                |
| Intergovernmental                     | 835,400                 | 575,809 | (259,591)                              | 840,800   | 757,059   | (83,741)                               |
| Charges for services                  | 10,000                  | 15,271  | 5,271                                  | 10,000    | 12,206    | 2,206                                  |
| Interest                              | 10,000                  | 9,529   | (471)                                  | 10,000    | 12,430    | 2,430                                  |
| Other                                 | 11,500                  | 14,242  | 2,742                                  | 15,310    | 12,278    | (3,032)                                |
| Total Receipts                        | 1,103,900               | 869,084 | (234,816)                              | 1,116,110 | 1,029,782 | (86,328)                               |
| DISBURSEMENTS                         |                         |         |  |           |           |  |
| Salaries                              | 233,318                 | 228,930 | 4,388                                  | 243,980   | 225,024   | 18,956                                 |
| Employee fringe benefits              | 69,200                  | 54,343  | 14,857                                 | 74,200    | 55,311    | 18,889                                 |
| Supplies                              | 70,700                  | 57,462  | 13,238                                 | 75,700    | 58,270    | 17,430                                 |
| Insurance                             | 12,000                  | 9,991   | 2,009                                  | 12,000    | 11,448    | 552                                    |
| Road and bridge materials             | 301,600                 | 253,750 | 47,850                                 | 325,600   | 331,226   | (5,626)                                |
| Equipment repairs                     | 40,000                  | 42,149  | (2,149)                                | 50,000    | 29,271    | 20,729                                 |
| Rentals                               | 1,000                   | 565     | 435                                    | 1,000     | 215       | 785                                    |
| Equipment purchases                   | 90,000                  | 69,728  | 20,272                                 | 125,000   | 117,362   | 7,638                                  |
| Construction, repair, and maintenance | 303,500                 | 30,057  | 273,443                                | 254,000   | 222,073   | 31,927                                 |
| Other                                 | 4,150                   | 2,554   | 1,596                                  | 4,150     | 3,146     | 1,004                                  |
| Transfers out                         | 35,000                  | 0       | 35,000                                 | 37,500    | 0         | 37,500                                 |
| Total Disbursements                   | 1,160,468               | 749,529 | 410,939                                | 1,203,130 | 1,053,346 | 149,784                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (56,568)                | 119,555 | 176,123                                | (87,020)  | (23,564)  | 63,456                                 |
| CASH, JANUARY 1                       | 65,972                  | 79,352  | 13,380                                 | 90,131    | 102,916   | 12,785                                 |
| CASH, DECEMBER 31                     | \$ 9,404                | 198,907 | 189,503                                | 3,111     | 79,352    | 76,241                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

SHELBY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |          |  |         |         |  |
|-------------------------------------|-----------|----------|--|---------|---------|--|
| 1999                                |           |          | 1998                                   |         |         |  |
|                                     | Budget    | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |          |  |         |         |  |
| Intergovernmental                   | \$ 81,216 | 75,654   | (5,562)                                | 79,100  | 80,075  | 975                                    |
| Interest                            | 1,000     | 967      | (33)                                   | 950     | 1,278   | 328                                    |
| Other                               | 275       | 685      | 410                                    | 750     | 290     | (460)                                  |
| Transfers in                        | 12,451    | 12,451   | 0                                      | 37,276  | 29,400  | (7,876)                                |
| Total Receipts                      | 94,942    | 89,757   | (5,185)                                | 118,076 | 111,043 | (7,033)                                |
| DISBURSEMENTS                       |           |          |  |         |         |  |
| Assessor                            | 108,053   | 100,594  | 7,459                                  | 113,113 | 99,020  | 14,093                                 |
| Total Disbursements                 | 108,053   | 100,594  | 7,459                                  | 113,113 | 99,020  | 14,093                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (13,111)  | (10,837) | 2,274                                  | 4,963   | 12,023  | 7,060                                  |
| CASH, JANUARY 1                     | 14,936    | 14,936   | 0                                      | 2,913   | 2,913   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,825  | 4,099    | 2,274                                  | 7,876   | 14,936  | 7,060                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

|                                     |    | Year Ended December 31, |         |  |          |         |
|-------------------------------------|----|-------------------------|---------|--|----------|---------|
|                                     |    | 1999                    |         |  | 1998     |         |
|                                     |    |                         |         | Variance<br>Favorable<br>(Unfavorable) |          |         |
|                                     |    | Budget                  | Actual  |  | Budget   | Actual  |
| RECEIPTS                            |    |                         |         |  |          |         |
| Intergovernmental                   | \$ | 1,100                   | 1,089   | 390                                    | 934      | 934     |
| Charges for services                |    | 2,000                   | 2,390   | (92)                                   | 1,216    | 2,517   |
| Interest                            |    | 850                     | 758     | (300)                                  | 900      | 965     |
| Other                               |    | 300                     | 0       | (11)                                   | 0        | 405     |
| Total Receipts                      |    | 4,250                   | 4,237   | (13)                                   | 3,050    | 4,821   |
| DISBURSEMENTS                       |    |                         |         |  |          |         |
| Sheriff                             |    | 15,100                  | 5,787   | 9,313                                  | 15,950   | 6,683   |
| Total Disbursements                 |    | 15,100                  | 5,787   | 9,313                                  | 15,950   | 6,683   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (10,850)                | (1,550) | 9,300                                  | (12,900) | (1,862) |
| CASH, JANUARY 1                     |    | 14,150                  | 14,150  | 0                                      | 16,012   | 16,012  |
| CASH, DECEMBER 31                   |    | \$ 3,300                | 12,600  | 9,300                                  | 3,112    | 14,150  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |        |  |        |        |  |
|-------------------------------------|--------|--------|--|--------|--------|--|
| 1999                                |        |        | 1998                                   |        |        |  |
|                                     | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |        |        |  |        |        |  |
| Charges for services                | \$ 600 | 590    | (10)                                   | 800    | 628    | (172)                                  |
| Total Receipts                      | 600    | 590    | (10)                                   | 800    | 628    | (172)                                  |
| DISBURSEMENTS                       |        |        |  |        |        |  |
| Prosecuting Attorney                | 700    | 456    | 244                                    | 1,000  | 526    | 474                                    |
| Total Disbursements                 | 700    | 456    | 244                                    | 1,000  | 526    | 474                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (100)  | 134    | 234                                    | (200)  | 102    | 302                                    |
| CASH, JANUARY 1                     | 319    | 319    | 0                                      | 217    | 217    | 0                                      |
| CASH, DECEMBER 31                   | \$ 219 | 453    | 234                                    | 17     | 319    | 302                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

SHELBY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Property taxes                      | \$ 98,884               | 97,094  | (1,790)                                | 96,438   | 96,423  | (15)                                   |
| Intergovernmental                   | 138,172                 | 152,638 | 14,466                                 | 143,112  | 163,775 | 20,663                                 |
| Charges for services                | 61,000                  | 94,152  | 33,152                                 | 60,000   | 80,031  | 20,031                                 |
| Interest                            | 5,000                   | 6,321   | 1,321                                  | 4,500    | 6,066   | 1,566                                  |
| Other                               | 11,000                  | 13,433  | 2,433                                  | 11,500   | 20,048  | 8,548                                  |
| Total Receipts                      | 314,056                 | 363,638 | 49,581                                 | 315,550  | 366,343 | 50,793                                 |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Salaries                            | 324,300                 | 276,620 | 47,680                                 | 241,636  | 263,099 | (21,463)                               |
| Office expenditures                 | 19,300                  | 21,836  | (2,536)                                | 17,850   | 17,674  | 176                                    |
| Equipment                           | 5,500                   | 13,210  | (7,710)                                | 5,000    | 7,096   | (2,096)                                |
| Mileage and training                | 27,900                  | 25,563  | 2,337                                  | 25,415   | 27,842  | (2,427)                                |
| Other                               | 36,370                  | 30,081  | 6,289                                  | 100,107  | 25,760  | 74,347                                 |
| Total Disbursements                 | 413,370                 | 367,311 | 46,060                                 | 390,008  | 341,471 | 48,537                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (99,314)                | (3,673) | 95,641                                 | (74,458) | 24,872  | 92,716                                 |
| CASH, JANUARY 1                     | 99,314                  | 99,380  | 66                                     | 74,458   | 74,508  | 50                                     |
| CASH, DECEMBER 31                   | \$ 0                    | 95,707  | 95,707                                 | 0        | 99,380  | 92,765                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY FEES FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 3,312 | 2,835         | 3,630   | 3,612  | (18)          |  |
| Interest                            | 200      | 1,040         | 0       | 748    | 748           |  |
| Total Receipts                      | 3,512    | 3,875         | 3,630   | 4,360  | 730           |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Prosecuting Attorney                | 20,050   | 828           | 9,000   | 614    | 8,386         |  |
| Total Disbursements                 | 20,050   | 828           | 9,000   | 614    | 8,386         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (16,538) | 3,047         | (5,370) | 3,746  | 9,116         |  |
| CASH, JANUARY 1                     | 18,361   | 18,361        | 14,615  | 14,615 | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,823 | 21,408        | 9,245   | 18,361 | 9,116         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER USER FEES FUND

|                                     |    | Year Ended December 31, |         |               |         |        |               |
|-------------------------------------|----|-------------------------|---------|---------------|---------|--------|---------------|
|                                     |    | 1999                    |         |               | 1998    |        |               |
|                                     |    |                         |         | Variance      |         |        | Variance      |
|                                     |    |                         |         | Favorable     |         |        | Favorable     |
|                                     |    | Budget                  | Actual  | (Unfavorable) | Budget  | Actual | (Unfavorable) |
| RECEIPTS                            |    |                         |         |               |         |        |               |
| Charges for services                | \$ | 3,000                   | 3,474   | 474           | 3,200   | 2,930  | (270)         |
| Interest                            |    | 650                     | 334     | (316)         | 650     | 656    | 6             |
| Total Receipts                      |    | 3,650                   | 3,808   | 158           | 3,850   | 3,586  | (264)         |
| DISBURSEMENTS                       |    |                         |         |               |         |        |               |
| Ex Officio Recorder of Deeds        |    | 13,000                  | 6,630   | 6,370         | 7,000   | 629    | 6,371         |
| Total Disbursements                 |    | 13,000                  | 6,630   | 6,370         | 7,000   | 629    | 6,371         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |                         |         |               |         |        |               |
|                                     |    | (9,350)                 | (2,822) | 6,528         | (3,150) | 2,957  | 6,107         |
| CASH, JANUARY 1                     |    | 13,762                  | 13,762  | 0             | 10,805  | 10,805 | 0             |
| CASH, DECEMBER 31                   | \$ | 4,412                   | 10,940  | 6,528         | 7,655   | 13,762 | 6,107         |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit J

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILDREN'S TRUST/DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |         |               |         |        |               |  |
|-------------------------------------|---------|---------------|---------|--------|---------------|--|
| 1999                                |         |               | 1998    |        |               |  |
|                                     |         | Variance      |         |        | Variance      |  |
|                                     |         | Favorable     |         |        | Favorable     |  |
|                                     |         | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |         |               |         |        |               |  |
| Charges for services                | \$ 210  | 308           | 200     | 207    | 7             |  |
| Total Receipts                      | 210     | 308           | 200     | 207    | 7             |  |
| DISBURSEMENTS                       |         |               |         |        |               |  |
| Health and welfare                  | 2,000   | 0             | 1,700   | 0      | 1,700         |  |
| Total Disbursements                 | 2,000   | 0             | 1,700   | 0      | 1,700         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,790) | 308           | (1,500) | 207    | 1,707         |  |
| CASH, JANUARY 1                     | 1,998   | 1,998         | 1,791   | 1,791  | 0             |  |
| CASH, DECEMBER 31                   | \$ 208  | 2,306         | 291     | 1,998  | 1,707         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FEES FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 8,000 | 12,217        | 7,000   | 10,659 | 3,659         |  |
| Interest                            | 300      | 703           | 0       | 387    | 387           |  |
| Total Receipts                      | 8,300    | 12,920        | 7,000   | 11,046 | 4,046         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Sheriff                             | 16,000   | 9,981         | 9,000   | 5,917  | 3,083         |  |
| Total Disbursements                 | 16,000   | 9,981         | 9,000   | 5,917  | 3,083         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,700)  | 2,939         | (2,000) | 5,129  | 7,129         |  |
| CASH, JANUARY 1                     | 8,504    | 8,504         | 3,375   | 3,375  | 0             |  |
| CASH, DECEMBER 31                   | \$ 804   | 11,443        | 1,375   | 8,504  | 7,129         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit L

SHELBY COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 EMERGENCY 911 FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Sales taxes                         | \$ 197,000              | 215,543 | 18,543                                 | 215,000 | 197,249 | (17,751)                               |
| Interest                            | 3,000                   | 9,948   | 6,948                                  | 6,155   | 4,101   | (2,054)                                |
| Other                               | 0                       | 2,933   | 2,933                                  | 0       | 14      | 14                                     |
| Total Receipts                      | 200,000                 | 228,424 | 28,424                                 | 221,155 | 201,364 | (19,791)                               |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 55,680                  | 56,271  | (591)                                  | 0       | 0       | 0                                      |
| Road Signs                          | 7,500                   | 6,802   | 698                                    | 7,000   | 1,176   | 5,824                                  |
| Equipment expense                   | 155,500                 | 87,320  | 68,180                                 | 0       | 0       | 0                                      |
| Mileage and training                | 9,000                   | 11,506  | (2,506)                                | 0       | 0       | 0                                      |
| Project management-consulting       | 0                       | 0       | 0                                      | 58,750  | 53,444  | 5,306                                  |
| Addressing and mapping              | 40,000                  | 7,309   | 32,691                                 | 16,910  | 0       | 16,910                                 |
| Other                               | 43,293                  | 40,406  | 2,887                                  | 7,500   | 4,647   | 2,853                                  |
| Total Disbursements                 | 310,973                 | 209,614 | 101,359                                | 90,160  | 59,267  | 30,893                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (110,973)               | 18,810  | 129,783                                | 130,995 | 142,097 | 11,102                                 |
| CASH, JANUARY 1                     | 157,696                 | 157,696 | 0                                      | 15,599  | 15,599  | 0                                      |
| CASH, DECEMBER 31                   | \$ 46,723               | 176,506 | 129,783                                | 146,594 | 157,696 | 11,102                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHEMICAL EMERGENCY PREPAREDNESS FUND

|                                     |    | Year Ended December 31, |        |               |        |        |               |
|-------------------------------------|----|-------------------------|--------|---------------|--------|--------|---------------|
|                                     |    | 1999                    |        |               | 1998   |        |               |
|                                     |    |                         |        | Variance      |        |        | Variance      |
|                                     |    |                         |        | Favorable     |        |        | Favorable     |
|                                     |    | Budget                  | Actual | (Unfavorable) | Budget | Actual | (Unfavorable) |
| RECEIPTS                            |    |                         |        |               |        |        |               |
| Intergovernmental revenues          | \$ | 500                     | 0      | (500)         | 3,000  | 0      | (3,000)       |
| Interest                            |    | 50                      | 176    | 126           | 0      | 151    | 151           |
| Total Receipts                      |    | 550                     | 176    | (374)         | 3,000  | 151    | (2,849)       |
| DISBURSEMENTS                       |    |                         |        |               |        |        |               |
| Services                            |    | 3,000                   | 0      | 3,000         | 3,000  | 0      | 3,000         |
| Total Disbursements                 |    | 3,000                   | 0      | 3,000         | 3,000  | 0      | 3,000         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (2,450)                 | 176    | 2,626         | 0      | 151    | 151           |
| CASH, JANUARY 1                     |    | 3,138                   | 3,138  | 0             | 2,987  | 2,987  | 0             |
| CASH, DECEMBER 31                   |    | \$ 688                  | 3,314  | 2,626         | 2,987  | 3,138  | 151           |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

SHELBY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT AND PROBATE INTEREST FUND

| Year Ended December 31,             |         |        |  |
|-------------------------------------|---------|--------|--|
| 1999                                |         |        |  |
|                                     | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |         |        |  |
| Interest                            | \$ 0    | 907    | 907                                    |
| Total Receipts                      | 0       | 907    | 907                                    |
| DISBURSEMENTS                       |         |        |  |
| Associate Circuit Judge             | 2,400   | 1,429  | 971                                    |
| Total Disbursements                 | 2,400   | 1,429  | 971                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (2,400) | (522)  | 1,878                                  |
| CASH, JANUARY 1                     | 2,480   | 2,471  | (9)                                    |
| CASH, DECEMBER 31                   | \$ 80   | 1,949  | 1,869                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

SHELBY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK AND RECORDER INTEREST FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Interest                            | \$ 500   | 5,461  | 4,961                                  |
| Total Receipts                      | 500      | 5,461  | 4,961                                  |
| DISBURSEMENTS                       |          |        |  |
| Circuit Clerk                       | 2,000    | 5,487  | (3,487)                                |
| Total Disbursements                 | 2,000    | 5,487  | (3,487)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,500)  | (26)   | 1,474                                  |
| CASH, JANUARY 1                     | 7,304    | 14,050 | 6,746                                  |
| CASH, DECEMBER 31                   | \$ 5,804 | 14,024 | 8,220                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

SHELBY COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Charges for services                | \$ 2,500 | 3,410         | 0       | 2,955  | 2,955         |  |
| Interest                            | 0        | 61            | 0       | 0      | 0             |  |
| Total Receipts                      | 2,500    | 3,471         | 0       | 2,955  | 2,955         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Office expenses                     | 1,500    | 2,030         | 1,148   | 1,048  | 100           |  |
| Total Disbursements                 | 1,500    | 2,030         | 1,148   | 1,048  | 100           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,000    | 1,441         | (1,148) | 1,907  | 3,055         |  |
| CASH, JANUARY 1                     | 2,799    | 2,799         | 892     | 892    | 0             |  |
| CASH, DECEMBER 31                   | \$ 3,799 | 4,240         | (256)   | 2,799  | 3,055         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



SHELBY COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Shelby County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                               | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Sheriff Escrow Fund                       | 1999 and 1998                   |
| Associate Clerk and Probate Interest Fund | 1998                            |
| Circuit Clerk and Recorder Interest Fund  | 1998                            |
| Sound Recording Equipment Fund            | 1999                            |
| Parent Education Fund                     | 1999                            |
| CDBG Fund                                 | 1998                            |

Warrants issued in excess of budgeted amounts for the Circuit Clerk and Recorder Interest Fund and the Law Library Fund in 1999.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                                 | <u>Years Ended December 31,</u> |
|---|---------------------------------|
| Sheriff Escrow Fund                         | 1999 and 1998                   |
| Law Library Fund                            | 1999 and 1998                   |
| Children's Trust/Domestic Violence Fund     | 1999 and 1998                   |
| Associate Circuit and Probate Interest Fund | 1999 and 1998                   |
| Circuit Clerk and Recorder Interest Fund    | 1999 and 1998                   |
| Sound Recording Equipment Fund              | 1999                            |
| Parent Education Fund                       | 1999                            |
| CDBG Fund                                   | 1998                            |

In addition, the amounts presented in the published financial statements for the Health Center Fund included only those amounts which passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among

other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the health center's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's or health center's respective holding bank in the county's or health center's name, respectively.

## Supplementary Schedule

## Schedule

SHELBY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                   | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                   |
|---|--|---|-------------------------|-------------------|
|   |  |   | Year Ended December 31, |                   |
|   |  |   | 1999                    | 1998              |
| U. S. DEPARTMENT OF AGRICULTURE                             |  |   |                         |                   |
| Passed through state:                                       |  |   |                         |                   |
| Department of Health -                                      |  |   |                         |                   |
| 10.557  | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-8203<br>ER0045-9203<br>ER0045-0203       | \$ 25,697               | 23,168            |
| U.S. DEPARTMENT OF DEFENSE                                  |  |   |                         |                   |
| Passed through state:                                       |  |   |                         |                   |
| Department of Public Safety-                                |  |   |                         |                   |
| 12.unknown  | Surplus Property   | NA  | 0                       | 158               |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT         |  |   |                         |                   |
| Passed through state:                                       |  |   |                         |                   |
| Department of Economic Development -                        |  |   |                         |                   |
| 14.219  | Community Development Block Grant Program                                  | 91PF555   | 0                       | 28,019            |
| U.S. DEPARTMENT OF JUSTICE                                  |  |   |                         |                   |
| Direct programs:  |  |   |                         |                   |
| 16.710  | Public Safety Partnership and Community Policing Grants                    | 96UMWX0232                                      | 16,731                  | 31,225            |
| Passed through:   |  |   |                         |                   |
| Missouri Sheriffs' Association -                            |  |   |                         |                   |
| 16.unknown  | Domestic Cannabis Eradication/Suppression Program                          | 99-58<br>98-59                                  | 850<br>0                | 0<br>1,000        |
|   |  |   | <u>850</u>              | <u>1,000</u>      |
| U. S. DEPARTMENT OF TRANSPORTATION                          |  |   |                         |                   |
| Passed through state Highway and Transportation Commission: |  |   |                         |                   |
| 20.205  | Highway Planning and Construction  | BRO 102 (14)<br>BRO 102 (15)                    | 0<br>15,281             | 180,476<br>23,789 |
|   |  |   | <u>15,281</u>           | <u>204,265</u>    |

## Schedule

SHELBY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---|--|---|-------------------------|----------------|
|   |  |   | Year Ended December 31, |                |
|   |  |   | 1999                    | 1998           |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |                |
| Passed through state:                         |  |   |                         |                |
| Department of Health -                        |  |   |                         |                |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ERO146-9203<br>ERO146-0203                      | 771                     | 0              |
| 93.268  | Immunization Grants  | NA  | 14,948                  | 13,611         |
|   |  | PG0064-9203<br>PG0064-8203                      | 660                     | 3,560          |
|   |  |   | <u>15,608</u>           | <u>17,171</u>  |
| Department of Social Services -               |  |   |                         |                |
| 93.563  | Child Support Enforcement  | NA  | 645                     | 2,150          |
| Department of Health -                        |  |   |                         |                |
| 93.575  | Child Care and Development Block Grant   | PGA067-0203S                                    | 420                     | 0              |
|   |  | PGA067-0203C<br>ERO146-9203<br>ERO146-7203      | 3,129                   | 0              |
|   |  |   | <u>3,549</u>            | <u>0</u>       |
| 93.991  | Preventive Health and Health Services Block Grant  | NA  | 178                     | 1,237          |
|   |  | AOC9000113<br>AOC0380172<br>AOCB000076          | 19,881                  | 16,211         |
|   |  |   | <u>20,059</u>           | <u>17,448</u>  |
| 93.994  | Maternal and Child Health Block Grant  | NA  | 890                     | 354            |
|   |  | ERS146-0203<br>ERO146-9203<br>ERO146-8203       | 21,139                  | 21,508         |
|   |  |   | <u>22,029</u>           | <u>21,862</u>  |
| Total Expenditures of Federal Awards          |  |   | <u>\$ 121,220</u>       | <u>346,466</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

SHELBY COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Shelby County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Surplus Property (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$14,948 and \$13,611 represent the original acquisition cost of other vaccines purchased by the



Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$178 and \$1,237 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$890 and \$354 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Shelby County, Missouri

Compliance

We have audited the compliance of Shelby County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Shelby County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed

instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-2 and 99-3.

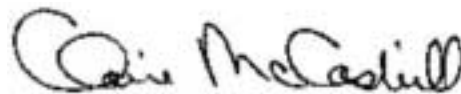
#### Internal Control Over Compliance

The management of Shelby County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Shelby County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 30, 2000 (fieldwork completion date)

Schedule

SHELBY COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?   x   yes        no

Federal Awards

Internal control over major programs:

Material weaknesses identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major programs:

CFDA or  
Other Identifying  
Number

20.205  
93.991

Program Title

Highway Planning and Construction  
Preventive Health and Health Services Block Grant

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes        x   no

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

The county imposed a sales tax under Section 67.547, RSMo 1994, for the purpose of establishing an enhanced 911 emergency telephone service; however, the county also has another one-half of one percent sales tax levy under this law. With this additional sales tax, the county is levying one percent, which is apparently above the statutory maximum allowed by Section 67.547. The county could have submitted this issue to the voters under Section 190.335, RSMo Cumulative Supp., which authorizes up to a one-half of one percent sales tax levy for the purpose of providing emergency services. The county needs to review the various sales taxes being imposed to determine which are valid.

### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

### Section III - Federal Award Findings and Questioned Costs

**99-2. Schedule of Expenditures of Federal Awards**

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Health and Human Services      |
| Pass-Through Grantor: | State Department of Health                        |
| Federal CFDA Number:  | 93.991  |
| Program Title:        | Preventive Health and Health Services Block Grant |
| Pass-Through Entity   |   |



Identifying Number: A0C9000113, A0C0380172, and A0CB000076  
Award Year: 1999 and 1998  
Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Transportation  
Pass-Through Grantor: State Highway and Transportation Commission  
Federal CFDA Number: 20.205  
Program Title: Highway Planning and Construction  
Pass-Through Entity  
Identifying Number: BRO 102(14) and BRO 102(15)  
Award Years: 1999 and 1998  
Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have a procedure in place to adequately track federal assistance for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 1999 and 1998; however, the information presented for all but one of the programs did not agree with the county's expenditure records.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

#### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Clerk indicated she will attempt to prepare an accurate schedule of expenditures of federal awards for the year ended December 31, 2000.*

|              |                        |
|--------------|------------------------|
| <b>99-3.</b> | <b>Cash Management</b> |
|--------------|------------------------|

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO 102(14)                                 |

Award Year: 1998  
Questioned Costs: Not applicable

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. The county normally pays such expenditures as the liability is incurred and prior to the reimbursement; however, we noted one reimbursement totaling \$89,527 was held 182 days from the date of receipt until the related payment was made.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to disbursement of those funds.

Non-compliance with the Cash Management Improvement Act Agreement could result in future reductions of federal funds.

**WE RECOMMEND** the County Commission establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds.

#### **AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission indicated the engineering firm notified the county that there was a prevailing wage rate dispute involving the contractor. The County Commission held the monies until the matter was resolved. There are procedures in place to minimize time elapsed between the receipt and disbursement of federal funds; this was an exception.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

SHELBY COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

SHELBY COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

1. County Procedures

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity   |   |
| Identifying Number:   | BRO 102(8) and BRO 102(11)                  |
| Award Year:           | 1996 and 1995                               |
| Questioned Costs:     | Not applicable                              |

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Housing and Urban Development |
| Pass-Through Grantor: | State Department of Economic Development         |
| Federal CFDA Number:  | 14.219   |
| Program Title:        | Community Development Block Grant Program        |
| Pass-Through Entity   |  |
| Identifying Number:   | 91PF555  |
| Award Year:           | 1997   |
| Questioned Costs:     | Not applicable                                   |

- B. During the years ended December 31, 1996 and 1995, two reimbursements from the Missouri Department of Transportation for bridge replacement and rehabilitation totaling \$76,251 were held from 74 to 104 days and one reimbursement of \$17,067 which was held 330 days before the related payments were made. In addition, one reimbursement of \$11,796 for a Community Development Block Grant project was held 18 days before the related payments were made.

Recommendation:

- B. The County Commission consult with the grantor agencies to resolve the questioned costs. In addition, the County Commission should establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

Status:

- B. Not implemented. The County Clerk has contacted the Missouri Department of Transportation and is working to resolve this situation. See finding number 99-3.

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Findings

SHELBY COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Shelby County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 30, 2000. We also have audited the compliance of Shelby County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 30, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial

statements of Shelby County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|    |                          |
|----|--------------------------|
| 1. | <b>County Procedures</b> |
|----|--------------------------|

- A. Bids were not always solicited, nor was bid documentation always retained for various purchases of used equipment made by the county during the audit period. Examples of items purchased for which bids were not solicited or adequate documentation could not be located are as follows:

| <u>ITEM PURCHASED</u>  | <u>COST</u>      |
|------------------------|------------------|
| Used Ford Dump Truck   | \$ 10,000        |
| Supreme Heil Truck Pup | 12,000           |
| Ford XLT 150 Truck     | <u>6,000</u>     |
| TOTAL                  | \$ <u>28,000</u> |

Section 50.660, RSMo Cumulative Supp. 1999, requires the advertisement for bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when available, bids received, the basis and justification for awarding bids, and documentation of all discussions with vendors.

- B. During the years ended December 31, 1999 and 1998, the county paid an engineering firm approximately \$4,300 and \$2,300, respectively, to design the Emergency 911 office and the courthouse basement, respectively.

There was no evidence that at least three engineering firms were considered, no contract documenting the rights and obligations of each party, and no evidence that an estimate of the amount the county was able to spend on the project was provided to the engineering firm.

Failure to adequately plan, solicit services and document agreements related to county projects may result in misunderstandings between the parties involved and unnecessary expenditures for the county.

In addition, Section 8.291, RSMo 1994, provides that when engineering services are obtained, the qualifications of at least three firms shall be considered. Section 432.070, RSMo 1994, prohibits a county from making a contract unless it is in writing.

Condition A was similarly noted in the previous four reports.

**WE RECOMMEND** the County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Consider the amount the county can afford for construction and renovation projects prior to incurring expenditures related to the projects. In addition, the County Commission should enter into written agreements for all services which specify all duties to be performed and the compensation to be paid.

### **AUDITEE'S RESPONSE**

*The County Commission indicated:*

- A. *They do make calls and comparisons for used equipment; however, the information is not always documented. The recommendation will be implemented immediately.*
- B. *The recommendation has been implemented.*

|   |
|---|
| <b>2. General Fixed Assets Records and Procedures</b> |
|---|

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. A review of the county's general fixed asset records revealed the general fixed asset records are not complete. Actual or estimated historical costs, acquisition dates, and dates and methods of disposition when applicable are not included for most items on the general fixed asset records. In addition, the general fixed asset records have not been updated since 1994 and do not include sheriff department vehicles or building improvements. Property tags have not been affixed to some county property.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo Cumulative Supp. 1999, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition all general fixed assets should be tagged or identified as county-owned property.

### **AUDITEE'S RESPONSE**

*The County Commission indicated they will implement a general fixed asset policy by the end of December 2000.*

|  |
|--|
| <b>3. Public Administrator Controls and Procedures</b> |
|--|

The Public Administrator acts as the court appointed personal representative for wards of the Associate Circuit Division (Probate Court) and is responsible for receiving, disbursing and accounting for the assets of those individuals. Annually, the Public Administrator is required to file an annual settlement with the probate court which reflects a detailed list of assets held as well as financial activity for the year. During the two years ended December 31, 1999, the Public Administrator had responsibility for approximately thirteen wards. Of these wards, three had assets exceeding \$450,000, \$250,000, and \$150,000, respectively. During our review we noted the following concerns:

- A. One estate has a promissory note receivable entered into in 1978, which provides for annual payments of \$15,000. According to the terms of the note, missed interest payments are to be added to the remaining balance due, on which future interest payments are calculated. When the Public Administrator was assigned the case in November 1997, the balance due on the note was unknown. The Public Administrator, his attorney and the mortgager determined the value of the note to be approximately \$47,600 in November 1997.

The Public Administrator's attorney prepared an amortization schedule of the note receivable, including payment history to date as well as remaining payment dates and amounts. During our review of the amortization schedule, it was noted that the mortgager did not make the principal or interest payments in 1985. It was also noted that the full amount of interest due in 1988 was not paid. In addition, half of the

required payment due in May 1997 was made in August, with the remainder being paid in December. In each of these instances, the unpaid interest was not added to the balance of the note, resulting in an understatement of the amount receivable to the ward's assets. The October 1999 annual settlement reflects a balance due on the promissory note of approximately \$27,900. However, as a result of the situations noted above, the balance of principal due should be approximately \$66,500, resulting in an understatement of estate assets of approximately \$38,600

Failure to maintain an accurate record of transactions related to the promissory note receivable could result in the loss of assets due to the estate.

- B. The Public Administrator receives 5% of income on the estates he handles as compensation for his duties. There is not a written policy identifying the types of monies received or transactions which should be considered as income. During our review we noted the Public Administrator inconsistently charges fees on various types of transactions and does not provide calculations of his fees to the Probate Court. Inconsistencies were noted for fees assessed on the sale of stock, nursing home insurance proceeds, promissory note receivable payments, and interest earned on certificates of deposit.

Without a written policy identifying the types of income subject to fees and a consistent application of fees, there is no assurance that estates are handled equitably or that fees are properly calculated.

- C. Investment ledgers are not maintained for the estates which have a significant amount of invested funds and, as a result, some annual settlements do not accurately present investment transactions or balances.

An investment ledger would allow the Public Administrator to more easily monitor a client's investment portfolio and provide the necessary information to report on the annual settlement.

- D. On one annual settlement reviewed, twenty-four bank accounts and CD's totaling \$407,660 were not accounted for separately, but were reported as total amounts. Section 475.270(3) RSMo 1994, requires a detailed listing of the accounts in which estate funds are held and their respective balances.

**WE RECOMMEND** the Public Administrator:

- A. Ensure the balance on the promissory note is accurately stated on the annual settlement. In addition, the balance due should be calculated based upon the terms provided in the promissory note.
- B. Work with the Associate Circuit Judge to develop written guidelines that identify receipts or transactions on which fees are to be paid. Written documentation of fee

calculations should be prepared and maintained for all annual settlements and submitted to the Probate court for approval. In addition, the Associate Circuit Judge should evaluate the inconsistencies noted above and determine if reimbursement of fees is due from the Public Administrator to the estates.

- C. Maintain an investment ledger for estates having invested funds.
- D. Include on annual settlements a detailed listing of all bank accounts in which estate funds are held and their respective balances, as required by state law.

#### **AUDITEE RESPONSE**

- A. *The Associate Circuit Judge indicated he wants to discuss this issue with the Public Administrator, Attorney, and Mortgager and will decide on a balance due. The Associate Circuit Judge indicated he agrees the auditors had to compute the balance due according to the terms of the note; however, there have probably been verbal changes to the note throughout the years that will have to be considered. The Public Administrator indicated he will work with the Associate Circuit Judge to resolve this issue.*
- B. *The Associate Circuit Judge indicated he will develop some guidelines, but he looks at reasonableness of fees which is what the law requires. The Public Administrator indicated he will work with the Associate Circuit Judge to develop guidelines related to fees.*
- C. *The Public Administrator indicated he has implemented the recommendation and is maintaining a listing of certificates of deposits and other investments.*
- D. *The Public Administrator indicated he will implement the recommendation.*

|  |
|--|
| <b>4. County Collector Controls and Procedures</b> |
|--|

During the two fiscal years ended February 29, 2000, the County Collector's office collected approximately \$6.8 million in property taxes. The County Collector has a fiduciary responsibility to ensure all monies in his custody are accounted for properly. During our review of the County Collector's office we identified the following weaknesses:

- A. A change report, which reflects changes to tax records, is not generated by the County Collector. As a result, after a change is made to a tax record there is no record of the information previously in the file. This reduces control over the collection of taxes and could result in a misstatement of collections or delinquent taxes going undetected.
- B. Partial payments received by check are cashed by the County Collector and retained in the County Collector's vault until full payment is received. As of January 20, 2000, the County Collector held over \$2,000 in cash for partial payments. These

payments had not been receipted or logged in any manner. The County Collector documents the monies received by keeping the payments in separate envelopes with the taxpayers' names written on the envelope.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be recorded and deposited intact daily or when accumulated receipts exceed \$100.

- C. Additions and abatements of property taxes are not approved by the County Commission as they occur. The County Assessor verbally notifies the County Collector when real and personal property needs to be added or deleted from the tax books. The County Collector adds and abates at the end of his fiscal year without approval of the County Commission. Upon bringing this to the attention of the County Collector, he presented a list of additions and abatements to the County Commission for approval.

Section 137.260, RSMo 1994, requires that the tax book only be changed by the Clerk of the County Commission under order of the County Commission. For the County Commission to properly monitor additions and abatements, each should be approved by the County Commission periodically throughout the year. Failure to properly monitor additions and abatements could result in the loss of funds being detected on a timely basis.

Condition A was noted in the prior two reports.

**WE RECOMMEND** the County Collector:

- A. And County Commission review the possibility of generating periodic change reports. In addition, the change reports should be reviewed by an independent party and any unusual items investigated.
- B. Record all monies received for partial payments and deposit intact daily. The record of partial payments could be used to identify the reconciled bank balance.
- C. And County Commission ensure addition and abatement court orders be prepared by the Assessor's office, retained by the County Clerk, and periodically reconciled to the property tax books. The County Commission should review and approve all additions and abatements on a timely basis and the County Clerk should make the necessary changes to the tax books.



### **AUDITEE'S RESPONSE**

*The County Collector:*

- A. Indicated he will discuss this with the computer programmer before the 2000 tax season. The County Commission indicated they will work with the County Collector on this matter.*
- B. Has implemented the recommendation.*
- C. Will ensure the County Commission signs off on additions and abatements at the end of the year. There are not usually many additions and abatements throughout the year. The County Collector will discuss with the Assessor the possibility of providing written documentation of abatements and additions.*

This report is intended for the information of the management of Shelby County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## SHELBY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Shelby County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1997. Finding number 1.B is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented have been repeated in the current MAR.

### 1. County Procedures

- A. Bids were not always solicited nor was bid documentation always retained for various purchases made by the county.

#### Recommendation:

- A. The County Commission solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.

#### Status:

- A. Not implemented. See MAR No. 1.

### 2. County Collector's Controls and Procedures

- A. The County Collector did not document monthly bank reconciliations or reconciliations between the cash balance and the monthly statement of collections and other monies which were undistributed.
- B. Monies received were not deposited intact. Checks were deposited daily; however, some cash was deposited and some was retained as part of the County Collector's change fund.
- C. A change report which reflected changes to tax records was not generated by the County Collector.

Recommendation:

The County Collector:

- A. Perform and document monthly bank reconciliations between bank balance, cash balances and monthly statements of collections. Any unreconciled differences should be investigated and resolved in a timely manner.
- B. Maintain the change fund on an imprest basis and deposit all receipts intact. Checks for cash should not be accepted.
- C. And the County Commission review the possibility of generating periodic change reports. In addition, the change reports should be reviewed by an independent party and any unusual items investigated.

Status:

- A. Implemented.
- B. Partially implemented. The new County Collector maintains the change fund on an imprest basis and personal checks are not cashed. Receipts are deposited intact with the exception of partial payments which are held until the full amount is received. See MAR No.4.
- C. Not implemented. See MAR No. 4.

3. General Fixed Asset Records and Procedures

- A. The general fixed asset records were not complete.
- B. An independent physical inventory was not performed.
- C. The County Clerk did not ensure property tags were placed on fixed assets.

Recommendation:

The County Clerk:

- A. Record all property additions and deletions in the general fixed asset records as they occur. The County Clerk should ensure the fixed asset records include the original cost, acquisition date, and date and method of disposition for all assets.
- B. Perform an annual physical inventory of county-owned property and reconcile additions on the inventory listings to equipment purchases.

C. Ensure all general fixed assets are tagged or identified as county-owned property.

Status:

Not implemented. See MAR No. 2.

4. Sheriff's Controls and Procedures

A. Receipts were not deposited intact.

B. Transactions for which a receipt was not issued were not recorded in the cash control ledger. In addition, receipts were not posted to the cash control ledger on a timely basis.

C. Receipt slips were not issued for some monies received.

Recommendation:

The Sheriff:

A. Deposit receipts intact on a daily basis or when accumulated receipts exceed \$100.

B. Ensure the cash control register is accurate and complete and that all receipts are recorded on a timely basis.

C. Ensure that receipt slips are issued for all monies received.

Status:

Implemented.

5. Circuit Clerk's Records

The method of payment was not documented on the one-write cash control ledger.

Recommendation:

The Circuit Clerk ensure the method of payment is indicated in the accounting records and reconcile the composition of receipts to the composition of deposits.

Status:

Implemented.

6. Prosecuting Attorney's Records

The Prosecuting Attorney issued receipt slips for cash receipts only.

Recommendation:

The Prosecuting Attorney ensure official prenumbered receipt slips are issued for all monies received.

Status:

Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information



# SHELBY COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1835, the county of Shelby was named after Isaac Shelby, Governor of Kentucky. Shelby County is a county-organized, third-class county and is part of the 41st Judicial Circuit. The county seat is Shelbyville.

Shelby County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Shelby County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 375,305   | 22         | 361,132   | 21         |
| Sales and use taxes       | 455,008      | 27         | 377,419   | 21         |
| Federal and state aid     | 637,239      | 37         | 821,204   | 47         |
| Fees, interest, and other | 237,389      | 14         | 192,792   | 11         |
| Total                     | \$ 1,704,941 | 100        | 1,752,547 | 100        |

The following chart shows how Shelby County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 398,365   | 27         | 407,081   | 22         |
| Public safety             | 351,401      | 23         | 353,472   | 20         |
| Highways and roads        | 749,529      | 50         | 1,053,346 | 58         |
| Total                     | \$ 1,499,295 | 100        | 1,813,899 | 100        |

The county maintains approximately 69 county bridges and 601 miles of county roads.

The county's population was 7,906 in 1970 and 6,942 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |      |       |        |        |
|------------------------|----|-------------------------|------|-------|--------|--------|
|                        |    | 1999                    | 1998 | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |      |       |        |        |
| Real estate            | \$ | 41.9                    | 41.0 | 34.9  | 20.4   | 14.7   |
| Personal property      |    | 18.8                    | 18.9 | 10.2  | 8.4    | 5.6    |
| Railroad and utilities |    | 6.7                     | 6.5  | 7.0   | 3.4    | 3.3    |
| Total                  | \$ | 67.4                    | 66.4 | 52.1  | 32.2   | 23.6   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Shelby County's property tax rates per \$100 of assessed valuations were as follows:

|                               |    | Year Ended December 31, |      |
|-------------------------------|----|-------------------------|------|
|                               |    | 1999                    | 1998 |
| General Revenue Fund          | \$ | 0.30                    | 0.30 |
| Special Road and Bridge Fund* |    | 0.35                    | 0.35 |
| Health Center Fund            |    | 0.15                    | 0.15 |

\* The county retains all tax proceeds from areas not within road districts. The county has 1 road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                                 | Year Ended February 28, |           |
|---------------------------------|-------------------------|-----------|
|                                 | 2000                    | 1999      |
| State of Missouri               | \$ 19,528               | 18,982    |
| General Revenue Fund            | 195,468                 | 188,259   |
| Special Road and Bridge Fund    | 245,970                 | 238,736   |
| Assessment Fund                 | 36,760                  | 35,631    |
| Surtax                          | 74,080                  | 71,655    |
| Health Center Fund              | 96,658                  | 93,955    |
| Nursing Home Districts Fund     | 107,908                 | 104,880   |
| School districts                | 2,280,914               | 2,202,085 |
| Ambulance district              | 161,466                 | 156,928   |
| Fire protection district        | 650                     | 583       |
| County Employee Retirement Fund | 18,288                  | 16,911    |
| Cities                          | 128,689                 | 128,211   |
| Drainage District               | 2,185                   | 2,419     |
| Other                           | 6,371                   | 5,491     |
| Commissions and Fees:           |                         |           |
| General Revenue Fund            | 49,328                  | 48,678    |
| County Collector                | 45                      | 41        |
| Total                           | \$ 3,424,308            | 3,313,445 |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |        |
|------------------------|-------------------------|--------|
|                        | 2000                    | 1999   |
| Real estate            | 95.7 %                  | 96.2 % |
| Personal property      | 93.3                    | 92.6   |
| Railroad and utilities | 100.0                   | 92.5   |

Shelby County also has the following sales and use taxes; rates are per \$1 of retail sales:

|               | Rate     | Expiration Date | Required Property Tax Reduction |
|---------------|----------|-----------------|---------------------------------|
| General       | \$ .0050 | none            | 50 %                            |
| General       | .0050    | none            | 0                               |
| Emergency 911 | .0050    | none            | 0                               |
| Local option  | .0150    | none            | 0                               |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Chuck Wood, Presiding Commissioner                               | \$     | 19,584 |        |
| Gary Million, Presiding Commissioner                             |        |        | 12,730 |
| Jerry Conrad, Associate Commissioner                             |        | 17,000 | 12,730 |
| James Mettes, Associate Commissioner                             |        | 17,000 | 12,730 |
| Denice Mefford, County Clerk                                     |        | 26,889 |        |
| Betsy Milner, County Clerk                                       |        | 2,445  | 24,689 |
| Steven Raymond, Prosecuting Attorney                             |        | 34,298 |        |
| James McConnell, Prosecuting Attorney                            |        |        | 27,597 |
| Art Cullifer, Sheriff  |        | 34,000 | 34,000 |
| Carole Simpson Burton, County Treasurer                          |        | 20,252 | 15,344 |
| Glenn (Pete) Greening, County Coroner                            |        | 5,500  | 5,500  |
| Howard Platz, Public Administrator *                             |        | 23,803 | 17,591 |
| Tom Daniels, County Collector **,<br>year ended February 28(29), | 29,888 |        |        |
| Leroy Adams, County Collector **,<br>year ended February 28,     |        | 25,727 |        |
| Billy Gibson, County Assessor ***,<br>year ended August 31,      |        | 34,900 | 34,900 |
| Harold Crane, County Surveyor ****                               |        | 0      | 0      |

\* Includes fees received from probate cases.

\*\* Includes \$45 and \$41, respectively, of commissions earned for collecting drainage district assessments.

\*\*\* Includes \$900 annual compensation received from the state.

\*\*\*\* Compensation on a fee basis.

State-Paid Officials:

|  |        |        |
|--|--------|--------|
| Rosalie Shively, Circuit Clerk and<br>Ex Officio Recorder of Deeds | 44,292 |        |
| Chuck Wood, Circuit Clerk and<br>ExOfficio Recorder of Deeds       |        | 42,183 |
| Gary G. Wallace, Associate Circuit Judge                           | 87,235 |        |
| Dan Bollow, Associate Circuit Judge                                |        | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 1                           | 2 *      |
| County Clerk                                   | 2 *                         | 0        |
| Prosecuting Attorney                           | 1                           | 0        |
| Sheriff  | 11 **                       | 0        |
| County Collector                               | 1 *                         | 0        |
| County Assessor                                | 2                           | 0        |
| Associate Division                             | 0                           | 1        |
| Probate Division                               | 0                           | 1        |
| Road and Bridge                                | 11 *                        | 0        |
| Health Center                                  | 13 **                       | 0        |
| Total  | <u>42</u>                   | <u>4</u> |

\* includes one part-time employee

\*\* includes two part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Shelby County's share of the 41st Judicial Circuit's expenses is 31.15 percent.



CITY OF LAKE ANNETTE, MISSOURI

YEAR ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-63  
July 31, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Lake Annette, Missouri.**

---

In November 1990, the city contracted with an engineering firm to conduct a feasibility study and perform other services related to the development of a municipal sewer system. Subsequently, in December 1995, the city issued \$85,000 in general obligation bonds to assist in financing the system. Since that time, the city has levied a property tax to pay the bond principal and interest. Although the city has spent almost \$59,000 of the bond proceeds, as of February 2000, the city has made little tangible progress toward the development of a sewer system.

The city needs to perform a comprehensive review of this project, the alternative systems presented by the engineers, and the estimated costs of these systems; and determine if it is feasible for the city to proceed with the project. If determined to be feasible, a firm decision should be made regarding the direction of this project and city officials should commit the necessary efforts and resources to ensure its successful completion. The city should obtain the necessary technical and administrative assistance from an engineer and/or consultant to assist it in this effort.

The city does not have a formal bidding policy and instances were noted where bids were not solicited or bid documentation was not maintained. Expenditures were made to parties with whom certain city officials had business relationships. Compensation was paid to a former alderman which was not authorized by ordinance. Adequate documentation was not maintained to support various expenditures made from city funds. The city did not enter into written agreements with contractors or individuals in some instances.

The duties of City Clerk and City Treasurer have not always been segregated as required. Bank reconciliations are not properly performed or documented. City financial activity has not been properly tracked by fund since October 1999, and the city has not ensured some restricted revenues have been used for the purposes required.

The board minutes do not document whether a former alderman voted on the appointment of his wife as City Treasurer. Timesheets were not always sufficiently detailed or retained to support payroll, and all wages were not properly reported nor applicable payroll deductions withheld. Quarterly contribution and wage reports were not always accurate and submitted timely.

(over)

YELLOW SHEET

The board minutes did not adequately document matters discussed and actions taken by the board and the minutes were not always signed by the City Clerk and Mayor. In addition, the city ordinances are not complete and up-to-date.

In recent years the city has not adopted annual budgets and has not published semi-annual financial statements as required by state law. In addition, annual financial reports have not been submitted to the State Auditor's office as required.



CITY OF LAKE ANNETTE, MISSOURI

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Board of Aldermen  
City of Lake Annette  
Lake Annette, Missouri 64746

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Lake Annette, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

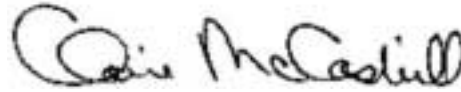
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Lake Annette, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 15, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                               |
|---------------------|-------------------------------|
| Director of Audits: | Karen Laves, CPA              |
| Audit Manager:      | Gregory A. Slinkard, CPA, CIA |
| In-Charge Auditor:  | Kimberly Spraggs, CPA         |

## HISTORY AND ORGANIZATION

# CITY OF LAKE ANNETTE, MISSOURI HISTORY AND ORGANIZATION

The city of Lake Annette is located in Cass County. It was incorporated as a village in 1982 and became a fourth-class city in 1994. The population of the city in 1990 was 157.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1999, were:

| <u>Elected Officials</u>           | <u>Term Expires</u> | <u>Amount of Bond</u> |
|------------------------------------|---------------------|-----------------------|
| Charles Whisenhunt, Mayor (1)      | April 2000          | \$5,000               |
| Eric Atchley, Alderman (2)         | April 2000          |                       |
| Dennis Behrens, Alderman (3)       | April 2000          |                       |
| Scott Bentz, Alderman (4)          | April 2000          |                       |
| Joe Dalton, Alderman (5)           | April 2000          |                       |
| <u>Other Principal Officials</u>   |                     |                       |
| Sherry Pink, City Clerk (6)        |                     | \$5,000               |
| Marsha Atchley, City Treasurer (7) |                     | \$5,000               |
| Tom Hansen, City Marshal (7)       |                     |                       |
| James Thompson, Jr., City Attorney |                     |                       |

The city's elected officials serve without compensation. With the exception of the City Attorney, the other principal officials currently serve without compensation. The City Attorney was paid \$1,207 during the year ended December 31, 1999. Former City Clerk Menges was paid \$2,373 during the year ended December 31, 1999. Subsequent to her resignation in October 1999, the City Clerk position became unpaid.

- (1) Appointed to replace Terry Murray who resigned in October 1999. Terry Murray served as Mayor from April 1999 to October 1999, and Dean Dwerlkotte served as Mayor from January 1999 to April 1999. In April 2000, Eric Atchley was elected to serve for one year with the term ending April 2001.
- (2) Appointed to replace Bob Rough who resigned in October 1999. In April 2000, Debbie Stark was elected to the board, but she declined to take office due to her appointment as City Clerk in February 2000. Angela Hansen was appointed to serve for one year with the term ending April 2001.
- (3) Appointed in October 1999 to replace Dean Dwerlkotte who resigned in September 1999. Dean Dwerlkotte served from April 1999 to September 1999, and Tom Hansen served from January 1999 to March 1999. In April 2000, Dennis Behrens was elected for a two year term.

- (4) Appointed to replace Joe Miller who resigned in November 1999. In April 2000, Scott Bentz was elected to serve for one year with the term ending April 2001.
- (5) Appointed in August 1999 to fill a vacant seat on the board. Ruth Gum held this position from April 1999 to August 1999, when the board determined the seat to be vacant. Mike Curtis served from January 1999 to April 1999. In April 2000, Joe Dalton was elected for a two year term.
- (6) Appointed to replace Karen Menges who resigned in October 1999. Sherry Pink subsequently resigned in January 2000, and in February 2000, Debbie Stark was appointed City Clerk.
- (7) Newly established positions, with the individuals appointed in October 1999.

Assessed valuation and tax rate information for 1999 were as follows:

#### ASSESSED VALUATION

|                   |                   |
|-------------------|-------------------|
| Real estate       | \$ 569,630        |
| Personal property | <u>186,060</u>    |
| Total             | \$ <u>755,690</u> |

#### TAX RATES PER \$100 ASSESSED VALUATION

|              |                |
|--------------|----------------|
| General      | \$ .20         |
| Debt service | <u>1.56</u>    |
| Total        | \$ <u>1.76</u> |

A summary of the financial activity for the city of Lake Annette for the year ended December 31, 1999, is presented below:

|                                     | General<br>Fund | Road<br>Fund | Sewer<br>Project<br>Fund | Sewer<br>Debt Service<br>Fund | Parks and<br>Recreation<br>Fund | Police<br>Fund |
|-------------------------------------|-----------------|--------------|--------------------------|-------------------------------|---------------------------------|----------------|
| RECEIPTS                            |                 |              |                          |                               |                                 |                |
| Property taxes                      | \$ 5,826 *      | 6,606        | 0                        | 9,123                         | 0                               | 0              |
| Motor fuel taxes                    | 1,959           | 4,411        | 0                        | 0                             | 0                               | 0              |
| Interest                            | 307             | 0            | 1,328                    | 234                           | 0                               | 0              |
| Traffic fines                       | 990             | 0            | 0                        | 0                             | 0                               | 32             |
| Building permits                    | 130             | 0            | 0                        | 0                             | 0                               | 0              |
| Miscellaneous                       | 105             | 0            | 0                        | 0                             | 60                              | 0              |
| Total Receipts                      | 9,317           | 11,017       | 1,328                    | 9,357                         | 60                              | 32             |
| DISBURSEMENTS                       |                 |              |                          |                               |                                 |                |
| Bond principal and interest         | 0               | 0            | 0                        | 10,337                        | 0                               | 0              |
| Salaries                            | 2,551           | 0            | 0                        | 0                             | 0                               | 0              |
| Utilities                           | 724             | 769          | 0                        | 0                             | 0                               | 0              |
| Contractor work                     | 180             | 2,822        | 0                        | 0                             | 180                             | 0              |
| Equipment                           | 0               | 2,240        | 0                        | 0                             | 0                               | 0              |
| Road materials                      | 0               | 1,682        | 0                        | 0                             | 0                               | 0              |
| Legal fees                          | 1,207           | 0            | 0                        | 0                             | 0                               | 0              |
| Insurance                           | 1,734           | 0            | 0                        | 0                             | 0                               | 0              |
| Building repairs                    | 188             | 188          | 0                        | 0                             | 0                               | 0              |
| Equipment repairs                   | 384             | 0            | 0                        | 0                             | 0                               | 0              |
| Police equipment and supplies       | 328             | 0            | 0                        | 0                             | 0                               | 0              |
| Municipal League dues               | 275             | 0            | 0                        | 0                             | 0                               | 0              |
| Miscellaneous                       | 721             | 407          | 0                        | 0                             | 162                             | 0              |
| Total Disbursements                 | 8,291           | 8,107        | 0                        | 10,337                        | 342                             | 0              |
| Receipts Over (Under) Disbursements | 1,026           | 2,909        | 1,328                    | (981)                         | (282)                           | 32             |
| Cash Balance, January 1, 1999       | 3,110           | 3,249        | 27,426                   | 9,616                         | 608                             | 24             |
| Cash Balance, December 31, 1999     | \$ 4,136        | 6,158        | 28,754                   | 8,635                         | 325                             | 56             |

\* \$2,861 was due from the General Fund to the Sewer Debt Service Fund at December 31, 1999. See MAR No. 3.



## MANAGEMENT ADVISORY REPORT

CITY OF LAKE ANNETTE, MISSOURI  
SUMMARY OF FINDINGS

1. Sewer Project (pages 11-12)

Although the city has expended almost \$59,000 toward the development of a sewer system, as of February 2000, little tangible progress has been made related to this project. The city needs to perform a comprehensive review of this project and determine whether it is feasible to proceed. If so, a firm decision needs to be made regarding the direction of the project and the necessary efforts and resources should be committed to ensure its successful completion.

2. Expenditures (pages 12-17)

The city does not have a formal bidding policy and instances were noted where bids were not solicited or bid documentation was not maintained. Expenditures were made to parties with whom certain city officials had business relationships. Compensation was paid to a former alderman which was not authorized by ordinance. Adequate documentation was not maintained to support various expenditures made from city funds. The city did not enter into written agreements with contractors or individuals in some instances. The minutes do not identify the disbursements approved by the board at its monthly meetings. IRS 1099-MISC forms were not prepared in all applicable instances.

3. Accounting Controls and Procedures (pages 17-19)

The duties of City Clerk and City Treasurer have not always been adequately segregated. Monthly bank reconciliations are not properly performed or documented. Since October 1999, city financial activity has not been properly tracked by fund and receipts have not been properly distributed between bank accounts. Some motor vehicle revenues have not been properly accounted for and may have been used for purposes other than street-related.

4. Budgets and Financial Reporting (pages 19-20)

In recent years the city has not adopted annual budgets and has not published semiannual financial statements as required by state law. In addition, annual financial reports have not been submitted to the State Auditor's office as required.

5. Board Minutes and Ordinances (pages 20-23)

The board minutes did not always adequately document matters discussed and actions taken by the Board of Aldermen. Board minutes were not always signed by both the City Clerk and the Mayor, and minutes were not prepared for all meetings. The city's ordinances are not complete and up-to-date, and the city has not adopted ordinances in some instances where required. The city does not have a formal policy regarding public access to city records.

6. Personnel and Payroll Matters (pages 23-25)

The board minutes do not document whether an alderman voted on the appointment of his wife as City Treasurer. Timesheets were not always sufficiently detailed or retained to support payroll, and all wages were not properly reported nor applicable payroll deductions withheld. Quarterly contribution and wage reports were not always accurate and submitted timely.

7. Street Maintenance Plan (page 25)

An annual maintenance plan for city streets has not been prepared.

CITY OF LAKE ANNETTE, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                      |
|-----------|----------------------|
| <b>1.</b> | <b>Sewer Project</b> |
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In November 1990, the city contracted with an engineering firm to conduct a feasibility study, design, and perform other services related to the development of a municipal sewer system. To assist in financing the system, in April 1995, city voters approved the issuance of \$130,000 in general obligation bonds and \$300,000 in revenue bonds. Subsequently, the city issued \$85,000 in general obligation bonds in December 1995. Since that time, the city has levied a property tax to pay the bond principal and interest.

The net bond proceeds from the December 1995 issuance totaled \$80,942, and the city has spent \$58,954 from these monies. The balance of the remaining bond proceeds, plus interest income, totaled \$28,754 at December 31, 1999.

Although the city has spent a significant amount of the bond proceeds, as of February 2000, the city had made little tangible progress toward the development of a sewer system. Our review of board minutes and discussions with current and former city officials disclosed the following activities regarding the sewer project:

From December 1995 to March 1997, the city paid the engineering firm a total of \$57,102 for work performed on the feasibility study and design stages of the project. The engineer provided the city with drawings and cost estimates for various types of sewer systems. Current and former city officials indicate that the city was not satisfied with the work performed by the engineer and the estimated costs of the project, and this engineering firm was told to halt work on the project in April 1997.

Since that time, the city has received assistance from a different engineering firm in a further effort to develop this project. In January 1999, this engineering firm submitted a project proposal on behalf of the city to the Missouri Water and Wastewater Review Committee to obtain grant funding for the system. This January 1999 proposal listed four alternative systems and estimated the total cost of design, engineering, construction, and administration of the different systems would range from \$700,000 to \$1.2 million, depending on the type of system selected. In March 1999, the committee returned the project proposal to the city for additional information and suggested the city review additional alternative systems. However, as of March 2000, neither the city nor the engineering firm had resubmitted a revised proposal or any of the other requested information to the committee.

Because the board minutes were incomplete regarding discussions held and decisions made regarding the sewer system, it was difficult to determine why so little progress has been made on this project. However, it appears the high turnover of city officials in

recent years and a lack of administrative support/oversight has contributed to this situation. It should be noted that in January 1999, the city contracted with a grant consultant to assist it in pursuing grant funding and provide administrative support; however, the city decided not to renew this contract in 2000.

It appears the city needs to perform a comprehensive review of this project, the alternative systems presented by the engineers, and the estimated costs of these systems; and determine if it is feasible for the city to proceed with the project. If determined to be feasible, a firm decision should be made regarding the direction of this project and city officials should commit the necessary efforts and resources to ensure its successful completion. The city should obtain the necessary technical and administrative assistance from an engineer and/or consultant to assist it in this effort.

**WE RECOMMEND** the Board of Aldermen perform a comprehensive review of this project and the various alternatives and related costs; and determine whether it is feasible for the city to proceed with the project. If determined feasible, a firm decision should be made regarding the project and the necessary efforts and resources should be committed to the project. In addition, any necessary technical and administrative assistance should be obtained to help ensure its successful completion.

### **AUDITEE'S RESPONSE**

*The Board of Aldermen indicated the proposed sewer system is very much needed by the city and it is in the process of determining the feasibility of the project. The board anticipates that a decision will be made regarding the feasibility and future direction of the project within the next three months.*

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| <b>2. Expenditures</b> |
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- A. The city does not have a formal written bidding policy. While it appears the city has solicited bids in some instances, it appears bids are not generally solicited when goods and services are purchased. We noted the following areas of concern related to the city's bidding procedures:
- 1) During the two years ended December 31, 1998, the city received and spent a total of \$89,560 in capital improvement sales tax distributions from Cass County to rebuild a bridge and repair roads. The city did not publicly advertise or solicit written proposals for these projects. Current and former city officials indicated that for some items and services, price quotes were solicited from several companies and contractors and some items were available from only one vendor; however, documentation of these quotes and sole source procurement situations was not maintained. Rather than soliciting bids for construction of the bridge, the city hired its existing road maintenance contractor to perform the work. Payments to this contractor for bridge work totaled \$33,645.

Other expenditures made by the city in which bids were not solicited or documentation was not maintained included \$5,514 for road rock in 1999 and 1998, \$5,425 for police equipment in 1998, \$3,098 for insurance in 1998 and 1999, \$3,000 for a jeep in 1998, and \$1,900 for a tractor in 1999.

- 2) Each year, the city solicits bids for road maintenance, snow removal, and lawn maintenance. During the two years ended December 31, 1999, the city did not publicly advertise requests for these bids. Instead, former city officials indicated that notices were posted around the city and in nearby cities. Possibly because of the manner in which these services were provided, bids were received from only two vendors. In addition, lawn maintenance bid documentation could not be located.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. During the three years ended December 31, 1999, expenditures were made to parties with whom certain city officials had business relationships. During this period, the city expended a total of \$54,950 to a local construction company for various services, including the road and bridge work and snow removal work noted in Part A. above. During this same period, former Alderman Rough worked on a contractual basis for this company. Although bids were solicited for some of these services and the former alderman indicated that he always abstained from voting on issues regarding this company, there was no documentation of this abstention in the board minutes.

Also, in 1997 the city hired an architectural firm to prepare a multi-year application to be submitted to the county for capital improvement sales tax funding. Although former City Clerk Menges worked at times for this firm on a contractual basis, there was no documentation to indicate the city solicited proposals for these services from any other companies or to reflect the board's discussion and approval of these services. Payments to this architectural firm totaled \$7,300 during the two years ended December 31, 1998. When the architectural firm was contacted about this matter, we were told that firm agreed to provide these services only after it was given the impression other firms would be contacted for proposals and the former City Clerk's business relationship with this firm would be disclosed to and approved by the board.

In situations where a city is considering doing business with an individual or company with whom an alderman or other city official also has a business relationship, the city should ensure other bids or proposals are obtained, the applicable official should abstain from voting on the transaction(s), and that abstention should be documented.

- C. During March 1999, former Alderman Rough was paid \$200 to repair the city's jeep. Although he indicated that a price quote for these services was obtained from a repair shop, documentation of this was not maintained.

The compensation of city officials must be set and is limited to the amount provided by ordinance. In Nodaway County v. Kidder, 129 SW 857 (Mo. 1939) the Missouri Supreme Court specifically stated, "The general rule is that the rendition of services by a public officer is deemed to be gratuitous, unless a compensation therefore is provided by statute."

- D. Documentation to support various disbursements made by the city could not be located. These expenditures included some police equipment, reimbursements to city officials and the road maintenance contractor, and payments to local retailers.

In addition, invoices totaling \$16,370 for expenditures from the 1998 capital improvement sales tax projects were not retained in city files. Although these expenditures were paid by either the county or the financial institution providing a construction loan, the city should retain documentation of such expenditures.

All disbursements should be supported by paid receipts or vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- E. The city did not enter into written contracts for various contracted services received. For example, for the road and bridge projects funded with 1998 capital improvement sales tax distributions, the city did not enter into contracts with the construction company or the individual who performed the concrete work. In addition, while former city officials indicated there was a contract with the architect who prepared the application for funds, it could not be located in the city files.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- F. Although there is an occasional reference to a specific invoice being approved for payment, minutes usually only make a general reference that invoices are

approved for payment. Invoices are not signed or initialed by the aldermen, and a supplementary listing of all disbursements approved for payment by the board is not prepared to accompany the minutes. Monthly financial reports were prepared until October 1999, which included a detailed listing of all expenditures by fund; however, the expenditures represented the preceding month's activities.

In addition, there was no documentation in the board minutes or financial reports that the aldermen had reviewed and approved the expenditures totaling \$89,560 from the 1998 capital improvement sales tax funds.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board before payment is made to ensure all disbursements represent valid operating costs of the city.

- G. The city did not always issue Forms 1099-MISC to individuals or unincorporated businesses which provided services to the city. Expenditures for services totaling approximately \$34,200 were paid and not reported to the Internal Revenue Service on Forms 1099-MISC during 1998 and 1999 as required.

The Internal Revenue Code (IRC) requires payments totaling \$600 or more in a year to non-employees and businesses which are not corporations be reported on Forms 1099-MISC.

- H. During a four month period in 1998, the city reimbursed a former city official \$233 for toner purchased for a copy machine owned by that former official, and kept at the house of two other former city officials. According to former officials, a lot of copying was performed for the city during this period; however, there was no documentation explaining what copying was being performed or justifying the extent of these reimbursements. In the future, the city should ensure any similar reimbursements are adequately supported by adequate documentation.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- 2. Ensure requests for bids for significant expenditures are publicly advertised and bid documentation is retained.
- B. Ensure bids are solicited for all purchases where the city is considering doing business with an individual or company with whom a city official has a business relationship. In addition, any board member should abstain from voting on the



applicable transaction(s) and that action should be adequately documented in the board minutes.

- C. Refrain from compensating a city official for any services performed for the city above that provided by ordinance.
- D. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices and other supporting documentation.
- E. Ensure formal written contracts are entered into for any services obtained by the city.
- F. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes. In addition, supporting documentation should be reviewed by the board before payment is approved.
- G. Ensure that IRS Forms 1099-MISC are filed as required.
- H. Ensure all reimbursements/expenses paid from city funds are adequately documented and necessary for the operation of the city.

#### **AUDITEE'S RESPONSE**

- A.1. *The Board of Aldermen concurs and indicated a formal bidding policy will be established within the next three months.*
- 2. *The Board of Aldermen concurs and indicated this recommendation has already been implemented.*
- B-H. *The Board of Aldermen concurs and indicated these recommendations will be implemented immediately.*
- B. *The architectural firm provided the following response:*

*The architectural firm principal believes its services were engaged after a competitive process which solicited responses from the existing engineering firm to the City, and others. The City Clerk discussed with him possible other types of bidders, placing a notice in daily or weekly newspapers, and left the impression that no one bidder had any advantage over any other. The principal asserts he made clear to the City Clerk that before he could proceed with applying for the work or being awarded any work, the elected City body would have to review and approve this arrangement. He was assured that this had been done before he began work. It was his understanding that when he received funds that these had been authorized by the governing body, and that the City Clerk did not have check writing ability on behalf of the City. Due to the architectural firm's work and the firm's situation, he and the City Clerk had discussed the absolute*

*necessity of there being not even an appearance of a conflict in any actions by the firm principal or those associated with him.*

**3.**

**Accounting Controls and Procedures**

- A. The duties of City Clerk and City Treasurer have not always been segregated as required. Prior to October 1999, the City Clerk also served as the City Treasurer. She collected all receipts, maintained the city's financial records, made bank deposits, co-signed checks, and served as secretary to the board. In October 1999, the Board of Aldermen appointed a separate individual as City Treasurer; however, as of January 2000, this person had not performed any duties and the City Clerk was essentially still performing the duties of both offices. In addition, there has been no independent review of the records by an individual who is not responsible for maintaining the records.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk and City Treasurer by the same person at the same time would be incompatible. One person holding these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. These procedures jeopardize the system of independent checks and balances intended by state law.

Although it appears that recently the city has segregated duties between the City Clerk and the City Treasurer, a periodic independent review of the records is still not performed.

- B. Bank reconciliations are not properly performed or documented. Monthly bank reconciliations are necessary to ensure that all accounting records balance, that transactions have been properly recorded, and that any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions, any corrections made, and to facilitate independent reviews.
- C. Six individual funds have been established to account for the financial transactions of the city. These funds are held in two checking accounts and several certificates of deposit. Our review of the city's handling of these funds disclosed the following concerns:
- 1) After former City Clerk Menges resigned in October 1999, city financial activity was no longer tracked by fund. In addition, since that time all receipts have been deposited into the main checking account, instead of separating receipts between the main account and the sewer account. As a result, debt service property tax receipts totaling \$2,861 were deposited into the main account instead of the sewer account as of December 31, 1999.

A ledger properly accounting for receipts and disbursements by fund should be maintained. In addition, the debt service property tax receipts improperly deposited into the main account should be transferred to the sewer account.

- 2) During the year ended December 31, 1999, the city received \$6,370 in motor vehicle-related revenues from the state. The city credits the gasoline tax revenues to the Road Fund; however, the motor vehicle sales tax and fee increase revenues have been credited to the General Fund. Therefore, \$1,959 in motor vehicle sales tax and fee increase revenues received during the year were credited to the city's General Fund.

Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes. To ensure compliance with the Missouri Constitution, the city should deposit all motor vehicle-related revenues into the Road Fund and ensure these monies are used only for street-related purposes as required.

We determined that motor vehicle-related revenues credited to the General Fund exceeded street-related expenses paid from that fund by \$1,176 during the year ended December 31, 1999. As a result of this situation, revenues legally restricted for street purposes may have been used for other municipal purposes. It also appears that at least some motor vehicle-related revenues were similarly mishandled in previous years.

**WE RECOMMEND** the Board of Aldermen:

- A. Continue to ensure the duties of the City Clerk and City Treasurer are segregated and that separate individuals are appointed to those positions. In addition, the city should ensure an independent review of the records is performed on a periodic basis.
- B. Ensure formal bank reconciliations are performed and documented on a monthly basis.
- C.1. Ensure a ledger of receipts and disbursements is maintained by fund. In addition, the debt service property tax revenues improperly deposited into the main account should be transferred to the sewer account.
2. Credit all motor vehicle-related revenues to the Road Fund and ensure they are spent only for street-related purposes as required. In addition, the city should determine the amount of restricted monies in the General Fund and transfer this amount to the Road Fund. If the balance of the General Fund is not sufficient to

make the transfer at this time, it should be made when adequate funds are available.

#### **AUDITEE'S RESPONSE**

- A. *The Board of Aldermen concurs and indicated it will implement an independent review of the accounting records on a quarterly basis.*
- B. *The Board of Aldermen concurs and indicated a formal bank reconciliation will be performed within the next three months and will be performed monthly thereafter.*
- C.1. *The Board of Aldermen concurs and indicated a ledger which accounts for financial activity by fund will be established within the next three months. In addition, the board indicated that within that same period an effort will be made to bring the records up-to-date and determine the balances of the various funds. The recommended transfer will be made as soon as balances are sufficient to do so.*
- 2. *The Board of Aldermen indicated that all road monies received in recent months have been credited to the Road Fund and this will continue. In addition, the board indicated that within the next three months an effort will be made to bring the records up-to-date and determine the balances of the various funds. The recommended transfer will be made as soon as balances are sufficient to do so.*

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| <b>4. Budgets and Financial Reporting</b> |
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- A. The city did not adopt budgets for either of the years ending December 31, 2000 or 1999. According to former City Clerk Menges, she prepared a budget for the year ended December 31, 1999; however, it was not presented to and approved by the board. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific costs and revenue expectations for each area of the city operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about city operations and current finances.

- B. The city has not published semi-annual financial statements as required by state law. The last financial statement published by the city covered the period from January to June 1997.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 1994, states

the City Treasurer cannot legally disburse funds until the financial statement is published.

- C. The city has not filed an annual report of financial activity with the State Auditor's office as required. The last report submitted was for the year ended December 31, 1997. Section 105.145, RSMo 1994, requires the city to file a financial report with the State Auditor's office annually.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare annual budgets in accordance with state law, and make periodic comparisons between budgeted and actual revenues and expenditures.
- B. Ensure semi-annual financial statements are prepared and published in accordance with state law.
- C. File annual financial reports with the State Auditor's office as required by state law.

**AUDITEE'S RESPONSE**

- A. *The Board of Aldermen concurs and indicated it will implement this recommendation for the upcoming year.*
- B. *The Board of Aldermen concurs and indicated it will implement this recommendation for the first six months of calendar year 2000.*
- C. *The Board of Aldermen concurs and indicated it will implement this recommendation for calendar year 2000.*

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| <b>5. Board Minutes and Ordinances</b> |
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- A. The board generally meets once a month. Our review of the board minutes noted the following areas of concern:
  - 1) The board minutes did not adequately document matters discussed and actions taken by the board. For example, there was little documentation to support discussions held and decisions made regarding the sewer system project discussed in MAR No. 1. In addition, there was no documentation of the decisions made regarding the spending of the capital improvement sales tax distributions received from Cass County in 1998 as discussed in MAR No. 2. In addition, during August 1997, the city obtained a loan to begin the bridge project in advance of receipt of this funding from the county; however, this decision was not documented in the board minutes. Other significant decisions/items which were not properly documented in

the minutes included the purchase of a tractor and a jeep in November 1999 and June 1998, respectively, and the resignations of two board members during 1999.

In addition, the minutes did not include some information required by state statute. There were numerous instances where the minutes indicated that a decision was made but did not indicate how the individual board members voted. In addition, minutes prepared for meetings held since October 1999 did not document the members present, motions made, or votes taken.

Section 610.020, RSMo Cumulative Supp. 1999, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Minutes represent the official record of board actions and decisions and it is important that they are complete and accurate.

- 2) The board minutes are prepared by the City Clerk; however, the minutes are not always signed by both the City Clerk and the Mayor. In addition, although we were informed the prior month's minutes are usually approved by the board at the next board meeting, the minutes did not always document this approval.

The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings. In addition, the minutes should document the board's approval of the prior month's minutes.

- 3) Minutes were not prepared for a meeting held in July 1999. To ensure compliance with open-meeting laws, minutes should be prepared for all meetings and be maintained and filed by the City Clerk. Section 610.020 RSMo Cumulative Supp. 1999, requires a journal or minutes shall be taken and retained of all open meetings of a public governmental body.

B. The city's ordinances are not complete and up-to-date. Our review noted the following:

- 1) It appears some of the city's ordinances are missing while others are old and outdated. In addition, some ordinances were not signed by the Mayor as required by state law.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner. Section 79.130, RSMo 1994, requires that no bill shall become an ordinance until

it shall have been signed by the Mayor or person exercising the duties of the Mayor's office.

- 2) Ordinances have not been adopted in some instances where required. For example, the city has not adopted ordinances to establish the compensation, duties, and terms of office of city officials or to establish the annual property tax rates as required by law.

Sections 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials and employees be set by ordinance; while Section 79.320, RSMo 1994, requires the duties and term of office of the City Clerk be fixed by ordinance. In addition, Section 94.210, RSMo 1994, requires the annual tax rates be established by ordinance.

- C. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact, an address to mail such requests, and should establish a cost for providing copies of public records.

Section 610.023, RSMo Cumulative Supp. 1999, lists requirements for making city records available to the public. Section 619.026, RSMo Cumulative Supp. 1999, allows the city to charge fees for copying public records, but the fees shall not exceed the city's actual cost of document search and duplication.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
2. Ensure all board minutes are approved by the board and signed by the Mayor and the City Clerk to attest to their completeness and accuracy. In addition, the board's approval of the prior month's minutes should be documented.
3. Ensure minutes are prepared for all meetings and properly retained.
- B. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required by state law. In addition, the board should ensure all ordinances are signed by the Mayor as required by state law.
- C. Establish a formal written policy and procedures regarding public access to city records.

## **AUDITEE'S RESPONSE**

- A. *The Board of Aldermen concurs and indicated these recommendations have already been implemented.*
- B. *The Board of Aldermen concurs and indicated this recommendation will be implemented within six months.*
- C. *The Board of Aldermen concurs and indicated this recommendation will be implemented within three months.*

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| <b>6. Personnel and Payroll Matters</b> |
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- A. On October 12, 1999, Alderman Atchley was appointed to the board on the same date the board appointed his wife to serve as City Treasurer. The board minutes do not document whether Alderman Atchley was involved in this decision or abstained from voting on the appointment of his wife.

The hiring or appointment of a relative by a public official is prohibited. Article VII, Section 6 of the Missouri Constitution states, "Any public officer or employee in this state who by virtue of his office or employment names or appoints to public office or employment any relative within the fourth degree, by consanguinity or affinity, shall thereby forfeit his office or employment."

In April 2000, Alderman Atchley was elected Mayor of the city. Because he has been elected to a new term of office subsequent to this appointment, this issue would not affect his current term of office as Mayor.

- B. Former City Clerk Menges was generally paid on a monthly basis. Our review of the related records and reports supporting this compensation disclosed the following concerns:
  - 1) Timesheets were usually not sufficiently detailed. Most of the timesheets reviewed did not adequately identify the days worked or the time spent on specific tasks. In addition, some 1998 and 1999 timesheets were missing. Sufficiently detailed timesheets should be prepared and retained to support payments to employees.
  - 2) The city did not properly report the wages, withhold payroll taxes, or pay the employer's share of social security on the former City Clerk's November 1998 wages of \$182.

The Internal Revenue Code requires employers to report all wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143 RSMo 1994, includes requirements for reporting wages and withholding state



income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees.

- 3) Quarterly contribution and wage reports were not always accurate and submitted timely to the Missouri Department of Labor and Industrial Relations, Division of Employment Security. The 1999 third quarter report was submitted late, causing the city to incur a \$200 penalty. In addition, \$517 in wages paid to the former City Clerk were not reported on the 1998 contribution and wage reports.

The board should ensure that contribution and wage reports are accurate and submitted timely to avoid incurring unnecessary penalties.

Since former City Clerk Menges resigned in October 1999, the individuals serving as City Clerk have served without compensation. Although no payroll costs are currently being incurred by the city, the recommendations presented below should be implemented if any compensation is paid in the future to any city employees or officials.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure any appointments of city officials comply with the restrictions of Article VII, Section 6 of the Missouri Constitution in regard to the appointment of public officials. If a relative of a city official is considered for appointment, that official should abstain from voting on the issue and an adequate record of the abstention should be maintained.
- B.1. Ensure timesheets are sufficiently detailed and retained to support any compensation paid to city employees.
2. Ensure all payroll taxes are properly withheld and remitted for any wages or salaries paid. In addition, the board should ensure that all compensation paid to employees is properly reported, and that an amendment is filed to report the 1998 wages which were not previously reported.
3. Ensure quarterly contribution and wage reports are accurate and submitted timely. In addition, the city should file an amendment to report the 1998 wages which were not previously reported.

**AUDITEE'S RESPONSE**

- A. *The Board of Aldermen concurs and indicated this recommendation will be implemented immediately.*

- B. *The Board of Aldermen concurs and indicated these recommendations will be implemented if necessary in the future. In addition, the board indicated the necessary amendments will be prepared and filed as recommended.*

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| <b>7. Street Maintenance Plan</b> |
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An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year.

**AUDITEE'S RESPONSE**

*The Board of Aldermen concurs and indicated that this recommendation will be implemented for the upcoming year.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



BENTON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-62  
July 27, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Benton, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Benton County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The County Collector has reported a deposit in transit of \$1,358 as a reconciling item on bank reconciliations since August 1998. The County Collector indicated the deposit was apparently lost; however, follow up on the deposit had not taken place as of the end of our fieldwork (April 6, 2000). Any part of the \$1,358 not recovered will need to be repaid by the County Collector to eliminate the shortage in the bank account.
- The County Collector improperly distributed \$6,757 received from the State Department of Conservation as payments in lieu of taxes (PILT) to the General Revenue Fund. A similar improper distribution of \$6,177 in payments in lieu of taxes monies noted in our prior audit was not corrected. As a result, various political subdivisions in the county are due approximately \$12,000 with an estimated 60 percent of this amount due to local school districts.
- The county and Health Center do not have procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards (SEFA). The county's schedule of expenditures of federal awards contained numerous errors and omissions. An accurate schedule of expenditures of federal awards is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.

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Also included in the audit are recommendations to improve the accounting controls and procedures for the County Collector, Circuit Clerk and Sheriff. The audit also suggested improvements be made in the county's budgetary and bidding procedures, as well as the use of written contracts. Several of these issues have been noted in prior audits.

**Copies of the audit are available upon request.**

BENTON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of Benton County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Benton County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

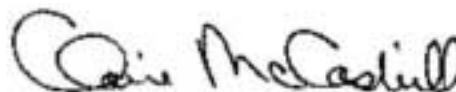
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Benton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Benton County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Benton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 6, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Benton County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Jon Halwes, CPA, CGFM |
| In-Charge Auditor:  | Robert Showers        |
| Audit Staff:        | Shad Becker           |
|                     | Susan Beeler          |
|                     | Alana Flint           |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Benton County, Missouri

We have audited the special-purpose financial statements of various funds of Benton County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

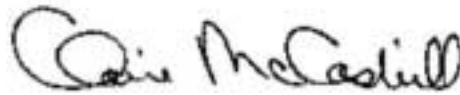
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Benton County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Benton County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Benton County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 6, 2000 (fieldwork completion date)

## Financial Statements



Exhibit A-1

BENTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 221,860         | 1,443,623 | 1,429,467     | 236,016              |
| Special Road and Bridge             | 1,254,076          | 1,195,689 | 1,364,643     | 1,085,122            |
| Assessment                          | 5                  | 176,392   | 176,391       | 6                    |
| Law Enforcement Training            | 2,162              | 6,501     | 7,325         | 1,338                |
| Prosecuting Attorney Training       | 1,096              | 1,594     | 1,825         | 865                  |
| Capital Improvement Sales Tax       | 722,864            | 621,690   | 770,709       | 573,845              |
| Sales Use Tax                       | 169,520            | 45,763    | 56,705        | 158,578              |
| Adult Abuse                         | 324                | 526       | 635           | 215                  |
| Prosecuting Attorney Bad Check      | 5,946              | 13,309    | 12,466        | 6,789                |
| Recorder's User Fees                | 37,109             | 17,113    | 32,653        | 21,569               |
| Prosecuting Attorney Delinquent Tax | 2,645              | 2,644     | 2,452         | 2,837                |
| Juvenile Detention                  | 7,705              | 35,462    | 28,635        | 14,532               |
| Sheriff Drug                        | 150                | 20,595    | 12,644        | 8,101                |
| Sheriff Civil                       | 1,386              | 14,082    | 15,458        | 10                   |
| Circuit Clerk Interest              | 6,877              | 2,649     | 2,170         | 7,356                |
| Health Center                       | 115,368            | 2,024,058 | 2,008,403     | 131,023              |
| Law Library                         | 4,399              | 9,253     | 6,516         | 7,136                |
| DARE                                | 0                  | 1,290     | 0             | 1,290                |
| Total                               | \$ 2,553,492       | 5,632,233 | 5,929,097     | 2,256,628            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

BENTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 184,401         | 1,409,856 | 1,372,397     | 221,860              |
| Special Road and Bridge             | 1,223,833          | 1,237,405 | 1,207,162     | 1,254,076            |
| Assessment                          | (7,511)            | 182,040   | 174,524       | 5                    |
| Law Enforcement Training            | 3,420              | 9,508     | 10,766        | 2,162                |
| Prosecuting Attorney Training       | 1,229              | 2,945     | 3,078         | 1,096                |
| Capital Improvement Sales Tax       | 575,860            | 595,946   | 448,942       | 722,864              |
| Sales Use Tax                       | 251,906            | 13,133    | 95,519        | 169,520              |
| Local Law Enforcement Block Grant   | 444                | 232       | 676           | 0                    |
| Adult Abuse                         | 328                | 700       | 704           | 324                  |
| Prosecuting Attorney Bad Check      | 7,288              | 14,840    | 16,182        | 5,946                |
| Recorder's User Fees                | 24,475             | 15,586    | 2,952         | 37,109               |
| Prosecuting Attorney Delinquent Tax | 1,672              | 1,889     | 916           | 2,645                |
| Juvenile Detention                  | 8,708              | 37,332    | 38,335        | 7,705                |
| Sheriff Drug                        | 5,563              | 6,596     | 12,009        | 150                  |
| Sheriff Civil                       | 1,756              | 14,133    | 14,503        | 1,386                |
| Health Center                       | 92,950             | 2,297,492 | 2,275,074     | 115,368              |
| Law Library                         | 1,736              | 7,340     | 4,677         | 4,399                |
| Associate Circuit Division Interest | 608                | 2,975     | 871           | 2,712                |
| Circuit Clerk Interest              | 2,814              | 1,672     | 321           | 4,165                |
| Total                               | \$ 2,381,480       | 5,851,620 | 5,679,608     | 2,553,492            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |           |  |           |           |  |
|--|-------------------------|-----------|--|-----------|-----------|--|
|  | 1999                    |           |  | 1998      |           |  |
|  | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                                |                         |           |  |           |           |  |
| Property taxes                                 | \$ 194,900              | 192,432   | (2,468)                                | 178,600   | 190,293   | 11,693                                 |
| Sales taxes                                    | 542,500                 | 564,480   | 21,980                                 | 536,600   | 542,365   | 5,765                                  |
| Intergovernmental                              | 176,882                 | 245,906   | 69,024                                 | 242,420   | 236,571   | (5,849)                                |
| Charges for services                           | 303,450                 | 323,639   | 20,189                                 | 282,010   | 300,558   | 18,548                                 |
| Interest                                       | 21,300                  | 21,581    | 281                                    | 24,200    | 23,118    | (1,082)                                |
| Other  | 89,230                  | 62,418    | (26,812)                               | 77,600    | 85,627    | 8,027                                  |
| Transfers in                                   | 33,950                  | 33,167    | (783)                                  | 34,086    | 31,324    | (2,762)                                |
| Total Receipts                                 | 1,362,212               | 1,443,623 | 81,411                                 | 1,375,516 | 1,409,856 | 34,340                                 |
| <b>DISBURSEMENTS</b>                           |                         |           |  |           |           |  |
| County Commission                              | 84,970                  | 85,246    | (276)                                  | 53,242    | 52,458    | 784                                    |
| County Clerk                                   | 64,444                  | 62,955    | 1,489                                  | 54,989    | 51,401    | 3,588                                  |
| Elections                                      | 33,070                  | 16,345    | 16,725                                 | 68,000    | 48,810    | 19,190                                 |
| Buildings and grounds                          | 39,638                  | 35,921    | 3,717                                  | 41,703    | 37,904    | 3,799                                  |
| Employee fringe benefits                       | 90,500                  | 69,436    | 21,064                                 | 85,600    | 75,382    | 10,218                                 |
| County Treasurer                               | 31,138                  | 30,747    | 391                                    | 20,848    | 20,410    | 438                                    |
| County Collector                               | 99,270                  | 96,783    | 2,487                                  | 92,473    | 86,445    | 6,028                                  |
| Circuit Clerk and Ex Officio Recorder of Deeds | 50,140                  | 49,451    | 689                                    | 42,290    | 36,188    | 6,102                                  |
| Associate Circuit and Probate Courts           | 0                       | 0         | 0                                      | 14,400    | 9,017     | 5,383                                  |
| Court administration                           | 44,167                  | 17,139    | 27,028                                 | 44,568    | 21,665    | 22,903                                 |
| Public Administrator                           | 9,500                   | 13,715    | (4,215)                                | 12,175    | 8,359     | 3,816                                  |
| Sheriff  | 590,973                 | 579,450   | 11,523                                 | 555,366   | 582,132   | (26,766)                               |
| Jail   | 63,780                  | 84,480    | (20,700)                               | 81,350    | 58,121    | 23,229                                 |
| Prosecuting Attorney                           | 107,772                 | 108,441   | (669)                                  | 90,004    | 88,668    | 1,336                                  |
| Juvenile Officer                               | 65,122                  | 48,274    | 16,848                                 | 68,092    | 56,590    | 11,502                                 |
| County Coroner                                 | 10,830                  | 8,380     | 2,450                                  | 9,296     | 10,846    | (1,550)                                |
| Health and welfare                             | 1,000                   | 0         | 1,000                                  | 1,000     | 1,005     | (5)                                    |
| Other  | 109,456                 | 102,482   | 6,974                                  | 110,422   | 99,922    | 10,500                                 |
| Transfers out                                  | 17,182                  | 20,222    | (3,040)                                | 25,994    | 27,074    | (1,080)                                |
| Emergency Fund                                 | 40,866                  | 0         | 40,866                                 | 44,102    | 0         | 44,102                                 |
| Total Disbursements                            | 1,553,818               | 1,429,467 | 124,351                                | 1,515,914 | 1,372,397 | 143,517                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS            | (191,606)               | 14,156    | 205,762                                | (140,398) | 37,459    | 177,857                                |
| CASH, JANUARY 1                                | 221,860                 | 221,860   | 0                                      | 184,401   | 184,401   | 0                                      |
| CASH, DECEMBER 31                              | \$ 30,254               | 236,016   | 205,762                                | 44,003    | 221,860   | 177,857                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 264,400              | 270,751   | 6,351                                  | 249,400   | 263,177   | 13,777                                 |
| Intergovernmental                     | 750,500                 | 792,463   | 41,963                                 | 751,680   | 811,625   | 59,945                                 |
| Charges for services                  | 0                       | 0         | 0                                      | 500       | 0         | (500)                                  |
| Interest                              | 102,000                 | 120,007   | 18,007                                 | 87,500    | 125,585   | 38,085                                 |
| Other                                 | 7,500                   | 12,468    | 4,968                                  | 12,800    | 37,018    | 24,218                                 |
| Total Receipts                        | 1,124,400               | 1,195,689 | 71,289                                 | 1,101,880 | 1,237,405 | 135,525                                |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 415,000                 | 389,461   | 25,539                                 | 371,939   | 336,607   | 35,332                                 |
| Employee fringe benefits              | 71,000                  | 39,852    | 31,148                                 | 72,725    | 43,324    | 29,401                                 |
| Supplies                              | 106,950                 | 83,105    | 23,845                                 | 118,150   | 74,485    | 43,665                                 |
| Insurance                             | 19,600                  | 12,757    | 6,843                                  | 14,600    | 13,639    | 961                                    |
| Road and bridge materials             | 266,200                 | 163,541   | 102,659                                | 157,700   | 97,636    | 60,064                                 |
| Equipment repairs                     | 83,000                  | 127,958   | (44,958)                               | 83,000    | 71,767    | 11,233                                 |
| Rentals                               | 18,500                  | 17,076    | 1,424                                  | 16,500    | 16,663    | (163)                                  |
| Equipment purchases                   | 307,300                 | 306,453   | 847                                    | 291,300   | 286,332   | 4,968                                  |
| Construction, repair, and maintenance | 160,800                 | 136,451   | 24,349                                 | 254,500   | 184,835   | 69,665                                 |
| Special road districts                | 0                       | 42,626    | (42,626)                               | 0         | 60,772    | (60,772)                               |
| Other                                 | 27,600                  | 21,508    | 6,092                                  | 23,000    | 19,301    | 3,699                                  |
| Transfers out                         | 16,920                  | 23,855    | (6,935)                                | 1,800     | 1,801     | (1)                                    |
| Total Disbursements                   | 1,492,870               | 1,364,643 | 128,227                                | 1,405,214 | 1,207,162 | 198,052                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (368,470)               | (168,954) | 199,516                                | (303,334) | 30,243    | 333,577                                |
| CASH, JANUARY 1                       | 1,207,254               | 1,254,076 | 46,822                                 | 1,158,579 | 1,223,833 | 65,254                                 |
| CASH, DECEMBER 31                     | \$ 838,784              | 1,085,122 | 246,338                                | 855,245   | 1,254,076 | 398,831                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

|                                     |    | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|----|-------------------------|---------|--|---------|---------|--|
|                                     |    | 1999                    |         |  | 1998    |         |  |
|                                     |    | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |  |         |         |  |
| Intergovernmental                   | \$ | 170,780                 | 160,640 | (10,140)                               | 159,021 | 149,464 | (9,557)                                |
| Charges for services                |    | 3,000                   | 3,306   | 306                                    | 2,000   | 3,297   | 1,297                                  |
| Interest                            |    | 1,500                   | 2,466   | 966                                    | 2,300   | 1,872   | (428)                                  |
| Other                               |    | 200                     | 291     | 91                                     | 200     | 333     | 133                                    |
| Transfers in                        |    | 17,182                  | 9,689   | (7,493)                                | 37,994  | 27,074  | (10,920)                               |
| Total Receipts                      |    | 192,662                 | 176,392 | (16,270)                               | 201,515 | 182,040 | (19,475)                               |
| DISBURSEMENTS                       |    |                         |         |  |         |         |  |
| Assessor                            |    | 188,162                 | 171,658 | 16,504                                 | 201,515 | 174,524 | 26,991                                 |
| Transfers out                       |    | 4,500                   | 4,733   | (233)                                  | 0       | 0       | 0                                      |
| Total Disbursements                 |    | 192,662                 | 176,391 | 16,271                                 | 201,515 | 174,524 | 26,991                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                       | 1       | 1                                      | 0       | 7,516   | 7,516                                  |
| CASH, JANUARY 1                     |    | 5                       | 5       | 0                                      | (7,511) | (7,511) | 0                                      |
| CASH, DECEMBER 31                   | \$ | 5                       | 6       | 1                                      | (7,511) | 5       | 7,516                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |         |         |               |  |
|-------------------------------------|----------|---------------|---------|---------|---------------|--|
| 1999                                |          |               | 1998    |         |               |  |
|                                     |          | Variance      |         |         | Variance      |  |
|                                     |          | Favorable     |         |         | Favorable     |  |
|                                     |          | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |          |               |         |         |               |  |
| Intergovernmental                   | 2,850    | 0             | 0       | 2,803   | 2,803         |  |
| Charges for services                | \$ 6,750 | 6,406         | 5,120   | 6,693   | 1,573         |  |
| Other                               | 0        | 95            | 0       | 12      | 12            |  |
| Total Receipts                      | 9,600    | 6,501         | 5,120   | 9,508   | 4,388         |  |
| DISBURSEMENTS                       |          |               |         |         |               |  |
| Sheriff                             | 11,000   | 7,325         | 7,000   | 10,766  | (3,766)       |  |
| Total Disbursements                 | 11,000   | 7,325         | 7,000   | 10,766  | (3,766)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,400)  | (824)         | (1,880) | (1,258) | 622           |  |
| CASH, JANUARY 1                     | 2,162    | 2,162         | 3,420   | 3,420   | 0             |  |
| CASH, DECEMBER 31                   | \$ 762   | 1,338         | 1,540   | 2,162   | 622           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 2,970 | 1,594         | 2,850  | 2,945  | 95            |  |
| Total Receipts                      | 2,970    | 1,594         | 2,850  | 2,945  | 95            |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 3,590    | 1,825         | 3,425  | 3,078  | 347           |  |
| Total Disbursements                 | 3,590    | 1,825         | 3,425  | 3,078  | 347           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (620)    | (231)         | (575)  | (133)  | 442           |  |
| CASH, JANUARY 1                     | 1,096    | 1,096         | 1,229  | 1,229  | 0             |  |
| CASH, DECEMBER 31                   | \$ 476   | 865           | 654    | 1,096  | 442           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 CAPITAL IMPROVEMENT SALES TAX FUND

|                                     | Year Ended December 31, |           |  |         |         |  |
|-------------------------------------|-------------------------|-----------|--|---------|---------|--|
|                                     | 1999                    |           |  | 1998    |         |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |         |         |  |
| Sales taxes                         | 593,000                 | 607,217   | 14,217                                 | 591,700 | 592,920 | 1,220                                  |
| Other                               | 2,500                   | 14,473    | 11,973                                 | 2,500   | 3,026   | 526                                    |
| Total Receipts                      | 595,500                 | 621,690   | 26,190                                 | 594,200 | 595,946 | 1,746                                  |
| DISBURSEMENTS                       |                         |           |  |         |         |  |
| Equipment                           | 205,650                 | 158,594   | 47,056                                 | 183,680 | 148,558 | 35,122                                 |
| Buildings and grounds               | 96,000                  | 104,378   | (8,378)                                | 69,000  | 15,518  | 53,482                                 |
| Highways and roads                  | 492,020                 | 507,737   | (15,717)                               | 313,790 | 284,866 | 28,924                                 |
| Total Disbursements                 | 793,670                 | 770,709   | 22,961                                 | 566,470 | 448,942 | 117,528                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (198,170)               | (149,019) | 49,151                                 | 27,730  | 147,004 | 119,274                                |
| CASH, JANUARY 1                     | 722,864                 | 722,864   | 0                                      | 575,860 | 575,860 | 0                                      |
| CASH, DECEMBER 31                   | \$ 524,694              | 573,845   | 49,151                                 | 603,590 | 722,864 | 119,274                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit H

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SALES USE TAX FUND

|                                     | Year Ended December 31, |          |  |          |          |  |
|-------------------------------------|-------------------------|----------|--|----------|----------|--|
|                                     | 1999                    |          |  | 1998     |          |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |          |          |  |
| Interest                            | 12,500                  | 9,109    | (3,391)                                | 15,400   | 13,133   | (2,267)                                |
| Transfers in                        | 19,620                  | 36,654   | 17,034                                 | 0        | 0        | 0                                      |
| Total Receipts                      | 32,120                  | 45,763   | 13,643                                 | 15,400   | 13,133   | (2,267)                                |
| DISBURSEMENTS                       |                         |          |  |          |          |  |
| Employee fringe benefits            | 55,620                  | 56,705   | (1,085)                                | 0        | 0        | 0                                      |
| Repayment of use tax liability      | 0                       | 0        | 0                                      | 95,519   | 95,519   | 0                                      |
| Total Disbursements                 | 55,620                  | 56,705   | (1,085)                                | 95,519   | 95,519   | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (23,500)                | (10,942) | 12,558                                 | (80,119) | (82,386) | (2,267)                                |
| CASH, JANUARY 1                     | 169,520                 | 169,520  | 0                                      | 251,906  | 251,906  | 0                                      |
| CASH, DECEMBER 31                   | \$ 146,020              | 158,578  | 12,558                                 | 171,787  | 169,520  | (2,267)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

BENTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LOCAL LAW ENFORCEMENT BLOCK GRANT FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1998                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Interest                            | 150                     | 109    | (41)                                   |
| Other                               | 125                     | 123    | (2)                                    |
| Total Receipts                      | 275                     | 232    | (43)                                   |
| DISBURSEMENTS                       |                         |        |  |
| Sheriff                             | 719                     | 676    | 43                                     |
| Total Disbursements                 | 719                     | 676    | 43                                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (444)                   | (444)  | 0                                      |
| CASH, JANUARY 1                     | 444                     | 444    | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 0      | 0                                      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ADULT ABUSE FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 600 | 520           | 510    | 595    | 85            |  |
| Interest                            | 100    | 6             | 190    | 105    | (85)          |  |
| Total Receipts                      | 700    | 526           | 700    | 700    | 0             |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Domestic violence shelter           | 700    | 635           | 750    | 704    | 46            |  |
| Total Disbursements                 | 700    | 635           | 750    | 704    | 46            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | (109)         | (50)   | (4)    | 46            |  |
| CASH, JANUARY 1                     | 324    | 324           | 328    | 328    | 0             |  |
| CASH, DECEMBER 31                   | \$ 324 | 215           | 278    | 324    | 46            |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit K

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |  |        |         |  |
|-------------------------------------|----|-------------------------|--------|--|--------|---------|--|
|                                     |    | 1999                    |        |  | 1998   |         |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |         |  |
| Charges for services                | \$ | 15,000                  | 12,580 | (2,420)                                | 14,500 | 13,830  | (670)                                  |
| Interest                            |    | 1,000                   | 729    | (271)                                  | 1,500  | 1,010   | (490)                                  |
| Total Receipts                      |    | 16,000                  | 13,309 | (2,691)                                | 16,000 | 14,840  | (1,160)                                |
| DISBURSEMENTS                       |    |                         |        |  |        |         |  |
| Prosecuting Attorney                |    | 60                      | 135    | (75)                                   | 1,230  | 1,162   | 68                                     |
| Transfers out                       |    | 16,166                  | 12,331 | 3,835                                  | 15,056 | 15,020  | 36                                     |
| Total Disbursements                 |    | 16,226                  | 12,466 | 3,760                                  | 16,286 | 16,182  | 104                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (226)                   | 843    | 1,069                                  | (286)  | (1,342) | (1,056)                                |
| CASH, JANUARY 1                     |    | 5,946                   | 5,946  | 0                                      | 7,288  | 7,288   | 0                                      |
| CASH, DECEMBER 31                   | \$ | 5,720                   | 6,789  | 1,069                                  | 7,002  | 5,946   | (1,056)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Charges for services                | \$ 13,500 | 13,057        | 13,100  | 12,786 | (314)         |  |
| Interest                            | 1,000     | 4,056         | 1,600   | 2,800  | 1,200         |  |
| Total Receipts                      | 14,500    | 17,113        | 14,700  | 15,586 | 886           |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Ex Officio Recorder of Deeds        | 35,000    | 30,179        | 24,000  | 2,952  | 21,048        |  |
| Transfers out                       | 1,945     | 2,474         | 0       | 0      | 0             |  |
| Total Disbursements                 | 36,945    | 32,653        | 24,000  | 2,952  | 21,048        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (22,445)  | (15,540)      | (9,300) | 12,634 | 21,934        |  |
| CASH, JANUARY 1                     | 37,109    | 37,109        | 24,475  | 24,475 | 0             |  |
| CASH, DECEMBER 31                   | \$ 14,664 | 21,569        | 15,175  | 37,109 | 21,934        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY DELINQUENT TAX FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Intergovernmental                   | \$ | 1,800                   | 2,380  | 580                                    | 1,100  | 1,654  | 554                                    |
| Interest                            |    | 200                     | 264    | 64                                     | 300    | 235    | (65)                                   |
| Total Receipts                      |    | 2,000                   | 2,644  | 644                                    | 1,400  | 1,889  | 489                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 916                     | 606    | 310                                    | 1,500  | 916    | 584                                    |
| Transfers out                       |    | 0                       | 1,846  | (1,846)                                | 0      | 0      | 0                                      |
| Total Disbursements                 |    | 916                     | 2,452  | (1,536)                                | 1,500  | 916    | 584                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 1,084                   | 192    | (892)                                  | (100)  | 973    | 1,073                                  |
| CASH, JANUARY 1                     |    | 2,645                   | 2,645  | 0                                      | 1,672  | 1,672  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 3,729                   | 2,837  | (892)                                  | 1,572  | 2,645  | 1,073                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
JUVENILE DETENTION FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Charges for services                | \$ 36,650 | 34,479        | 29,770  | 36,121  | 6,351         |  |
| Interest                            | 1,200     | 983           | 500     | 1,211   | 711           |  |
| Total Receipts                      | 37,850    | 35,462        | 30,270  | 37,332  | 7,062         |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Detention center                    | 41,500    | 28,635        | 36,100  | 38,335  | (2,235)       |  |
| Total Disbursements                 | 41,500    | 28,635        | 36,100  | 38,335  | (2,235)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,650)   | 6,827         | (5,830) | (1,003) | 4,827         |  |
| CASH, JANUARY 1                     | 7,705     | 7,705         | 8,708   | 8,708   | 0             |  |
| CASH, DECEMBER 31                   | \$ 4,055  | 14,532        | 2,878   | 7,705   | 4,827         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF DRUG FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Intergovernmental                   | \$ 30,000 | 20,595        | 3,000   | 214     | (2,786)       |  |
| Interest                            | 150       | 0             | 150     | 407     | 257           |  |
| Other                               | 0         | 0             | 0       | 5,975   | 5,975         |  |
| Total Receipts                      | 30,150    | 20,595        | 3,150   | 6,596   | 3,446         |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Equipment                           | 30,000    | 12,644        | 8,000   | 12,009  | (4,009)       |  |
| Total Disbursements                 | 30,000    | 12,644        | 8,000   | 12,009  | (4,009)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 150       | 7,951         | (4,850) | (5,413) | (563)         |  |
| CASH, JANUARY 1                     | 150       | 150           | 5,563   | 5,563   | 0             |  |
| CASH, DECEMBER 31                   | \$ 300    | 8,101         | 713     | 150     | (563)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit P

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF CIVIL FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | \$ 14,400 | 12,721        | 18,000 | 14,133 | (3,867)       |  |
| Other                               | 0         | 1,361         | 0      | 0      | 0             |  |
| Total Receipts                      | 14,400    | 14,082        | 18,000 | 14,133 | (3,867)       |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Sheriff                             | 0         | 1,409         | 0      | 0      | 0             |  |
| Transfers out                       | 15,000    | 14,049        | 16,000 | 14,503 | 1,497         |  |
| Total Disbursements                 | 15,000    | 15,458        | 16,000 | 14,503 | 1,497         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (600)     | (1,376)       | 2,000  | (370)  | (2,370)       |  |
| CASH, JANUARY 1                     | 1,386     | 1,386         | 1,756  | 1,756  | 0             |  |
| CASH, DECEMBER 31                   | \$ 786    | 10            | 3,756  | 1,386  | (2,370)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

BENTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Interest                            | 1,000                   | 2,649  | 1,649                                  |
| Total Receipts                      | 1,000                   | 2,649  | 1,649                                  |
| DISBURSEMENTS                       |                         |        |  |
| Circuit Clerk                       | 2,750                   | 2,170  | 580                                    |
| Total Disbursements                 | 2,750                   | 2,170  | 580                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,750)                 | 479    | 2,229                                  |
| CASH, JANUARY 1                     | 6,877                   | 6,877  | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,127                | 7,356  | 2,229                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

BENTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |           |           |  |
| Property taxes                      | \$ 549,000              | 550,194   | 1,194                                  | 185,000   | 228,746   | 43,746                                 |
| Intergovernmental                   | 545,000                 | 636,170   | 91,170                                 | 306,300   | 438,577   | 132,277                                |
| Charges for services                | 938,000                 | 787,186   | (150,814)                              | 1,738,050 | 1,601,048 | (137,002)                              |
| Interest                            | 7,000                   | 8,156     | 1,156                                  | 5,000     | 6,989     | 1,989                                  |
| Other                               | 20,000                  | 42,352    | 22,352                                 | 10,000    | 22,132    | 12,132                                 |
| Total Receipts                      | 2,059,000               | 2,024,058 | (34,942)                               | 2,244,350 | 2,297,492 | 53,142                                 |
| DISBURSEMENTS                       |                         |           |  |           |           |  |
| Salaries                            | 1,576,000               | 1,428,116 | 147,884                                | 1,693,200 | 1,754,073 | (60,873)                               |
| Office expenditures                 | 154,500                 | 141,261   | 13,239                                 | 166,600   | 144,328   | 22,272                                 |
| Equipment                           | 7,500                   | 12,175    | (4,675)                                | 25,000    | 9,844     | 15,156                                 |
| Mileage and training                | 138,500                 | 107,562   | 30,938                                 | 159,400   | 126,050   | 33,350                                 |
| Loan repayment                      | 27,500                  | 33,189    | (5,689)                                | 27,500    | 27,308    | 192                                    |
| Other                               | 270,368                 | 286,100   | (15,732)                               | 265,600   | 213,471   | 52,129                                 |
| Total Disbursements                 | 2,174,368               | 2,008,403 | 165,965                                | 2,337,300 | 2,275,074 | 62,226                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (115,368)               | 15,655    | 131,023                                | (92,950)  | 22,418    | 115,368                                |
| CASH, JANUARY 1                     | 115,368                 | 115,368   | 0                                      | 92,950    | 92,950    | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | 131,023   | 131,023                                | 0         | 115,368   | 115,368                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

BENTON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Benton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Law Library Fund                         | 1999 and 1998                   |
| DARE Fund                                | 1999                            |
| Circuit Clerk Interest Fund              | 1998                            |
| Associate Circuit Division Interest Fund | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Sales Use Tax Fund                       | 1999                            |
| Prosecuting Attorney Delinquent Tax Fund | 1999                            |
| Sheriff Civil Fund                       | 1999                            |
| Law Enforcement Training Fund            | 1998                            |
| Juvenile Detention Fund                  | 1998                            |
| Sheriff Drug Fund                        | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the Assessment Fund for the year ended December 31, 1998. However, the budget of that fund also included other resources available to finance current or future year disbursements. Such resources were sufficient to offset the deficit budget balance presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Law Library Fund                         | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1998                            |
| Circuit Clerk Interest Fund              | 1998                            |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through

either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

Of the county's bank balance at December 31, 1999, \$2,661,445 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name; and \$31,712 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Of the county's bank balance at December 31, 1998, \$2,959,326 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name; and \$35,434 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

The Health Center Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the Health Center Board existed at those times although not at year-end.

Schedule



BENTON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.



Follow-up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

BENTON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

BENTON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Benton County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 6, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures, as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Benton County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|   |
|---|
| <b>1. Budgetary Practices, Expenditures and Interest Allocation</b> |
|---|

- A. Budgets were not prepared for several county funds during the two years ended December 31, 1999.

Chapter 50, RSMo 1994 and Cum. Supp. 1999, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission is able to more efficiently evaluate all county financial resources.

- B. Actual expenditures exceeded budgeted amounts in the following funds:

| Fund                                | Year Ended December 31, |       |
|-------------------------------------|-------------------------|-------|
|                                     | 1999                    | 1998  |
| Law Enforcement Training            | \$ N/A                  | 3,766 |
| Sales Use Tax                       | 1,085                   | N/A   |
| Prosecuting Attorney Delinquent Tax | 1,536                   | N/A   |
| Juvenile Detention                  | N/A                     | 2,235 |
| Sheriff Drug                        | N/A                     | 4,009 |
| Sheriff Civil                       | 458                     | N/A   |

Budget progress reports are generated periodically and reviewed by the County Commission. However, it appears the county's procedures and reports are not resulting in effective monitoring of some budgets.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W. 2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

- C. Budgets prepared for the Special Road and Bridge Fund do not include all projected receipts, disbursements and cash balances related to County Aid Road Trust (CART) monies received from the state. CART monies distributed to Special Road Districts are not reflected in the budget and some CART monies are retained in a separate unbudgeted fund. Accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and project the anticipated needs for the county for the upcoming year.



- D. Section .310(b) of Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's office as a part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The County Clerk prepares the SEFA as part of the annual county budget process. The county and the Health Center do not have procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 1999 and 1998, the SEFA contained numerous errors and omissions primarily due to federal grants administered by the Health Center not being included or accurately presented.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds to the county.

- E. The County Commission has delegated the responsibility of bidding law enforcement related purchases made by the county to the Sheriff. The County Commission does not review the bid documentation obtained by the Sheriff for such expenditures. We noted several sheriff's department expenditures involving the purchase of four patrol vehicles, a truck, three ATVs and radio equipment for which the purchases were not bid in accordance with statutory requirements even though the prices paid appeared to be reasonable.

Section 50.660, RSMo Supp. 1999, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding.

- F. The County Treasurer allocates interest earned to various funds she believes are required to retain interest earned on balances or which have a substantial month end cash balance. However, the Capital Improvement Sales Tax Fund is not included in this interest allocation process even though it generally has the second highest month end cash balance of all county funds. In addition, the Sheriff Drug Fund which includes proceeds received from the Justice Department's Federal Equitable Sharing Program was not included in the interest allocation process in 1999. This program specifically requires interest earned on these proceeds to be spent for the same restricted purposes of the program. As a result, interest is not being equitably distributed to all funds required to retain interest earned on balances or those with significant cash balances under the stated allocation policy established.

Conditions similar to A, B, and E were noted in prior reports.

**WE RECOMMEND:**

- A. The County Commission ensure budgets are prepared or obtained for all county funds in accordance with state law.
- B. The County Commission not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended and filed per state law.
- C. The County Commission ensure all CART activity is appropriately included in the annual Special Road and Bridge Fund budget.
- D. The County Clerk, with the assistance of the Health Center, ensure the completeness and accuracy of the schedule of expenditures of federal awards.
- E. The County Commission ensure bids are solicited for all items in accordance with state law. Documentation of bids solicited by the Sheriff and justification for bids awarded should be reviewed by the County Commission and appropriately retained. If it is not practical to obtain bids in a specific instance, the circumstances should be thoroughly documented.
- F. The County Treasurer include the Capital Improvement Sales Tax Fund, the Sheriff Drug Fund and any other funds required to retain interest earned on balances or with significant cash balances in future monthly interest allocations.

**AUDITEE'S RESPONSE**

- A. *The Interest Fund and DARE Fund were budgeted in 2000 and we plan to budget the Law Library Fund in 2001.*
- B. *We will monitor the 2000 budgets and amend budgets if necessary.*

- C. *We will correct this problem with the 2001 Special Road and Bridge Fund budget.*
- D. *The County Clerk indicated she would prepare a complete and accurate schedule. This recommendation will be implemented for the SEFA to be submitted with the budget due in January 2001.*

*The Health Center Administrator indicated she will work with the County Clerk to ensure the expenditures for all federal grant programs the Health Center participates in are reported on the 2000 SEFA.*

- E. *We will immediately implement this recommendation.*
- F. *The County Treasurer indicated interest is now allocated to the Capital Improvement Sales Tax Fund effective April 2000 and will be allocated to the Sheriff Drug Fund immediately. She also indicated she will review to ensure all required funds or those with material cash balances are allocated interest.*

|   |
|---|
| <b>2. County Collector's Accounting Controls and Procedures</b> |
|---|

- A. Bank reconciliation's are not performed on a timely basis. As of April 6, 2000 (fieldwork completion date) bank reconciliations had not been completed for the previous four months. In addition, monthly listings of liabilities are not prepared and reconciled to cash balances. Accurate and complete bank reconciliations and identification of month-end liabilities are necessary to ensure all receipts and disbursements are properly accounted for, that cash in the bank is adequate to meet liabilities and that there is no unidentified excess or shortage in the account.
- B. Our review of those bank reconciliations completed during the audit period indicated a deposit in transit of \$1,358 had been reported as a reconciling item since August 1998. Further discussions with the County Collector indicated a \$1,358 deposit was apparently lost. Since the tax collections comprising this deposit were disbursed to the appropriate political subdivisions in September 1998, the bank account is short by \$1,358. As of April 6, 2000 (fieldwork completion date), the County Collector had not followed up on the lost deposit.

We were able to determine the taxpayers whose payments comprised that deposit, with \$1,058 representing checks and \$300 representing cash. We were able to contact three of the six taxpayers identified as paying by check to determine if the checks written had cleared the bank, with each of them indicating that his or her check had not cleared. The other taxpayers either could not recall if the check had cleared or could not be reached. Had the County Collector followed up on the lost deposit in a timely manner, it appears the taxes of each individual paying by check could have been collected with minimal difficulty. The County Collector has a fiduciary responsibility to correct the account shortage. He should attempt to obtain

replacement checks from these individuals. Any part of the \$1,358 not recovered will need to be repaid by the County Collector to eliminate the shortage in the bank account.

- C. For the two years ended February 29, 2000, the County Collector improperly distributed \$6,757 received from the State Department of Conservation as payments in lieu of taxes (PILT) to the General Revenue Fund. In addition, a similar distribution of \$6,177 of PILT monies noted in our prior audit has not been corrected. As a result, at least \$12,000 is due to various political subdivisions from the General Revenue Fund. Approximately 60 percent or \$7,200 of this \$12,000 would apparently be due to the school districts in the areas this property is located.

Article IV, Section 43 (b) of the Missouri Constitution indicates these monies are to be used "...for distribution to the appropriate political subdivisions as payment in lieu of real property taxes for privately owned land acquired by the commission after July 1, 1977..."

- D. Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation.

The 1999 and 1998 surtax collections were distributed by the County Collector using percentages calculated for distributing the 1985 collections. The County Collector does not recalculate the distribution percentages each year. Discussions with the County Assessor indicated the assessed valuations for certain political subdivisions changed significantly in proportion to other political subdivisions in the last few years.

Section 139.600, RSMo 1994, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed. Since significant changes have occurred in the subclass 3 commercial property assessed valuation amounts, political subdivisions have not received the proper allocation of surtax collections.

- E. The County Collector provides property tax collection services to the city of Warsaw based upon verbal agreement. A 4 percent commission is withheld from all city tax collections and allocated 2 percent to the County Collector and 2 percent to the county's General Revenue Fund. A 7 percent additional commission paid by the taxpayer is applied to delinquent city tax collections. This additional commission is allocated 3 percent to the County Employees Retirement Fund (CERF), 2 percent to the County Collector, and 2 percent to the county's General Revenue Fund.

Section 50.332, RSMo 1994, allows county officials, with the approval of the county commission, to perform services for cities that they normally provide to the county for additional compensation. Section 432.070, RSMo 1994, requires all such contracts to be in writing. A written contract, signed by the city, the County Collector, and the County Commission should be prepared.

Additionally, while the county can negotiate for a collection fee to be withheld from gross city collections, the 7 percent additional commission assessed as a penalty for city of Warsaw delinquent taxes is in excess of the penalty authorized by state law. Section 52.290.1, RSMo 1994, provides for a 5 percent penalty to be collected from the taxpayer. Any add on fee or penalty charged to taxpayers must be based on state law or local ordinance.

F. A review of the County Collector's annual settlements indicated the following concerns:

1. The County Collector did not file annual settlements with the County Commission on a timely basis. For the year ended February 28, 1999, the annual settlement was file July 22, 1999. As of June 1, 2000 the annual settlement for the year ended February 29, 2000 had not been filed.

Section 139.160, RSMo 1994, requires the annual settlement to be filed with the County Commission by the first Monday in March. While filing the annual settlement by the statutory due date is difficult, the County Collector needs to make a greater effort to ensure his annual settlements are filed on a more timely basis.

2. For the annual settlement filed for the year ended February 28, 1999, collections reported exceeded distributions by \$53,438. The County Collector could not explain the reason for the difference. Similar though less significant differences between collection and distribution amounts have been noted in prior audits. With inaccurate reporting of collections or distributions on the annual settlement, the County Commission's ability to appropriately examine and approve it is inhibited.

Conditions similar to A, C, D, and E were noted in prior reports.

**WE RECOMMEND:**

- A. The County Collector perform monthly bank reconciliations on a timely basis, prepare monthly listings of liabilities and reconcile the listings to the reconciled bank balance.

- B. The County Collector follow up on future deposit problems in a timely manner. He should attempt to obtain replacement checks on lost tax payments and personally repay any uncollected amounts to his official bank account.
- C. The County Collector recompute the PILT distribution for amounts improperly distributed in the current and prior audit period and ensure the appropriate amounts are distributed to the appropriate political subdivisions. In addition, future PILT payments received from the Department of Conservation should be distributed in accordance with the Missouri Constitution.
- D. The County Collector ensure future distributions of surtax collections take into consideration the current years assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.
- E. The County Collector and County Commission obtain a written agreement with all cities for tax collections. The contracts should specifically define the amount of penalties to be collected on delinquent city taxes and how the penalties are to be distributed. The penalty amounts should be based on applicable state law or local ordinance.
- F. The County Collector file complete and accurate annual settlements on a more timely basis.

#### **AUDITEE'S RESPONSE**

- A. *Bank reconciliations may still not be performed timely during the busy season; however, I will attempt to ensure reconciliations are done timely in the future. I will begin preparing monthly open items lists and attempt to reconcile them with the cash balance. I anticipate implementation of these procedures prior to December 31, 2000.*
- B. *I will contact the individuals that paid by check to obtain replacement checks and repay any difference. I anticipate this process to be completed prior to December 31, 2000. I will ensure if similar situations occur in the future that follow up is done in a timely manner.*
- C. *I will discuss this issue with the County Commission immediately and if the County Commission chooses to comply with the constitutional requirement, I will take corrective action and ensure future distributions are done appropriately.*
- D. *I will implement this recommendation prior to the next billing season.*
- E. *This agreement has been in place for many years and I do not plan to change it.*
- F. *I will attempt to ensure distributions equal collections for the settlement to be filed for the year ended February 29, 2000 and future settlements. Future settlements will also be filed more timely effective with the settlement due for the year ended February 28, 2001.*

|  |
|--|
| <b>3. Circuit Clerk's Accounting Controls and Procedures</b> |
|--|

The associate and probate divisions were consolidated with the circuit division on January 1, 1999. The Circuit Clerk is responsible for assessing, collecting, and distributing monies in connection with all circuit, associate and probate court proceedings. During our review of the Circuit Clerk's accounting controls and procedures the following concerns were noted:

- A. Prior to the merger, the prior Circuit Clerk maintained an open items listing which reconciled to the cash balance of the circuit account. As noted in our prior report, no such listing was maintained for the associate account. As a result, a complete open items listing which reconciles to the new circuit account balance has not been prepared since the merging of the three divisions. At February 29, 2000, the open items listing for the new circuit account was approximately \$28,000 less than the cash balance.

Monthly listings of open items are necessary to ensure monies held in trust by the Circuit Clerk are sufficient to meet liabilities. In addition, the Circuit Clerk should work to identify all cases with open items and to reconcile the open items to the cash balance. If not identified, the Circuit Clerk should dispose of the monies in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unidentified monies.

- B. The Circuit Clerk maintains an inactive account with sixty-six checks totaling \$5,267 that have been outstanding for more than one year. Several of these checks date back to early 1997.

The Circuit Clerk should adopt procedures to routinely follow up on checks outstanding for a considerable time and reissue checks if the payee can be located. If payees cannot be located, the Circuit Clerk should dispose of the monies in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unclaimed monies.

Similar conditions were noted in our prior report.

**WE RECOMMEND** the Circuit Clerk:

- A. Reconcile the monthly listing of open items to the cash balance. Any unidentified monies should be disposed of in accordance with state law.

- B. Establish procedures to investigate checks outstanding for a considerable amount of time. Any remaining unclaimed monies should be disposed of in accordance with state law.

#### **AUDITEE'S RESPONSE**

*We have been commended for our accomplishments, by your office, the circuit judge and presiding commissioner for our tenacity in resolving most of the pre-existing problems. Yes, we will take your recommendations into consideration. As you know, we have been and are currently attempting to resolve these two remaining problem areas, which were in existence prior to my administration. I believe this should be accomplished within 60 days or less.*

|  |
|--|
| <b>4. Sheriff's Accounting Controls and Procedures</b> |
|--|

The Sheriff's department collects fees, bonds, and other miscellaneous receipts to be turned over to the county. Our review of the Sheriff's controls and procedures noted the following concerns.

- A. Monthly listings of open items (liabilities) are prepared; however, the listings do not reconcile with the cash balance of the Sheriff's account. At December 31, 1999, the reconciled cash balance exceeded the open items listing for the Sheriff's account by \$462. The unidentified difference fluctuated each month and there was no documentation that the sheriff's office attempts to resolve such differences. In addition, the December 31, 1999 open items listing included nine bonds totaling \$1,281 that had been held for more than one year. These bonds should be reviewed to determine if a disbursement is necessary.

Monthly listings of open items are necessary to ensure monies held in trust by the Sheriff are sufficient to meet liabilities. In addition, the Sheriff should work to identify all open items and to reconcile the open items to the cash balance. If not identified, the Sheriff should dispose of the monies in accordance with state law. Various statutory provisions including Sections 50.470 through 50.490, RSMo 1994, and Sections 447.500 through 447.995, RSMo 1994, provide for the disposition of unidentified or unclaimed monies.

- B. Receipts are not deposited on a timely basis. Deposits were made approximately five times per month with an average deposit of \$2,371 which was composed of approximately 80 percent cash.

To safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100.



- C. The Sheriff's department houses prisoners for other entities in the county jail and bills and collects amounts from the various entities. Generally, the only prisoners held for other entities have been arrested by the sheriff's department on an outstanding warrant and are only held until picked up by the jurisdiction that issued the warrant. The Sheriff has not established a formal policy for follow up collection efforts for unpaid incarceration billings. A separate file is maintained with copies of each monthly set of billings; however, these copies are not marked paid when payments are received and a separate ledger tracking billings and collections is not maintained. There is no follow up on bills that are not paid after the first billing.

To adequately account for all incarceration billings due and to maximize county revenues, adequate summary records of amounts due should be maintained. In addition, the Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of periodically identifying billings with past due balances and follow up on the payment status of these billings.

Conditions similar to A and B were noted in our prior report.

**WE RECOMMEND** the Sheriff:

- A. Reconcile the listing of open items to the cash balance monthly and dispose of any unidentified monies in accordance with state law. In addition, open items held for a considerable time should be routinely followed up on to determine if disbursement is necessary.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- C. Maintain complete records which track incarceration billings and subsequent payments. In addition, establish and implement procedures for pursuing collection of delinquent incarceration billings.

**AUDITEE'S RESPONSE**

- A. *We are currently taking corrective action to correct the open items problem and will attempt to get the bonds distributed. The open items differences may have been caused by an accounting software problem. We anticipate corrective action will be completed for all problems within a few months.*
- B. *We will begin to make deposits at least 3 days a week.*
- C. *We will now mark billings as paid once payments are received and retain documentation for billings counties refuse to pay. Billings when paid are normally paid timely. There does not appear to be a need to send out second billings.*

This report is intended for the information of the management of Benton County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## BENTON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Benton County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. Circuit Clerk's Accounting Controls, Records, and Procedures

- A. The Circuit Clerk did not prepare bank reconciliations, maintain a book balance, or prepare listings of liabilities (open items) for the fee account on a monthly basis.
- B. Receipts were not always promptly recorded in the one-write receipt ledger, daily reconciliation procedures were not performed, and deposits were not always made timely.
- C. The Circuit Clerk did not always distribute checks promptly or follow up on outstanding checks timely.
- D.1. The Circuit Clerk sometimes used "white-out" over the amount initially recorded on the one-write receipt ledger. Several transactions were recorded on the one-write receipt ledger in blue ink, rather than the usual carbon.
- 2. The Circuit Clerk used checks from an old supply of unused checks and two instances where counter checks were used. The check numbers on the old checks were changed and a number was added to the counter checks to continue the official fee account checks' numerical sequence.
- E. The Circuit Clerk did not file a report of fees with the County Commission for the two years ended December 31, 1997.
- F. A listing of accrued costs owed to the court was not maintained by the Circuit Clerk and monitoring procedures related to accrued costs were not adequate.
- G. Accounting and bookkeeping duties were not adequately segregated and supervisory review was not adequately documented.
- H. The Circuit Clerk was behind in submitting criminal cost reimbursement requests to the state.

Recommendation:

The Circuit Clerk:

- A. Prepare monthly bank reconciliations and open items listings, and reconcile them to the cash balance. Any discrepancies should be investigated and resolved.
- B. Promptly record receipts to the accounting records, issue receipts slips in sequential order, deposit receipts daily or when accumulated receipts exceed \$100, and reconcile the composition of receipt slips issued to the composition of deposits.
- C. Distribute checks promptly after preparation and follow-up on old outstanding checks.
- D.1. Void and retain incorrectly written receipt slips and thoroughly document any changes to the receipt records.
  - 2. Use only prenumbered checks specific to the official fee account and account for their numerical sequence.
- E. File a monthly report of fees with the County Commission as required by state law.
- F. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.
- G. Adequately segregate duties or ensure independent, documented reviews of the records are performed.
- H. Determine any unbilled costs pertaining to 1997 and 1996 cases and bill the state now. In the future, criminal cost reimbursement forms should be submitted to the state on a more timely basis.

Status:

- A. Partially implemented. Monthly bank reconciliations are now prepared; however, a complete open items listing which reconciles to the circuit account balance has not been prepared since the merging of the circuit, associate and probate divisions. See MAR No. 3.
- B-E,  
G&H. Implemented.
- F. Partially implemented. Although the Circuit Clerk does not maintain a complete listing of accrued costs, there are now procedures in place to routinely follow-up and

pursue timely collection of amounts owed. Although not repeated in the current report, our recommendation remains as stated above.

2. Ex Officio Recorder of Deeds' Procedures

- A. The Ex Officio Recorder of Deeds contracted with an individual to microfilm old records of the offices of Circuit Clerk and Ex Officio Recorder of Deeds.
  - 1) The Ex Officio Recorder of Deeds did not solicit bids for the services.
  - 2) No written agreement was entered into with this contractor.
  - 3) Payments to the contractor were made from the Recorder's User Fees Fund even though the microfilming of Circuit Court case file documents did not appear to be an appropriate use of this fund.
- B. Receipts totaling \$522 from the Internal Revenue Service for filing federal liens were held for several months before deposit. These receipts were not recorded in the receipt ledger until approximately one month after they were deposited.

Recommendation:

- A.1. Solicit bids as required by state law.
  - 2. Enter into written agreements and require detailed invoices to support payment requests when contracting for services.
  - 3. Ensure that expenditures made from the Recorder's User Fees Fund are allowable under the law.
- B. Record receipts promptly and deposit all receipts daily or when accumulated receipts exceed \$100. In addition, tax liens should be filed timely.

Status:

- A. The Ex Officio Recorder of Deeds did not enter into any agreements that would require written contracts during the audit period. No problems were noted with the expenditures from the Recorder's User Fee Fund.
- B. Implemented.

3. Budgetary Practices and Expenditures

- A. Formal budgets were not prepared and filed with the State Auditor's office for several funds.

- B. Actual disbursements exceeded budgeted amounts for several funds.
- C. The County Commission, Health Center Board of Trustees and other county officials did not properly bid some purchases or ensure that efforts to obtain bids were adequately documented.
- D. The county purchased handguns for the Sheriff and his deputies who then reimbursed the county over a period of time. The number of handguns purchased by the Sheriff and one reserve deputy exceeded the County Commission's stated policy for the handgun program. The written agreement signed by each deputy and the Sheriff did not clearly state repayment terms.

Recommendation:

- A. The County Commission ensure budgets are prepared for all county funds and submitted to the State Auditor's office as required by state law.
- B. The County Commission and the Health Center Board of Trustees not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office, and prior to incurring the related expenditures.
- C. The County Commission and other county officials solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be maintained. If bids are not obtained and/or sole source procurement is necessary, the County Commission minutes should thoroughly reflect the circumstances.
- D. The County Commission review handgun purchases to ensure its policies are adhered to and ensure the written agreement with the Sheriff and each deputy clearly specifies the repayment terms.

Status:

- A. Not implemented. See MAR No.1.
- B. Partially implemented. The Health Center Board did not authorize any payments in excess of budgeted expenditures during the audit period; however, the County Commission still had problems in this area. See MAR No. 1.

- C. Partially implemented. Some problems were noted with several law enforcement related purchases handled by the Sheriff's department; however, no other bidding problems were noted. See MAR No.1.
- D. Implemented. As of April 2000, approximately \$2,800 of the \$4,500 due to the county from the Sheriff and his deputies had been repaid. Written agreements are now entered into which specify the repayment terms.

4. Personnel Policies and Procedures

Records of leave, overtime worked, and compensatory time balances were not centrally maintained except for road and bridge employees and employees of the County Clerk's office.

Recommendation:

The County Commission require the County Clerk to maintain centralized leave and compensatory records for all county employees.

Status:

Implemented.

5. Property Tax System and Computer Controls

- A. The County Collector and Assessor made changes to the property tax records for additions and abatements on an ongoing basis. There was no independent, subsequent comparison of County Commission approved court-ordered additions and abatements to actual changes made to the property tax data file.
- B. The county had not established a formal disaster plan for its computer system.

Recommendation:

- A. Revise the addition/abatement process so that the County Collector and Assessor do not have the capability to make changes to computerized property tax data or ensure that independent, subsequent comparisons of these changes to tax book change orders is performed.
- B. Develop a formal contingency plan for the county's computer system.

Status:

- A. Implemented.



- B. Partially implemented. Each elected official has submitted a disaster recovery plan to the County Commission, but a formal contingency plan has not yet been developed. Although not repeated in the current report, our recommendation remains as stated above.

6. County Collector's Withholdings from Tax Collections

- A. Various errors were made in adjusting property tax collections for the effects of Proposition C and in calculating the assessment withholding from school district property tax collections. Worksheets or other documentation was not retained to support commissions and assessment withholdings on school district property tax collections
- B. The County Collector improperly withheld commissions on interest charged on current delinquent and back tax collections and mailing commissions on interest charged on current delinquent tax collections.
- C. The amount of additional commissions paid into the County Employees' Retirement Fund exceeded the amount required.

Recommendation:

- A. Recompute commissions related to these school districts and make corrections for amounts improperly distributed to the schools, General Revenue Fund, and Assessment Fund. The Collector needs to ensure future Proposition C commissions are computed properly. In addition, work sheets or other documentation to support the calculation of commissions and assessment withholdings on school district property tax collections should be retained.
- B. Discontinue the practice of withholding commissions on interest charged on current delinquent and back tax collections. In addition, the County Collector should recalculate the commissions which should have been retained from the political subdivisions tax collections. Future distributions to the various political subdivisions and the General Revenue Fund should be adjusted for the differences noted.
- C. Recalculate the distribution of additional commissions for the year ended February 28, 1998, and make the necessary adjustments for errors noted, along with differences noted above and in the previous audit report.

Status:

- A. Partially implemented. Although the County Collector continues to have errors in his Proposition C commission calculation, he now retains the worksheets used to calculate commissions and withholdings. During the last year of the audit period

only one school district's property tax collections had to be adjusted for the effects of Proposition C. Commissions and withholdings were not recomputed for the prior audit period. Although not repeated in the current report, our recommendation remains as stated above.

- B. Not implemented. This recommendation has been made to the County Collector in numerous prior reports. He has indicated both in his response to those findings and to us during the current audit that he does not intend to change this practice. This commission calculation compliance problem results in about \$750 in additional commissions annually being turned over to the General Revenue Fund. Although not repeated in the current report, our recommendations remain as stated above.
- C. Partially implemented. The County Collector made an adjustment to correct the amount incorrectly distributed to the CERF for the year ended February 28, 1997; however, he did not make any adjustments for differences previously noted in the audit for the two years ended February 28, 1996 and did not recalculate the distribution for the year ended February 28, 1998. No problems were noted with the CERF distributions made during the audit period. Although not repeated in the current report, our recommendation remains as stated above.

7. County Collector's Accounting Controls and Procedures

- A. The County Collector did not reconcile cash balances to existing liabilities.
- B. The County Collector improperly distributed \$6,177 received from the State Department of Conservation as payments in lieu of taxes (PILT) to the General Revenue Fund.
- C. Surtax collections were distributed using percentages applicable to the 1985 collections.
- D. Tax monies for the city of Warsaw were collected without a written agreement and the penalty fee charged on the delinquent city taxes might have been in excess of that authorized by state law.

Recommendation:

- A. The County Collector reconcile the amounts in his bank accounts to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations.
- B. The County Collector recompute the PILT distribution and take the over and under payments into effect when distributing future PILT payments received from the State Department of Conservation to the appropriate political subdivisions.

- C. The County Collector recalculate distributions of surtax collections for the two years ended February 28, 1998, and ensure future distributions of surtax collections are properly computed to take into consideration the current assessed valuations for Subclass 3 commercial property of each political subdivision.
- D. The County Collector and County Commission obtain a written agreement with all cities for tax collections. The contracts should specifically define the amount of penalties to be collected on delinquent city taxes and how the penalties are to be distributed. The penalty amounts should be based on applicable state laws and city ordinance.

Status:

A–D. Not implemented. See MAR No. 2.

8. Sheriff's Accounting Controls and Procedures

- A. Formal monthly bank reconciliations had not been prepared since April 1997. Monthly listings of liabilities (open items) were prepared, but were not agreed to the reconciled bank and book balance.
- B. Receipts were not always deposited timely.
- C. Receipt slips did not indicate the method of payment and the composition of receipts was not reconciled to the composition of deposits.
- D. The Sheriff maintained custody of the Sheriff 's Department Reserve Account without statutory authority.

Recommendation:

- A. Perform formal monthly bank reconciliations, and ensure a complete and accurate open items listing is maintained and reconciled to the cash balance. In addition, reasons for discrepancies among the various accounting records should be determined and resolved during the month-end reconciliation process.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Record the method of payment on receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- D. Turn over custody of the Sheriff's Department Reserve Account to the County Treasurer, and turn over all future calendar receipts to the County Treasurer.

Status:

- A. Partially implemented. Bank reconciliations are currently being performed on a timely basis; however, the reconciled balance does not agree with the open items listing. See MAR No. 4.
- B. Not implemented. See MAR No. 4.

C&D. Implemented

9. Associate Circuit Division's Open Items

Monthly listings of liabilities (open items) were prepared, but were not agreed to the reconciled bank and book balances.

Recommendation:

The Associate Circuit Division Judge ensure a complete and accurate open items listing is maintained and agreed to the reconciled bank and book balances monthly. In addition, the Associate Circuit Judge should require the Associate Circuit Division Clerk to attempt to identify the \$3,852 and disburse these monies accordingly. If such monies cannot be identified, they should be paid to the appropriate county or state fund as directed by state law.

Status:

Not implemented. The associate circuit division was merged with the circuit division in January 1999. The monies referred to above are now the responsibility of the Circuit Clerk. See MAR No. 3.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

BENTON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1835, the county of Benton was named after Thomas Hart Benton, a U.S. Senator. Benton County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Warsaw.

Benton County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Benton County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 463,183   | 18         | 453,470   | 17         |
| Sales taxes               | 564,480      | 21         | 542,365   | 20         |
| Federal and state aid     | 1,038,369    | 39         | 1,048,196 | 40         |
| Fees, interest, and other | 573,280      | 22         | 603,230   | 23         |
| Total                     | \$ 2,639,312 | 100        | 2,647,261 | 100        |

The following chart shows how Benton County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 600,442   | 21         | 575,035   | 22         |
| Public safety             | 829,025      | 30         | 797,362   | 31         |
| Highways and roads        | 1,364,643    | 49         | 1,207,162 | 47         |
| Total                     | \$ 2,794,110 | 100        | 2,579,559 | 100        |

Additionally, Benton County has a Capital Improvement Sales Tax Fund with receipts of \$621,690 and \$595,946 in 1999 and 1998, respectively, which are used for improvements to roads and bridges, upgrading equipment, and repairs and upkeep of county buildings.

The county maintains approximately 76 county bridges and 535 miles of county roads.

The county's population was 9,695 in 1970 and 13,859 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |       |       |        |        |
|------------------------|----|-------------------------|-------|-------|--------|--------|
|                        |    | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |       |       |        |        |
| Real estate            | \$ | 98.3                    | 95.9  | 54.2  | 27.1   | 18.5   |
| Personal property      |    | 32.1                    | 29.8  | 11.0  | 7.7    | 5.5    |
| Railroad and utilities |    | 13.9                    | 11.9  | 7.8   | 6.8    | 3.5    |
| Total                  | \$ | 144.3                   | 137.6 | 73.0  | 41.6   | 27.5   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Benton County's property tax rates per \$100 of assessed valuations were as follows:

|                               |    | Year Ended December 31, |      |
|-------------------------------|----|-------------------------|------|
|                               |    | 1999                    | 1998 |
| General Revenue Fund          | \$ | .12                     | .14  |
| Special Road and Bridge Fund* |    | .21                     | .21  |
| Health Center Fund            |    | .40                     | .40  |

\* The county retains all tax proceeds from areas not within road districts. The county has three road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.



Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                                   | Year Ended February 28 (29), |                  |
|-----------------------------------|------------------------------|------------------|
|                                   | 2000                         | 1999             |
| State of Missouri                 | \$ 43,501                    | 42,090           |
| General Revenue Fund              | 183,781                      | 256,271          |
| Special Road and Bridge Fund      | 275,346                      | 275,471          |
| Special Road districts            | 31,226                       | 24,022           |
| Assessment Fund                   | 72,068                       | 68,250           |
| Health Center Fund                | 562,963                      | 525,753          |
| School districts                  | 4,522,312                    | 4,350,640        |
| Library district                  | 201,058                      | 196,677          |
| Ambulance district                | 260,828                      | 245,424          |
| Nursing Home districts            | 55,963                       | 54,785           |
| Junior College                    | 569,942                      | 557,721          |
| Fire districts                    | 317,433                      | 305,570          |
| Cities                            | 127,767                      | 128,512          |
| Advertising                       | 2,655                        | 2,552            |
| County Clerk                      | 736                          | 1,357            |
| Overplus Fund                     | 10,075                       | 54,646           |
| County Employees' Retirement Fund | 41,719                       | 30,704           |
| Commissions and fees:             |                              |                  |
| County Collector                  | 1,951                        | 1,935            |
| General Revenue Fund              | 119,667                      | 114,127          |
| Total                             | \$ <u>7,400,991</u>          | <u>7,236,507</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28 (29), |        |
|------------------------|------------------------------|--------|
|                        | 2000                         | 1999   |
| Real estate            | 89.9 %                       | 89.3 % |
| Personal property      | 89.3                         | 89.5   |
| Railroad and utilities | 100.0                        | 100.0  |

Benton County also has the following sales taxes; rates are per \$1 of retail sales:

|                       | Rate     | Expiration | Required               |
|-----------------------|----------|------------|------------------------|
|                       |          | Date       | Property Tax Reduction |
| General               | \$ .0050 | None       | 50 %                   |
| Capital improvements* | .0050    | 2006       | None                   |

\* The capital improvements sales tax was extended for an additional five years by the voters of Benton County in April 2000.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Rodney Meyer, Presiding Commissioner                                 | \$     | 28,400 | 16,414 |
| John Spry, Associate Commissioner                                    |        | 26,400 | 16,414 |
| Walter Schumacher Jr., Associate Commissioner                        |        | 26,400 | 16,414 |
| Glenalee Dillon, County Clerk  |        | 40,000 | 29,406 |
| Karen Woodley, Prosecuting Attorney                                  |        | 47,000 | 32,716 |
| Glenn Spencer, Sheriff   |        | 33,374 | 32,500 |
| Kathryn Dockery, County Treasurer                                    |        | 29,600 | 19,348 |
| James A. Miller, County Coroner                                      |        | 4,830  | 4,830  |
| Annabelle Kindle, Public Administrator *                             |        | 12,558 | 7,042  |
| Jesse Wininger, County Surveyor **                                   |        |        |        |
| J.D. Johnson, County Collector,<br>year ended February 28 (29), ***  | 40,409 | 32,215 |        |
| Roger Reedy, County Assessor,<br>year ended August 31, ****          |        | 39,060 | 39,060 |
| State-Paid Officials:  |        |        |        |
| Cheryl Schultz, Circuit Clerk and<br>Ex Officio Recorder of Deeds    |        | 44,292 |        |
| Rosemary Walthall, Circuit Clerk and<br>Ex Officio Recorder of Deeds |        |        | 42,183 |
| Larry Burditt, Associate Circuit Judge                               |        | 87,235 | 85,158 |

\* Includes fees received from probate cases.

\*\* Compensation on a fee basis.

\*\*\* Includes \$1,951 and \$1,935, respectively, of commissions earned for collecting city property taxes.

\*\*\*\* Includes \$900 annual compensation received from the state. \$1,908 of the salary for the year ended August 31, 1998 was paid during the year ended August 31, 1999.

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| County Commission                              | 1                           | 0        |
| Circuit Clerk and Ex Officio Recorder of Deeds | 0                           | 5        |
| County Clerk                                   | 2 *                         | 0        |
| Prosecuting Attorney                           | 4 *                         | 0        |
| Sheriff  | 23 **                       | 0        |
| County Collector                               | 3 *                         | 0        |
| County Assessor                                | 6                           | 0        |
| Road and Bridge                                | 19 ***                      | 0        |
| Health Center                                  | 58 ****                     | 0        |
| Total  | <u>116</u>                  | <u>5</u> |

\* Includes 1 part-time employee

\*\* Includes 4 part-time employees

\*\*\* Includes 3 part-time employees

\*\*\*\* Includes 11 part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Benton County's share of the Thirtieth Judicial Circuit's expenses is 17.45 percent.

In 1995, a juvenile detention center was constructed in the city of Bolivar for the Thirtieth Judicial Circuit. The five counties in the circuit are required to pay for the cost of construction in accordance with a cooperative agreement with the Thirtieth Circuit Youth Services, Inc., a not-for-profit organization established to operate the detention center. The Bolivar Industrial Development Authority issued revenue bonds of \$830,000 on behalf of the Thirtieth Circuit Youth Services, Inc., to finance the required share of construction costs for the counties of Benton, Hickory and Webster. The Thirtieth Circuit Youth Services, Inc., makes the bond payments, but the counties are required to pay their share of the debt in accordance with the cooperative agreement. Benton County's share of the debt is 30.83 percent, and at December 31, 1999, the county's total obligation for the principal was \$221,668. The interest rate is 6 percent and payments are made semi-annually for six years, with a lump sum payment due on November 1, 2001. Benton County's share of the lump sum payment is \$208,363, and the county does not have a reserve set aside for the lump sum payment. The debt can be refinanced if the lump sum payment cannot be made.



SPECIAL REVIEW  
OF  
MISSOURI SOUTHERN STATE COLLEGE  
VENDOR REFUNDS AND PAYMENTS

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-61  
July 27, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following areas of concern were discovered as a result of a special review conducted by our office of the Missouri Southern State College Vendor Refunds and Payments.**

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According to college officials, in December 1999 the internal auditor at Missouri Southern State College discovered a discrepancy in a transaction initiated by the accounts payable clerk. Subsequent review by the internal auditor and the Missouri State Auditor's Office noted additional discrepancies and identified a misappropriation of at least \$22,190 between March 1, 1999 and December 31, 1999.

Between March 1999 and December 1999, thirty-one checks totaling \$21,785 made payable to Missouri Southern State College or college checks payable to college vendors were deposited into a bank account of a local association of which the accounts payable clerk served as treasurer. In December 1999, the college became aware of some of these discrepancies and this clerk subsequently reimbursed the college \$1,560 with a check from the association's bank account, and \$1,995 with a cashiers check purchased from her personal bank account. An additional \$331 also appears to have been reimbursed to the college in April 1999 with a money order. It is not clear what the source of funds for the purchase of this money order is. In addition, a Missouri Southern State College check for \$405 was used to pay the accounts payable clerk's personal credit card bill. As a result, \$18,304 (\$21,785 less \$1,560, \$1,995, and \$331 plus \$405) is still due to the college.

Twenty-four of the thirty-one checks totaling \$13,332 represent refunds from vendors to Missouri Southern State College for returned merchandise or overpayments. Five checks totaling \$6,458 were Missouri Southern State College checks made payable to college vendors. The remaining two checks totaling \$2,195 were Missouri Southern State College checks made payable to the association based upon invoices of which \$1,995 was fictitious. These invoices appeared to be copies of valid invoices from the association that had been altered.

While the majority of the checks were not made payable to the association, they were still deposited into the association's bank account. Several of these checks contained no endorsement; however, six checks were endorsed with a stamped endorsement reading, "Missouri Southern State College, Pay To The Order Of".

(over)

YELLOW SHEET

In one instance, a vendor file name in Missouri Southern State College's computer system appears to have been changed, prior to the check being printed so the check would be made payable to the association, of which the accounts payable clerk served as treasurer. Subsequent to the check being printed, the vendor file name appears to have been changed back which helped to conceal the misappropriation. A representative from the local association into whose bank account these checks were deposited indicated the association was unaware of this matter until December 1999. The association then contacted the college concerning this matter. They also indicated the misappropriated funds from Missouri Southern State College are no longer in the association's bank account.

In addition to the checks noted above, irregularities may have occurred with other checks written to or from the college. Along with the college, we are continuing our efforts to review certain disbursement records and will notify appropriate legal authorities of any additional misappropriated funds.

Rhonda Branham became an employee of Missouri Southern State College in May 1990. She became the accounts payable clerk in October 1997 and resigned in December 1999. As accounts payable clerk she was responsible for preparing invoices for payment, entering disbursement information into the computer system, and although not authorized to do so, received refunds from vendors. The local association to whose account the college's checks were deposited, indicated she served as treasurer from July 1996 until December 1999.

Information regarding this misappropriation has been turned over to the Jasper County Prosecuting Attorney and the city of Joplin Police Department.

The college has also identified unauthorized transactions totaling \$1,284 which appear to have been initiated by the former accounts payable clerk and paid for with Missouri Southern State College funds. These transactions include purchasing supplies and equipment for personal use and establishing two unauthorized cellular phone accounts.

SPECIAL REVIEW  
OF  
MISSOURI SOUTHERN STATE COLLEGE  
VENDOR REFUNDS AND PAYMENTS

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Board of Regents  
and  
Dr. Julio S. Leon, President  
Missouri Southern State College  
Joplin, Missouri 64801

We have conducted a special review of Missouri Southern State College. The scope of our review included, but was not necessarily limited to, the period July 1, 1999 through December 31, 1999 and the two years ended June 30, 1999. The objectives of this review were to:

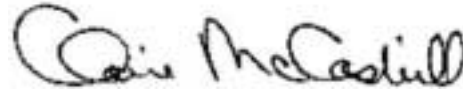
1. Investigate suspected irregularities regarding vendor refunds and payments.
2. Determine the amount of college funds misappropriated.
3. Review and evaluate certain controls and procedures regarding the collection of and accounting for vendor refunds and payments.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of Missouri Southern State College, interviewed college personnel, and examined other records and documents as we considered necessary for the review.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.



The accompanying Management Advisory Report presents our findings and recommendations arising from our review of Missouri Southern State College.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 4, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                      |
|---------------------|----------------------|
| Director of Audits: | Karen Laves, CPA     |
| Audit Manager:      | Donna Christian, CPA |
| Audit Staff:        | Jody Vernon, CPA     |

## EXECUTIVE SUMMARY

SPECIAL REVIEW OF  
MISSOURI SOUTHERN STATE COLLEGE  
VENDOR REFUNDS AND PAYMENTS  
EXECUTIVE SUMMARY

According to college officials, in December 1999 the internal auditor at Missouri Southern State College discovered a discrepancy in a transaction initiated by the accounts payable clerk. Subsequent review by the internal auditor and the Missouri State Auditor's Office noted additional discrepancies and identified a misappropriation of at least \$22,190 between March 1, 1999 and December 31, 1999.

Weaknesses in the internal control system of Missouri Southern State College allowed this misappropriation to occur. Some checks made payable to Missouri Southern State College and some college checks payable to college vendors were deposited into a bank account of a local association of which the former accounts payable clerk served as treasurer. A college check was also used to pay the accounts payable clerk's personal credit card bill. Reimbursement of \$3,886 has been received from the association or clerk. In addition, it appears unauthorized purchases of supplies and equipment for personal use, and the unauthorized establishment of two cellular phone accounts were initiated by the former accounts payable clerk.

This misappropriation could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the accompanying Management Advisory Report had been established.

Rhonda Branham became an employee of Missouri Southern State College in May 1990. She became the accounts payable clerk in October 1997 and resigned in December 1999. As accounts payable clerk she was responsible for preparing invoices for payment, entering disbursement information into the computer system, and although not authorized to do so, received refunds from vendors. The local association to whose account the college's checks were deposited, indicated she served as treasurer from July 1996 until December 1999.

## MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW  
OF  
MISSOURI SOUTHERN STATE COLLEGE  
VENDOR REFUNDS AND PAYMENTS

According to college officials, in December 1999 the Internal Auditor of Missouri Southern State College discovered a discrepancy in a transaction initiated by the accounts payable clerk. During a routine audit of Missouri Southern State College (MSSC), the Missouri State Auditor's Office became aware of discrepancies within the accounts payable process. This special review was performed to more fully review the circumstances of these discrepancies and to more fully determine the extent of misappropriated funds.

Following are our comments regarding the misappropriation and the related accounting controls and procedures.

|   |
|---|
| <b>1. Missing Funds and Unauthorized Transactions</b> |
|---|

- A. Between March 1999 and December 1999, thirty-one checks totaling \$21,785 made payable to MSSC or college checks payable to college vendors were deposited into a bank account of a local association of which the accounts payable clerk served as treasurer. In December 1999, the college became aware of some of these discrepancies and this clerk subsequently reimbursed the college \$1,560 with a check from the association's bank account, and \$1,995 with a cashiers check purchased from her personal bank account. An additional \$331 also appears to have been reimbursed to the college in April 1999 with a money order. It is not clear what the source of funds for the purchase of this money order is. In addition, a MSSC check for \$405 was used to pay the accounts payable clerk's personal credit card bill. As a result, \$18,304 (\$21,785 less \$1,560, \$1,995, and \$331 plus \$405) is still due to the college.

Twenty-four of the thirty-one checks totaling \$13,332 represent refunds from vendors to MSSC for returned merchandise or overpayments. Five checks totaling \$6,458 were MSSC checks made payable to college vendors. The remaining two checks totaling \$2,195 were MSSC checks made payable to the association based upon invoices of which \$1,995 was fictitious. These invoices appeared to be copies of valid invoices from the association that had been altered.

While the majority of the checks were not made payable to the association, they were still deposited into the association's bank account. Several of these checks contained no endorsement; however, six checks were endorsed with a stamped endorsement reading, "Missouri Southern State College, Pay To The Order Of".

In one instance, a vendor file name in MSSC's computer system appears to have been changed, prior to the check being printed so the check would be made

payable to the association, of which the accounts payable clerk served as treasurer. Subsequent to the check being printed, the vendor file name appears to have been changed back which helped to conceal the misappropriation. A representative from the local association into whose bank account these checks were deposited indicated the association was unaware of this matter until December 1999. The association then contacted the college concerning this matter. They also indicated the misappropriated funds from MSSC are no longer in the association's bank account.

In addition to the checks noted above, irregularities may have occurred with other checks written to or from the college. Along with the college, we are continuing our efforts to review certain disbursement records and will notify appropriate legal authorities of any additional misappropriated funds.

Information regarding this misappropriation has been turned over to the Jasper County Prosecuting Attorney and the city of Joplin Police Department.

- B. The college has also identified unauthorized transactions totaling \$1,284 which appear to have been initiated by the former accounts payable clerk and paid for with MSSC funds. These transactions include purchasing supplies and equipment for personal use and establishing two unauthorized cellular phone accounts.

Eight purchases totaling \$867 for office supplies and various computer equipment appear to be for personal use. Photocopies of open purchase orders and previously used purchase orders were used to provide documentation for these purchases. In one instance, the college President's signature was photocopied onto a copy of an invoice which gave the appearance that the invoice was approved for payment.

In addition, the former accounts payable clerk established two unauthorized cellular phone accounts for herself, and purchased two new cellular phones with MSSC funds. The college paid charges totaling \$417 for these unauthorized accounts.

These misappropriations were allowed to occur and not be detected for an extended period of time due to a lack of control procedures being in place. The following Management Advisory Report (MAR) comment addresses the needed controls.

**WE RECOMMEND** the college continue working with law enforcement authorities regarding any criminal prosecution and obtain full reimbursement of the misappropriated funds.

**AUDITEE'S RESPONSE:**

*In December 1999, the Internal Auditor at Missouri Southern State College discovered suspicious activities by the account payable clerk. Subsequent investigation by the Internal*

*Auditor and the Missouri State Auditor's Office beginning in January 2000 determined that these suspicious activities had resulted in the misappropriation of college funds. The college, along with the Missouri State Auditor's Office, presented to the Jasper County Prosecuting Attorney and representatives from the City of Joplin Police Department all information regarding the misappropriation in a joint meeting held in early May 2000. The college is continuing to work with law enforcement authorities in an effort to obtain full reimbursement of the misappropriated funds.*

## **2. Vendor Refunds and Payment Procedures and Controls**

- A. The duties of preparing invoices for payment and receiving refund checks are not adequately segregated. The accounts payable clerk is responsible for matching invoices to purchase orders, sending invoices to department heads for approval, entering the invoices into the computer system for payment, and although not authorized to do so, received refunds from vendors.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by ensuring refunds are received and recorded by someone independent of the accounts payable process.

- B. Weaknesses exist within the college's disbursement process as follows.
1. All checks require two signatures, the treasurer and the secretary of the Board of Regents. Both signatures are applied by a check signing machine. The signature plate is stored in a safe in the vault located in the business office. The safe is left unlocked during the day, and all business office employees have access. In addition, several business office employees are allowed to run checks through the check signing machine. To decrease the potential for unauthorized disbursement by check, access to the signature plate should be limited.
  2. Signed checks are not adequately safeguarded prior to distribution. The checks are stored in the business office after being signed by the check signing machine. All office employees, including the accounts payable clerk, have access to the checks. To ensure checks are properly distributed, access to signed checks should be limited.
  3. A disbursement report showing all checks issued is generated and provided to the college Treasurer for his review. Documentation for all checks on the report that are greater than \$5,000 is reviewed. However, no one other than the accounts payable clerk reviews documentation to support checks less than \$5,000. During the two years ended June 30, 1999, there were approximately 40,000 transactions totaling over \$23

million that met the under \$5,000 criteria and therefore documentation was not reviewed by anyone other than the accounts payable clerk. This review is necessary to ensure all disbursements have been properly authorized. Had such a review been performed, some of the misappropriations noted in MAR No. 1 might have been detected.

4. The college uses an automated invoice processing system to process bills paid by the college. To receive payment, vendors must be entered in the system with a vendor number. Once vendors have been entered into the system the accounts payable clerk has the ability to change the vendor file name. In one instance noted in MAR No. 1, a vendor's file name was changed to the name of a local association for which the accounts payable clerk was treasurer. This resulted in the local association being the payee on the check and the check being deposited into the association's bank account. After the check was printed the vendor file name was apparently changed back to the original vendor name which helped to conceal the misappropriation. To decrease the potential for unauthorized disbursements, the ability to change vendor file names should be limited to someone independent of the accounts payable process.
- C. Fourteen of the twenty-four refund checks referred to in MAR No. 1 were initiated by merchandise returns of the bookstore. The bookstore submits to the business office a monthly list of items returned for credit or refunds. However, only the accounts payable clerk is responsible for comparing the items returned, to credit memos or refunds received. As a result, the misappropriation of over \$6,472 in refunds due the bookstore went undetected for several months. The comparison of items returned to credit memos and refunds received by someone independent of the accounts payable process is necessary to ensure all returns have been accounted for properly.
- D. The college has no written policies for returning merchandise and obtaining credits or refunds. Individual departments are allowed to handle their own merchandise returns. Some merchandise is returned through the college's central receiving department, while some merchandise is returned directly by the individual department who received the merchandise.

The business office relies on the individual departments to track their own returns and notify the business office if a credit memo or refund has not been received. However, many of the departments are not properly following up to ensure credits or refunds are received by the college. During our review of returned merchandise, we noted an open credit of \$572 from September 1999 that has not yet been used by the college.

To safeguard against the possible loss or misuse of funds, merchandise returned to vendors should be handled through one central location. To ensure that the college has received full credit for returned merchandise and to ensure the credit



is properly recorded, someone independent of the accounts payable process should record the credit. In addition, to ensure that procedures for returning merchandise and handling credit memos are followed, the college should establish a formal written policy.

- E. Six of the refund checks described in MAR No. 1 were endorsed with a stamp reading “Missouri Southern State College Pay To The Order Of”. The stamp may have helped to enable checks made payable to the College to be negotiated by someone else. College administrators indicated that they did not know of any legitimate purpose for the stamp. The stamp is currently stored in the vault located in the business office, and all business office employees have access to the vault. Failure to properly control the stamp could result in additional loss or misuse of funds. If there is not a need for the stamp, the college should dispose of it.

**WE RECOMMEND** the College:

- A. Adequately segregate the duties of preparing invoices for payment and receiving refund checks.
- B.1. Limit access to the signature plate.
  - 2. Ensure access to signed checks is adequately limited prior to distribution.
  - 3. Ensure documentation for expenditures is properly reviewed and approved prior to payment.
  - 4. Limit the ability to change vendor file names in the computer system to someone independent of the accounts payable process.
- C. Ensure someone independent of the accounts payable process compares the items returned by the bookstore to refunds received and investigates any problems noted in a timely manner.
- D. Establish written policies for returning merchandise and obtaining credits or refunds and establish controls to ensure these policies are enforced. The college should consider requiring all returns and refunds to be handled through a central location.
- E. Dispose of the “Missouri Southern State College Pay To The Order Of” stamp, or ensure access to the stamp is adequately limited.

**AUDITEE’S RESPONSE:**

- A. *The college agrees with the Auditor’s recommendation. An employee with no accounts payable responsibilities has been assigned to open all mail received in the business*

*office. All checks received through the mail, including refund checks, are immediately stamped with a "Missouri Southern State College For Deposit Only" stamp and forwarded to the cashier for entry into the college's general ledger system. In addition, the accounts payable clerk is no longer responsible for reconciling refunds and credit memos from vendors to the general ledger system.*

- B.1. The college agrees with the Auditor's recommendation. The signature plate is now being stored in a lockable file cabinet in the office of the Senior Vice President. The signature plate is locked in the file cabinet at all times when it is not in use. Access to the key for the file cabinet is limited to the Senior Vice President and the Treasurer.*
- 2. The college agrees with the Auditor's recommendation. The business office plans to purchase a lockable, rolling file cabinet within one month to store signed checks kept in the business office. The file will be kept locked and access to the file cabinet will be limited to those employees serving in the cashier function.*
- 3. The college agrees with the Auditor's recommendation. An employee not responsible for preparing invoices for payment will continue to review documentation for all checks \$5,000 or greater prior to payment. In addition, the employee will select several checks for less than \$5,000 and review documentation for these checks prior to payment.*
- 4. The college agrees with the Auditor's recommendation. The business office will begin working with the computer information department immediately to make programming changes that will limit the ability to change vendor file information in the general ledger system. The ability to make vendor file changes will be removed from the functions available to the accounts payable clerk and reassigned to an employee with no accounts payable responsibilities. The college plans to complete these changes within six months.*
- C. The college agrees with the Auditor's recommendation. The bookstore has recently installed a new point-of-sale computer system and has purchased a related accounting software package that will be implemented in July 2000. After this accounting software package is implemented in the bookstore, bookstore personnel (who are independent of the accounts payable function) will be responsible for reconciling merchandise returned to refunds and credit memos received.*
- D. The college agrees with the Auditor's recommendation. The college will establish written policies and procedures for returning merchandise and obtaining credits or refunds through a central college location and will also establish controls to ensure that these policies and procedures are enforced. The college will begin the process to establish these policies and procedures immediately and will fully implement the policies and procedures within one year.*
- E. Occasionally the college receives a check that should be payable to a student or another entity. For this reason, the college wishes to retain the "Missouri Southern State College Pay To The Order Of" stamp. The stamp is now being stored with the signature plate in a lockable file cabinet in the office of the Senior Vice President. The stamp is locked in the*

*file cabinet at all times when it is not in use and access to the key is limited to the Senior Vice President and the Treasurer.*

This report is intended for the information of the management of the college, and other applicable officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



WASHINGTON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-60  
July 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Washington, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Washington County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

WASHINGTON COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Washington County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Washington County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

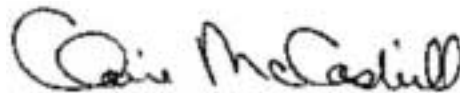
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Washington County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Washington County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Washington County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended

December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 9, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

March 9, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Thomas J. Kremer, CPA   |
| Audit Manager:      | Alice M. Fast, CPA, CIA |
| In-Charge Auditor:  | Karen A. Wolf           |
| Audit Staff:        | Tirennia C. Miller      |
|                     | Monique Williams        |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Washington County, Missouri

We have audited the special-purpose financial statements of various funds of Washington County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

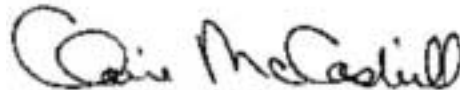
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Washington County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Washington County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Washington County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 9, 2000 (fieldwork completion date)

## Financial Statements



Exhibit A

WASHINGTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 44,039          | 1,547,581 | 1,553,511     | 38,109               |
| Special Road and Bridge             | 143,172            | 1,561,218 | 1,535,984     | 168,406              |
| Assessment                          | 5,710              | 216,565   | 215,806       | 6,469                |
| Law Enforcement Training            | 1,654              | 5,391     | 3,580         | 3,465                |
| Prosecuting Attorney Training       | 1,687              | 921       | 0             | 2,608                |
| Sheriff's Law Enforcement           | 3,188              | 999,568   | 1,001,750     | 1,006                |
| Law Enforcement Expense             | 81                 | 5,700     | 5,684         | 97                   |
| Prosecuting Attorney Bad Check      | 21,710             | 14,412    | 3,925         | 32,197               |
| Prosecuting Attorney Expense        | 411                | 20        | 0             | 431                  |
| Prosecuting Attorney Delinquent Tax | 6,095              | 2,366     | 1,500         | 6,961                |
| DARE                                | 1,942              | 4,104     | 2,779         | 3,267                |
| Collector's Grant                   | 1,998              | 16        | 2,014         | 0                    |
| Senior Citizens' Service            | 38,317             | 80,372    | 73,287        | 45,402               |
| Health Center                       | 425,206            | 647,152   | 704,949       | 367,409              |
| Handicapped Board                   | 109,090            | 287,126   | 285,446       | 110,770              |
| Circuit Division Interest           | 2,573              | 2,563     | 2,138         | 2,998                |
| Industrial Development              | 79,147             | 52,008    | 43,234        | 87,921               |
| Economic Development Tax            | 691,848            | 565,432   | 233,330       | 1,023,950            |
| Recorder's User Fee                 | 5,352              | 11,059    | 1,285         | 15,126               |
| Domestic Violence Shelter           | 1,623              | 3,453     | 2,975         | 2,101                |
| Sheriff's Fees                      | 1,745              | 39,172    | 40,891        | 26                   |
| Family Access Fee                   | 0                  | 101       | 0             | 101                  |
| Election Services                   | 0                  | 112       | 0             | 112                  |
| Associate Circuit Division Interest | 1,117              | 360       | 0             | 1,477                |
| Total                               | \$ 1,587,705       | 6,046,772 | 5,714,068     | 1,920,409            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

WASHINGTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 26,700          | 1,589,824 | 1,572,485     | 44,039               |
| Special Road and Bridge             | 118,684            | 1,484,576 | 1,460,088     | 143,172              |
| Assessment                          | 5,494              | 195,491   | 195,275       | 5,710                |
| Law Enforcement Training            | 605                | 4,778     | 3,729         | 1,654                |
| Prosecuting Attorney Training       | 867                | 820       | 0             | 1,687                |
| Sheriff's Law Enforcement           | 14,866             | 949,177   | 960,855       | 3,188                |
| Law Enforcement Expense             | 70                 | 7,240     | 7,229         | 81                   |
| Prosecuting Attorney Bad Check      | 11,545             | 12,440    | 2,275         | 21,710               |
| Prosecuting Attorney Expense        | 390                | 21        | 0             | 411                  |
| Prosecuting Attorney Delinquent Tax | 3,792              | 2,797     | 494           | 6,095                |
| DARE                                | 527                | 3,831     | 2,416         | 1,942                |
| Collector's Grant                   | 1,950              | 48        | 0             | 1,998                |
| Senior Citizens' Service            | 28,565             | 79,087    | 69,335        | 38,317               |
| Health Center                       | 196,002            | 928,877   | 699,673       | 425,206              |
| Handicapped Board                   | 101,929            | 270,838   | 263,677       | 109,090              |
| Circuit Division Interest           | 831                | 2,895     | 1,153         | 2,573                |
| Industrial Development              | 75,406             | 51,597    | 47,856        | 79,147               |
| Economic Development Tax            | 341,474            | 539,368   | 188,994       | 691,848              |
| Recorder's User Fee                 | 28,438             | 12,530    | 35,616        | 5,352                |
| County Clerk's Grant                | 49                 | 0         | 49            | 0                    |
| Landfill                            | 71,571             | 1,210     | 72,781        | 0                    |
| Domestic Violence Shelter           | 0                  | 5,138     | 3,515         | 1,623                |
| Sheriff's Fees                      | 0                  | 40,808    | 39,063        | 1,745                |
| Associate Circuit Division Interest | 780                | 337       | 0             | 1,117                |
| Total                               | \$ 1,030,535       | 6,183,728 | 5,626,558     | 1,587,705            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

WASHINGTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |           |  |           |           |  |
|--|-------------------------|-----------|--|-----------|-----------|--|
|  | 1999                    |           |  | 1998      |           |  |
|  | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                                |                         |           |  |           |           |  |
| Property taxes                                 | \$ 369,444              | 233,203   | (136,241)                              | 316,000   | 340,771   | 24,771                                 |
| Sales taxes                                    | 600,000                 | 587,003   | (12,997)                               | 550,000   | 512,071   | (37,929)                               |
| Intergovernmental                              | 204,543                 | 183,899   | (20,644)                               | 214,487   | 163,778   | (50,709)                               |
| Charges for services                           | 252,750                 | 242,655   | (10,095)                               | 228,500   | 242,527   | 14,027                                 |
| Interest                                       | 5,000                   | 3,577     | (1,423)                                | 7,000     | 4,738     | (2,262)                                |
| Other  | 147,903                 | 167,630   | 19,727                                 | 133,600   | 144,638   | 11,038                                 |
| Transfers in                                   | 132,121                 | 129,614   | (2,507)                                | 191,451   | 181,301   | (10,150)                               |
| Total Receipts                                 | 1,711,761               | 1,547,581 | (164,180)                              | 1,641,038 | 1,589,824 | (51,214)                               |
| <b>DISBURSEMENTS</b>                           |                         |           |  |           |           |  |
| County Commission                              | 109,284                 | 113,032   | (3,748)                                | 83,301    | 82,447    | 854                                    |
| County Clerk                                   | 124,851                 | 102,157   | 22,694                                 | 117,265   | 106,272   | 10,993                                 |
| Elections                                      | 34,320                  | 27,599    | 6,721                                  | 78,092    | 56,053    | 22,039                                 |
| Buildings and grounds                          | 90,848                  | 82,971    | 7,877                                  | 136,531   | 110,888   | 25,643                                 |
| County Treasurer                               | 48,391                  | 47,017    | 1,374                                  | 40,852    | 39,758    | 1,094                                  |
| County Collector                               | 123,158                 | 121,853   | 1,305                                  | 114,226   | 116,195   | (1,969)                                |
| Circuit Clerk and Ex Officio Recorder of Deeds | 98,042                  | 85,089    | 12,953                                 | 79,113    | 75,142    | 3,971                                  |
| Associate Circuit Court                        | 32,653                  | 30,414    | 2,239                                  | 38,004    | 34,958    | 3,046                                  |
| Court administration                           | 14,041                  | 12,692    | 1,349                                  | 12,009    | 5,995     | 6,014                                  |
| Public Administrator                           | 44,451                  | 35,377    | 9,074                                  | 39,343    | 36,589    | 2,754                                  |
| Prosecuting Attorney                           | 212,303                 | 202,091   | 10,212                                 | 176,597   | 177,422   | (825)                                  |
| Juvenile Officer                               | 123,509                 | 110,529   | 12,980                                 | 127,996   | 127,932   | 64                                     |
| County Coroner                                 | 30,232                  | 33,051    | (2,819)                                | 29,568    | 19,485    | 10,083                                 |
| Sheriff auxiliary                              | 2,805                   | 577       | 2,228                                  | 2,275     | 834       | 1,441                                  |
| Landfill                                       | 23,556                  | 12,478    | 11,078                                 | 22,927    | 19,178    | 3,749                                  |
| Airport  | 35,962                  | 42,571    | (6,609)                                | 42,237    | 47,996    | (5,759)                                |
| Industrial Development Authority               | 72,437                  | 69,309    | 3,128                                  | 70,720    | 66,612    | 4,108                                  |
| University Extension                           | 43,498                  | 42,741    | 757                                    | 42,319    | 42,319    | 0                                      |
| Debt service                                   | 93,000                  | 81,585    | 11,415                                 | 93,000    | 53,956    | 39,044                                 |
| Other  | 140,143                 | 140,308   | (165)                                  | 122,086   | 156,102   | (34,016)                               |
| Transfers out                                  | 202,595                 | 160,070   | 42,525                                 | 140,766   | 196,352   | (55,586)                               |
| Emergency Fund                                 | 50,521                  | 0         | 50,521                                 | 49,231    | 0         | 49,231                                 |
| Total Disbursements                            | 1,750,600               | 1,553,511 | 197,089                                | 1,658,458 | 1,572,485 | 85,973                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS            | (38,839)                | (5,930)   | 32,909                                 | (17,420)  | 17,339    | 34,759                                 |
| CASH, JANUARY 1                                | 44,039                  | 44,039    | 0                                      | 26,700    | 26,700    | 0                                      |
| CASH, DECEMBER 31                              | \$ 5,200                | 38,109    | 32,909                                 | 9,280     | 44,039    | 34,759                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

WASHINGTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 346,000              | 347,511   | 1,511                                  | 368,800   | 306,562   | (62,238)                               |
| Sales taxes                           | 500,000                 | 508,117   | 8,117                                  | 525,000   | 491,579   | (33,421)                               |
| Intergovernmental                     | 964,309                 | 619,091   | (345,218)                              | 1,111,586 | 634,737   | (476,849)                              |
| Charges for services                  | 0                       | 0         | 0                                      | 1,000     | 0         | (1,000)                                |
| Interest                              | 8,500                   | 8,887     | 387                                    | 9,871     | 9,111     | (760)                                  |
| Other                                 | 27,500                  | 77,612    | 50,112                                 | 59,000    | 42,587    | (16,413)                               |
| Total Receipts                        | 1,846,309               | 1,561,218 | (285,091)                              | 2,075,257 | 1,484,576 | (590,681)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 559,240                 | 531,419   | 27,821                                 | 516,180   | 499,588   | 16,592                                 |
| Employee fringe benefits              | 147,276                 | 143,408   | 3,868                                  | 134,760   | 120,969   | 13,791                                 |
| Supplies                              | 109,716                 | 97,238    | 12,478                                 | 115,940   | 84,455    | 31,485                                 |
| Insurance                             | 15,800                  | 18,557    | (2,757)                                | 22,000    | 15,678    | 6,322                                  |
| Road and bridge materials             | 319,034                 | 262,308   | 56,726                                 | 434,000   | 268,117   | 165,883                                |
| Equipment repairs                     | 90,000                  | 78,940    | 11,060                                 | 97,000    | 79,184    | 17,816                                 |
| Equipment purchases                   | 256,200                 | 283,703   | (27,503)                               | 311,347   | 214,853   | 96,494                                 |
| Construction, repair, and maintenance | 373,781                 | 21,700    | 352,081                                | 423,282   | 55,569    | 367,713                                |
| Capital improvement                   | 35,000                  | 19,379    | 15,621                                 | 73,519    | 51,353    | 22,166                                 |
| Other                                 | 23,750                  | 19,648    | 4,102                                  | 24,100    | 29,591    | (5,491)                                |
| Transfers out                         | 59,684                  | 59,684    | 0                                      | 40,731    | 40,731    | 0                                      |
| Total Disbursements                   | 1,989,481               | 1,535,984 | 453,497                                | 2,192,859 | 1,460,088 | 732,771                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (143,172)               | 25,234    | 168,406                                | (117,602) | 24,488    | 142,090                                |
| CASH, JANUARY 1                       | 143,172                 | 143,172   | 0                                      | 118,684   | 118,684   | 0                                      |
| CASH, DECEMBER 31                     | \$ 0                    | 168,406   | 168,406                                | 1,082     | 143,172   | 142,090                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

WASHINGTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Intergovernmental                   | \$ 172,606              | 177,978 | 5,372                                  | 163,265 | 162,205 | (1,060)                                |
| Charges for services                | 4,500                   | 3,864   | (636)                                  | 4,000   | 3,970   | (30)                                   |
| Interest                            | 650                     | 1,100   | 450                                    | 800     | 751     | (49)                                   |
| Other                               | 150                     | 6,235   | 6,085                                  | 100     | 38      | (62)                                   |
| Transfers in                        | 30,805                  | 27,388  | (3,417)                                | 32,816  | 28,527  | (4,289)                                |
| Total Receipts                      | 208,711                 | 216,565 | 7,854                                  | 200,981 | 195,491 | (5,490)                                |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Assessor                            | 209,213                 | 215,806 | (6,593)                                | 201,531 | 195,275 | 6,256                                  |
| Total Disbursements                 | 209,213                 | 215,806 | (6,593)                                | 201,531 | 195,275 | 6,256                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (502)                   | 759     | 1,261                                  | (550)   | 216     | 766                                    |
| CASH, JANUARY 1                     | 502                     | 5,710   | 5,208                                  | 550     | 5,494   | 4,944                                  |
| CASH, DECEMBER 31                   | \$ 0                    | 6,469   | 6,469                                  | 0       | 5,710   | 5,710                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Intergovernmental                   | \$ 0     | 1,997         | 0      | 1,376  | 1,376         |  |
| Charges for services                | 2,000    | 3,269         | 2,000  | 3,351  | 1,351         |  |
| Interest                            | 50       | 125           | 50     | 51     | 1             |  |
| Transfers In                        | 2,000    | 0             | 2,000  | 0      | (2,000)       |  |
| Total Receipts                      | 4,050    | 5,391         | 4,050  | 4,778  | 728           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 4,050    | 3,580         | 4,050  | 3,729  | 321           |  |
| Total Disbursements                 | 4,050    | 3,580         | 4,050  | 3,729  | 321           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 1,811         | 0      | 1,049  | 1,049         |  |
| CASH, JANUARY 1                     | 1,654    | 1,654         | 605    | 605    | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,654 | 3,465         | 605    | 1,654  | 1,049         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 825   | 817           | 700    | 757    | 57            |  |
| Interest                            | 75       | 104           | 40     | 63     | 23            |  |
| Total Receipts                      | 900      | 921           | 740    | 820    | 80            |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 500      | 0             | 650    | 0      | 650           |  |
| Total Disbursements                 | 500      | 0             | 650    | 0      | 650           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 400      | 921           | 90     | 820    | 730           |  |
| CASH, JANUARY 1                     | 1,687    | 1,687         | 867    | 867    | 0             |  |
| CASH, DECEMBER 31                   | \$ 2,087 | 2,608         | 957    | 1,687  | 730           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit G

WASHINGTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S LAW ENFORCEMENT FUND

|                                     | Year Ended December 31, |           |  |          |          |  |
|-------------------------------------|-------------------------|-----------|--|----------|----------|--|
|                                     | 1999                    |           |  | 1998     |          |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |           |  |          |          |  |
| Sales taxes                         | \$ 525,000              | 508,123   | (16,877)                               | 550,000  | 491,582  | (58,418)                               |
| Intergovernmental                   | 230,318                 | 293,199   | 62,881                                 | 234,000  | 234,420  | 420                                    |
| Charges for services                | 5,350                   | 5,946     | 596                                    | 5,200    | 4,878    | (322)                                  |
| Interest                            | 0                       | 61        | 61                                     | 200      | 0        | (200)                                  |
| Other                               | 10,500                  | 19,292    | 8,792                                  | 13,150   | 11,408   | (1,742)                                |
| Transfers in                        | 201,791                 | 172,947   | (28,844)                               | 130,956  | 206,889  | 75,933                                 |
| Total Receipts                      | 972,959                 | 999,568   | 26,609                                 | 933,506  | 949,177  | 15,671                                 |
| DISBURSEMENTS                       |                         |           |  |          |          |  |
| Salaries                            | 731,833                 | 737,248   | (5,415)                                | 696,774  | 700,146  | (3,372)                                |
| Office expenditures                 | 51,506                  | 54,192    | (2,686)                                | 44,061   | 48,053   | (3,992)                                |
| Equipment                           | 48,157                  | 48,691    | (534)                                  | 52,886   | 46,680   | 6,206                                  |
| Mileage and training                | 1,250                   | 1,311     | (61)                                   | 1,250    | 912      | 338                                    |
| Other                               | 143,400                 | 160,308   | (16,908)                               | 150,363  | 165,064  | (14,701)                               |
| Total Disbursements                 | 976,146                 | 1,001,750 | (25,604)                               | 945,334  | 960,855  | (15,521)                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,187)                 | (2,182)   | 1,005                                  | (11,828) | (11,678) | 150                                    |
| CASH, JANUARY 1                     | 3,188                   | 3,188     | 0                                      | 14,866   | 14,866   | 0                                      |
| CASH, DECEMBER 31                   | \$ 1                    | 1,006     | 1,005                                  | 3,038    | 3,188    | 150                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit H

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT EXPENSE FUND

| Year Ended December 31,             |    |               |        |       |               |         |
|-------------------------------------|----|---------------|--------|-------|---------------|---------|
| 1999                                |    |               | 1998   |       |               |         |
|                                     |    | Variance      |        |       | Variance      |         |
|                                     |    | Favorable     |        |       | Favorable     |         |
|                                     |    | (Unfavorable) |        |       | (Unfavorable) |         |
| Budget                              |    | Actual        | Budget |       | Actual        |         |
| RECEIPTS                            |    |               |        |       |               |         |
| Interest                            | \$ | 16            | 16     | 0     | 12            | 12      |
| Other                               |    | 7,500         | 5,684  | 3,000 | 7,228         | 4,228   |
| Total Receipts                      |    | 7,516         | 5,700  | 3,000 | 7,240         | 4,240   |
| DISBURSEMENTS                       |    |               |        |       |               |         |
| Sheriff                             |    | 7,300         | 5,684  | 3,000 | 7,229         | (4,229) |
| Total Disbursements                 |    | 7,300         | 5,684  | 3,000 | 7,229         | (4,229) |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 216           | 16     | 0     | 11            | 11      |
| CASH, JANUARY 1                     |    | 81            | 81     | 70    | 70            | 0       |
| CASH, DECEMBER 31                   | \$ | 297           | 97     | 70    | 81            | 11      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |               |        |        |               |
|-------------------------------------|----|-------------------------|--------|---------------|--------|--------|---------------|
|                                     |    | 1999                    |        |               | 1998   |        |               |
|                                     |    |                         |        | Variance      |        |        | Variance      |
|                                     |    |                         |        | Favorable     |        |        | Favorable     |
|                                     |    | Budget                  | Actual | (Unfavorable) | Budget | Actual | (Unfavorable) |
| RECEIPTS                            |    |                         |        |               |        |        |               |
| Charges for services                | \$ | 13,000                  | 13,130 | 130           | 12,000 | 11,646 | (354)         |
| Interest                            |    | 850                     | 1,282  | 432           | 0      | 794    | 794           |
| Total Receipts                      |    | 13,850                  | 14,412 | 562           | 12,000 | 12,440 | 440           |
| DISBURSEMENTS                       |    |                         |        |               |        |        |               |
| Prosecuting Attorney                |    | 2,400                   | 3,925  | (1,525)       | 9,000  | 2,275  | 6,725         |
| Total Disbursements                 |    | 2,400                   | 3,925  | (1,525)       | 9,000  | 2,275  | 6,725         |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 11,450                  | 10,487 | (963)         | 3,000  | 10,165 | 7,165         |
| CASH, JANUARY 1                     |    | 21,710                  | 21,710 | 0             | 11,545 | 11,545 | 0             |
| CASH, DECEMBER 31                   |    | \$ 33,160               | 32,197 | (963)         | 14,545 | 21,710 | 7,165         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY EXPENSE FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Interest                            | \$ 25  | 20            | 30     | 21     | (9)           |  |
| Total Receipts                      | 25     | 20            | 30     | 21     | (9)           |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 10     | 0             | 0      | 0      | 0             |  |
| Total Disbursements                 | 10     | 0             | 0      | 0      | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 15     | 20            | 30     | 21     | (9)           |  |
| CASH, JANUARY 1                     | 411    | 411           | 390    | 390    | 0             |  |
| CASH, DECEMBER 31                   | \$ 426 | 431           | 420    | 411    | (9)           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY DELINQUENT TAX FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 2,700 | 2,039  | (661)                                  | 1,200  | 2,563  | 1,363                                  |
| Interest                            | 300      | 327    | 27                                     | 0      | 234    | 234                                    |
| Total Receipts                      | 3,000    | 2,366  | (634)                                  | 1,200  | 2,797  | 1,597                                  |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Prosecuting Attorney                | 500      | 1,500  | (1,000)                                | 500    | 494    | 6                                      |
| Total Disbursements                 | 500      | 1,500  | (1,000)                                | 500    | 494    | 6                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,500    | 866    | (1,634)                                | 700    | 2,303  | 1,603                                  |
| CASH, JANUARY 1                     | 6,095    | 6,095  | 0                                      | 3,792  | 3,792  | 0                                      |
| CASH, DECEMBER 31                   | \$ 8,595 | 6,961  | (1,634)                                | 4,492  | 6,095  | 1,603                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DARE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Interest                            | \$ 70    | 112           | 0      | 62     | 62            |  |
| Other                               | 4,000    | 3,992         | 1,000  | 3,769  | 2,769         |  |
| Total Receipts                      | 4,070    | 4,104         | 1,000  | 3,831  | 2,831         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Sheriff                             | 2,500    | 2,779         | 900    | 2,416  | (1,516)       |  |
| Total Disbursements                 | 2,500    | 2,779         | 900    | 2,416  | (1,516)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,570    | 1,325         | 100    | 1,415  | 1,315         |  |
| CASH, JANUARY 1                     | 1,942    | 1,942         | 527    | 527    | 0             |  |
| CASH, DECEMBER 31                   | \$ 3,512 | 3,267         | 627    | 1,942  | 1,315         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COLLECTOR'S GRANT FUND

|                                     |    | Year Ended December 31, |         |                            |        |        |                            |
|-------------------------------------|----|-------------------------|---------|----------------------------|--------|--------|----------------------------|
|                                     |    | 1999                    |         |                            | 1998   |        |                            |
|                                     |    |                         |         | Variance                   |        |        | Variance                   |
|                                     |    | Budget                  | Actual  | Favorable<br>(Unfavorable) | Budget | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |         |                            |        |        |                            |
| Interest                            | \$ | 40                      | 16      | (24)                       | 50     | 48     | (2)                        |
| Total Receipts                      |    | 40                      | 16      | (24)                       | 50     | 48     | (2)                        |
| DISBURSEMENTS                       |    |                         |         |                            |        |        |                            |
| Collector                           |    | 2,038                   | 2,014   | 24                         | 495    | 0      | 495                        |
| Total Disbursements                 |    | 2,038                   | 2,014   | 24                         | 495    | 0      | 495                        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (1,998)                 | (1,998) | 0                          | (445)  | 48     | 493                        |
| CASH, JANUARY 1                     |    | 1,998                   | 1,998   | 0                          | 1,950  | 1,950  | 0                          |
| CASH, DECEMBER 31                   | \$ | 0                       | 0       | 0                          | 1,505  | 1,998  | 493                        |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SENIOR CITIZENS' SERVICE FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Property taxes                      | \$ 71,000 | 69,411 | (1,589)                                | 68,600 | 69,804 | 1,204                                  |
| Intergovernmental                   | 7,760     | 8,000  | 240                                    | 8,000  | 7,760  | (240)                                  |
| Interest                            | 1,000     | 2,961  | 1,961                                  | 950    | 1,523  | 573                                    |
| Total Receipts                      | 79,760    | 80,372 | 612                                    | 77,550 | 79,087 | 1,537                                  |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Contractual services                | 65,760    | 73,155 | (7,395)                                | 66,000 | 69,260 | (3,260)                                |
| Office expenditures                 | 220       | 132    | 88                                     | 255    | 75     | 180                                    |
| Total Disbursements                 | 65,980    | 73,287 | (7,307)                                | 66,255 | 69,335 | (3,080)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 13,780    | 7,085  | (6,695)                                | 11,295 | 9,752  | (1,543)                                |
| CASH, JANUARY 1                     | 38,317    | 38,317 | 0                                      | 28,565 | 28,565 | 0                                      |
| CASH, DECEMBER 31                   | \$ 52,097 | 45,402 | (6,695)                                | 39,860 | 38,317 | (1,543)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit O

WASHTINGTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |          |  |         |         |  |
|-------------------------------------|-------------------------|----------|--|---------|---------|--|
|                                     | 1999                    |          |  | 1998    |         |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |         |         |  |
| Property taxes                      | \$ 220,000              | 211,044  | (8,956)                                | 181,900 | 216,153 | 34,253                                 |
| Intergovernmental                   | 355,050                 | 362,383  | 7,333                                  | 596,500 | 659,934 | 63,434                                 |
| Interest                            | 11,000                  | 11,381   | 381                                    | 3,200   | 8,787   | 5,587                                  |
| Other                               | 18,050                  | 62,344   | 44,294                                 | 4,500   | 44,003  | 39,503                                 |
| Total Receipts                      | 604,100                 | 647,152  | 43,052                                 | 786,100 | 928,877 | 142,777                                |
| DISBURSEMENTS                       |                         |          |  |         |         |  |
| Salaries                            | 400,400                 | 369,670  | 30,730                                 | 526,700 | 445,387 | 81,313                                 |
| Office expenditures                 | 70,400                  | 69,234   | 1,166                                  | 78,500  | 80,152  | (1,652)                                |
| Equipment                           | 5,500                   | 5,062    | 438                                    | 4,900   | 8,008   | (3,108)                                |
| Mileage and training                | 11,000                  | 10,203   | 797                                    | 28,700  | 18,098  | 10,602                                 |
| Building lease payments             | 101,108                 | 151,662  | (50,554)                               | 50,600  | 50,554  | 46                                     |
| Other                               | 66,250                  | 99,118   | (32,868)                               | 96,700  | 97,474  | (774)                                  |
| Total Disbursements                 | 654,658                 | 704,949  | (50,291)                               | 786,100 | 699,673 | 86,427                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (50,558)                | (57,797) | (7,239)                                | 0       | 229,204 | 229,204                                |
| CASH, JANUARY 1                     | 425,206                 | 425,206  | 0                                      | 196,002 | 196,002 | 0                                      |
| CASH, DECEMBER 31                   | \$ 374,648              | 367,409  | (7,239)                                | 196,002 | 425,206 | 229,204                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit P

WASHINGTON COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HANDICAPPED BOARD FUND

| Year Ended December 31,             |            |         |  |           |         |  |
|-------------------------------------|------------|---------|--|-----------|---------|--|
| 1999                                |            |         | 1998                                   |           |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |           |         |  |
| Property taxes                      | \$ 235,000 | 242,134 | 7,134                                  | 203,450   | 235,689 | 32,239                                 |
| Intergovernmental                   | 11,650     | 14,553  | 2,903                                  | 13,000    | 13,675  | 675                                    |
| Interest                            | 7,000      | 6,756   | (244)                                  | 3,000     | 7,926   | 4,926                                  |
| Other                               | 28,500     | 23,683  | (4,817)                                | 4         | 13,548  | 13,544                                 |
| Total Receipts                      | 282,150    | 287,126 | 4,976                                  | 219,454   | 270,838 | 51,384                                 |
| DISBURSEMENTS                       |            |         |  |           |         |  |
| Salaries                            | 46,800     | 52,520  | (5,720)                                | 36,500    | 38,971  | (2,471)                                |
| Office expenditures                 | 21,940     | 44,840  | (22,900)                               | 14,056    | 18,464  | (4,408)                                |
| Equipment                           | 51,500     | 17,536  | 33,964                                 | 23,500    | 39,433  | (15,933)                               |
| Mileage & training                  | 6,150      | 9,000   | (2,850)                                | 5,250     | 4,652   | 598                                    |
| Contractual services                | 208,725    | 161,550 | 47,175                                 | 242,077   | 156,261 | 85,816                                 |
| Other                               | 0          | 0       | 0                                      | 0         | 5,896   | (5,896)                                |
| Total Disbursements                 | 335,115    | 285,446 | 49,669                                 | 321,383   | 263,677 | 57,706                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (52,965)   | 1,680   | 54,645                                 | (101,929) | 7,161   | 109,090                                |
| CASH, JANUARY 1                     | 109,090    | 109,090 | 0                                      | 101,929   | 101,929 | 0                                      |
| CASH, DECEMBER 31                   | \$ 56,125  | 110,770 | 54,645                                 | 0         | 109,090 | 109,090                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

WASHINGTON COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT DIVISION INTEREST FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Interest                            | \$ 2,500 | 2,563         | 2,000  | 2,895  | 895           |  |
| Total Receipts                      | 2,500    | 2,563         | 2,000  | 2,895  | 895           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Circuit Clerk                       | 2,500    | 2,138         | 0      | 1,153  | (1,153)       |  |
| Total Disbursements                 | 2,500    | 2,138         | 0      | 1,153  | (1,153)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0        | 425           | 2,000  | 1,742  | (258)         |  |
| CASH, JANUARY 1                     | 389      | 2,573         | 0      | 831    | 831           |  |
| CASH, DECEMBER 31                   | \$ 389   | 2,998         | 2,000  | 2,573  | 573           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

WASHINGTON COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 INDUSTRIAL DEVELOPMENT FUND

|                                     | Year Ended December 31, |        |  |
|-------------------------------------|-------------------------|--------|--|
|                                     | 1999                    |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |
| Property taxes                      | \$ 3,550                | 14     | (3,536)                                |
| Interest                            | 1,950                   | 3,594  | 1,644                                  |
| Transfers in                        | 48,500                  | 48,400 | (100)                                  |
| Total Receipts                      | 54,000                  | 52,008 | (1,992)                                |
| DISBURSEMENTS                       |                         |        |  |
| Bond payment                        | 51,000                  | 43,145 | 7,855                                  |
| Other                               | 0                       | 89     | (89)                                   |
| Total Disbursements                 | 51,000                  | 43,234 | 7,766                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 3,000                   | 8,774  | 5,774                                  |
| CASH, JANUARY 1                     | 79,147                  | 79,147 | 0                                      |
| CASH, DECEMBER 31                   | \$ 82,147               | 87,921 | 5,774                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit S

WASHINGTON COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ECONOMIC DEVELOPMENT TAX FUND

|   | Year Ended December 31, |           |  |
|---|-------------------------|-----------|--|
|   | 1999                    |           |  |
|   | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                                |                         |           |  |
| Sales taxes                             | \$ 530,000              | 534,282   | 4,282                                  |
| Interest                                | 17,000                  | 31,101    | 14,101                                 |
| Other                                   | 0                       | 49        | 49                                     |
| Total Receipts                          | 547,000                 | 565,432   | 18,432                                 |
| DISBURSEMENTS                           |                         |           |  |
| County Industrial Development Authority | 0                       | 115,000   | (115,000)                              |
| Other                                   | 650,000                 | 0         | 650,000                                |
| Transfers out                           | 0                       | 118,330   | (118,330)                              |
| Total Disbursements                     | 650,000                 | 233,330   | 416,670                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS     | (103,000)               | 332,102   | 435,102                                |
| CASH, JANUARY 1                         | 691,847                 | 691,847   | 0                                      |
| CASH, DECEMBER 31                       | \$ 588,847              | 1,023,949 | 435,102                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

WASHINGTON COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |           |        |  |
|-------------------------------------|-----------|--------|--|
| 1999                                |           |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |
| Charges for services                | \$ 12,000 | 10,604 | (1,396)                                |
| Interest                            | 500       | 455    | (45)                                   |
| Total Receipts                      | 12,500    | 11,059 | (1,441)                                |
| DISBURSEMENTS                       |           |        |  |
| Ex Officio Recorder of Deeds        | 12,000    | 1,285  | 10,715                                 |
| Total Disbursements                 | 12,000    | 1,285  | 10,715                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 500       | 9,774  | 9,274                                  |
| CASH, JANUARY 1                     | 5,352     | 5,352  | 0                                      |
| CASH, DECEMBER 31                   | \$ 5,852  | 15,126 | 9,274                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

WASHINGTON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Washington County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Handicapped Board, or the Senior Citizens' Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Sheriff's Fees Fund                      | 1999 and 1998                   |
| Domestic Violence Shelter Fund           | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Family Access Fee Fund                   | 1999                            |
| Election Services Fund                   | 1999                            |
| Recorder's User Fee Fund                 | 1998                            |
| Industrial Development Fund              | 1998                            |
| Economic Development Tax Fund            | 1998                            |
| Landfill Fund                            | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Sheriff's Law Enforcement Fund           | 1999 and 1998                   |
| DARE Fund                                | 1999 and 1998                   |
| Senior Citizens' Service Fund            | 1999 and 1998                   |
| Assessment Fund                          | 1999                            |
| Prosecuting Attorney Bad Check Fund      | 1999                            |
| Prosecuting Attorney Delinquent Tax Fund | 1999                            |
| Health Center Fund                       | 1999                            |
| Law Enforcement Expense Fund             | 1998                            |
| Circuit Division Interest Fund           | 1998                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 1999, did not include the Collector's Grant Fund and the county's published financial statement for the year ended December 31, 1998, did not include the Circuit Division Interest Fund and the Associate Circuit Division Interest Fund.



## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$1,169,932, was covered by federal depository insurance and \$4,345,703, was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Of the county's bank balance at December 31, 1998, \$1,043,931, was covered by federal depository insurance and \$2,464,879, was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

The health center's deposits at December 31, 1999 were entirely covered by federal depository insurance or by collateral securities held by the health center's custodial bank in the health center's name.

Of the health center's bank balance at December 31, 1998, \$391,138 was covered by federal depository insurance or by collateral securities held by the health center's custodial bank in the health center's name and \$71,292 either was covered by collateral pledged by one bank and held in the health center's name by the safekeeping department of an affiliate of the same bank holding company or was uninsured and undercollateralized.

Furthermore, because of higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances of the county and health center were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The handicapped board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance.

## Supplementary Schedule

## Schedule

WASHINGTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|--|--|---|-------------------------|---------|
|  |  |   | Year Ended December 31, |         |
|  |  |   | 1999                    | 1998    |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |         |
| Passed through state:  |  |   |                         |         |
| Department of Social Services -                                |  |   |                         |         |
| 10.550   | Food Distribution  | N/A   | \$ 307                  | 0       |
| Department of Health -   |  |   |                         |         |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-0211                                     | 21,284                  | 0       |
|  |  | ER0045-9211                                     | 63,405                  | 17,741  |
|  |  | ER0045-8211                                     | 0                       | 61,406  |
|  | Program Total  |   | 84,689                  | 79,147  |
| Office of Administration -                                     |  |   |                         |         |
| 10.665   | Schools and Roads - Grants to<br>States                                    | N/A   | 128,060                 | 110,070 |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |         |
| Direct program -   |  |   |                         |         |
| 16.710   | Public Safety Partnership and Community Policing Grants                    | N/A   | 37,835                  | 50,779  |
| Passed through:  |  |   |                         |         |
| State Department of Public Safety -                            |  |   |                         |         |
| 16.588   | Violence Against Women Formula Grants                                      | 98-VAWA-0073                                    | 37,576                  | 0       |
|  |  | 97-VAWA-0036                                    | 0                       | 28,764  |
|  | Program Total  |   | 37,576                  | 28,764  |
| 16.592   | Local Law Enforcements Block Grants Program                                | N/A   | 10,219                  | 0       |
| Missouri Sheriffs' Association -                               |  |   |                         |         |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 1,679                   | 4,103   |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |         |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |         |
| 20.205   | Highway Planning and Construction  | BRO 110(5)                                      | 21,024                  | 24,655  |
|  |  | BRO 110(4)                                      | 0                       | 196     |
|  | Program Total  |   | 21,024                  | 24,851  |

## Schedule

WASHINGTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title  | Pass-Through<br>Entity<br>Identifying<br>Number          | Federal Expenditures<br>Year Ended December 31, |                        |
|---|---|--|---|------------------------|
|   |   |  | 1999  | 1998                   |
| 20.513  | Capital Assistance Program for Elderly Persons and<br>Persons with Disabilities   | MO-16-0031<br>MO-16-0030                                 | 42,678<br>0                                     | 0<br>16,898            |
|   | Program Total   |  | <u>42,678</u>                                   | <u>16,898</u>          |
| GENERAL SERVICES ADMINISTRATION               |   |  |   |                        |
|   | Passed through state Office of Administration -   |  |   |                        |
| 39.003  | Donation of Federal Surplus Personal Property   | N/A  | 1,991   | 6,908                  |
| U.S. DEPARTMENT OF EDUCATION                  |   |  |   |                        |
|   | Passed through state Department of Mental Health -  |  |   |                        |
| 84.181  | First Steps Program   | FS01714  | 0   | 563                    |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |  |   |                        |
|   | Direct program -  |  |   |                        |
| 93.268  | Immunization Grants   | N/A  | 8,802   | 3,096                  |
|   | Passed through state:   |  |   |                        |
|   | Department of Health -  |  |   |                        |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State<br>and Community-Based Childhood Lead Poisoning<br>Prevention and Surveillance of Blood Lead Levels<br>in Children | ER0146-9211  | 53  | 195                    |
| 93.268  | Immunization Grants   | PG0064-9211IAP<br>PG0064-8211IAP<br>N/A                  | 3,160<br>0<br>41,397                            | 125<br>7,085<br>22,484 |
|   | Program Total   |  | <u>44,557</u>                                   | <u>29,694</u>          |
|   | Department of Social Services -   |  |   |                        |
| 93.563  | Child Support Enforcement   | N/A  | 3,462   | 6,473                  |
|   | Department of Health -  |  |   |                        |
| 93.575  | Child Care and Development Block Grant  | PGA067-0211<br>PGA067-9211<br>ER0146-9211<br>ER0146-7211 | 660<br>950<br>388<br>0                          | 0<br>0<br>75<br>490    |
|   | Program Total   |  | <u>1,998</u>                                    | <u>565</u>             |

## Schedule

WASHINGTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures<br>Year Ended December 31, |                |
|---------------------------|--|---|---|----------------|
|                           |  |   | 1999  | 1998           |
| 93.912                    | Rural Outreach-Rural Network Development Program   | N/A   | 0   | 120            |
| 93.919                    | Cooperative Agreements for State-Based<br>Comprehensive Breast and Cervical Cancer<br>Early Detection Programs | ERS161-00014                                    | 8,735   | 0              |
|                           |  | ER0161-90011                                    | 9,124   | 4,070          |
|                           |  | ER0161-0103                                     | 0   | 5,679          |
|                           |  |   |   |                |
|                           | Program Total  |   | <u>17,859</u>                                   | <u>9,749</u>   |
| 93.991                    | Preventive Health and Health Services Block Grant  | N/A   | 493   | 584            |
| 93.994                    | Maternal and Child Health Services<br>Block Grant to the States  | ER0146-0211MCH                                  | 11,239  | 0              |
|                           |  | ER0146-9211MCH                                  | 20,988  | 1,107          |
|                           |  | ER0146-8211MCH                                  | 0   | 25,666         |
|                           |  | ER0175-0211FP                                   | 2,588   | 0              |
|                           |  | ER0175-9211FP                                   | 6,797   | 2,898          |
|                           |  | ER0175-8211FP                                   | 0   | 6,745          |
|                           |  | N/A   | 2,464   | 2,044          |
|                           | Program Total  |   | <u>44,076</u>                                   | <u>38,460</u>  |
|                           | Total Expenditures of Federal Awards   |   | <u>\$ 487,358</u>                               | <u>411,019</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

WASHINGTON COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Washington County, Missouri, except for the programs accounted for in the Hospital Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended August 31, 1999 and 1998.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Distribution (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social



Services, amounts for the Capital Assistance Program for Elderly Persons and Persons with Disabilities (CFDA number 20.513) represent the federal share of the original acquisition cost of equipment received, and amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$41,397 and \$22,484 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991) represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,464 and \$2,044 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

## 2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Washington County, Missouri

Compliance

We have audited the compliance of Washington County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

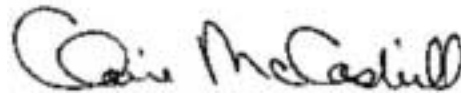
In our opinion, Washington County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998.

## Internal Control Over Compliance

The management of Washington County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Washington County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 9, 2000 (fieldwork completion date)

Schedule

WASHINGTON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Noncompliance material to the financial statements  
noted? \_\_\_\_\_ yes        x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133? \_\_\_\_\_ yes        x   no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>   |
|---|--|
| 10.557  | Special Supplemental Nutrition Program for Women, Infants, and<br>Children |
| 10.665  | Schools and Roads-Grants to States   |

Other Identifying

Number  
93.268

Program Title  
Immunization Grants

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## **Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

WASHINGTON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

WASHINGTON COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior report issued for the three years ended December 31, 1997, included no audit findings that Section .510 (a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## SECTION ON OTHER MATTERS

## WASHINGTON COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Washington County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 9, 2000. We also have audited the compliance of Washington County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 9, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Washington County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Schedule of Expenditures of Federal Awards

The county does not have a procedure in place to track federal awards and expenditures for the preparation of the Schedule of Federal Awards. The county's schedule contained numerous errors and omissions. For example, expenditures for some federal grants were not reported at the correct amount, and some non-monetary program amounts were not presented. Other programs reported did not include the required pass-through grantor's number.

### 2. Tax Anticipation Notes

The county had tax anticipation notes payable of \$422,000, \$472,000, and \$492,000 at December 31, 1999, 1998, and 1997, respectively, from the General Revenue Fund. The county has not had the funds to pay back the majority of the notes in one year, rather, the tax anticipation notes have been renewed annually. However, the county has not issued new notes for several years and has budgeted an additional \$50,000 payment in the 2000 budget. Section 50.070, RSMo 1994, provides that tax anticipation notes are to be payable in one year or less from the date of issuance out of current county revenues to be derived from taxes or other revenues of the county of the year in which said notes are issued.

3. County Budgets and Contracts

Disbursements were made in excess of approved budgets for some county funds and the Senior Citizens' Service Fund (See also No. 7 and No. 8). Budgets were not prepared for some special revenue funds and several misclassifications of revenues were noted. The County Commission does not have a written agreement with the Washington County Industrial Development Authority for expenditures of economic development sales tax monies which totaled \$190,000 for the two years ended December 31, 1999.

4. Personnel and Payroll Procedures

County-paid employees who handle monies are not covered by any employee bond. The Prosecuting Attorney authorized a \$500 bonus to each of his three employees in 1999 from the Prosecuting Attorney Delinquent Tax Fund.

5. Administrative Transfer

Section 50.515, RSMo 1994, authorizes the County Commission to impose an administrative service fee on the Special Road and Bridge Fund. The fee is limited to a maximum of three percent of the budget of the Special Road and Bridge Fund. However, budgeted expenditures, upon which the county calculated the transfer amount, significantly exceeded actual expenditures of the Special Road and Bridge Fund during the year ended December 31, 1999. As a result, actual transfers were \$13,604 in excess of 3 percent of actual expenditures for that year.

6. General Fixed Assets

The county does not record all necessary information on their fixed asset listings and written authorization is not obtained for disposition of assets. In addition, the county does not perform physical inventories.

7. Handicapped Board

In 1998, the Handicapped Board created a separate not-for-profit organization to provide services for the handicapped. Six of the nine Handicapped Board members became members of the separate not-for-profit organization. Section 205.970.3, RSMo 1994, indicates that the Handicapped Board may provide handicapped services themselves. The Handicapped Board president and administrator stated the reason a separate entity was formed was to be able to solicit donations from private companies and individuals. Having the same board members serve on both boards may present an appearance of a conflict of interest.

The Handicapped Board cosigned a \$100,000 loan for a not-for-profit organization to build a sheltered workshop. Currently, the Handicapped Board is making all the principal and interest loan payments totaling \$25,990 and \$27,550, respectively, for the years ended December 31, 1999 and 1998. There is no written agreement between the Handicapped

Board and the entity documenting the services to be provided and the payments to be made for the loan.

The Handicapped Board has entered into verbal agreements with various not-for-profit entities for items such as start-up projects, operating expenses and vehicle acquisition and operation. No written contracts were entered into to formalize these agreements.

The Handicapped Board accepts both bids and funding proposals for services for the developmentally disabled. The difference between these two offers of services is not clearly stated in the board's funding manual. In addition, when seeking bids and proposals, specifications are not sufficiently detailed to assure comparable responses to the board's requests.

Actual cash amounts presented on the Handicapped Fund budget did not agree to the accounting records. In addition, cash reconciliations were not prepared with the budget documents for the Handicapped Fund. Had the cash reconciliations been properly performed, the errors could have been detected.

The Handicapped Board does not record all necessary information on their fixed asset listings and physical inventories are not documented.

The Handicapped Board paid approximately \$400 for annual banquets for the board members and their guests with public funds.

Leave records are not maintained for the Handicapped Board employees.

8. Health Center

Disbursements were made in excess of approved budgets for the Health Center Fund. The amount of collateral securities pledged by depository banks at December 31, 1998 was insufficient to cover Health Center monies. The Health Center does not record all necessary information on their fixed asset listings and physical inventories are not performed. Additionally, \$300 was paid for two retirement parties.

This Letter on Other Matters is intended for the information of the management of Washington County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.





REYNOLDS COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-59  
July 24, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Reynolds, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

---

This audit of Reynolds County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

# REYNOLDS COUNTY, MISSOURI

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REYNOLDS COUNTY, MISSOURI

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REYNOLDS COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of Reynolds County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

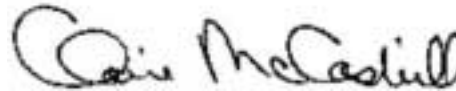
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Reynolds County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Reynolds County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Reynolds County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,



1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 18, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 18, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                             |
|---------------------|-----------------------------|
| Director of Audits: | Thomas J. Kremer, CPA       |
| Audit Manager:      | Jeannette Eaves, CPA        |
| In-Charge Auditor:  | Susan J. Beeler             |
| Audit Staff:        | Robyn L. Vogt               |
|                     | Jerry C. Lamprecht, Jr. CPA |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Reynolds County, Missouri

We have audited the special-purpose financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

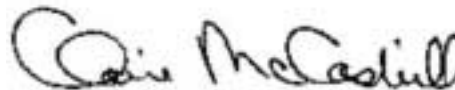
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Reynolds County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Reynolds County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Reynolds County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 18, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

REYNOLDS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 99,766          | 637,050   | 665,525       | 71,291               |
| Special Road and Bridge             | 206,546            | 984,022   | 1,067,690     | 122,878              |
| Assessment                          | 1,808              | 118,595   | 118,061       | 2,342                |
| Law Enforcement Training            | 1,245              | 1,938     | 1,973         | 1,210                |
| Prosecuting Attorney Training       | 206                | 324       | 439           | 91                   |
| Recorder's User Fees                | 17,334             | 4,314     | 1,702         | 19,946               |
| Sweetwater Cemetery Trust           | 4,403              | 192       | 185           | 4,410                |
| Sheriff's Civil Fees                | 8,691              | 5,048     | 9,387         | 4,352                |
| Health Center                       | 31,396             | 259,948   | 230,480       | 60,864               |
| Senior Services Board               | 4,989              | 30,379    | 30,865        | 4,503                |
| Circuit Clerk Interest              | 350                | 515       | 530           | 335                  |
| Law Library                         | 359                | 2,595     | 2,320         | 634                  |
| Children's Trust                    | 15                 | 295       | 210           | 100                  |
| Special Law Enforcement             | 7,253              | 3,736     | 5,410         | 5,579                |
| Emergency Grant                     | 0                  | 23,071    | 23,071        | 0                    |
| Senate Bill 40 Board                | 0                  | 101,548   | 96,587        | 4,961                |
| Associate Circuit Division Interest | 21,254             | 255       | 872           | 20,637               |
| Total                               | \$ 405,615         | 2,173,825 | 2,255,307     | 324,133              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

REYNOLDS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 151,967         | 565,307   | 617,508       | 99,766               |
| Special Road and Bridge             | 154,892            | 942,544   | 890,890       | 206,546              |
| Assessment                          | 0                  | 88,000    | 86,192        | 1,808                |
| Law Enforcement Training            | 1,081              | 2,195     | 2,031         | 1,245                |
| Prosecuting Attorney Training       | 344                | 371       | 509           | 206                  |
| Recorder's User Fees                | 13,529             | 4,028     | 223           | 17,334               |
| Sweetwater Cemetery Trust           | 4,324              | 210       | 131           | 4,403                |
| Sheriff's Civil Fees                | 3,062              | 5,629     | 0             | 8,691                |
| Health Center                       | 22,624             | 264,001   | 255,229       | 31,396               |
| Senior Services Board               | 4,930              | 28,999    | 28,940        | 4,989                |
| Circuit Clerk Interest              | 423                | 542       | 615           | 350                  |
| Law Library                         | 182                | 2,320     | 2,143         | 359                  |
| Children's Trust                    | 20                 | 195       | 200           | 15                   |
| Special Law Enforcement             | 0                  | 7,253     | 0             | 7,253                |
| Emergency Grant                     | 0                  | 14,549    | 14,549        | 0                    |
| Senate Bill 40 Board                | 384                | 100,144   | 79,274        | 21,254               |
| Associate Circuit Division Interest | 2,210              | 748       | 483           | 2,475                |
| Total                               | \$ 359,972         | 2,027,035 | 1,978,917     | 408,090              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

REYNOLDS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|  | Year Ended December 31, |          |  |          |          |  |
|--|-------------------------|----------|--|----------|----------|--|
|  | 1999                    |          |  | 1998     |          |  |
|  | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                                |                         |          |  |          |          |  |
| Property taxes                                 | \$ 260,525              | 269,312  | 8,787                                  | 260,440  | 255,712  | (4,728)                                |
| Intergovernmental                              | 148,550                 | 169,313  | 20,763                                 | 167,600  | 142,119  | (25,481)                               |
| Charges for services                           | 118,741                 | 117,987  | (754)                                  | 115,300  | 116,779  | 1,479                                  |
| Interest                                       | 13,500                  | 8,422    | (5,078)                                | 13,000   | 11,343   | (1,657)                                |
| Other  | 35,270                  | 37,878   | 2,608                                  | 57,975   | 20,415   | (37,560)                               |
| Transfers in                                   | 19,341                  | 34,138   | 14,797                                 | 18,939   | 18,939   | 0                                      |
| Total Receipts                                 | 595,927                 | 637,050  | 41,123                                 | 633,254  | 565,307  | (67,947)                               |
| <b>DISBURSEMENTS</b>                           |                         |          |  |          |          |  |
| County Commission                              | 62,230                  | 62,458   | (228)                                  | 40,900   | 42,475   | (1,575)                                |
| County Clerk                                   | 49,500                  | 47,136   | 2,364                                  | 46,583   | 44,158   | 2,425                                  |
| Elections                                      | 9,370                   | 11,290   | (1,920)                                | 26,210   | 24,658   | 1,552                                  |
| Buildings and grounds                          | 28,900                  | 30,910   | (2,010)                                | 27,023   | 27,786   | (763)                                  |
| Employee fringe benefits                       | 32,000                  | 36,956   | (4,956)                                | 35,725   | 31,308   | 4,417                                  |
| County Treasurer                               | 22,990                  | 22,324   | 666                                    | 16,870   | 16,202   | 668                                    |
| County Collector                               | 54,200                  | 53,156   | 1,044                                  | 53,025   | 52,707   | 318                                    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 19,450                  | 18,649   | 801                                    | 21,539   | 20,041   | 1,498                                  |
| Associate Circuit Court                        | 4,000                   | 3,363    | 637                                    | 5,000    | 3,875    | 1,125                                  |
| Associate Circuit (Probate)                    | 1,200                   | 636      | 564                                    | 600      | 102      | 498                                    |
| Court administration                           | 3,775                   | 4,291    | (516)                                  | 5,727    | 3,772    | 1,955                                  |
| Public Administrator                           | 5,230                   | 4,865    | 365                                    | 4,753    | 4,906    | (153)                                  |
| Sheriff  | 180,397                 | 188,251  | (7,854)                                | 172,424  | 177,993  | (5,569)                                |
| Jail   | 8,000                   | 11,154   | (3,154)                                | 7,900    | 7,974    | (74)                                   |
| Prosecuting Attorney                           | 57,952                  | 57,717   | 235                                    | 50,495   | 49,277   | 1,218                                  |
| Juvenile Officer                               | 12,395                  | 21,403   | (9,008)                                | 26,493   | 24,299   | 2,194                                  |
| County Coroner                                 | 4,300                   | 4,284    | 16                                     | 4,350    | 4,281    | 69                                     |
| Other  | 31,246                  | 40,457   | (9,211)                                | 39,100   | 31,246   | 7,854                                  |
| Patrol cars                                    | 22,166                  | 44,897   | (22,731)                               | 23,510   | 18,727   | 4,783                                  |
| Transfers out                                  | 6,000                   | 1,328    | 4,672                                  | 6,587    | 0        | 6,587                                  |
| Emergency Fund                                 | 30,000                  | 0        | 30,000                                 | 30,000   | 31,721   | (1,721)                                |
| Total Disbursements                            | 645,301                 | 665,525  | (20,224)                               | 644,814  | 617,508  | 27,306                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS            | (49,374)                | (28,475) | 20,899                                 | (11,560) | (52,201) | (40,641)                               |
| CASH, JANUARY 1                                | 99,766                  | 99,766   | 0                                      | 151,967  | 151,967  | 0                                      |
| CASH, DECEMBER 31                              | \$ 50,392               | 71,291   | 20,899                                 | 140,407  | 99,766   | (40,641)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

REYNOLDS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |         |  |
|---------------------------------------|-------------------------|-----------|--|-----------|---------|--|
|                                       | 1999                    |           |  | 1998      |         |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |         |  |
| Property taxes                        | \$ 187,366              | 189,430   | 2,064                                  | 183,308   | 179,943 | (3,365)                                |
| Intergovernmental                     | 655,000                 | 754,976   | 99,976                                 | 648,650   | 743,178 | 94,528                                 |
| Interest                              | 20,000                  | 7,659     | (12,341)                               | 12,000    | 12,599  | 599                                    |
| Other                                 | 98,000                  | 31,957    | (66,043)                               | 84,000    | 6,824   | (77,176)                               |
| Total Receipts                        | 960,366                 | 984,022   | 23,656                                 | 927,958   | 942,544 | 14,586                                 |
| DISBURSEMENTS                         |                         |           |  |           |         |  |
| Salaries                              | 330,000                 | 329,517   | 483                                    | 300,000   | 331,006 | (31,006)                               |
| Employee fringe benefits              | 67,705                  | 67,386    | 319                                    | 79,397    | 66,271  | 13,126                                 |
| Supplies                              | 143,100                 | 128,457   | 14,643                                 | 140,000   | 114,694 | 25,306                                 |
| Insurance                             | 18,500                  | 21,844    | (3,344)                                | 17,500    | 18,337  | (837)                                  |
| Road and bridge materials             | 103,300                 | 122,485   | (19,185)                               | 152,300   | 130,304 | 21,996                                 |
| Equipment repairs                     | 25,000                  | 30,602    | (5,602)                                | 45,000    | 61,357  | (16,357)                               |
| Rentals                               | 250                     | 0         | 250                                    | 500       | 280     | 220                                    |
| Equipment purchases                   | 261,000                 | 313,564   | (52,564)                               | 256,000   | 122,670 | 133,330                                |
| Construction, repair, and maintenance | 12,500                  | 34,012    | (21,512)                               | 34,500    | 26,362  | 8,138                                  |
| Other                                 | 2,000                   | 482       | 1,518                                  | 2,000     | 670     | 1,330                                  |
| Transfers out                         | 19,341                  | 19,341    | 0                                      | 18,939    | 18,939  | 0                                      |
| Total Disbursements                   | 982,696                 | 1,067,690 | (84,994)                               | 1,046,136 | 890,890 | 155,246                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (22,330)                | (83,668)  | (61,338)                               | (118,178) | 51,654  | 169,832                                |
| CASH, JANUARY 1                       | 206,546                 | 206,546   | 0                                      | 154,892   | 154,892 | 0                                      |
| CASH, DECEMBER 31                     | \$ 184,216              | 122,878   | (61,338)                               | 36,714    | 206,546 | 169,832                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit D

REYNOLDS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |         |  |         |        |  |
|-------------------------------------|-----------|---------|--|---------|--------|--|
| 1999                                |           |         |  | 1998    |        |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |        |  |
| Intergovernmental                   | \$ 94,364 | 96,476  | 2,112                                  | 117,907 | 81,252 | (36,655)                               |
| Interest                            | 1,000     | 778     | (222)                                  | 700     | 950    | 250                                    |
| Other                               | 5,800     | 20,013  | 14,213                                 | 5,000   | 5,798  | 798                                    |
| Transfers in                        | 15,023    | 1,328   | (13,695)                               | 6,587   | 0      | (6,587)                                |
| Total Receipts                      | 116,187   | 118,595 | 2,408                                  | 130,194 | 88,000 | (42,194)                               |
| DISBURSEMENTS                       |           |         |  |         |        |  |
| Assessor                            | 116,187   | 118,061 | (1,874)                                | 123,123 | 86,192 | 36,931                                 |
| Total Disbursements                 | 116,187   | 118,061 | (1,874)                                | 123,123 | 86,192 | 36,931                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | 534     | 534                                    | 7,071   | 1,808  | (5,263)                                |
| CASH, JANUARY 1                     | 1,808     | 1,808   | 0                                      | 0       | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,808  | 2,342   | 534                                    | 7,071   | 1,808  | (5,263)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

REYNOLDS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 1,300                   | 1,938  | 638                                    | 2,000  | 2,195  | 195                                    |
| Total Receipts                      |    | 1,300                   | 1,938  | 638                                    | 2,000  | 2,195  | 195                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Sheriff                             |    | 2,032                   | 1,973  | 59                                     | 2,450  | 2,031  | 419                                    |
| Total Disbursements                 |    | 2,032                   | 1,973  | 59                                     | 2,450  | 2,031  | 419                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (732)                   | (35)   | 697                                    | (450)  | 164    | 614                                    |
| CASH, JANUARY 1                     |    | 1,081                   | 1,245  | 164                                    | 1,081  | 1,081  | 0                                      |
| CASH, DECEMBER 31                   |    | \$ 349                  | 1,210  | 861                                    | 631    | 1,245  | 614                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

REYNOLDS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |                            |        |        |                            |
|-------------------------------------|----|-------------------------|--------|----------------------------|--------|--------|----------------------------|
|                                     |    | 1999                    |        |                            | 1998   |        |                            |
|                                     |    |                         |        | Variance                   |        |        | Variance                   |
|                                     |    | Budget                  | Actual | Favorable<br>(Unfavorable) | Budget | Actual | Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |                            |        |        |                            |
| Charges for services                | \$ | 375                     | 320    | (55)                       | 680    | 371    | (309)                      |
| Other                               |    | 0                       | 4      | 4                          | 0      | 0      | 0                          |
| Total Receipts                      |    | 375                     | 324    | (51)                       | 680    | 371    | (309)                      |
| DISBURSEMENTS                       |    |                         |        |                            |        |        |                            |
| Prosecuting Attorney                |    | 509                     | 439    | 70                         | 925    | 509    | 416                        |
| Total Disbursements                 |    | 509                     | 439    | 70                         | 925    | 509    | 416                        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (134)                   | (115)  | 19                         | (245)  | (138)  | 107                        |
| CASH, JANUARY 1                     |    | 206                     | 206    | 0                          | 344    | 344    | 0                          |
| CASH, DECEMBER 31                   | \$ | 72                      | 91     | 19                         | 99     | 206    | 107                        |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

REYNOLDS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |           |               |         |        |               |  |
|-------------------------------------|-----------|---------------|---------|--------|---------------|--|
| 1999                                |           |               | 1998    |        |               |  |
|                                     |           | Variance      |         |        | Variance      |  |
|                                     |           | Favorable     |         |        | Favorable     |  |
|                                     |           | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |           |               |         |        |               |  |
| Charges for services                | \$ 4,000  | 3,532         | 4,200   | 3,304  | (896)         |  |
| Interest                            | 0         | 782           | 0       | 724    | 724           |  |
| Total Receipts                      | 4,000     | 4,314         | 4,200   | 4,028  | (172)         |  |
| DISBURSEMENTS                       |           |               |         |        |               |  |
| Recorder of Deeds                   | 3,000     | 1,702         | 7,000   | 223    | 6,777         |  |
| Total Disbursements                 | 3,000     | 1,702         | 7,000   | 223    | 6,777         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,000     | 2,612         | (2,800) | 3,805  | 6,605         |  |
| CASH, JANUARY 1                     | 17,334    | 17,334        | 13,529  | 13,529 | 0             |  |
| CASH, DECEMBER 31                   | \$ 18,334 | 19,946        | 10,729  | 17,334 | 6,605         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

REYNOLDS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SWEETWATER CEMETERY TRUST FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1999                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Interest                            | \$ 211   | 192    | (19)                                   |
| Total Receipts                      | 211      | 192    | (19)                                   |
| DISBURSEMENTS                       |          |        |  |
| Maintenance                         | 0        | 185    | (185)                                  |
| Total Disbursements                 | 0        | 185    | (185)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 211      | 7      | (204)                                  |
| CASH, JANUARY 1                     | 4,403    | 4,403  | 0                                      |
| CASH, DECEMBER 31                   | \$ 4,614 | 4,410  | (204)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

REYNOLDS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
SHERIFF'S CIVIL FEES FUND

| Year Ended December 31,             |          |        |  |
|-------------------------------------|----------|--------|--|
| 1998                                |          |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |
| Charges for services                | \$ 4,000 | 5,355  | 1,355                                  |
| Interest                            | 0        | 274    | 274                                    |
| Total Receipts                      | 4,000    | 5,629  | 1,629                                  |
| DISBURSEMENTS                       |          |        |  |
| Sheriff                             | 0        | 0      | 0                                      |
| Total Disbursements                 | 0        | 0      | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 4,000    | 5,629  | 1,629                                  |
| CASH, JANUARY 1                     | 3,062    | 3,062  | 0                                      |
| CASH, DECEMBER 31                   | \$ 7,062 | 8,691  | 1,629                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

REYNOLDS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |         |         |  |
|-------------------------------------|-------------------------|---------|--|---------|---------|--|
|                                     | 1999                    |         |  | 1998    |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |         |         |  |
| Property taxes                      | \$ 93,000               | 100,135 | 7,135                                  | 90,000  | 95,218  | 5,218                                  |
| Intergovernmental                   | 144,400                 | 145,364 | 964                                    | 172,627 | 155,070 | (17,557)                               |
| Charges for services                | 4,500                   | 4,048   | (452)                                  | 3,000   | 3,830   | 830                                    |
| Interest                            | 2,000                   | 2,734   | 734                                    | 1,800   | 1,853   | 53                                     |
| Other                               | 7,700                   | 7,667   | (33)                                   | 6,600   | 8,030   | 1,430                                  |
| Total Receipts                      | 251,600                 | 259,948 | 8,348                                  | 274,027 | 264,001 | (10,026)                               |
| DISBURSEMENTS                       |                         |         |  |         |         |  |
| Salaries                            | 200,286                 | 184,983 | 15,303                                 | 215,807 | 211,013 | 4,794                                  |
| Office expenditures                 | 15,200                  | 17,721  | (2,521)                                | 17,800  | 13,457  | 4,343                                  |
| Equipment                           | 3,900                   | 2,458   | 1,442                                  | 350     | 0       | 350                                    |
| Mileage and training                | 4,261                   | 6,087   | (1,826)                                | 3,000   | 2,244   | 756                                    |
| Other                               | 27,953                  | 19,231  | 8,722                                  | 37,070  | 28,515  | 8,555                                  |
| Total Disbursements                 | 251,600                 | 230,480 | 21,120                                 | 274,027 | 255,229 | 18,798                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 29,468  | 29,468                                 | 0       | 8,772   | 8,772                                  |
| CASH, JANUARY 1                     | 21,296                  | 31,396  | 10,100                                 | 22,624  | 22,624  | 0                                      |
| CASH, DECEMBER 31                   | \$ 21,296               | 60,864  | 39,568                                 | 22,624  | 31,396  | 8,772                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit K

REYNOLDS COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENIOR SERVICES BOARD FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Property taxes                      | \$ | 29,000                  | 30,030 | 1,030                                  | 27,830 | 28,532 | 702                                    |
| Interest                            |    | 475                     | 349    | (126)                                  | 350    | 467    | 117                                    |
| Total Receipts                      |    | 29,475                  | 30,379 | 904                                    | 28,180 | 28,999 | 819                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Services for Senior Citizens        |    | 30,640                  | 30,765 | (125)                                  | 28,840 | 28,840 | 0                                      |
| Other                               |    | 100                     | 100    | 0                                      | 100    | 100    | 0                                      |
| Total Disbursements                 |    | 30,740                  | 30,865 | (125)                                  | 28,940 | 28,940 | 0                                      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (1,265)                 | (486)  | 779                                    | (760)  | 59     | 819                                    |
| CASH, JANUARY 1                     |    | 4,989                   | 4,989  | 0                                      | 4,930  | 4,930  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 3,724                   | 4,503  | 779                                    | 4,170  | 4,989  | 819                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit L

REYNOLDS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Interest                            | \$ 300 | 515           | 276    | 542    | 266           |  |
| Total Receipts                      | 300    | 515           | 276    | 542    | 266           |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Circuit Clerk                       | 250    | 530           | 200    | 615    | (415)         |  |
| Total Disbursements                 | 250    | 530           | 200    | 615    | (415)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 50     | (15)          | 76     | (73)   | (149)         |  |
| CASH, JANUARY 1                     | 348    | 350           | 423    | 423    | 0             |  |
| CASH, DECEMBER 31                   | \$ 398 | 335           | 499    | 350    | (149)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

REYNOLDS COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Reynolds County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Senior Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Law Library Fund                         | 1999 and 1998                   |
| Children's Trust Fund                    | 1999 and 1998                   |
| Special Law Enforcement Fund             | 1999 and 1998                   |
| Emergency Grant Fund                     | 1999 and 1998                   |
| Senate Bill 40 Board Fund                | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Sheriff's Civil Fees Fund                | 1999                            |
| Sweetwater Cemetery Trust Fund           | 1998                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                    | <u>Years Ended December 31,</u> |
|--------------------------------|---------------------------------|
| Circuit Clerk Interest Fund    | 1999 and 1998                   |
| General Revenue Fund           | 1999                            |
| Special Road and Bridge Fund   | 1999                            |
| Assessment Fund                | 1999                            |
| Sweetwater Cemetery Trust Fund | 1999                            |
| Senior Services Board Fund     | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Health Center Fund                       | 1999 and 1998                   |
| Senate Bill 40 Board Fund                | 1999 and 1998                   |
| Senior Services Board Fund               | 1999 and 1998                   |
| Circuit Clerk Interest Fund              | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$758,922 was covered by federal depositary insurance and \$586,497 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

Of the county's bank balance at December 31, 1998, \$768,071 was covered by federal depositary insurance and \$571,192, was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

The Health Center Board's, the Senate Bill 40 Board's, and the Senior Services Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for the Health Center Board and the Senate Bill 40 Board at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Schedule

REYNOLDS COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*



REYNOLDS COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## SECTION ON OTHER MATTERS

## REYNOLDS COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 18, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Reynolds County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Financial Condition

Reynolds County's General Revenue Fund is experiencing a declining cash balance. During the years ended December 31, 1999 and 1998, disbursements exceeded receipts by \$28,475 and \$52,201, respectively, resulting in the General Revenue Fund cash balance decreasing from \$151,967 at January 1, 1998 to \$71,291 at December 31, 1999.

### 2. Budgets and Published Financial Statements

Formal budgets were not prepared for various county funds for the two years ended December 31, 1999. Disbursements were made in excess of approved budgets for various funds. Additionally, the county's annual published financial statements did not include the financial activity of several county funds.

### 3. County Expenditures

The county contracted with a certified professional appraiser to perform reassessment of the three lead mines at a cost of \$27,942; however proposals were not solicited. Additionally, the appraiser did not submit a formal report to the county indicating the values that were assessed.

The county does not always maintain documentation to support its decisions to not solicit bids for those purchases where it is considered impractical (i.e., sole source). Additionally, the county did not always adequately document all efforts to obtain bids for various expenditures.

The county did not retain documentation regarding the consideration of at least three engineering firms for consulting fees for bridge project BRO 090 (9) totaling \$52,614. The

county indicated that it considered three engineering firms for this project; however, the county had only one engineering firm's statement of qualifications on file.

The Sheriff's office uses a county Visa card to make various purchases. During the audit period, charges of \$689 (23 percent of total Visa expenditures) were not supported by adequate documentation. Additionally, the county has been assessed various late fees and finance charges on this account.

4. Computer Controls

Passwords are used by county employees, but are not changed on a periodic basis to ensure confidentiality.

After June 1, the County Collector makes additions and abatements to the property tax system based upon information received from the Assessor with no independent review by the County Clerk. Section 137.260 RSMo 1994, requires that the tax book only be changed by the County Clerk under order of the County Commission.

5. Personnel Policies and Procedures

The Sheriff and deputies are not required to submit invoices or expense reports to support monthly uniform allowances, and the allowances are not reported on W-2 forms. Officials or supervisors do not always sign time sheets to document approval of payroll expenditures. The Sheriff's deputies and bailiff prepare time sheets indicating five eight hour days are worked each week; however, the actual hours worked are often different than the hours recorded. Additionally, the County Clerk does not maintain adequate centralized leave records for all county employees.

6. Health Center

Receipt slips were not issued for some monies received.

The Health Center's property records have not been updated since 1997. Additionally, annual physical inventories are not conducted.

The Health Center Administrator does not sign time sheets to document approval of payroll expenditures. Documentation was not present in some employees' files indicating current salary or wage rates. Employees' leave records are not always accurately maintained. Additionally, the Health Center's policies regarding accumulation, usage, or limitation of sick leave, annual leave, and compensatory time are not formally documented.

This Letter on Other Matters is intended for the information of the management of Reynolds County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



PIKE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-58  
July 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Pike, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Pike County included additional areas of county operations, as well as the elected county officials. Some of the current recommendations are similar to prior recommendations that were not implemented by county officials. The following concerns were noted as part of the audit:

- Pike County's General Revenue and Law Enforcement Sales Tax funds have been experiencing declining cash balances. These funds provide funding for most general operations of the county, and based on the county's budget for the year ended December 31, 2000, the ending cash balances of the General Revenue and Law Enforcement Sales Tax funds are projected to be a deficit of \$97,612 and \$0 respectively. The audit report suggested the County Commission take the necessary steps to improve the financial condition of the General Revenue and Law Enforcement Sales Tax funds.
- The Home Health Department bills various entities (i.e. Medicare, Medicaid, and private insurance companies) for the services provided to patients. The department did not adequately monitor unpaid billings, and, as a result, failed to receive approximately \$50,000 in Medicare reimbursements due for services provided. In addition, the billings are not always prepared in a timely manner. The audit noted that four of seven billings to private insurance companies were sent from three to five months after the service was provided. Furthermore, accounting duties are not adequately segregated and there are no documented independent reviews of the accounting records.

(over)

YELLOW SHEET

- As noted in two prior audit reports, the securities pledged by one of the county's banks at December 31, 1999, were not sufficient to cover the county funds in excess of FDIC coverage by approximately \$468,000. In addition, during January 2000 and 1999, the collateral securities pledged by the same bank were not sufficient to cover the county funds in excess of FDIC coverage by approximately \$4,700,000 and \$1,590,000, respectively. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure. For the third time it was recommended that the County Commission ensure adequate collateral securities are pledged for all county funds on deposit in excess of FDIC coverage.

As in the prior audit report, the audit again recommended that the Sheriff's Department reconcile individual balances of prisoners' monies and commissary profits to the bank account monthly and that the County Treasurer prepare complete reconciliations between the county fund ledgers and bank statements monthly and resolve any differences timely.

The audit also suggested the County Treasurer ensure the fund ledgers reflect accurate book balances, the Circuit Clerk review old bonds and old inactive cases to determine if monies can be disposed of, and that the county ensure federal monies are disbursed timely in accordance with federal law.

**Copies of the audit are available upon request.**

PIKE COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Pike County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Pike County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Pike County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Pike County.

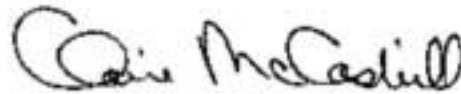
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pike County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 23, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Pike County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

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Claire McCaskill  
State Auditor

March 23, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Thomas J. Kremer, CPA   |
| Audit Manager:      | Douglas J. Porting, CPA |
| In-Charge Auditor:  | Robert L. McArthur, II  |
| Audit Staff:        | Heather Thompson        |
|                     | Susan M. Cessac         |
|                     | Betsy Bartow            |
|                     | Norma L. Payne          |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Pike County, Missouri

We have audited the special-purpose financial statements of various funds of Pike County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Pike County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

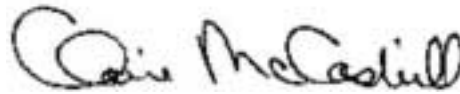
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Pike County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of



the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Pike County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 23, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

PIKE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 212,823         | 2,328,420 | 2,449,702     | 91,541               |
| Special Road and Bridge             | 117,841            | 1,975,254 | 1,948,723     | 144,372              |
| Assessment                          | 34,663             | 205,530   | 208,447       | 31,746               |
| Law Enforcement Training            | (955)              | 11,798    | 8,869         | 1,974                |
| Prosecuting Attorney Training       | 1,046              | 867       | 123           | 1,790                |
| Recorder's User Fees                | 39,071             | 8,981     | 2,686         | 45,366               |
| Law Enforcement Sales Tax           | 56,165             | 898,689   | 964,277       | (9,423)              |
| Prosecuting Attorney Bad Check      | 30,909             | 11,201    | 22,528        | 19,582               |
| Equitable Sharing                   | 6,834              | 0         | 6,200         | 634                  |
| Community Service                   | 48,152             | 5,509     | 42,876        | 10,785               |
| 911                                 | 162,164            | 142,352   | 61,860        | 242,656              |
| Circuit Interest                    | 12,541             | 5,572     | 575           | 17,538               |
| Hospice                             | 54,566             | 11,211    | 59,606        | 6,171                |
| Home Health Memorial                | 4,264              | 1,448     | 5,612         | 100                  |
| Domestic Violence                   | 2,585              | 2,070     | 2,070         | 2,585                |
| Law Library                         | 11,875             | 10,462    | 6,160         | 16,177               |
| Associate Circuit Division Interest | 2,011              | 154       | 586           | 1,579                |
| Juvenile Assessment                 | 627                | 175       | 0             | 802                  |
| Total                               | \$ 797,182         | 5,619,693 | 5,790,900     | 625,975              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PIKE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 428,973         | 2,324,337 | 2,540,487     | 212,823              |
| Special Road and Bridge             | 9,554              | 1,930,449 | 1,822,162     | 117,841              |
| Assessment                          | 14,715             | 211,037   | 191,089       | 34,663               |
| Law Enforcement Training            | 5,051              | 3,764     | 9,770         | (955)                |
| Prosecuting Attorney Training       | 98                 | 948       | 0             | 1,046                |
| Recorder's User Fees                | 31,409             | 8,890     | 1,228         | 39,071               |
| Law Enforcement Sales Tax           | (603)              | 1,064,347 | 1,007,579     | 56,165               |
| Prosecuting Attorney Bad Check      | 26,540             | 12,259    | 7,890         | 30,909               |
| Equitable Sharing                   | 6,646              | 188       | 0             | 6,834                |
| Community Service                   | 44,691             | 19,005    | 15,544        | 48,152               |
| 911                                 | 82,049             | 134,257   | 54,142        | 162,164              |
| Circuit Interest                    | 18,470             | 2,806     | 8,735         | 12,541               |
| Hospice                             | 41,461             | 14,044    | 939           | 54,566               |
| Home Health Memorial                | 2,300              | 2,094     | 130           | 4,264                |
| Domestic Violence                   | 1,955              | 2,130     | 1,500         | 2,585                |
| Law Library                         | 7,998              | 9,437     | 5,560         | 11,875               |
| Associate Circuit Division Interest | 1,912              | 194       | 95            | 2,011                |
| Juvenile Assessment                 | 757                | 160       | 290           | 627                  |
| Sheriff Miscellaneous Service       | 14,103             | 6,983     | 21,086        | 0                    |
| Total                               | \$ 738,079         | 5,747,329 | 5,688,226     | 797,182              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

PIKE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 391,742              | 432,358   | 40,616                                 | 395,574   | 416,213   | 20,639                                 |
| Sales taxes                         | 643,297                 | 528,743   | (114,554)                              | 550,000   | 526,830   | (23,170)                               |
| Intergovernmental                   | 979,620                 | 900,693   | (78,927)                               | 1,254,203 | 975,784   | (278,419)                              |
| Charges for services                | 198,000                 | 182,722   | (15,278)                               | 208,585   | 184,055   | (24,530)                               |
| Interest                            | 20,000                  | 18,905    | (1,095)                                | 25,000    | 27,136    | 2,136                                  |
| Other                               | 172,650                 | 133,019   | (39,631)                               | 120,028   | 137,183   | 17,155                                 |
| Transfers in                        | 77,173                  | 131,980   | 54,807                                 | 57,136    | 57,136    | 0                                      |
| Total Receipts                      | 2,482,482               | 2,328,420 | (154,062)                              | 2,610,526 | 2,324,337 | (286,189)                              |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 86,000                  | 85,040    | 960                                    | 66,000    | 64,379    | 1,621                                  |
| County Clerk                        | 76,896                  | 75,007    | 1,889                                  | 71,974    | 63,478    | 8,496                                  |
| Elections                           | 55,026                  | 39,115    | 15,911                                 | 82,893    | 68,501    | 14,392                                 |
| Buildings and grounds               | 54,098                  | 49,635    | 4,463                                  | 58,578    | 48,527    | 10,051                                 |
| Employee fringe benefits            | 264,500                 | 228,861   | 35,639                                 | 273,700   | 248,203   | 25,497                                 |
| County Treasurer                    | 42,742                  | 38,654    | 4,088                                  | 29,322    | 27,682    | 1,640                                  |
| County Collector                    | 103,203                 | 96,493    | 6,710                                  | 84,374    | 83,533    | 841                                    |
| Ex Officio Recorder of Deeds        | 21,698                  | 17,017    | 4,681                                  | 25,225    | 21,420    | 3,805                                  |
| Circuit Clerk                       | 7,450                   | 7,308     | 142                                    | 14,010    | 10,593    | 3,417                                  |
| Associate Circuit (Probate)         | 13,900                  | 9,203     | 4,697                                  | 14,200    | 9,281     | 4,919                                  |
| Court administration                | 32,429                  | 29,663    | 2,766                                  | 32,203    | 24,083    | 8,120                                  |
| Public Administrator                | 12,230                  | 11,777    | 453                                    | 11,451    | 11,531    | (80)                                   |
| Prosecuting Attorney                | 177,906                 | 148,434   | 29,472                                 | 134,465   | 125,926   | 8,539                                  |
| Juvenile Officer                    | 77,029                  | 73,216    | 3,813                                  | 81,958    | 78,849    | 3,109                                  |
| County Coroner                      | 14,500                  | 10,694    | 3,806                                  | 15,000    | 12,255    | 2,745                                  |
| General county government           | 72,021                  | 66,335    | 5,686                                  | 62,676    | 59,240    | 3,436                                  |
| Miscellaneous                       | 58,717                  | 48,392    | 10,325                                 | 54,816    | 51,089    | 3,727                                  |
| Jail lease purchase                 | 134,933                 | 134,933   | 0                                      | 137,616   | 137,616   | 0                                      |
| Capital improvements                | 20,067                  | 17,826    | 2,241                                  | 144,908   | 27,766    | 117,142                                |
| Public health and welfare services  | 1,054,635               | 1,054,166 | 469                                    | 1,214,455 | 1,059,581 | 154,874                                |
| Transfers out                       | 240,433                 | 190,433   | 50,000                                 | 351,458   | 301,458   | 50,000                                 |
| Emergency Fund                      | 75,000                  | 17,500    | 57,500                                 | 78,325    | 5,496     | 72,829                                 |
| Total Disbursements                 | 2,695,413               | 2,449,702 | 245,711                                | 3,039,607 | 2,540,487 | 499,120                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (212,931)               | (121,282) | 91,649                                 | (429,081) | (216,150) | 212,931                                |
| CASH, JANUARY 1                     | 212,931                 | 212,823   | (108)                                  | 429,081   | 428,973   | (108)                                  |
| CASH, DECEMBER 31                   | \$ 0                    | 91,541    | 91,541                                 | 0         | 212,823   | 212,823                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

PIKE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 290,171              | 322,378   | 32,207                                 | 288,767   | 308,618   | 19,851                                 |
| Sales taxes                           | 610,000                 | 602,758   | (7,242)                                | 580,000   | 609,557   | 29,557                                 |
| Intergovernmental                     | 1,212,000               | 1,009,287 | (202,713)                              | 1,237,100 | 848,035   | (389,065)                              |
| Interest                              | 7,500                   | 11,661    | 4,161                                  | 4,500     | 12,101    | 7,601                                  |
| Other                                 | 28,500                  | 29,170    | 670                                    | 129,000   | 152,138   | 23,138                                 |
| Total Receipts                        | 2,148,171               | 1,975,254 | (172,917)                              | 2,239,367 | 1,930,449 | (308,918)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 420,000                 | 375,216   | 44,784                                 | 403,968   | 380,102   | 23,866                                 |
| Employee fringe benefits              | 121,050                 | 91,955    | 29,095                                 | 127,800   | 110,338   | 17,462                                 |
| Supplies                              | 86,000                  | 67,018    | 18,982                                 | 86,000    | 62,487    | 23,513                                 |
| Insurance                             | 16,000                  | 14,206    | 1,794                                  | 12,000    | 12,034    | (34)                                   |
| Road and bridge materials             | 452,982                 | 427,917   | 25,065                                 | 448,017   | 439,282   | 8,735                                  |
| Equipment repairs                     | 75,000                  | 84,963    | (9,963)                                | 75,000    | 90,782    | (15,782)                               |
| Rentals                               | 5,000                   | 905       | 4,095                                  | 5,000     | 3,375     | 1,625                                  |
| Equipment purchases                   | 322,000                 | 320,423   | 1,577                                  | 316,000   | 342,524   | (26,524)                               |
| Construction, repair, and maintenance | 687,000                 | 487,726   | 199,274                                | 713,000   | 317,925   | 395,075                                |
| Other                                 | 13,000                  | 10,414    | 2,586                                  | 13,000    | 14,177    | (1,177)                                |
| Transfers out                         | 67,980                  | 67,980    | 0                                      | 49,136    | 49,136    | 0                                      |
| Total Disbursements                   | 2,266,012               | 1,948,723 | 317,289                                | 2,248,921 | 1,822,162 | 426,759                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (117,841)               | 26,531    | 144,372                                | (9,554)   | 108,287   | 117,841                                |
| CASH, JANUARY 1                       | 117,841                 | 117,841   | 0                                      | 9,554     | 9,554     | 0                                      |
| CASH, DECEMBER 31                     | \$ 0                    | 144,372   | 144,372                                | 0         | 117,841   | 117,841                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

PIKE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |          |         |  |
|-------------------------------------|------------|---------|--|----------|---------|--|
| 1999                                |            |         |  | 1998     |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |          |         |  |
| Intergovernmental                   | \$ 159,956 | 162,287 | 2,331                                  | 155,680  | 156,641 | 961                                    |
| Interest                            | 200        | 1,563   | 1,363                                  | 400      | 1,334   | 934                                    |
| Other                               | 1,300      | 1,247   | (53)                                   | 1,100    | 1,604   | 504                                    |
| Transfers in                        | 40,433     | 40,433  | 0                                      | 51,458   | 51,458  | 0                                      |
| Total Receipts                      | 201,889    | 205,530 | 3,641                                  | 208,638  | 211,037 | 2,399                                  |
| DISBURSEMENTS                       |            |         |  |          |         |  |
| Assessor                            | 236,552    | 208,447 | 28,105                                 | 223,353  | 191,089 | 32,264                                 |
| Total Disbursements                 | 236,552    | 208,447 | 28,105                                 | 223,353  | 191,089 | 32,264                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (34,663)   | (2,917) | 31,746                                 | (14,715) | 19,948  | 34,663                                 |
| CASH, JANUARY 1                     | 34,663     | 34,663  | 0                                      | 14,715   | 14,715  | 0                                      |
| CASH, DECEMBER 31                   | \$ 0       | 31,746  | 31,746                                 | 0        | 34,663  | 34,663                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

PIKE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |        |               |        |         |               |  |
|-------------------------------------|--------|---------------|--------|---------|---------------|--|
| 1999                                |        |               | 1998   |         |               |  |
|                                     |        | Variance      |        |         | Variance      |  |
|                                     |        | Favorable     |        |         | Favorable     |  |
|                                     |        | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |        |               |        |         |               |  |
| Intergovernmental                   | \$ 0   | 2,158         | 0      | 0       | 0             |  |
| Charges for services                | 3,800  | 3,440         | 3,100  | 3,764   | 664           |  |
| Transfers in                        | 6,200  | 6,200         | 7,100  | 0       | (7,100)       |  |
| Total Receipts                      | 10,000 | 11,798        | 10,200 | 3,764   | (6,436)       |  |
| DISBURSEMENTS                       |        |               |        |         |               |  |
| Sheriff                             | 9,000  | 8,869         | 10,200 | 9,770   | 430           |  |
| Total Disbursements                 | 9,000  | 8,869         | 10,200 | 9,770   | 430           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,000  | 2,929         | 0      | (6,006) | (6,006)       |  |
| CASH, JANUARY 1                     | (955)  | (955)         | 5,051  | 5,051   | 0             |  |
| CASH, DECEMBER 31                   | \$ 45  | 1,974         | 5,051  | (955)   | (6,006)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit F

PIKE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 1,000 | 867           | 1,000  | 948    | (52)          |  |
| Total Receipts                      | 1,000    | 867           | 1,000  | 948    | (52)          |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Prosecuting Attorney                | 550      | 123           | 0      | 0      | 0             |  |
| Total Disbursements                 | 550      | 123           | 0      | 0      | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 450      | 744           | 1,000  | 948    | (52)          |  |
| CASH, JANUARY 1                     | 1,096    | 1,046         | 98     | 98     | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,546 | 1,790         | 1,098  | 1,046  | (52)          |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

PIKE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEES FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | \$ 7,500  | 7,672         | 6,500  | 7,940  | 1,440         |  |
| Interest                            | 0         | 1,309         | 0      | 950    | 950           |  |
| Total Receipts                      | 7,500     | 8,981         | 6,500  | 8,890  | 2,390         |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Recorder of Deeds                   | 6,000     | 2,686         | 6,000  | 1,228  | 4,772         |  |
| Total Disbursements                 | 6,000     | 2,686         | 6,000  | 1,228  | 4,772         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,500     | 6,295         | 500    | 7,662  | 7,162         |  |
| CASH, JANUARY 1                     | 39,171    | 39,071        | 31,409 | 31,409 | 0             |  |
| CASH, DECEMBER 31                   | \$ 40,671 | 45,366        | 31,909 | 39,071 | 7,162         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

PIKE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 LAW ENFORCEMENT SALES TAX FUND

|                                     | Year Ended December 31, |          |  |           |           |  |
|-------------------------------------|-------------------------|----------|--|-----------|-----------|--|
|                                     | 1999                    |          |  | 1998      |           |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |           |           |  |
| Sales taxes                         | \$ 616,830              | 580,473  | (36,357)                               | 600,000   | 577,407   | (22,593)                               |
| Intergovernmental                   | 90,236                  | 84,344   | (5,892)                                | 82,277    | 126,227   | 43,950                                 |
| Charges for services                | 71,300                  | 61,980   | (9,320)                                | 96,103    | 59,227    | (36,876)                               |
| Interest                            | 1,800                   | 1,064    | (736)                                  | 800       | 1,687     | 887                                    |
| Other                               | 24,018                  | 20,828   | (3,190)                                | 13,000    | 28,713    | 15,713                                 |
| Transfers in                        | 200,000                 | 150,000  | (50,000)                               | 300,000   | 271,086   | (28,914)                               |
| Total Receipts                      | 1,004,184               | 898,689  | (105,495)                              | 1,092,180 | 1,064,347 | (27,833)                               |
| DISBURSEMENTS                       |                         |          |  |           |           |  |
| Sheriff                             | 755,348                 | 710,853  | 44,495                                 | 743,388   | 692,797   | 50,591                                 |
| Office expenditures and equipment   | 168,000                 | 124,325  | 43,675                                 | 195,389   | 180,362   | 15,027                                 |
| Jail                                | 137,001                 | 129,099  | 7,902                                  | 152,800   | 134,420   | 18,380                                 |
| Total Disbursements                 | 1,060,349               | 964,277  | 96,072                                 | 1,091,577 | 1,007,579 | 83,998                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (56,165)                | (65,588) | (9,423)                                | 603       | 56,768    | 56,165                                 |
| CASH, JANUARY 1                     | 56,165                  | 56,165   | 0                                      | (603)     | (603)     | 0                                      |
| CASH, DECEMBER 31                   | \$ 0                    | (9,423)  | (9,423)                                | 0         | 56,165    | 56,165                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

PIKE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

| Year Ended December 31,             |           |               |          |        |               |  |
|-------------------------------------|-----------|---------------|----------|--------|---------------|--|
| 1999                                |           |               | 1998     |        |               |  |
|                                     |           | Variance      |          |        | Variance      |  |
|                                     |           | Favorable     |          |        | Favorable     |  |
|                                     |           | (Unfavorable) |          |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget   | Actual |               |  |
| RECEIPTS                            |           |               |          |        |               |  |
| Charges for services                | \$ 13,500 | 10,337        | 10,000   | 11,446 | 1,446         |  |
| Interest                            | 500       | 864           | 425      | 813    | 388           |  |
| Total Receipts                      | 14,000    | 11,201        | 10,425   | 12,259 | 1,834         |  |
| DISBURSEMENTS                       |           |               |          |        |               |  |
| Prosecuting Attorney                | 37,200    | 22,528        | 36,965   | 7,890  | 29,075        |  |
| Total Disbursements                 | 37,200    | 22,528        | 36,965   | 7,890  | 29,075        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (23,200)  | (11,327)      | (26,540) | 4,369  | 30,909        |  |
| CASH, JANUARY 1                     | 30,909    | 30,909        | 26,540   | 26,540 | 0             |  |
| CASH, DECEMBER 31                   | \$ 7,709  | 19,582        | 0        | 30,909 | 30,909        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

PIKE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
EQUITABLE SHARING FUND

|                                     |    | Year Ended December 31, |         |                       |        |        |                       |
|-------------------------------------|----|-------------------------|---------|-----------------------|--------|--------|-----------------------|
|                                     |    | 1999                    |         |                       | 1998   |        |                       |
|                                     |    |                         |         | Variance<br>Favorable |        |        | Variance<br>Favorable |
|                                     |    | Budget                  | Actual  | (Unfavorable)         | Budget | Actual | (Unfavorable)         |
| RECEIPTS                            |    |                         |         |                       |        |        |                       |
| Intergovernmental                   | \$ | 0                       | 0       | 0                     | 840    | 0      | (840)                 |
| Interest                            |    | 0                       | 0       | 0                     | 158    | 188    | 30                    |
| Total Receipts                      |    | 0                       | 0       | 0                     | 998    | 188    | (810)                 |
| DISBURSEMENTS                       |    |                         |         |                       |        |        |                       |
| Transfers out                       |    | 6,200                   | 6,200   | 0                     | 0      | 0      | 0                     |
| Total Disbursements                 |    | 6,200                   | 6,200   | 0                     | 0      | 0      | 0                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (6,200)                 | (6,200) | 0                     | 998    | 188    | (810)                 |
| CASH, JANUARY 1                     |    | 6,834                   | 6,834   | 0                     | 6,646  | 6,646  | 0                     |
| CASH, DECEMBER 31                   |    | \$ 634                  | 634     | 0                     | 7,644  | 6,834  | (810)                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

PIKE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND

| Year Ended December 31,             |          |               |          |        |               |  |
|-------------------------------------|----------|---------------|----------|--------|---------------|--|
| 1999                                |          |               | 1998     |        |               |  |
|                                     |          | Variance      |          |        | Variance      |  |
|                                     |          | Favorable     |          |        | Favorable     |  |
|                                     |          | (Unfavorable) |          |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget   | Actual |               |  |
| RECEIPTS                            |          |               |          |        |               |  |
| Charges for services                | \$ 0     | 4,900         | 22,500   | 17,690 | (4,810)       |  |
| Interest                            | 100      | 609           | 1,251    | 1,315  | 64            |  |
| Total Receipts                      | 100      | 5,509         | 23,751   | 19,005 | (4,746)       |  |
| DISBURSEMENTS                       |          |               |          |        |               |  |
| Public safety                       | 48,252   | 42,876        | 37,830   | 15,544 | 22,286        |  |
| Total Disbursements                 | 48,252   | 42,876        | 37,830   | 15,544 | 22,286        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (48,152) | (37,367)      | (14,079) | 3,461  | 17,540        |  |
| CASH, JANUARY 1                     | 48,152   | 48,152        | 44,691   | 44,691 | 0             |  |
| CASH, DECEMBER 31                   | \$ 0     | 10,785        | 30,612   | 48,152 | 17,540        |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit L

PIKE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 911 FUND

|                                     |    | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|----|-------------------------|---------|--|----------|---------|--|
|                                     |    | 1999                    |         |  | 1998     |         |  |
|                                     |    |                         |         | Variance<br>Favorable<br>(Unfavorable) |          |         | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual  |  | Budget   | Actual  |  |
| RECEIPTS                            |    |                         |         |  |          |         |  |
| E911 phone tax                      | \$ | 132,000                 | 136,331 | 4,331                                  | 120,000  | 130,891 | 10,891                                 |
| Interest                            |    | 3,500                   | 6,021   | 2,521                                  | 2,500    | 3,366   | 866                                    |
| Total Receipts                      |    | 135,500                 | 142,352 | 6,852                                  | 122,500  | 134,257 | 11,757                                 |
| DISBURSEMENTS                       |    |                         |         |  |          |         |  |
| Salaries                            |    | 18,050                  | 17,503  | 547                                    | 17,583   | 17,580  | 3                                      |
| Equipment                           |    | 40,000                  | 4,219   | 35,781                                 | 40,000   | 0       | 40,000                                 |
| Mileage and training                |    | 5,000                   | 150     | 4,850                                  | 5,250    | 20      | 5,230                                  |
| Phone line charges and service      |    | 0                       | 37,516  | (37,516)                               | 0        | 35,887  | (35,887)                               |
| Other                               |    | 97,417                  | 2,472   | 94,945                                 | 141,716  | 655     | 141,061                                |
| Total Disbursements                 |    | 160,467                 | 61,860  | 98,607                                 | 204,549  | 54,142  | 150,407                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (24,967)                | 80,492  | 105,459                                | (82,049) | 80,115  | 162,164                                |
| CASH, JANUARY 1                     |    | 162,164                 | 162,164 | 0                                      | 82,049   | 82,049  | 0                                      |
| CASH, DECEMBER 31                   |    | \$ 137,197              | 242,656 | 105,459                                | 0        | 162,164 | 162,164                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

PIKE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT INTEREST FUND

| Year Ended December 31,             |           |               |         |         |               |  |
|-------------------------------------|-----------|---------------|---------|---------|---------------|--|
| 1999                                |           |               | 1998    |         |               |  |
|                                     |           | Variance      |         |         | Variance      |  |
|                                     |           | Favorable     |         |         | Favorable     |  |
|                                     |           | (Unfavorable) |         |         | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget  | Actual  |               |  |
| RECEIPTS                            |           |               |         |         |               |  |
| Interest                            | \$ 2,200  | 5,572         | 1,800   | 2,806   | 1,006         |  |
| Total Receipts                      | 2,200     | 5,572         | 1,800   | 2,806   | 1,006         |  |
| DISBURSEMENTS                       |           |               |         |         |               |  |
| Circuit Clerk                       | 0         | 0             | 0       | 421     | (421)         |  |
| IV-D interest to State              | 575       | 575           | 314     | 314     | 0             |  |
| Transfers out                       | 0         | 0             | 8,000   | 8,000   | 0             |  |
| Total Disbursements                 | 575       | 575           | 8,314   | 8,735   | (421)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,625     | 4,997         | (6,514) | (5,929) | 585           |  |
| CASH, JANUARY 1                     | 12,108    | 12,541        | 17,134  | 18,470  | 1,336         |  |
| CASH, DECEMBER 31                   | \$ 13,733 | 17,538        | 10,620  | 12,541  | 1,921         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit N

PIKE COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HOSPICE FUND

|                                     | Year Ended December 31, |          |  |
|-------------------------------------|-------------------------|----------|--|
|                                     | 1999                    |          |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |
| Donations                           | \$ 11,826               | 9,485    | (2,341)                                |
| Interest                            | 0                       | 1,726    | 1,726                                  |
| Total Receipts                      | 11,826                  | 11,211   | (615)                                  |
| DISBURSEMENTS                       |                         |          |  |
| Indigent patients                   | 10,000                  | 0        | 10,000                                 |
| Palliative services                 | 5,000                   | 142      | 4,858                                  |
| Staff/community education           | 2,000                   | 60       | 1,940                                  |
| Hospice memorial                    | 500                     | 0        | 500                                    |
| Transportation                      | 200                     | 0        | 200                                    |
| Fundraiser expenses                 | 0                       | 736      | (736)                                  |
| Other                               | 0                       | 280      | (280)                                  |
| Transfers out                       | 47,978                  | 58,388   | (10,410)                               |
| Total Disbursements                 | 65,678                  | 59,606   | 6,072                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (53,852)                | (48,395) | 5,457                                  |
| CASH, JANUARY 1                     | 53,852                  | 54,566   | 714                                    |
| CASH, DECEMBER 31                   | \$ 0                    | 6,171    | 6,171                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

PIKE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
HOME HEALTH MEMORIAL FUND

| Year Ended December 31,             |          |         |  |
|-------------------------------------|----------|---------|--|
| 1999                                |          |         |  |
|                                     | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |         |  |
| Donations                           | \$ 1,806 | 1,448   | (358)                                  |
| Total Receipts                      | 1,806    | 1,448   | (358)                                  |
| DISBURSEMENTS                       |          |         |  |
| Other                               | 6,070    | 0       | 6,070                                  |
| Transfers out                       | 0        | 5,612   | (5,612)                                |
| Total Disbursements                 | 6,070    | 5,612   | 458                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (4,264)  | (4,164) | 100                                    |
| CASH, JANUARY 1                     | 4,264    | 4,264   | 0                                      |
| CASH, DECEMBER 31                   | \$ 0     | 100     | 100                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

PIKE COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Pike County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting. Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Domestic Violence Fund                   | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Juvenile Assessment Fund                 | 1999 and 1998                   |
| Hospice Fund                             | 1998                            |
| Home Health Memorial Fund                | 1998                            |

Warrants issued were in excess of budgeted amounts for the Circuit Interest Fund in 1998. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Circuit Interest Fund                    | 1999 and 1998                   |
| Law Library Fund                         | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1999 and 1998                   |
| Juvenile Assessment Fund                 | 1999 and 1998                   |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$3,593,687 was covered by federal depositary insurance or by collateral securities held by the county's custodial banks in the county's name, \$696,482 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company, and \$468,455 was uninsured and uncollateralized.

Of the county's bank balance at December 31, 1998, \$4,316,979 was covered by federal depositary insurance or by collateral securities held by the county's custodial banks in the county's name and \$486,485 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

## Supplementary Schedule

## Schedule

PIKE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|--|--|---|-------------------------|----------------|
|  |  |   | Year Ended December 31, |                |
|  |  |   | 1999                    | 1998           |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |                |
| Passed through state Department of Health -                    |  |   |                         |                |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ER0045-8182                                     | \$ 0                    | 32,490         |
|  |  | ER0045-9182                                     | 32,593                  | 10,023         |
|  |  | ER0045-0182                                     | 12,393                  | 0              |
|  | Program Total  |   | <u>44,986</u>           | <u>42,513</u>  |
| U.S. DEPARTMENT OF DEFENSE                                     |  |   |                         |                |
| Passed through state Office of Administration -                |  |   |                         |                |
| 12.112   | Payments to States in Lieu of Real Estate Taxes                            | N/A   | 3,368                   | 42,830         |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT            |  |   |                         |                |
| Passed through state:  |  |   |                         |                |
| Department of Economic Development -                           |  |   |                         |                |
| 14.219   | Community Development Block Grants/Small Cities<br>Program                 | 96.PF-28  | 20,252                  | 186,238        |
| Department of Social Services -                                |  |   |                         |                |
| 14.231   | Emergency Shelter Grants Program   | ERO1640306                                      | 0                       | 19,992         |
|  |  | ERO1640360                                      | 19,190                  | 0              |
|  | Program Total  |   | <u>19,190</u>           | <u>19,992</u>  |
| U.S. DEPARTMENT OF INTERIOR                                    |  |   |                         |                |
| Direct program:  |  |   |                         |                |
| 15.unknown   | Wildlife Refuge Revenue Sharing  | N/A   | 18,826                  | 20,004         |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |                |
| Direct program:  |  |   |                         |                |
| 16.710   | Public Safety Partnership and Community Policing Grants                    | 95-CF-WX-5847                                   | 0                       | 10,328         |
| 16.unknown   | Equitable Sharing of Seized and Forfeited Property                         |   | 6,200                   | 0              |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |                |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |                |
| 20.205   | Highway Planning and Construction  | BRO-082(9)                                      | 32,679                  | 0              |
|  |  | BRO-082(10)                                     | 0                       | 177,928        |
|  |  | BRO-082(15)                                     | 323,446                 | 24,000         |
|  |  | BRO-082(17)                                     | 11,128                  | 0              |
|  | Program Total  |   | <u>367,253</u>          | <u>201,928</u> |



## Schedule

PIKE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title              | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |         |
|---|---|---|-------------------------|---------|
|   |   |   | Year Ended December 31, |         |
|   |   |   | 1999                    | 1998    |
| GENERAL SERVICES ADMINISTRATION               |   |   |                         |         |
|   | Passed through state Office of Administration -                 |   |                         |         |
| 39.003  | Donation of Federal Surplus Personal Property                   | N/A   | 655                     | 1,731   |
| FEDERAL EMERGENCY MANAGEMENT AGENCY           |   |   |                         |         |
|   | Passed through state Department of Public Safety:               |   |                         |         |
| 83.534  | Emergency Management - State and Local Assistance               | 163-000   | 1,250                   | 1,250   |
|   |   | SLA-98-20                                       | 0                       | 1,801   |
|   | Program Total   |   | 1,250                   | 3,051   |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |   |   |                         |         |
|   | Passed through state:   |   |                         |         |
|   | Department of Health -  |   |                         |         |
| 93.268  | Immunization Grants   | ER0146-8182                                     | 0                       | 31,413  |
|   |   | ER0146-9182                                     | 28,444                  | 1,255   |
|   | Program Total   |   | 28,444                  | 32,668  |
|   | Department of Social Services -                                 |   |                         |         |
| 93.563  | Child Support Enforcement                                       | N/A   | 9,575                   | 10,023  |
| 93.569  | Community Services Block Grant                                  | HCP-43  | 45,102                  | 37,869  |
|   | Department of Health -  |   |                         |         |
| 93.575  | Child Care and Development Block Grant                          | PGA067-81827                                    | 0                       | 1,200   |
|   |   | PGA067-91827                                    | 1,860                   | 280     |
|   | Program Total   |   | 1,860                   | 1,480   |
| 93.991  | Preventive Health and Health Services Block Grant               | N/A   | 320                     | 669     |
| 93.994  | Maternal and Child Health Services<br>Block Grant to the States | ER0146-8182                                     | 0                       | 7,184   |
|   |   | ER0146-9182                                     | 10,906                  | 843     |
|   | Program Total   |   | 10,906                  | 8,027   |
|   | Total Expenditures of Federal Awards                            | \$  | 578,187                 | 619,351 |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

PIKE COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pike County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of the property at the time of receipt.

Of the pass-through amounts for Immunization Grants (CFDA number 93.268), \$26,854 and \$25,738 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,598 and \$2,340 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

| <u>Federal<br/>CFDA Number</u> | <u>Program Title</u>  | <u>Amount Provided</u>                        |             |
|--------------------------------|---|---|-------------|
|                                |   | <u>Year Ended December 31,</u><br><u>1999</u> | <u>1998</u> |
| 14.219                         | Community Development<br>Block Grants/Small Cities<br>Program | \$ 20,252                                     | \$ 186,238  |
| 14.231                         | Emergency Shelter Grants<br>Program                           | 19,190  | 19,992      |
| 93.569                         | Community Services Block<br>Grant                             | 45,102  | 37,869      |

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission  
and  
Officeholders of Pike County, Missouri

Compliance

We have audited the compliance of Pike County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Pike County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

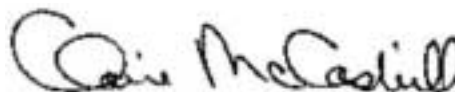
#### Internal Control Over Compliance

The management of Pike County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Pike County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

March 23, 2000 (fieldwork completion date)



Schedule

PIKE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 AND 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes    x    no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes    x    none reported

Noncompliance material to the financial statements  
noted?        yes    x    no

Federal Awards

Internal control over major programs:

Material weaknesses identified?        yes    x    no

Reportable condition identified that is  
not considered to be a material weakness?    x    yes        none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?    x    yes        no

Identification of major programs:

| <u>CFDA or<br/>Other Identifying<br/>Number</u> | <u>Program Title</u>                            |
|---|---|
| 12.112  | Payments to States in Lieu of Real Estate Taxes |
| 20.205  | Highway Planning and Construction               |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|              |                       |
|--------------|-----------------------|
| <b>99-1.</b> | <b>Federal Awards</b> |
|--------------|-----------------------|

|                       |   |
|-----------------------|---|
| Federal Grantor:      | U.S. Department of Transportation           |
| Pass-Through Grantor: | State Highway and Transportation Commission |
| Federal CFDA Number:  | 20.205                                      |
| Program Title:        | Highway Planning and Construction           |
| Pass-Through Entity:  | Not applicable                              |
| Identifying Number:   | BRO 082(15)                                 |
|                       | BRO 082(9)                                  |
| Award Year:           | 1999  |
| Questioned Costs:     | Not applicable                              |

During the two years ended December 31, 1999, the county received reimbursements from the Missouri Department of Transportation for bridge replacement and rehabilitation expenditures under the Highway Planning and Construction Program - Off System Projects. The county normally pays such expenditures as the liability is incurred and prior to the reimbursement. However, we noted eleven reimbursements totaling over \$356,000 which the county held from three to ten working days before the related payment was made to the contractor.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that federal funds shall be disbursed by the county within two days of receipt.

**WE RECOMMEND** the County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*We agree. For future reimbursements, the County Clerk will ensure these monies are disbursed within the required time period.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

PIKE COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

PIKE COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

PIKE COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Pike County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 23, 2000. We also have audited the compliance of Pike County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 23, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Pike County Hospital Board, Senate Bill 40 Board, and Lincoln County Housing Authority are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers for the Pike County Hospital Board for the years ended June 30, 1999 and 1998, for the Senate Bill 40 Board for the years ended December 31, 1999 and 1998, and for the Lincoln County Public Housing Authority for the years ended September 30, 1999 and 1998.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Pike County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

|           |                             |
|-----------|-----------------------------|
| <b>1.</b> | <b>Financial Conditions</b> |
|-----------|-----------------------------|

Pike County's General Revenue and Law Enforcement Sales Tax funds have been experiencing declining cash balances. These funds provide funding for most general operations of the county, including the activity of the Health Department, jail, and Sheriff's Office. The following chart shows receipts, disbursements, and cash balances for the two years ended December 31, 1999.

|   | General Revenue<br>Fund | Law Enforcement<br>Sales Tax Fund |
|---|-------------------------|-----------------------------------|
| Cash Balance, January 1, 1998                   | \$ 428,973              | (603)                             |
| Receipts  | 2,324,337               | 814,347                           |
| Transfers In From General Revenue Fund          | 0                       | 250,000                           |
| Disbursements                                   | (2,290,487)             | (1,007,579)                       |
| Transfers Out To Law Enforcement Sales Tax Fund | (250,000)               | 0                                 |
| Cash Balance, December 31, 1998                 | 212,823                 | 56,165                            |
| Receipts  | 2,328,420               | 748,689                           |
| Transfers In From General Revenue Fund          | 0                       | 150,000                           |
| Disbursements                                   | (2,299,702)             | (964,277)                         |
| Transfers Out To Law Enforcement Sales Tax Fund | (150,000)               | 0                                 |
| Cash Balance, December 31, 1999                 | \$ 91,541               | (9,423)                           |

In addition, based on the county's budget for the year ended December 31, 2000, the ending cash balances of the General Revenue and Law Enforcement Sales Tax funds are projected to be a deficit of \$97,612 and \$0 respectively. Contributing to the weak financial condition has been little growth in, or decreasing, receipts coupled with steady or increasing costs.

Medicare receipts at the Home Health Department have decreased from approximately \$831,000 in 1997 to approximately \$545,000 in 1999. This decrease is due to the Medicare reimbursement rate being reduced by the federal government as well as lost Medicare reimbursements due to inadequate accounts receivable monitoring procedures (see MAR

No. 6). In addition, increasing numbers of Pike County prisoners in the county jail have resulted in less space available for housing prisoners of other governments. Reimbursements for boarding of prisoners for other entities has decreased from approximately \$189,000 in 1995 when the new jail opened to approximately \$81,000 in 1999. The decrease in boarding reimbursements has contributed to required increases in the amount of General Revenue monies being transferred to the Law Enforcement Sales Tax Fund to supplement that fund's disbursements. Over the last two years \$400,000 has been transferred from the General Revenue Fund to the Law Enforcement Sales Tax Fund, compared to \$340,000 for the previous three years. An additional transfer of \$220,000 is budgeted for the year ending December 31, 2000. The General Revenue Fund's financial condition was also impacted by the required refund of over \$115,000 in local use tax monies during the current audit period which had been previously received and spent by the county.

While the county has held steady or reduced disbursements in some areas, those changes have generally not kept pace with the changes in related receipts and have been offset somewhat by increased disbursements in other areas. These include increases in salaries of county officials, totaling \$55,000 which were approved by the salary commission in 1997 and which took effect in 1999 and an increase of \$12,000 in the Prosecuting Attorney's salary which was mandated by state law.

Over the last three budget years the county has projected the General Revenue Fund to spend all expected current revenues plus the prior year's ending cash balance, effectively zero budgeting the fund and allowing much latitude to county officials for discretionary expenses. The Commission should review these budgetary controls. This should include reviewing disbursements to identify further potential reductions in discretionary expenses, ensure attempts are made to maximize all receipts, and budgeting to provide reasonable ending cash balances as a cushion against potential future financial strains.

**WE RECOMMEND** the County Commission take the necessary steps to improve the financial condition of the General Revenue and Law Enforcement Sales Tax funds.

### **AUDITEE'S RESPONSE**

*We are monitoring the financial condition on a monthly basis and will take this recommendation under further consideration.*

|                           |
|---------------------------|
| <b>2. County Deposits</b> |
|---------------------------|

The county's depository agreements require the depository banks to pledge collateral securities to cover the county's deposits. The securities pledged by one of the county's banks at December 31, 1999, were not sufficient to cover the county funds in excess of Federal Deposit Insurance Corporation (FDIC) coverage by approximately \$468,000. In addition, during January 2000 and 1999, the collateral securities pledged by the same bank were not

sufficient to cover the county funds in excess of FDIC coverage by approximately \$4,700,000 and \$1,590,000, respectively.

The county and its depository banks do not effectively monitor the balances in the accounts of the County Treasurer and County Collector to determine the sufficiency of the FDIC and collateral securities coverage. As a result, the county funds are not adequately protected.

The county should monitor its bank balances to ensure that the amounts of FDIC and collateral securities pledged are sufficient to cover all county funds. Section 110.020, RSMo 1994, requires the value of the securities pledged at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. To help ensure the securities pledged are adequate, the county should consider modifying the depository agreements to require the collateral securities pledged be sufficient to cover all county deposits. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

This condition was noted in our prior two audit reports.

**WE AGAIN RECOMMEND** the County Commission ensure adequate collateral securities are pledged for all county funds on deposit in excess of FDIC coverage.

### **AUDITEE'S RESPONSE**

*We agree with the recommendation and will contact the bank immediately to resolve this situation.*

**3.**

#### **County Treasurer's Reconciliations**

The County Treasurer's fund ledger is not accurate as the book balance does not take into account checks issued by the County Clerk that remain outstanding. Only checks that have cleared the bank are shown as being disbursed. In addition, the County Treasurer performs reconciliations between her fund ledger balances and the bank statement balances once every six months when the semi-annual settlement is prepared; however, differences noted are not always investigated and followed up on.

During our review, we compared bank amounts to book balances and discovered a receipt of \$4,762 and a payment of \$4,790 which were not recorded in 1999 on the fund ledger. Because these errors were similar in amount, they did not materially misstate the fund ledger balance; however, they were not discovered by the Treasurer due to lack of a complete reconciliation between the bank balances and the Treasurer's book balance.

Complete reconciliations between the bank receipts, disbursements and balances and county fund ledgers are necessary to ensure all monies have been accounted for properly. Any discrepancies noted should be investigated and resolved on a timely basis.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the County Treasurer prepare complete reconciliations between the county fund ledgers and bank statement balances monthly and resolve any discrepancies on a timely basis. In addition, the county fund ledgers should reflect a true book balance including any checks written by the County Clerk which remain outstanding.

**AUDITEE'S RESPONSE**

*I agree. These recommendations have now been implemented.*

|                                    |
|------------------------------------|
| <b>4. Sheriff's Inmate Account</b> |
|------------------------------------|

The Sheriff's Department receives approximately \$30,000 annually in personal monies for inmates and operates a commissary to purchase food and personal items for the prisoners. The inmate and commissary monies are maintained in the same bank account. Profits from the commissary are used to purchase recreational equipment for use by the inmates.

The total of the prisoners' monies in the Sheriff's checking account is not reconciled to the total of the recorded individual prisoner balances. Inmate balances are maintained on computer files but the balances cannot be reconciled to the total in the bank account because the account also contains the commissary monies for which no separate records are kept. To reconcile, the Sheriff's office must maintain records for the commissary account that would record sales made as well as purchases and calculate the balance of the account. Reconciliations between receipts, disbursements, and individual balances and the total in this bank account are necessary to ensure all monies received are accounted for properly and errors in recording amounts in inmate and commissary accounts are detected.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the Sheriff maintain records for the commissary account and reconcile the individual prisoner and commissary balances to the total of the monies in the bank account on a monthly basis.

**AUDITEE'S RESPONSE**

*I will investigate the situation. If our current resources allow, I will attempt to implement the recommendation within ninety days.*

**5.****Circuit Clerk's Procedures**

The Circuit Clerk accepts partial payments of fines and court costs and accumulates them until the entire balance has been collected. The Circuit Clerk also collects bonds on some criminal cases. Our review of the civil and criminal open-items listings noted 214 cases totaling approximately \$27,200 which were more than one year old. These older cases may contain balances insufficient to cover all fines and costs charged to the case. Also, the criminal open items noted may contain old bonds.

Regarding partial payments being held, if it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance held in the case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated." Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.

In addition, a review should also be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the county treasurer as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo 1994, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

**WE RECOMMEND** the Circuit Clerk review older cases along with the Circuit Judge and determine the appropriate disposition of inactive cases. In addition, any old unclaimed bonds should be disposed of in accordance with state law.

**AUDITEE'S RESPONSE**

*I will review these older cases and talk to the Judge to determine if any of these monies can be prorated and disbursed. I also plan to talk to at least three other circuit clerks in the area to see how they are handling these cases. I will try to have implemented this recommendation within three to six months.*

**6.****Home Health Department's Records and Procedures**

- A. The Home Health Department bills various entities (ie. Medicare, Medicaid, and private insurance companies) for the services provided to patients. The majority of the department's receipts are received through the payments received from these



billings. Department receipts totaled approximately \$718,000 and \$774,000 in 1999 and 1998, respectively. Our review of the department's billing and collection procedures noted the following concerns:

1. The department did not adequately monitor unpaid billings and, as a result, failed to receive approximately \$50,000 in Medicare reimbursements due for services provided.

Billings for Medicare services are filed electronically with the Health Care Financing Administration (HCFA) and must be submitted within twelve months of the date of service. No reconciliations were performed between the department's in-house accounts receivable records and available Medicare reports to verify that all submitted claims were actually being approved and reimbursed. Due to this lack of monitoring, the department was unaware that several claims submitted for services provided in 1997 were denied by the HCFA. In 1998, when the department finally realized that these claims had actually been denied, they resubmitted them for approval; however, due to the untimely reprocessing of these claims approximately \$50,000 of their request was rejected. This loss of reimbursements has impacted the county's financial condition.

In addition, Medicare (and other) remittance advices, which document the reimbursements, are supposed to be matched with the corresponding bill when the information is posted to the department's in-house accounts receivable program used to track all patient billings and balances. However, the department has not updated the billings and related payments on this program since February 1999. Therefore, remittance advices are not being reconciled to the accounts receivable records on a timely basis and the accounts receivable balances are not accurately stated.

2. Billings are not always prepared in a timely manner. During our review of billings to private insurance companies, we noted that four of the seven billings reviewed were sent from three to five months after the service was provided.

To help ensure receipts are maximized, decrease the risk of errors or misappropriation, and provide an accurate picture of the department's financial condition, periodic reconciliations between applicable funding agency reports, bills and remittance advices should be performed, accounts receivable records should be currently maintained, and billings should be prepared in a timely manner.

- B. Accounting duties are not adequately segregated. Currently, the responsibilities of collecting, recording, and transmitting receipts, and billing for accounts receivables are assigned to one employee. There is no documented independent review of the accounting records.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved due to limited staff, at a minimum the Home Health Administrator should periodically compare transmittals with recorded receipts. Proper supervision by the Home Health Administrator and documented reviews help ensure that financial records are properly maintained and errors are detected on a timely basis.

- C. Checks are not restrictively endorsed until they are received in the transmittal by the County Treasurer. To decrease the risk of monies being misused, checks should be restrictively endorsed immediately upon receipt.

**WE RECOMMEND** the Home Health Department:

- A. Perform periodic reconciliations between funding agency reports, bills, and remittance advices, properly maintain accounts receivable records, and prepare billings in a timely manner.
- B. Adequately segregate the record keeping duties or perform and document periodic reviews of the accounting records.
- C. Restrictively endorse checks immediately upon receipt.

**AUDITEE'S RESPONSE**

- A. *The accounts receivable problem for 1997 that resulted in the loss of \$50,000 in Medicare reimbursements was only partially due to our failure to keep accounts receivable updated. A large part of the problem was that the Providers Statistical and Reimbursement report (PS & R) from HCFA failed to show accurate data. The PS & R is a notification process that reports when an agency has different visit numbers than HCFA and which serves as a check and balance system to ensure accuracy. Other agencies have reported that their PS & R's are very inaccurate. We received no notice that this was occurring and neither did any of the other providers.*

*The fact that the loss of reimbursement has impacted the county's financial condition is true, but part of our loss for 1999 was covered with moneys from our donation account. For both 1998 & 1999 we do know what is billed and exactly what has been paid using the following procedure:*

*On a semi-annual basis, starting in December 1999, our Finance Director goes into the Medicare system and manually enters the identification number of each patient served year-to-date. This shows per screen what has been paid on every patient. She then compares that data to what we have actually received. If the system shows that something has not been paid, then we rebill. Visits are double-checked again at that time.*

*Accounts receivable postings are behind since February 1999. We knew that the system described above was a quicker and more accurate check of billed versus paid claims. The accounts receivable will be brought up to date. In the fall of 1999, the Finance Director set up a new accounts receivable system that HCFA told her needed to be done.*

*To serve as clarification as to why the accounts receivable postings fell behind from February of 1999, the accounts receivable were a primary duty of one of our secretaries until the Balanced Budget Act of 1997. The secretary was hired March 30, 1998, and this was a high priority to get the accounts receivable current. Several things happened that made us reprioritize her job. In February of 1999, HCFA mandated the implementation of the Outcome Assessment Information Set (OASIS).*

*The nurses had to collect the data (14 pages on the initial patient assessment) and turn it in within a five day window. The secretary who was working on the accounts receivable now was in charge of entering the data through the HAVEN software system to the Division of Aging. She was working on a very tight time frame. The data had to be locked in the system by day seven, which started on the day the nurse made the initial visit. The secretary no longer had time to conclude the accounts receivable postings. She had to learn a new system and keep up with it. Because OASIS data is collected at least six points, patient admission became a large job that needed one person's attention.*

*With all the Medicare cuts, we could not afford to hire additional help to normalize operations. It is important to note that home health has now become the most highly regulated industry in health care. It has taken a lot of time and money for our staff to learn, apply, and evaluate new systems that had been mandated. There have certainly been a lot of changes.*

*Regarding timeliness of private insurance billings, we realize that this is not acceptable. All private insurance billings year-to-date will be caught up by the end of the week of June 12, 2000.*

- B. Part of the accounting segregation process will be achieved by logging in all checks upon receipt in the mail. The secretary who will be in charge of this will not be the secretary who routinely does the accounting functions. Additionally, the administrator will develop into policy, internal controls to ensure proper accounting controls by periodically comparing transmittals with paid receipts.*

*The Administrator receives, on a regular basis, reports that show financial information as reflected in the general ledger. The administrator signs off on these reports, which are in the form of monthly trial balance reports. When our 2000 budget was cut by \$136,000, we then decided that it would be necessary to evaluate expense/revenue information on a weekly basis. We started this review in February of 2000, just after final budget approval.*

- C. *We have started a log-in of all money received on a daily basis. We have now implemented restrictive endorsement of checks by stamping the back of each check "Deposit Only to the County of Pike" immediately upon receipt. The secretary designated for this job is not the Finance Director.*

This report is intended for the information of the management of Pike County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## PIKE COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pike County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997.

The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

### 1. County Expenditures

- A.1. The county received two bids for a new computer system and executed a lease/purchase agreement for hardware with the higher bidder. No documentation was maintained to support the reason for selecting the bid.
- 2. The county accepted an offer from the hardware vendor awarded the bid in A.1. to lease software for five years. Bids were not solicited for the software from any other vendor. The county began using this software in November 1996, but later learned that the software was not Y2K compatible. The vendor proposed to correct this deficiency at an extra cost to the county of more than three times the amount of the lease. The county decided to continue with the present lease through December 1999, and shop around for one that was Y2K compatible.
- B. The County Commission purchased equipment for their 911 system from two vendors but could not produce documentation showing a formal bid process.

### Recommendation:

The County Commission solicit bids for purchases in accordance with state law and ensure bid requests contain all necessary information for vendors to prepare complete and accurate bids. In addition, the County Commission should maintain complete and accurate documentation of bidding decisions. The County Commission should also consider seeking legal advice as to whether any of the additional costs related to obtaining new software and converting data can be recouped from its present software vendor.

### Status:

Partially implemented. During our review, it appeared the County Commission generally solicited bids for purchases in accordance with state law and ensured bid requests contained all necessary information for vendors to prepare complete and accurate bids. In addition, improvements in the documentation concerning bidding decisions were noted; however, documentation concerning some decisions was still lacking. The county addressed the Y2K issue during the audit period by purchasing new equipment; however, the county was not

able to recoup any of these costs from its previous software vendor. Although not repeated in our current MAR, our recommendation remains as stated above.

2. Computer System

The county did not have a formal emergency contingency plan for its computer systems.

Recommendation:

The County Commission develop a formal contingency plan for the county's computer systems.

Status:

Not implemented. However, the county indicated that there are other counties and/or organizations nearby which utilize the same computer software as Pike County. They believed that if a disaster were to occur, the county could use one of these systems. In addition, back-ups are being made by the company that provided the system and information could be recreated from those back-ups for Pike County in the event of a computer disaster. Although not repeated in the current MAR, our recommendation remains as stated above.

3. County Deposits

The county's depository banks did not meet their contractual agreement to pledge collateral securities to cover the county's deposits. As a result, the county funds were not adequately protected.

Recommendation:

The County Commission ensure adequate collateral securities are pledged for all county funds on deposit in excess of FDIC coverage.

Status:

Partially implemented. While the county's banks pledged the specific amounts of collateral securities required in the depository agreements, during January 1999, December 1999, and January 2000, one of the banks did not have sufficient collateral securities pledged to completely cover county funds. See MAR No. 2.

4. Personnel Policies and Procedures

- A. Time sheets were not always prepared by employees or maintained by the County Clerk's office. In addition, they were not always signed by the employee or the employee's supervisor.

- B. The County Clerk did not maintain centralized records of compensatory time and sick and annual leave balances for each employee. In addition, employee's annual and sick leave balances were not always correctly reported and compensatory time balances were not always calculated correctly.

Recommendation:

The County Commission:

- A. Ensure accurate and complete time sheets are prepared and maintained for all employees. The records should be prepared and signed by the employees, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure that employee leave earned, taken and the accumulated balances are reported accurately and require the County Clerk to maintain centralized annual, sick and compensatory leave records.

Status:

A&B. Implemented.

5. Flood Control and Wildlife Refuge Distributions

Flood Control and Wildlife Refuge monies received from the federal government were not properly distributed in accordance with state law.

Recommendation:

The County Commission distribute the applicable federal monies received in accordance with Section 12.100, RSMo 1994.

Status:

Partially implemented. Wildlife Refuge and Flood Control monies were properly distributed in 1999; however, errors were noted in the distribution of Flood Control monies in January 2000. No corrections were made for the previous errors noted, but when considered with the errors made in January 2000, the accumulated differences are now insignificant. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Maternal and Child Health Services Reimbursements

- A. For the year ended September 30, 1997, the Public Health Administrator submitted claims for reimbursement based upon the Medicaid-approved rates rather than upon actual costs as required by the contract. Total reimbursements exceeded actual costs by approximately \$877.



- B. The Public Health Administrator did not remit a MCH reimbursement to the County Treasurer because the Administrator was holding the check for possible return to the state pending the resolution of the cost issue discussed in part A above.

Recommendation:

The County Commission:

- A. The County Commission ensure the Public Health Department complies with the terms of the MCH contract and resolve the questioned costs with the grantor agency.
- B. Require the Public Health Administrator to remit receipts to the county treasurer daily or when accumulated receipts exceed \$100.

Status:

- A. Implemented. The county Public Health Department has resolved the questioned costs found in the prior audit. The \$877 was reimbursed to the Department of Health in January 1999. In addition, subsequent payments to the Public Health Department were based on actual costs incurred.
- B. Implemented.

7. County Treasurer's Reconciliations and Interest Allocations

- A. The County Treasurer did not perform reconciliations between the fund ledger and the bank statement balances or investigate or resolve any discrepancies in a timely manner.
- B. County Treasurer allocated interest earned on county bank accounts to various funds by a method that resulted in either too high or too low interest allocations among various funds.

Recommendation:

The County Treasurer:

- A. Prepare complete reconciliations between the county fund ledgers and bank statement balances monthly and resolve any discrepancies on a timely basis.
- B. Develop a better method to allocate interest earnings to ensure interest is allocated properly among funds.

Status:

- A. Not implemented. See MAR No. 3.
- B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

8. County Collector's Procedures

- A. Incorrect unadjusted tax levies were used when computing the Proposition C ratios for some school districts.
- B. The annual settlements of the County Collector were not completed and filed timely in accordance with Section 139.160, RSMo 1994.

Recommendation:

The County Collector:

- A. Recompute commissions related to these school districts and make corrections for amounts improperly distributed to the schools and the General Revenue Fund. In addition, the Collector should ensure future Proposition C commission are computed properly.
- B. Ensure annual settlements are completed in a timely manner.

Status:

- A. Partially implemented. Proposition C commissions were computed properly for the two years ended February 28, 2000; however, corrections for previous incorrect distributions have not been made. The Collector indicated the withholding errors were discussed with the County Commission but no decision was made regarding correcting the previous errors. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. The annual settlement for the year ended February 28, 1999, was not completed until August 1999 and the settlement for the year ended February 28, 2000, was not completed until May 2000. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Sheriff's Inmate Account

- A. The total of the prisoners' monies in the Sheriff's commissary checking account was not reconciled to the total of the individual prisoner balances.

- B. Authorization to make disbursements to inmates for refunds upon release and to vendors for commissary supplies was not properly restricted. In addition, canceled checks were not reviewed and compared to invoices for the purchase of commissary supplies and some invoices were not retained.

Recommendation:

The Sheriff:

- A. Maintain records for the commissary account and reconcile the individual prisoner and commissary balances to the total of the monies in the bank account on a monthly basis.
- B. Limit the number of individuals authorized to make disbursements from the inmate account and compare the canceled checks to the invoices for propriety. In addition, invoices should be maintained to support expenditures from the inmate account.

Status:

- A. Not implemented. See MAR No. 4.
- B. Partially implemented. Checks written by correctional officers on the inmate account are now compared to invoices by the clerk responsible for reconciling the account. In addition, invoices are maintained to support all disbursements from the account. However, the number of individuals authorized to make disbursements from the account has not been limited. Although not repeated in the current MAR, our recommendation remains as stated above.

10. County Clerk's Records and Procedures

- A. General fixed asset records were not reconciled from year to year to ensure that all additions and deletions for the period were included and that all other fixed assets were accounted for properly.
- B. General fixed assets were not numbered, tagged, or otherwise identified as county property.

Recommendation:

The County Clerk:

- A. Maintain general fixed asset records on a perpetual basis.
- B. Identify all general fixed asset items with an original cost of \$250 or more with a number, tag, or other similar device.

Status:

- A. Partially implemented. General fixed asset records are maintained on a perpetual basis and the County Clerk plans to computerize the records in the near future; however, a reconciliation is not performed from year to year. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. The County Clerk indicated that most assets are tracked by their serial numbers, if available. Although not repeated in the current MAR, our recommendation remains as stated above.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# PIKE COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1818, the county of Pike was named after Zebulon Pike, a leader of an 1818 Missouri River expedition. Pike is a county-organized, third-class county and is part of the Forty-Fifth Judicial Circuit. The county seat is Bowling Green.

Pike County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Pike County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 1999         |               | 1998      |               |
|---------------------------|--------------|---------------|-----------|---------------|
|                           | AMOUNT       | % OF<br>TOTAL | AMOUNT    | % OF<br>TOTAL |
| Property taxes            | \$ 754,736   | 18            | 724,831   | 17            |
| Sales taxes               | 1,131,501    | 26            | 1,136,387 | 27            |
| Federal and state aid     | 1,909,980    | 44            | 1,823,819 | 43            |
| Fees, interest, and other | 507,457      | 12            | 569,749   | 13            |
| Total                     | \$ 4,303,674 | 100           | 4,254,786 | 100           |

The following chart shows how Pike County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 1999         |            | 1998      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 1,013,192 | 23         | 1,013,876 | 23         |
| Public safety             | 382,344      | 9          | 467,030   | 11         |
| Public health and welfare | 1,054,166    | 24         | 1,059,581 | 24         |
| Highways and roads        | 1,948,723    | 44         | 1,822,162 | 42         |
| Total                     | \$ 4,398,425 | 100        | 4,362,649 | 100        |

The county also received approximately \$749,000 and \$814,000 for the years ended December 31, 1999 and 1998, respectively, to spend on public safety from the Law Enforcement Sales Tax Fund.

The county maintains approximately 109 county bridges and 548 miles of county roads.

The county's population was 16,928 in 1970 and 15,969 in 1990. The following chart shows the county's change in assessed valuation since 1970:

|                        | Year Ended December 31, |       |       |        |        |
|------------------------|-------------------------|-------|-------|--------|--------|
|                        | 1999                    | 1998  | 1985* | 1980** | 1970** |
|                        | (in millions)           |       |       |        |        |
| Real estate            | \$ 98.8                 | 89.1  | 82.6  | 52.0   | 40.1   |
| Personal property      | 43.6                    | 39.7  | 15.6  | 13.8   | 7.0    |
| Railroad and utilities | 41.9                    | 41.8  | 41.0  | 18.9   | 13.3   |
| Total                  | \$ 184.3                | 170.6 | 139.2 | 84.7   | 60.4   |

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Pike County's property tax rates per \$100 of assessed valuations were as follows:

|                              | Year Ended December 31, |      |
|------------------------------|-------------------------|------|
|                              | 1999                    | 1998 |
| General Revenue Fund         | \$ .25                  | .25  |
| Special Road and Bridge Fund | .29                     | .29  |
| Hospital Fund                | .22                     | .22  |
| Senate Bill 40 Board Fund    | .18                     | .18  |

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:



| Year Ended February 28,      |              |           |
|------------------------------|--------------|-----------|
|                              | 2000         | 1999      |
| State of Missouri            | \$ 50,780    | 51,906    |
| General Revenue Fund         | 436,366      | 445,084   |
| Special Road and Bridge Fund | 488,145      | 499,236   |
| Assessment Fund              | 73,342       | 76,171    |
| Hospital Fund                | 368,055      | 376,050   |
| Senate Bill 40 Board Fund    | 301,548      | 308,584   |
| School districts             | 5,505,796    | 5,728,263 |
| Nursing Home Fund            | 5,538        | 5,207     |
| Ambulance district           | 6,965        | 6,459     |
| Fire protection districts    | 47,259       | 45,048    |
| Tax Increment District Fund  | 5,133        | 4,649     |
| Drainage district            | 14,534       | 14,507    |
| Cities                       | 78,484       | 94,252    |
| County Employees' Retirement | 24,686       | 23,490    |
| Commissions and fees:        |              |           |
| General Revenue Fund         | 110,878      | 114,251   |
| Total                        | \$ 7,517,509 | 7,793,157 |

Percentages of current taxes collected were as follows:

| Year Ended February 28, |        |        |
|-------------------------|--------|--------|
|                         | 2000   | 1999   |
| Real estate             | 82.8 % | 94.9 % |
| Personal property       | 75.8   | 93.1   |
| Railroad and utilities  | 100.0  | 98.3   |

Pike County also has the following sales taxes; rates are per \$1 of retail sales:

|                 | Rate     | Expiration Date | Required Property Tax Reduction |
|-----------------|----------|-----------------|---------------------------------|
| General         | \$ .0500 | None            | 50 %                            |
| Law Enforcement | .0500    | None            | 0                               |
| Road and Bridge | .0500    | None            | 0                               |

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

| Officeholder   | 2000   | 1999   | 1998   |
|--|--------|--------|--------|
| County-Paid Officials:   |        |        |        |
| Clark Pointer, Presiding Commissioner                            | \$     | 29,060 | 20,000 |
| Delbert L. Clark, Associate Commissioner                         |        | 27,060 | 20,000 |
| Harold R. Deitle, Associate Commissioner                         |        | 27,060 | 20,000 |
| Jim Ford, County Clerk   |        | 41,000 | 32,500 |
| Mark Fisher, Prosecuting Attorney                                |        | 61,500 | 43,250 |
| Jim Wells, Sheriff   |        | 38,000 | 38,000 |
| Patti Crane, County Treasurer                                    |        | 30,340 |        |
| Delores Tinsley, County Treasurer                                |        |        | 21,590 |
| Bill Sterne, County Coroner                                      |        | 6,500  | 6,500  |
| Leone Cadwallader, Public Administrator *                        |        | 16,779 | 17,707 |
| Marty Morrison, County Collector,<br>year ended February 28(29), | 41,000 |        |        |
| Robert Conrad, County Collector,<br>year ended February 28(29),  |        | 32,673 |        |
| John Shade, County Assessor **,<br>year ended August 31,         |        | 41,900 | 41,900 |
| Dennis Kallash, County Surveyor ***                              |        | 0      | 0      |

\* Includes fees received from probate cases.

\*\* Includes \$900 annual compensation received from the state.

\*\*\* Compensation on a fee basis.

State-Paid Officials:

|  |  |        |        |
|--|--|--------|--------|
| Sherry Crow McCarty, Circuit Clerk and<br>Ex Officio Recorder of Deeds |  | 44,292 | 42,183 |
| J. Rockne Calhoun, Associate Circuit Judge                             |  | 87,235 | 85,158 |

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

| Office   | Number of Employees Paid by |          |
|--|-----------------------------|----------|
|  | County                      | State    |
| Circuit Clerk and Ex Officio Recorder of Deeds | 2                           | 2        |
| County Clerk                                   | 3                           | 0        |
| Prosecuting Attorney (1)                       | 4                           | 0        |
| Sheriff (2)                                    | 31                          | 0        |
| County Treasurer (3)                           | 1                           | 0        |
| County Collector (3)                           | 2                           | 0        |
| County Assessor                                | 7                           | 0        |
| Associate Division                             | 0                           | 2        |
| Probate Division                               | 0                           | 1        |
| Road and Bridge                                | 18                          | 0        |
| Public Health (2)                              | 10                          | 0        |
| Home Health (2)                                | 33                          | 0        |
| Total  | <u>111</u>                  | <u>5</u> |

(1) Includes a part-time assistant prosecuting attorney.

(2) Includes several part-time employees.

(3) Includes one part-time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Pike County's share of the 45th Judicial Circuit's expenses is 35.6 percent.

In 1994, a new county jail was completed at a cost of approximately \$1.5 million. The county entered into a 15 year lease-purchase agreement to pay for the building. In August 1997, the county refinanced its lease-purchase agreement. As of December 31, 1999, the county still owed \$1,361,628 on the lease-purchase agreement, including \$1,075,000 in principal and \$286,628 in interest payable.

\* \* \* \* \*



CITY OF MARSTON, MISSOURI  
YEAR ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-57  
July 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Marston, Missouri.**

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The city of Marston is in poor financial condition as a result of various factors. Numerous internal control weaknesses, lax controls over expenditures, and inefficient management practices have been identified and discussed in more detail throughout our report. Because of the poor financial condition, the city has used over billings from a federal grant program to fund normal operating expenses.

The city received federal assistance from the U.S. Department of Justice under the COPS program for three additional full time officers which increased the number of city officers to four. Since March 1995, the city has received grant awards totaling \$80,007. Under the grant provisions, the city was required to provide 25 percent of the cost of employing the additional officers until the grant expires on September 30, 2000, in addition, to continuing to provide 100 percent of the cost of employing the original officer.

The city received reimbursement totaling \$64,270 for the period January 1997 through September 1999. During this time period, the city employed two or three officers (including the original officer) but included the salary of the original officer in the reimbursement request. Because the grant agreement required the city to fund 100 percent of the first officer, excess disbursements of approximately \$37,000 were claimed.

The Board of Aldermen should contact the applicable federal grantor agency to resolve this issue. In addition, the city should ensure future compliance with all federal regulations.

As noted by the city's auditor during his annual audit for the year ended December 31, 1998, loans, personal purchases, water bills and tap fees, and tractor rental fees were made to former Police Chief James Fortner and former City Collector Bridget Fortner (his wife) during the two years ended December 31, 1998.

The city's auditor identified \$4,391 in improper transactions of which \$4,060 was reimbursed to the city through salary withholdings and repayments by the Fortners. The repayments included \$1,349 from Alderman Phillips on behalf of the Fortners.

In addition, there were salary overpayments totaling \$2,815 to the Fortners during the two years ended December 31, 1998, that are not included in the above amounts. These salary overpayments and improper transactions occurred and were not detected because of the lack of authorization and review of payments by the board and the practice of signing

(over)

YELLOW SHEET

checks in advance. Although city checks required two signatures, the former Mayor routinely signed checks in advance allowing the former City Collector, Bridget Fortner, to negotiate the improper transactions and salary overpayments. The employment of Bridget and James Fortner was terminated by the city in February 1999.

For a number of years, the city has made transfers between the various funds when monies are needed to pay bills. This appears to have been a regular part of the city's operations with no consideration given to restricted monies. During the year ended December 31, 1999, transfers totaling \$35,098 were made from restricted funds (\$30,361 from the Water and Sewer Fund and \$4,737 from the Street Fund) to the General Fund. These restricted funds should not be used for general purposes. Although it appears the city paid back the restricted funds with its one cent general sales tax monies, the city should refrain from transferring restricted monies in the first place. In addition, procedures have not been established to ensure expenditures are properly allocated among the various funds benefiting from the expenditures and to ensure restricted revenues are expended only for their intended purposes.

It is essential that the city account for the various revenue sources and properly allocate expenses to the various funds. Allocation of expenses is necessary for the city to ensure the water and sewer rates are sufficient to cover the costs of providing the service without generating profits to subsidize other city services.

The city does not prepare or adopt annual budgets. Semi-annual financial statements have not been published and annual financial reports are not submitted to the State Auditor's office as required by state law.

The city has no formal bidding policy. Supporting documentation was not available for several payments to vendors. The board does not review related invoices and supporting documentation prior to signing checks. The city does not reconcile all bank accounts and does not have adequate procedures established for the petty cash fund.

Accounting and bookkeeping duties are not adequately segregated. Receipts are not recorded or deposited in a timely manner. Time sheets and leave records are not prepared and maintained on a regular basis.

Utility accounting and bookkeeping duties are not adequately segregated. Adjustments to utility accounts are not approved by the board. The number of gallons of water billed to customers is not reconciled to the number of gallons of water pumped by the city.

CITY OF MARSTON, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Marston  
Marston, Missouri 63866

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Marston, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

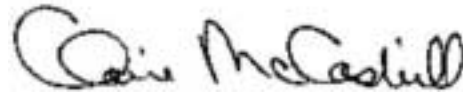
Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.



The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Marston, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is cursive and fluid, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

January 14, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                     |
|---------------------|---------------------|
| Director of Audits: | Karen Laves, CPA    |
| Audit Manager:      | David Holtmann, CPA |
| In-Charge Auditor:  | Sharon Hill         |
| Audit Staff:        | Jay Ross            |

## HISTORY AND ORGANIZATION

# CITY OF MARSTON, MISSOURI HISTORY AND ORGANIZATION

The City of Marston is located in New Madrid County. The city was incorporated in 1898 as a fourth-class city. The population of the city in 1990 was 691.

The city government consists of a mayor and four-member Board of Aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1999, were:

| <u>Elected Officials</u>                            | <u>Term Expires</u> | <u>Actual Compensation for the Year Ended December 31, 1999</u> | <u>Amount Of Bond</u> |
|---|---------------------|---|-----------------------|
| Jeff Tucker, Mayor (1)                              | April, 2000         | \$ 30   | \$                    |
| Junior Phillips, Alderman                           | April, 2001         | 120   |                       |
| Marilyn Thomason, Alderwoman(2)                     | April, 2000         | 40  |                       |
| Rebecca Redden, Alderwoman (3)                      | April, 2001         | 70  |                       |
| Robert Penman, Alderman (4)                         | April, 2000         | 0   |                       |
| Bill Boyd, Municipal Judge (5)                      |                     | 0   |                       |
| <u>Other Principal Officials</u>                    |                     |   |                       |
| Jennine Steward, City Collector/<br>Court Clerk (6) |                     |   | 20,000                |
| Larry Jarred, Police Chief (7)                      |                     | 9,200   |                       |
| Lewis Recker, City Attorney                         |                     | 1,800   |                       |

- (1) John Kretschner resigned in March 1999 and was replaced by Jeff Tucker. Paul Haubold was elected in April 2000.
- (2) Robert Silman was elected in April 2000 to replace Marilyn Thomason.
- (3) Resigned April 2000.
- (4) Donald Ferguson resigned in March 1999 and was replaced by Robert Penman. Wayne Ruby was elected in April 2000.
- (5) Roy Lovins resigned in November 1999 and was replaced by Bill Boyd. Roy Lovins was elected in April 2000.
- (6) Replaced Bridget Fortner whose employment was terminated in February 1999.
- (7) Replaced James Fortner whose employment was terminated in February 1999.

Assessed valuation and tax rate information for 1999 and 1998 are as follows:

ASSESSED VALUATION

|                      | <u>1999</u>      | <u>1998</u>      |
|----------------------|------------------|------------------|
| Real Estate          | \$ 2,655,430     | 2,579,050        |
| Personal Property    | 636,368          | 684,677          |
| Railroad and Utility | <u>1,168,964</u> | <u>1,075,220</u> |
| Total                | <u>4,460,762</u> | <u>4,338,947</u> |

TAX RATES PER \$100 ASSESSED VALUATION

|         |         |      |
|---------|---------|------|
| General | \$ 0.51 | 0.51 |
|---------|---------|------|

The city had the following sales taxes; rates are per \$1 of retail sales:

|                 | <u>Rate</u> | <u>Expiration<br/>Date</u> |
|-----------------|-------------|----------------------------|
| General         | .010        | None                       |
| Road and bridge | .005        | None                       |

A summary of the financial activity for the city of Marston for the year ended December 31, 1999, is presented on the next page.

| Year Ended December 31, 1999        |                 |                         |                |                      |                 |         |
|-------------------------------------|-----------------|-------------------------|----------------|----------------------|-----------------|---------|
|                                     | General<br>Fund | Water and<br>Sewer Fund | Street<br>Fund | Construction<br>Fund | Other*<br>Funds | Total   |
| <b>RECEIPTS:</b>                    |                 |                         |                |                      |                 |         |
| Motor fuel and motor vehicle fees   | \$ 0            | 0                       | 28,036         | 0                    | 0               | 28,036  |
| Sales taxes                         | 66,389          | 0                       | 19,418         | 0                    | 12,908          | 98,715  |
| Property taxes                      | 11,197          | 0                       | 0              | 0                    | 0               | 11,197  |
| Railroad and utility taxes          | 5,076           | 0                       | 0              | 0                    | 0               | 5,076   |
| Interest                            | 0               | 0                       | 0              | 3,307                | 125             | 3,432   |
| User fees                           | 0               | 120,825                 | 0              | 0                    | 0               | 120,825 |
| Franchise taxes                     | 40,170          | 0                       | 0              | 0                    | 0               | 40,170  |
| Meter deposits                      | 0               | 1,460                   | 0              | 0                    | 0               | 1,460   |
| Fines and forfeitures               | 22,526          | 0                       | 0              | 0                    | 0               | 22,526  |
| Membership dues                     | 0               | 0                       | 0              | 0                    | 905             | 905     |
| COPS grant                          | 19,000          | 0                       | 0              | 0                    | 0               | 19,000  |
| CDBG                                | 0               | 0                       | 0              | 0                    | 35,042          | 35,042  |
| Court costs                         | 13,935          | 0                       | 0              | 0                    | 0               | 13,935  |
| Donations                           | 919             | 0                       | 0              | 0                    | 0               | 919     |
| Loan proceeds                       | 19,878          | 0                       | 0              | 250,000              | 0               | 269,878 |
| Other                               | 6,319           | 103                     | 3,435          | 0                    | 1,029           | 10,886  |
| Transfers in                        | 53,460          | 0                       | 21,720         | 0                    | 13,327          | 88,507  |
| Total Receipts                      | 258,869         | 122,388                 | 72,609         | 253,307              | 63,336          | 770,509 |
| <b>DISBURSEMENTS:</b>               |                 |                         |                |                      |                 |         |
| Salaries                            | 66,441          | 34,849                  | 34,326         | 0                    | 0               | 135,616 |
| Contract labor                      | 1,923           | 2,600                   | 0              | 0                    | 0               | 4,523   |
| Trash contract                      | 0               | 21,433                  | 0              | 0                    | 0               | 21,433  |
| Office expense                      | 14,129          | 10,305                  | 7,042          | 0                    | 0               | 31,476  |
| Court                               | 17,975          | 0                       | 0              | 0                    | 0               | 17,975  |
| CDBG                                | 0               | 0                       | 0              | 0                    | 35,031          | 35,031  |
| Postage                             | 668             | 504                     | 0              | 0                    | 0               | 1,172   |
| Fuel                                | 5,803           | 1,326                   | 1,424          | 0                    | 0               | 8,553   |
| Chemicals                           | 0               | 5,690                   | 0              | 0                    | 0               | 5,690   |
| Repairs, parts, and supplies        | 12,498          | 22,034                  | 12,655         | 0                    | 0               | 47,187  |
| Street paving                       | 0               | 0                       | 0              | 223,434              | 0               | 223,434 |
| Fire department                     | 0               | 0                       | 0              | 0                    | 3,154           | 3,154   |
| Loan repayments                     | 40,158          | 0                       | 0              | 0                    | 0               | 40,158  |
| Other                               | 35,897          | 1,752                   | 12,449         | 0                    | 16,251          | 66,349  |
| Transfers out                       | 55,627          | 22,521                  | 5,237          | 0                    | 5,122           | 88,507  |
| Total Disbursements                 | 251,119         | 123,014                 | 73,133         | 223,434              | 59,558          | 730,258 |
| Receipts Over (Under) Disbursements | 7,750           | -626                    | -524           | 29,873               | 3,778           | 40,251  |
| Cash Balance, January 1,            | 1,646           | 626                     | 524            | 0                    | 8,595           | 11,391  |
| Cash Balance, December 31,          | \$ 9,396        | 0                       | 0              | 29,873               | 12,373          | 51,642  |

\* Includes Fire, Police, Sales Tax Lease, Bond Reserve, Principal and Interest, POST, and CDBG Grant Funds.

## MANAGEMENT ADVISORY REPORT

CITY OF MARSTON  
SUMMARY OF FINDINGS

1. Financial Condition (page 10)

The city of Marston is in poor financial condition. Because of the poor financial condition the city has used overbillings from a federal grant program to fund normal operating expenses.

2. Accounting Controls and Procedures (pages 10-12)

Accounting and bookkeeping duties are not adequately segregated. Receipts are not recorded or deposited in a timely manner. Checks were signed in advance by the previous Mayor.

3. Expenditures (pages 12-15)

The city has no formal bidding policy. Supporting documentation was not available for several payments to vendors. The board does not review related invoices and supporting documentation prior to signing checks. The city does not reconcile all bank accounts and does not have adequate procedures established for the petty cash fund.

4. Improper Transactions (pages 15-16)

Several loans, personal purchases and other improper transactions identified by the city's independent auditor were made by the former Police Chief and the former City Collector. In addition, salary overpayments totaling approximately \$2,815 were made to the former Police Chief and the former City Collector.

5. Personnel Policies and Procedures (pages 16-17)

Time sheets and leave records are not prepared and maintained on a regular basis.

6. Community Oriented Policing Services (COPS) Grant (pages 17)

The city improperly claimed and received reimbursement of approximately \$37,000 from a federal grant to which it was not entitled.

7. City Services (pages 17-19)

Utility accounting and bookkeeping duties are not adequately segregated. Adjustments to utility accounts are not approved by the board. The number of gallons of water billed to customers is not reconciled to the number of gallons of water pumped by the city. A log of miscellaneous work performed by the water and sewer department is not maintained and prenumbered billing forms are not utilized.

8. Budgets, Financial Reporting, and Minutes (pages 20-21)

The city does not prepare or adopt annual budgets. Semiannual financial statements have not been published and annual financial reports are not submitted to the State Auditor's office as required by state law.

9. Restricted Revenues (pages 21-22)

The city inappropriately transfers monies in order to pay bills without consideration of restricted use of some funds. In addition, the city does not ensure expenditures are properly allocated to the various funds of the city.

10. General Fixed Asset Records and Procedures (page 22)

The city does not maintain complete records to account for all property owned by the city. Mileage or maintenance logs are not maintained for any of the vehicles owned by the city.

11. Municipal Court (page 23)

Receipts slips are not issued for all monies received by the court. Neither the police department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of summonses issued.



CITY OF MARSTON, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                            |
|-----------|----------------------------|
| <b>1.</b> | <b>Financial Condition</b> |
|-----------|----------------------------|

The city of Marston is in poor financial condition as a result of various factors. Numerous internal control weaknesses, lax controls over expenditures, and inefficient management practices have been identified and discussed in more detail throughout our Management Advisory Report (MAR). Because of the poor financial condition, the city has used overbillings from a federal grant program to fund normal operating expenses.

Without the continued use of the grant proceeds which have been improperly received, the city's General Fund would be operating at a deficit. The board needs to closely monitor the ongoing financial condition of the General Fund. The board should develop a plan which will allow the city to repay the overbillings and operate the General Fund with the available resources.

The Board of Aldermen needs to ensure an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity. The recommendations contained in the remaining MARs, if implemented will help establish these controls and procedures.

**WE RECOMMEND** the Board of Aldermen closely monitor the financial condition of the city's funds. In addition, the board should develop a plan to allow the city to repay the overbillings and operate the General Fund with the available resources.

**AUDITEE'S RESPONSE:**

*We will comply with this recommendation. We are working on a budget for the current year and will have it completed within ninety days.*

|           |   |
|-----------|---|
| <b>2.</b> | <b>Accounting Controls and Procedures</b> |
|-----------|---|

- A. The City Collector performs all accounting and record keeping duties of the city and essentially serves as City Treasurer and City Clerk as well as City Collector. While the Board of Aldermen has appointed one of its members as City Clerk, it appears that individual is not involved in the accounting or record keeping of the city records. The City Collector collects all receipts, prepares deposits, reconciles the bank accounts, and serves as secretary to the board. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the City Collector. A similar comment was made by the city's auditor during the previous annual audit. Attorney General's Opinion No. 24, 1995 to Dodds, concluded that in a fourth class

city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. One person holding all of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by the state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits, invoice files to checks issued, and review bank statements and bank reconciliations.

- B. Receipts are not deposited intact on a timely basis. Some receipts were held up to twelve days before being deposited. In addition, checks and money orders are not restrictively endorsed immediately upon receipt and are kept in an unsecured location.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100. In addition, checks should be restrictively endorsed immediately upon receipt and kept in a secure location until deposited.

- C. Checks issued on the bank accounts require two signatures. Prior to February 1999, checks were occasionally signed in advance by the previous Mayor. Currently, the Mayor as well as two Aldermen are authorized to sign checks; however, none of these officials are bonded.

Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures. In addition, failure to bond all persons with access to assets exposes the city to risk of loss.

- D. Receipts are not promptly recorded from the receipt book and water and sewer billing stubs to the daily receipt ledger. Some receipt slips were not recorded on the daily receipt ledger for up to twelve days.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be promptly recorded on the accounting records. In addition, the original receipt slips should be reconciled to the daily receipt ledger, and any discrepancies promptly investigated.

**WE RECOMMEND** the Board of Aldermen:

- A. Provide for an adequate segregation of duties or the performance of independent reconciliations and reviews of the accounting records and procedures.
- B. Ensure all receipts are deposited intact daily or when accumulated receipts exceed \$100. In addition, all checks and money orders should be restrictively endorsed immediately upon receipt and receipts stored in a secure location.
- C. Discontinue the practice of signing checks in advance, and obtain bond coverage for all persons with access to city assets.
- D. Promptly record receipts to the daily receipt ledger, reconcile receipt slips to the ledger and promptly investigate any discrepancies.

**AUDITEE'S RESPONSE:**

- A. *We plan to hire a second person in the office to separate duties. The City Clerk/Collector position will be separate. Closer reviews will be made by Mayor of the financial statements.*
- B. *Daily receipts will be deposited intact. Checks and money orders will be stamped for deposit only immediately upon receipt.*
- C. *This practice is not one of this administration. Bond coverage for all those authorized to sign checks will be obtained.*
- D. *Receipts will be recorded daily.*

|           |                     |
|-----------|---------------------|
| <b>3.</b> | <b>Expenditures</b> |
|-----------|---------------------|

- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances, including \$19,877 for a police car, \$21,433 for trash service, \$12,302 for workers compensation insurance, and \$3,000 for a dump truck.

A formal bidding policy for major purchases based on specified dollar amounts would provide a more efficient framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders.

Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Bids may be handled by telephone quotation, by written quotation, by sealed bid, or by advertised bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is

used, complete documentation should be maintained of all bids received and the reasons noted why the bid was selected.

- B. Vendor invoices or other supporting documentation were not retained for some expenditures. These expenditures included \$493 to Wal-Mart and \$123 to a local general store. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds.
- C. The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursement being made. Although the board minutes make a general reference that invoices are approved for payment, a listing of all disbursements is not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a complete listing of bills should be prepared, signed or initialed by the board to denote its approval and retained with the official minutes. In addition, supporting documentation should be reviewed by the Board of Aldermen before payment is made to ensure all disbursements represent valid operating costs of the city.

- D. The city has charge accounts set up at several local businesses for the purchase of items such as gas, supplies, and miscellaneous items. Some of the purchases billed to the city included clothing, toys, headbands, soda, and lunch for employees. The city does not monitor the amounts charged to ensure the items are for city business only. In addition, on some occasions the city charged items on behalf of an individual or club; however, the city does not maintain adequate records to ensure that the city is reimbursed.

Procedures have not been established to govern the use of these charge accounts and to ensure the accounts are only used for business purposes. In addition, procedures have not been established to ensure the amounts charged on the behalf of others are paid in full.

Since the city of Marston is recognized as a governmental entity, it is tax exempt. It does not appear proper for the city to allow its employees or other individuals to benefit from the use of the city's tax exempt status. Doing so violates the terms of the city's sales tax exemption letter.

- E. The city did not effectively monitor the balances of several bank accounts and often issued checks when sufficient funds were not available. During the two years ended December 31, 1999, bank charges in the amount of \$325 were assessed against the city for insufficient fund checks. To prevent the city from incurring unnecessary bank charges, the city should maintain and monitor check book balances for all accounts.

- F. The city has maintained a petty cash fund of approximately \$100 for miscellaneous purchases. The fund was not operated on an imprest basis until July 1999. During the two years ended December 31, 1998, checks made payable to cash totaled at least \$1,766 which the city has indicated were used to replenish the petty cash fund. During that same time, invoices or receipts were not available to support expenditures of the fund totaling \$827 and a ledger was not maintained to document disbursements. In addition, expenditures totaling approximately \$130 were noted that did not appear to be a prudent use of public funds (items such as flowers, sodas and lunches for employees). The fund is entirely under the control of the City Collector and no independent review is made to ensure it is maintained properly.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies and procedures. In addition, documentation of the bidding process should be maintained in all cases.
- B. Require adequate supporting documentation for all expenditures.
- C. Review and approve all expenditures of city funds prior to the disbursements being made. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.
- D. Establish a policy to limit the use of the charge accounts for business purposes and prohibit the practice of allowing employees to charge personal items.
- E. Maintain checkbook balances for all accounts and ensure procedures are in place to eliminate bank overdraft charges.
- F. Ensure the petty cash fund is periodically counted and reconciled to the imprest balance by an independent person. Invoices should be maintained for all petty cash expenditures and a ledger should be prepared of all petty cash transactions. In addition, the board should ensure disbursements are a necessary and prudent use of public funds.

**AUDITEE'S RESPONSE:**

- A. *A formal bidding policy will be adopted.*
- B&E. *We agree with the recommendations.*
- C. *We will attempt to follow this recommendation.*
- D. *The practice of employees charging to the city's account has been prohibited.*
- F. *This has been implemented.*

**4.****Improper Transactions**

As noted by the city's auditor during his annual audit for the year ended December 31, 1998, loans, personal purchases, water bills and tap fees, and tractor rental fees were made to former Police Chief James Fortner and former City Collector Bridget Fortner (his wife) during the two years ended December 31, 1998.

|                              |                |
|------------------------------|----------------|
| Loans and personal purchases | \$4,041        |
| Water bill                   | 50             |
| Water & sewer tap fee        | 150            |
| Tractor Rental               | <u>150</u>     |
| Total                        | <u>\$4,391</u> |

|             |                |
|-------------|----------------|
| Repaid 1997 | \$ 761         |
| Repaid 1998 | 1,394          |
| Repaid 1999 | <u>1,905</u>   |
| Total       | <u>\$4,060</u> |

The city's auditor identified \$4,391 in improper transactions of which \$4,060 was reimbursed to the city through salary withholdings and repayments by the Fortners. The repayments included \$1,349 from Alderman Phillips on behalf of the Fortners.

In addition, there were salary overpayments totaling \$2,815 to the Fortners during the two years ended December 31, 1998, that are not included in the above amounts. These salary overpayments and improper transactions occurred and were not detected because of the lack of authorization and review of payments by the board and the practice of signing checks in advance (see MAR 2.C.). Although city checks required two signatures, the former Mayor routinely signed checks in advance allowing the former City Collector, Bridget Fortner, to negotiate the improper transactions and salary overpayments. The employment of Bridget and James Fortner was terminated by the city in February 1999.

The Board of Aldermen has no statutory authority to make loans and Article VI, Section 23, of the Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

**WE RECOMMEND** the Board of Aldermen review the salary overpayments and improper transactions and work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the remaining amounts due the city. In addition, the board should discontinue the practice of loaning monies to individuals and develop adequate review procedures for authorizing payroll amounts.

**AUDITEE'S RESPONSE:**

*We will attempt to recover monies due the city through prosecution if necessary.*

*Former Police Chief James Fortner and former City Collector Bridget Fortner provided the following response:*

*All of the loans, personal purchases and related transactions were approved by the city. The city had full knowledge of all of the above amounts, which were noted on our check stubs when the repayments were made.*

*The city authorized additional payments on numerous occasions without documenting the amounts in the minutes for working alone without any assistance.*

|   |
|---|
| <b>5. Personnel Policies and Procedures</b> |
|---|

- A. The City Collector, police officers, and maintenance employees do not prepare time sheets or daily activity logs on a regular basis. In addition, time sheets that were prepared were not consistently signed by the employee and do not indicate review and approval by the supervisor.

Time sheets are necessary to document hours actually worked, substantiated payroll expenditures, and provide the board with a method to monitor hours worked. The city should require all employees to prepare detailed time sheets which are reviewed and approval by a supervisor.

- B. The city does not maintain records of vacation, sick leave, and compensatory time earned, taken, or accumulated for each employee. Adequate documentation of vacation and sick leave earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated.

**WE RECOMMEND** the Board of Aldermen:

- A. Require all city employees to prepare time sheets reflecting the actual time worked. In addition, time sheets should be signed by the employee and the applicable supervisor.
- B. Maintain accurate records of vacation, sick leave, and compensatory time in a manner that provides a complete record of the amount of time earned, taken, and any accumulated balances.

**AUDITEE'S RESPONSE:**

- A. *Time clock and/or time sheets are being used by all employees.*

B. *This has been implemented beginning in January 1999.*

|   |
|---|
| <b>6. Community Oriented Policing Services (COPS) Grant</b> |
|---|

The city received federal assistance from the U.S. Department of Justice under the COPS program for three additional full time officers which increased the number of city officers to four. Since March 1995, the city has received grant awards totaling \$80,007. Under the grant provisions, the city was required to provide 25 percent of the cost of employing the additional officers until the grant expires on September 30, 2000, in addition, to continuing to provide 100 percent of the cost of employing the original officer.

The city received reimbursement totaling \$64,270 for the period January 1997 through September 1999. During this time period, the city employed two or three officers (including the original officer) but included the salary of the original officer in the reimbursement request. Because the grant agreement required the city to fund 100 percent of the first officer, excess disbursements of approximately \$37,000 were claimed.

The Board of Aldermen should contact the applicable federal grantor agency to resolve this issue. In addition, the city should ensure future compliance with all federal regulations.

**WE RECOMMEND** the Board of Aldermen consult with the grantor agency to resolve this issue. In addition, the Board of Aldermen should ensure future compliance with all federal regulations and only claim reimbursement for allowable costs.

**AUDITEE'S RESPONSE:**

*We will be contacting the Department of Justice and will ensure compliance in the future.*

|                         |
|-------------------------|
| <b>7. City Services</b> |
|-------------------------|

The city provides water and sewer to approximately 300 customers. Our review of the billing and receipt process and internal controls indicated the following areas in need of improvement.

- A. The City Collector is responsible for billing, collecting, and recording all utility payments. Neither the board nor other personnel independent of the billing and collection functions provide adequate supervision or an independent review of the work performed by the City Collector.

To safeguard against possible loss or misuse of funds, internal controls should provide for reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. An adequate system of internal controls requires



segregation of duties. The Board of Aldermen should, at a minimum, designate someone independent of the process to perform and document periodic reviews of the records and procedures.

- B. The city has a computerized billing system for the water and sewer customers. This system automatically records adjustments made to the monthly utility bills to an adjustments sheet. The City Collector made numerous adjustments for incorrect water usage amounts or leaks. While the reasons to adjust the billings may be valid, it appears most adjustments are made at the discretion of the City Collector and are not formally reviewed by the Mayor or the board.

To ensure all adjustments to water and sewer billings are proper, the Mayor or Board of Aldermen should review and approve all billing adjustments.

- C. The city does not reconcile the total gallons of water billed to customers to total gallons of water pumped. The City Collector receives water usage information for each account and the water personnel record meter readings of the city's water well, so information is available to perform such reconciliations. During the month of March 1999, the gallons of water pumped exceeded the total gallons billed by 1,754,550 gallons, or 44 percent. Over one-third of the loss is between the city's well and water tower which the city has indicated is due to flushing out the system and known leaks.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences. The Public Service commission generally recommends investigation if water usage not billed exceeds 15 percent.

- D. The city receives cash, checks and money orders for the payment of utility bills. The city will issue a receipt slip for the payment only if the utility stub does not accompany the payment. In most instances, the utility stubs serve as the city's receipt slip. However, the method of payment (cash, check, money order, etc.) is not consistently recorded on the utility stub.

To ensure the proper handling and safeguarding of city monies, the method of payment should be indicated on the utility stubs and the composition of receipts should be reconciled to the amounts deposited.

- E. The city's water and sewer department performs miscellaneous services (brush hog and backhoe service, water and sewer connections) for the city businesses and residents. The water and sewer department does not keep a log of work performed nor is a prenumbered billing form utilized for the services provided.

To ensure all work performed is properly billed, a log should be prepared by the

water and sewer department. In addition, prenumbered billing forms should be utilized and accounted for by the city.

**WE RECOMMEND** the Board of Aldermen:

- A. Adequately segregate the accounting duties of the City Collector or designate someone independent of the process to perform and document periodic reviews of the records and procedures of the water and sewer billings.
- B. Ensure adjustments to water and sewer billings are reviewed and approved by the Mayor or Board of Aldermen.
- C. Compare the gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences.
- D. Require the City Collector to record the method of payment on utility stubs and reconcile them to the amounts deposited.
- E. Require the water and sewer department to prepare a log of all work performed. In addition, prenumbered billing forms should be utilized and accounted for by the city.

**AUDITEE'S RESPONSE:**

- A. *This will be implemented when we segregate the duties of the City Clerk/City Collector.*
- B. *This will be implemented by the Mayor or the water/sewer commissioners.*
- C. *We will attempt to monitor closer when the new water system is in place.*
- D. *This has been implemented.*
- E. *This will be implemented.*

|   |
|---|
| <b>8. Budgets, Financial Reporting, and Minutes</b> |
|---|

- A. The city does not prepare and adopt annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and

expenditure estimations by fund, and include the beginning available resources and reasonable estimates of ending available resources. The budget should also include a budget message and comparison of actual or estimated revenues and expenditures for the two preceding fiscal years.

- B. The city has not published semiannual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semiannual statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.
- C. The city does not consistently submit annual financial reports to the State Auditor's Office as required by state law. The last financial report submitted was for the year ended December 31, 1997. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office.
- D. The board minutes are prepared by the City Collector, but the minutes are not signed. The board minutes should be signed by the City Collector as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

**WE RECOMMEND** the Board of Trustees:

- A. Prepare annual budgets in compliance with state law, and make periodic comparisons between budgeted and actual revenues and expenditures.
- B. Publish semiannual financial statements as required by state law.
- C. Submit annual financial reports to the State Auditor's Office as required by state law.
- D. Ensure board minutes are signed by the preparer and Mayor or a designated member of the board to attest to their accuracy.

**AUDITEE'S RESPONSE:**

- A. *This has been done in past and will be reinstated.*
- B-D. *These will be implemented.*

|                               |
|-------------------------------|
| <b>9. Restricted Revenues</b> |
|-------------------------------|

For a number of years, the city has made transfers between the various funds when monies

are needed to pay bills. This appears to have been a regular part of the city's operations with no consideration given to restricted monies. During the year ended December 31, 1999, transfers totaling \$35,098 were made from restricted funds (\$30,361 from the Water and Sewer Fund and \$4,737 from the Street Fund) to the General Fund. These restricted funds should not be used for general purposes. Although it appears the city paid back the restricted funds with its one cent general sales tax monies, the city should refrain from transferring restricted monies in the first place. In addition, procedures have not been established to ensure expenditures are properly allocated among the various funds benefiting from the expenditures and to ensure restricted revenues are expended only for their intended purposes.

It is essential that the city account for the various revenue sources and properly allocate expenses to the various funds. Allocation of expenses is necessary for the city to ensure the water and sewer rates are sufficient to cover the costs of providing the service without generating profits to subsidize other city services. Furthermore, the uses of certain funds, such as state motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

Because the city has not properly accounted for the various revenue sources and has transferred restricted monies inappropriately to various funds, it is likely current balances maintained in various city funds are not correct. The board should determine if appropriate adjustments can be determined.

**WE RECOMMEND** the Board of Aldermen discontinue transferring restricted revenues and ensure all expenditures are properly allocated to the various funds. In addition, the board should review the current balances and make corrections as necessary.

**AUDITEE'S RESPONSE:**

*Attempts will be made to eliminate the transfers and repay any applicable transfers made in the past.*

|   |
|---|
| <b>10. General Fixed Asset Records and Procedures</b> |
|---|

- A. The city does not maintain complete records to account for all property owned by the city. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The record should include a detailed description of the assets including the name, make and model numbers, and asset identification number, the physical location of the assets, and the date and method of disposition of the assets when disposed of. In addition, all property items should be identified with a tag or other similar device, and the city should conduct annual inventories.

Adequate general fixed asset records are necessary to secure better internal control

and safeguard city assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on city property.

- B. The city does not maintain mileage or maintenance logs for any of the vehicles owned by the city. Mileage logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The mileage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally, the city should properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.
- B. Maintain mileage and maintenance logs for all city vehicles.

**AUDITEE'S RESPONSE:**

- A. *We will attempt to follow this recommendation.*
- B. *This will be maintained.*

|                            |
|----------------------------|
| <b>11. Municipal Court</b> |
|----------------------------|

- A. Receipt slips were not issued for some monies received. During the period March 1999 to July 1999, receipts totaling \$308 were deposited, for which receipts slips had not been issued. Failure to issue receipt slips for all monies received increases the risk that loss or misappropriation of funds will not be detected in a timely manner.
- B. Neither the police department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of summonses issued. Without a proper accounting of the numerical sequence and ultimate disposition of summonses, the police department and the municipal division cannot be assured all summonses are submitted to the court for processing.

A similar condition was noted in our prior audit report of the municipal division.

**WE RECOMMEND** the city of Marston Municipal Division:

- A. Issue receipt slips for all monies received.
- B. Work with the police department to account for the numerical sequence and ultimate disposition of all summonses.

**AUDITEE'S RESPONSE:**

*A&B. This has been implemented.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
YEARS ENDED 1999 AND 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-56  
July 17, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

The following audit report presents our findings and recommendations for certain municipal divisions of the Thirty-First Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

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|-----------------------------|--------------------|
| <b>City of Ash Grove</b>    | <i>pages 22-23</i> |
| <b>City of Battlefield</b>  | <i>page 23</i>     |
| <b>City of Fair Grove</b>   | <i>page 24</i>     |
| <b>City of Republic</b>     | <i>pages 24-28</i> |
| <b>City of Springfield</b>  | <i>pages 28-30</i> |
| <b>City of Strafford</b>    | <i>page 30</i>     |
| <b>City of Walnut Grove</b> | <i>pages 30-31</i> |
| <b>City of Willard</b>      | <i>pages 31-33</i> |

YELLOW SHEET



THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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## FINANCIAL SECTION

## State Auditor's Reports



CLAIRE C. McCASKILL  
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS

Presiding Judge  
and  
Municipal Judges  
Thirty-First Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Thirty-First Judicial Circuit as of and for the years ended December 31, 1999 and 1998; September 30, 1999 and 1998; and June 30, 1999 and 1998, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraphs four through six, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Thirty-First Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Internal controls and accounting records of the city of Republic Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended December 31, 1999 and 1998.

Internal controls and accounting records of the city of Willard Municipal Division were inadequate. Receipt slips were not issued for some monies received. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained.

As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended December 31, 1999 and 1998.

Internal controls and records accounting for bond refunds of the city of Springfield Municipal Division were inadequate. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1999 and 1998.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding three paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Thirty-First Judicial Circuit as of and for the years ended December 31, 1999 and 1998; September 30, 1999 and 1998; and June 30, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

We also had planned to audit the special-purpose financial statement of the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998. This special-purpose financial statement is the responsibility of the municipal division's management.

As a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1999 and 1998.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 22, 2000, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, appearing to read 'Claire McCaskill', with a large, stylized initial 'C'.

Claire McCaskill  
State Auditor

February 22, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Donna Christian, CPA   |
| In-Charge Auditor:  | Sharon Hill            |
| Audit Staff:        | Rachel Little          |
|                     | Jay Ross               |
|                     | Ted Fugitt, CPA        |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
and  
Municipal Judges  
Thirty-First Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Thirty-First Judicial Circuit as of and for the years ended December 31, 1999 and 1998; September 30, 1999 and 1998; and June 30, 1999 and 1998, and have issued our report thereon dated February 22, 2000. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Republic and the city of Willard as of and for the years ended December 31, 1999 and 1998, and the city of Springfield Municipal Division as of and for the years ended June 30, 1999 and 1998. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statement of the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated February 22, 2000. In that report we did not express an opinion on the special-purpose financial statement.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Thirty-First Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

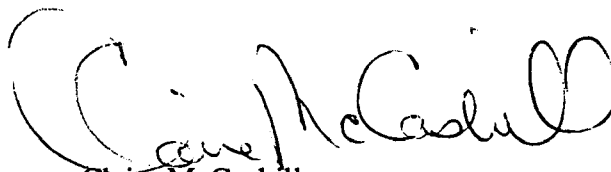


## Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Thirty-First Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgement, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Thirty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

February 22, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Republic<br>Year Ended December 31, |                |
|-------------------------------------|---|----------------|
|                                     | 1999  | 1998           |
| RECEIPTS                            |   |                |
| Fines, costs, bonds, and other      | \$ 105,304                                  | 113,460        |
| Total Receipts                      | <u>105,304</u>                              | <u>113,460</u> |
| DISBURSEMENTS                       |   |                |
| City treasury                       | 100,857                                     | 109,102        |
| State of Missouri (Note 3)          | 0   | 0              |
| Refunds and other                   | 5,801                                       | 6,223          |
| Total Disbursements                 | <u>106,658</u>                              | <u>115,325</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -1,354                                      | -1,865         |
| CASH , JANUARY 1                    | 7,229                                       | 9,094          |
| CASH , DECEMBER 31                  | <u>\$ 5,875</u>                             | <u>7,229</u>   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Walnut Grove<br>Year Ended December 31, |                   |
|-------------------------------------|---|-------------------|
|                                     | 1999  | 1998              |
| RECEIPTS                            |   |                   |
| Fines, costs, bonds, and other      | \$ 2,223  | 2,952             |
| Total Receipts                      | <u>2,223</u>                                    | <u>2,952</u>      |
| DISBURSEMENTS                       |   |                   |
| City treasury                       | 2,343   | 2,832             |
| State of Missouri (Note 3)          | <u>0</u>  | <u>0</u>          |
| Total Disbursements                 | <u>2,343</u>                                    | <u>2,832</u>      |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -120  | 120               |
| CASH, JANUARY 1                     | <u>120</u>                                      | <u>0</u>          |
| CASH, DECEMBER 31                   | <u><u>\$ 0</u></u>                              | <u><u>120</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Willard         |               |
|-------------------------------------|-------------------------|---------------|
|                                     | Year Ended December 31, |               |
|                                     | 1999                    | 1998          |
| RECEIPTS                            |                         |               |
| Fines, costs, bonds, and other      | \$ 20,640               | 15,469        |
| Total Receipts                      | <u>20,640</u>           | <u>15,469</u> |
| DISBURSEMENTS                       |                         |               |
| City treasury                       | 2,284                   | 13,660        |
| State of Missouri                   | 16,519                  | 1,762         |
| Refunds and other                   | 420                     | 0             |
| Total Disbursements                 | <u>19,223</u>           | <u>15,422</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,417                   | 47            |
| CASH, JANUARY 1                     | <u>352</u>              | <u>305</u>    |
| CASH, DECEMBER 31                   | <u>\$ 1,769</u>         | <u>352</u>    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Strafford        |        |
|-------------------------------------|--------------------------|--------|
|                                     | Year Ended September 30, |        |
|                                     | 1999                     | 1998   |
| RECEIPTS                            |                          |        |
| Fines, costs, bonds, and other      | \$ 104,510               | 51,650 |
| Total Receipts                      | 104,510                  | 51,650 |
| DISBURSEMENTS                       |                          |        |
| City treasury                       | 104,230                  | 51,650 |
| State of Missouri (Note 3)          | 0                        | 0      |
| Total Disbursements                 | 104,230                  | 51,650 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 280                      | 0      |
| CASH, OCTOBER 1                     | 0                        | 0      |
| CASH, SEPTEMBER 30                  | \$ 280                   | 0      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Ash Grove<br>Year Ended June 30, |                 |
|-------------------------------------|--|-----------------|
|                                     | 1999                                     | 1998            |
| RECEIPTS                            |  |                 |
| Fines, costs, bonds, and other      | \$ 23,109                                | 37,023          |
| Total Receipts                      | <u>23,109</u>                            | <u>37,023</u>   |
| DISBURSEMENTS                       |  |                 |
| City treasury                       | 23,109                                   | 37,373          |
| State of Missouri (Note 3)          | <u>0</u>                                 | <u>0</u>        |
| Total Disbursements                 | <u>23,109</u>                            | <u>37,373</u>   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0  | -350            |
| CASH , JULY 1                       | <u>0</u>                                 | <u>350</u>      |
| CASH , JUNE 30                      | <u><u>\$ 0</u></u>                       | <u><u>0</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

(UNAUDITED)

|                                     | City of Battlefield |               |
|-------------------------------------|---------------------|---------------|
|                                     | Year Ended June 30, |               |
|                                     | 1999                | 1998          |
| RECEIPTS                            |                     |               |
| Fines, costs, bonds, and other      | \$ 26,394           | 26,053        |
| Total Receipts                      | <u>26,394</u>       | <u>26,053</u> |
| DISBURSEMENTS                       |                     |               |
| City treasury                       | 12,344              | 18,954        |
| State of Missouri                   | 1,518               | 2,304         |
| Refunds and other                   | 3,543               | 1,371         |
| Unaccountable (Note 4)              | <u>3,353</u>        | <u>4,521</u>  |
| Total Disbursements                 | <u>20,758</u>       | <u>27,150</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 5,636               | -1,097        |
| CASH , JULY 1                       | <u>-834</u>         | <u>263</u>    |
| CASH , JUNE 30                      | <u>\$ 4,802</u>     | <u>-834</u>   |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit C

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Fair Grove<br>Year Ended June 30, |       |
|-------------------------------------|---|-------|
|                                     | 1999                                      | 1998  |
| RECEIPTS                            |   |       |
| Fines, costs, bonds, and other      | \$ 10,186                                 | 7,821 |
| Total Receipts                      | 10,186                                    | 7,821 |
| DISBURSEMENTS                       |   |       |
| City treasury                       | 10,186                                    | 7,821 |
| State of Missouri (Note 3)          | 0   | 0     |
| Total Disbursements                 | 10,186                                    | 7,821 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0   | 0     |
| CASH , JULY 1                       | 0   | 0     |
| CASH , JUNE 30                      | \$ 0                                      | 0     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Springfield<br>Year Ended June 30, |                  |
|-------------------------------------|--|------------------|
|                                     | 1999                                       | 1998             |
| RECEIPTS                            |  |                  |
| Fines, costs, bonds, and other      | \$ 3,390,324                               | 3,061,843        |
| Total Receipts                      | <u>3,390,324</u>                           | <u>3,061,843</u> |
| DISBURSEMENTS                       |  |                  |
| City treasury                       | 3,095,426                                  | 2,760,282        |
| State of Missouri (Note 3)          | 0  | 0                |
| Refunds and other (Note 5)          | <u>292,577</u>                             | <u>272,821</u>   |
| Total Disbursements                 | <u>3,388,003</u>                           | <u>3,033,103</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,321                                      | 28,740           |
| CASH, JULY 1                        | <u>77,714</u>                              | <u>48,974</u>    |
| CASH, JUNE 30                       | <u>\$ 80,035</u>                           | <u>77,714</u>    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Thirty-First Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality, the county, or the state of Missouri, as applicable, and are not included in the financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1999 and 1998, all bank account balances reported for the municipal divisions of the Thirty-First Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include 80 percent of the court costs for cases heard by an Associate Circuit Judge, the judgement for the Motorcycle Safety Trust Fund, and the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund and the Statewide Court Automation Fund. The state's portion of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the city of Battlefield and the city of Willard. Amounts remitted by the cities to the state are not included in the financial statements.

4. City of Battlefield-Missing Funds

Fines, court costs, and bonds totaling at least \$7,874 which court records indicate were received by the City of Battlefield Municipal Division but not deposited, are included in receipts and are presented as unaccountable disbursements on the financial statement for the years ended June 30, 1999 and 1998.

5. City of Springfield

Bonds posted by defendants for the city of Springfield Municipal Division are deposited directly into the municipal division bond account, and a check for the full amount of the bond is written to the defendant after the disposition of the case. These checks are sometimes endorsed by the defendant back to the municipal division to be used to pay fines and costs assessed. Amounts in excess of the fines and costs assessed are then refunded to the defendant in cash. The amounts refunded to defendants in cash could not be readily determined. The refund amount reflected in the financial statements would include the entire amount of the original check.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the City of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Thirty-First Judicial Circuit as of and for the years ended December 31, 1999 and 1998; September 30, 1999 and 1998; and June 30, 1999 and 1998, and have issued our report thereon dated February 22, 2000. That report expressed a qualified opinion on the special-purpose financial statements of the municipal divisions of the city of Republic and the city of Willard as of and for the years ended December 31, 1999 and 1998, and the city of Springfield Municipal Division as of and for the years ended June 30, 1999 and 1998.

We also had planned to audit the special-purpose financial statement of the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated February 22, 2000. In that report we did not express an opinion on the special-purpose financial statement.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal divisions' special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

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| <b>1.</b> | <b>City of Ash Grove Municipal Division</b> |
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- A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. In addition, there is no supervisory review performed of the Court Clerk's functions by an independent person. Specifically, there is no independent reconciliation between receipts and deposits.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of reconciliations between receipts and deposits to the city treasury.

- B. The municipal division accepts cash, checks, and money orders for fines and court costs and deposits monies directly to the city treasury. The Court Clerk does not always record the method of payment on the receipts ledger and there is no independent comparison of the composition of receipt slips issued to amounts deposited. To ensure receipts are deposited intact, the method of payment should be recorded on receipt slips, and the composition of receipt slips issued should be reconciled to the composition of monies deposited to the city treasury.



- C. The \$5 Crime Victims Compensation (CVC) fee and the \$2 Law Enforcement Training (LET) fee, are assessed on dismissed cases. Sections 595.045 and 590.140, RSMo Cumulative Supp. 1999, require these fees be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

Conditions similar to parts B. and C. were also noted in our prior report.

**WE RECOMMEND** the city of Ash Grove Municipal Division:

- A. Adequately segregate the duties of receiving, recording, and transmitting court monies. At a minimum, there should be a documented supervisory review of reconciliations between receipts and deposits to the city treasury.
- B. Indicate the method of payment on the receipts ledger and reconcile the composition of receipt slips to the composition of monies deposited.
- C. Assess CVC and LET fees in accordance with state law.

**AUDITEE'S RESPONSE:**

*The Court Clerk provided the following responses:*

- A. *The judge will periodically compare recorded receipts to deposits and document his review. This recommendation will be implemented immediately.*
- B. *We currently indicate the method of payment on the receipt ledger; however, this was not done on a few receipts during the course of this audit. We are currently double checking our receipt ledger to ensure the method of receipts is always indicated.*
- C. *This recommendation has been implemented.*

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| <b>2. City of Battlefield Municipal Division</b> |
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During our audit of the various municipal divisions of the Thirty-First Judicial Circuit, we noted a cash shortage existed in the city of Battlefield Municipal Division. A separate report was issued by the State Auditor's office on April 19, 2000, for the city of Battlefield Municipal Division and concluded that court monies totaling \$11,524 were collected by the court from July 1, 1995 through August 6, 1999, and were not deposited into the municipal division bank account. Recommendations concerning internal controls and accounting records of the city of Battlefield Municipal Division were included in that report and are not included in this report.

**3.**

**City of Fair Grove Municipal Division**

We noted the following concerns relating to deferred payments:

- A. The municipal division allows defendants to pay fines and costs over a period of time. However, a control ledger is not maintained showing the total amount due which can be reconciled to the case files. A control ledger would allow the court to monitor the amounts due to the court and could aid in the collection of amounts owed. In addition, the case files should be reconciled periodically to the control ledger.
- B. The municipal division does not require defendants to sign a deferred payment contract when they are allowed to pay fines and costs over a period of time. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay fines and costs, and to aid in accounting for and collecting the amounts due to the municipal division.

**WE RECOMMEND** the city of Fair Grove Municipal Division:

- A. Maintain a control ledger which shows balances owed to the court and periodically reconcile the control ledger to the individual case files.
- B. Obtain payment agreements from each defendant.

**AUDITEE'S RESPONSE:**

*The Court Clerk provided the following responses:*

- A. *We have implemented this recommendation.*
- B. *We are currently creating a form to document deferred payment agreements. We hope to have this recommendation implemented within the next three months.*

**4.**

**City of Republic Municipal Division**

- A. Fines, court costs, and bonds are occasionally received from the defendant before the related traffic ticket is received from the police department. The clerk does not record or transmit these monies to the city until the related traffic ticket is received. At September 29, 1999, the division held \$474 of these unrecorded payments. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be recorded immediately upon receipt, and deposits should be made daily or when accumulated receipts exceed \$100.

- B. Formal bank reconciliations have not been prepared for the municipal division's bond bank account since December 1998. In addition, a running checkbook balance is not recorded in the bond check register.

To ensure all differences between the bank and book balances are noted in a timely manner, bank reconciliations should be performed monthly and a running balance should be maintained in the check register.

- C. We noted the following concerns related to open items (liabilities):

1. The Court Clerk does not prepare monthly listings of open items (liabilities). At our request, a listing was prepared as of December 31, 1999, and reconciled to the cash balance. A monthly listing of open items is necessary to ensure accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.
2. The municipal division has not implemented adequate procedures to follow up on cash bonds held for over one year. As of December 31, 1999, the balance of the municipal division's bond account included bond receipts totaling approximately \$4,386 which have been held in excess of one year.  
An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury, as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo 1994, requires cash bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.
3. Interest earned on the bond account totaling \$398 from February 1998 to December 1998 was not disbursed to the city until April 1999. In addition, interest totaling \$318 earned during 1999 is still being held by the municipal division. Accumulated interest should be periodically turned over to the City Treasurer for deposit in the city's general account .

- D. Neither the police department nor the municipal division maintains records to account for traffic tickets issued and their ultimate disposition. The police department maintains a log of tickets issued, but the tickets are not listed in numerical order, and the disposition is not indicated.

Without a proper accounting of the numerical sequence and ultimate disposition of tickets, the police department and the court cannot be assured that all tickets issued are properly submitted to the municipal division for processing. A log listing each ticket number in numerical order, the date issued, and the violator's name would ensure all tickets issued have been submitted to the court for processing, properly voided, or not prosecuted. In addition, a record should be maintained accounting for the ultimate disposition of each ticket to ensure all tickets have been accounted for properly.

- E. CVC and Peace Officer Standards and Training Commission (POSTC) fees collected by the municipal division are deposited in the city treasury. The city is responsible for

remitting the CVC and POSTC fees due to the state; however, the city has not remitted these fees to the state since August 1998.

As of December 31, 1999, at least \$10,500 of CVC collections and \$2,200 of POSTC collections for the period September 1998 through December 1999 are due to the state.

Section 595.045.3, RSMo 1994, requires 95 percent of the CVC fee be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.

- F. The court does not file monthly reports with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare monthly listings of all cases heard in court, including all fines and court costs collected, to be verified by the Court Clerk or the Municipal Judge, and filed with the city's governing body.
- G. The Court Clerk collects fines and court costs, and the police officers collect bond monies. These employees are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and city to risk of loss.

Conditions similar to parts A, C.1, C.2, and C.3. were also noted in our prior report.

**WE RECOMMEND** the city of Republic Municipal Division:

- A. Record monies immediately upon receipt, and deposit monies daily or when accumulated receipts exceed \$100.
- B. Prepare monthly bank reconciliations and maintain a running check register balance.
- C.1. Prepare monthly listings of open items, and reconcile the listing to the reconciled bank balance.
- 2. Dispose of unclaimed bonds in accordance with state law, and periodically review outstanding bonds to determine if the payees can be located. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section in accordance with state law.
- 3. Periodically disburse accumulated interest to the City Treasurer for deposit in the city's general account.
- D. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets.
- E. Ensure CVC and POSTC fees collected are remitted to the state in accordance with state law. In addition, the municipal division should request the city disburse outstanding CVC and POSTC fees to the state.
- F. Prepare monthly reports of court actions and file these with the city in accordance with state law.
- G. Request that the city consider obtaining adequate bond coverage for all persons handling court monies.

### **AUDITEE'S RESPONSE:**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. This was only done temporarily. When the current clerk took over, the court did not accept payments, and the city could not input payments until the court put the case in the computer. At the time in question, the court could not put a case in the computer until it received the original ticket from the Police Department. The checks that were held were for tickets in cases where the defendant had paid prior to the court receiving the original ticket from the Police Department. This is no longer the practice in the court, and in fact has not been since the day it was mentioned as a problem by the Auditor's staff. Since that time, payments have been processed on the day received and no payments are held waiting on tickets any longer.*
- B. All bond account statements were reconciled and current as of the last visit from the Auditor's office. A running balance is now kept in the bond ledger.*
- C.1. The current clerk had never prepared an open items listing, and was unaware one was required to be kept. The court now keeps an open items listing which is updated at the end of each month.*
  - 2. Due to prior record-keeping procedures, when the current staff took over at the court, they were unable to determine what money in the account belonged to whom. The court is currently in the process of attempting to locate the persons who are owed money. When those attempts are exhausted, unclaimed funds will be remitted to the state as suggested and required. This is an ongoing project that is time and labor intensive as some of the bonds date back over 12 years. Due to the small staff of the court, this may take some time to resolve, but will be corrected with due diligence. We hope to have this account cleaned up by the end of the summer.*
  - 3. Interest will now be distributed quarterly to the city.*
- D. The court can produce reports, by ticket number, for any given time period after January 1, 1999, and any range of tickets. This report lists all tickets received in a given time period, by ticket number. Tickets that are never received by the court are of course, not included, as the court has no control whatsoever over those tickets. The court is unaware of what type of internal controls the police department has for monitoring the tickets in their charge, but the court feels it is inappropriate to hold the court accountable in an audit report for issues related to a completely different agency. We agree to discuss this issue with the police department, and hope to have this matter resolved within 60 days.*
- E. Due to problems with a previous clerk, personnel changes, and computer software changes, apparently payments were being sent to an incorrect address and returned. Additionally, a computer software problem caused over 1/3 of the courts 1999 cases to post incorrect fees for POSTC and LET funds. Currently, City Hall is working with their independent auditor and the court to determine the correct amounts to distribute to the State. We hope to have this resolved within the next thirty days.*
- F. The court had previously offered these reports to the city's Director of Finance and Administration but they were declined due to a lack of storage space. The court was*

*unaware it was statutorily required to do this, and will comply from this point forward as suggested. Our first monthly report will be for June, 2000.*

- G. *The Court Clerk is now bonded by Old Republic Insurance Company. The court has no knowledge or control over bonding of police officers, but will forward this concern to the appropriate persons at the Police Department for their consideration.*

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| <b>5. City of Springfield Municipal Division</b> |
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- A. Fine and court cost monies are occasionally received from the defendant before the related traffic ticket is received from the city prosecutor. The division does not record or deposit these monies until the related traffic ticket is received. At September 14, 1999, the division held \$4,481 of these unrecorded payments. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be recorded immediately upon receipt, and deposits should be made daily or when accumulated receipts exceed \$100.
- B. The police department does not maintain records to account for all traffic tickets. The police department maintains a log of ticket books assigned to officers; however, records are not maintained for each ticket issued. In addition, ticket books are not always assigned in numerical order.

Without proper accounting of the numerical sequence and disposition of traffic tickets, the police department and the court cannot be assured that all tickets issued were properly submitted to the court for processing. A log listing the ticket books assigned to the officers, each ticket number, the date issued, and violator's name would help ensure all tickets issued are properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record should be maintained of the ultimate disposition of each ticket to ensure all tickets have been accounted for properly.

- C. We noted the following concerns relating to bonds:
1. Refund checks for the full amount of the bond are prepared immediately after court, and the Court Clerk refunds the full amount of the bond to the defendant. If the bond refund check is to be applied to the fines and court costs, the defendant endorses the check over to the court and receives any refund in cash. This procedure of cashing bond refund checks does not allow fines and court costs to be deposited intact.  
  
To ensure fines and court costs are deposited intact, the court should discontinue the practice of cashing bond refund checks. To accomplish this, the court should issue the refund checks only for the amount of the difference between the fines and court costs due and the total bond posted. The amounts applied toward the fines and court costs should be separately transferred from the bond account to the city treasury.
  2. Bond forms issued by the police department serve as the receipt slip to the defendant; however, these bond forms are not prenumbered. To properly account

for all bond receipts, prenumbered receipt slips or bond forms should be issued for all bonds and the numerical sequence should be accounted for properly.

- D. Defendants who pay fines and court costs over a period of time are required to sign an agreement noting the amount due and the date by which fines and court costs will be paid. We noted several instances in which the defendant was delinquent in making a payment, and a warrant had not been issued.

Adequate procedures are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division.

Conditions similar to parts A and B. were also noted in our prior report.

**WE RECOMMEND** the city of Springfield Municipal Division:

- A. Record receipts immediately upon receipt and deposit receipts daily or when accumulated receipts exceed \$100.
- B. Work with the police department to ensure traffic ticket books are assigned to officers in numerical order and records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.
- C.1. Issue separate checks to defendants for the amounts of the bond refunds and to the city for the amount of fines and court costs after case disposition is determined. In addition, the practice of cashing bond refund checks out of other court collections should be discontinued.
2. Work with the police department to ensure prenumbered receipt slips or bond forms are issued for all bond monies received and account for the numerical sequence.
- D. Ensure appropriate action is taken on all cases with balances due the municipal division.

**AUDITEE'S RESPONSE:**

*The Chief Municipal Judge and Court Administrator provided the following responses:*

- A. *Springfield Municipal Court began logging mail-in receipts manually September 20, 1999. We are working toward developing a program that will work with our current system. We hope to have the automated system implemented within the calendar year 2001.*
- B. *We will notify the police department of the auditor's recommendation and encourage them to comply.*
- C.1. *Effective June 6, 2000, the court will issue the refund checks for the amount of the difference between the fines and court costs due and the total bond posted. The amounts applied toward the fines and court costs will be separately transferred from the bond account to the city treasury.*
2. *We will notify the police department of the auditor's recommendation and encourage them to comply.*

- D. *A new program was implemented March 1, 2000, that ensures appropriate action is taken on all cases with balances due the municipal division.*

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| <b>6. City of Strafford Municipal Division</b> |
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The municipal division allows defendants to pay fines and costs over a period of time. A control ledger accounting for the balances due from defendants has not been established. In addition, the municipal division does not always require defendants to sign a deferred payment contract when they are allowed to pay fines and costs over a period of time. The Court Clerk prepared a receivable listing from case files as of September 1999 totaling over \$11,000.

A control ledger would assist the court in determining the correct balance due from each defendant and could aid in subsequent collection efforts. In addition, a written and signed payment agreement is necessary to indicate the intent of the defendant to pay fines and costs, and to aid in accounting for the collecting amounts due to the municipal division. The court files documenting the partial payment agreements should be reconciled to the control ledger periodically to ensure all partial payments received and amounts due the court are properly recorded.

**WE RECOMMEND** the city of Strafford Municipal Division establish a control ledger for amounts due from defendants and periodically reconcile it to court orders permitting partial payments.

**AUDITEE'S RESPONSE:**

*The City Clerk indicated that this recommendation has been implemented.*

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| <b>7. City of Walnut Grove Municipal Division</b> |
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The court issues rediform receipt slips for monies rather than official prenumbered receipt slips. As a result, receipt slips are not specifically printed for the court which reduces the assurance that all receipt books are accounted for properly. To adequately account for all receipts, official prenumbered receipt slips should be issued for all monies received and reconciled to bank deposits.

A similar condition was also noted in our prior report.

**WE RECOMMEND** the city of Walnut Grove Municipal Division issue official prenumbered receipt slips for all monies received and reconcile receipts to bank deposits.

**AUDITEE'S RESPONSE:**

*The City Clerk/Court Clerk indicated that it is not economically feasible for the court to implement this recommendation. The cost was checked into and provided to the board and they feel like it would be a waste of taxpayer dollars.*



- A. The following concerns were noted regarding receipts:
1. The municipal division accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The method of payment received was not consistently recorded on receipt slips. To ensure receipts are deposited intact, the method of payment (cash, check, or money order) should be indicated on the receipt slips and the composition of monies received should be reconciled to the composition of monies deposited.
  2. Some fines and court cost receipts are not deposited on a timely basis. Receipts are deposited approximately weekly. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
  3. Receipt slips were not issued for some monies received, and voided receipt slips are not always retained. To adequately account for all monies received, prenumbered receipt slips should be issued for all monies received. Also, to help properly account for the numerical sequence of receipt slips, voided receipt slips should be retained.
- B. We noted the following concerns related to the court costs and other fees assessed by the municipal division:
1. The court charges a \$10 fine for each seat belt violation and also assesses \$20 in court costs and fees. Section 307.178.5, RSMo Cumulative Supp. 1999, states a fine not to exceed \$10 may be imposed and no court costs shall be imposed on any person for a seat belt law violation.
  2. CVC and POSTC fees collected by the municipal division are disbursed to the city monthly. The city is responsible for remitting the CVC and POSTC fees due to the state; however, the city was not remitting CVC and POSTC collected on amended charges. Section 595.045.3, RSMo 1994, requires 95 percent of the CVC fee to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.
- C. Neither the police department nor the municipal division maintains records to account for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers; however, records accounting for each ticket issued are not maintained.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured all tickets issued are properly submitted to the court for processing. A log listing each ticket issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted.

In addition, a record of the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly.

- D. The city has established a formal schedule of fines and court costs to be collected on tickets paid to the Court Clerk; however, the fines and court costs are not always collected consistently. During our review, fines and court costs collected for eight of the thirty-seven cases tested did not agree to the schedule.

To ensure fine and costs amounts are properly charged, the Court Clerk should collect amounts at the Violations Bureau that are in agreement with the fine and cost schedule.

Conditions similar to parts A.2. and A.3. were also noted in our prior report.

**WE RECOMMEND** the city of Willard Municipal Division:

- A.1. Indicate the method of payment on receipt slips and reconcile total cash, checks, and money orders received to bank deposits.
- 2. Deposit receipts daily or when accumulated receipts exceed \$100.
- 3. Issue prenumbered receipt slips for all monies received and retain all voided receipt slips.
- B.1. Assess fines for seatbelt violations in accordance with state law.
- 2. Ensure CVC and POSTC fees collected are remitted to the state in accordance with state law. In addition, the municipal division should determine the amount of CVC and POSTC collected on amended charges and make the appropriate payment to the state.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.
- D. Collect fines and costs paid in accordance with the established fines and costs scheduled.

**AUDITEE'S RESPONSE:**

*The city's Chief Financial Officer and Court Clerk provided the following responses:*

*A.1,3,  
B.1,C*

*& D. This has now been implemented.*

*A.2. We now deposit daily.*

*B.2. The city has determined all CVC and POSTC fees due to the state and remitted these fees. All CVC and POSTC fees on amended charges are now included with our regular monthly remittance.*

This report is intended for the information of the management of the various municipal divisions of the Thirty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
FOLLOW UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Thirty-First Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1995 and 1994, and our report for the city of Republic, Missouri for the year ended March 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR.

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
TWO YEARS ENDED 1995 AND 1994

1. City of Ash Grove Municipal Division

- A.1. The method of payment was not always indicated on receipt slips.
- 2. Receipts were not always deposited intact.
- 3. Receipts were not always deposited on a timely basis.
- B. The court assessed the \$5 Crime Victims Compensation (CVC) fee and \$2 Law Enforcement Training (LET) fee on dismissed cases and the \$2 LET fee on nonmoving violations.

Recommendations:

The city of Ash Grove Municipal Division:

- A.1. Indicate the method of payment on all receipt slips issued and reconcile totals h , checks, a n d money orders receive d to b a n k deposit s.
- 2. Deposit all monies intact. In addition, the city should discontinue cashing personal checks with official receipts and maintain the change fund at a constant amount.
- 3. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Discontinue charging the \$5 CVC and \$2 LET fees on dismissed cases and the \$2 LET fee on nonmoving traffic violations, as required by state law.

Status:

A.1. Not implemented. See MAR No. 1.

A.2

&3. Implemented

B. Based on statutory changes effective July 1, 1997, LET fees are to be collected on all cases including nonmoving traffic violations. CVC and LET fees are still charged on dismissed cases. See MAR No. 1.

2. City of Battlefield Municipal Division

During our audit of the various municipal divisions of the Thirty-First Judicial Circuit, we noted a cash shortage existed in the city of Battlefield Municipal Division.

A separate report was issued by the State Auditor's office on April 19, 2000 for the city of Battlefield Municipal Division and concluded that monies totaling at least \$11,524 were collected by the court from July 1, 1995 through August 6, 1999, and were not deposited into the municipal division bank account. The follow-up actions taken by the city of Battlefield Municipal Division were included in that report and are not included in this report.

3. City of Fair Grove Municipal Division

A. Court costs were not distributed in accordance with state law.

B. The TVB schedule of court costs did not include a listing of all offenses that may be paid prior to the court date.

Recommendations:

The city of Fair Grove Municipal Division:

A. Remit court costs to the state and county in accordance with state law.

B. Establish a schedule of offenses and the related fines and court costs which may be collected at the TVB, and prominently post this schedule at the TVB.

Status:

A&B. Implemented.

4. City of Republic Municipal Division

A.1. Receipts were not deposited on a timely basis.

2. Receipts were not deposited intact. Personal checks were cashed from official receipts, and restitution payments were disbursed in cash.

3. Receipts were not issued for cash bonds received from the police department.

4. The court issued rediform receipt slips for monies received.

- B.1. Some bond monies were held in cash pending court disposition and refunded in cash.
- 2. Bond forms were not prenumbered.
- 3. Bonds were not transmitted to the municipal division on a timely basis.
- 4. Monthly open items (liabilities) were not prepared.

Recommendation:

The city of Republic Municipal Division:

- A.1. Deposit receipts daily or when accumulated receipts exceed \$100.
- 2. Deposit receipts intact and reconcile total receipt slips issued to bank deposits. In addition, all restitution disbursements should be made by check, and the court should discontinue cashing personal checks with official receipts.
- 3. Issue prenumbered receipt slips to the police department for cash bonds.
- 4. Issue official prenumbered receipt slips for all monies received and account for the numerical sequence.
- B.1. Deposit all bonds into the bond bank account. Subsequent disbursements of the bonds should be made by check.
- 2. Request the police department to issue prenumbered receipt slips or bond forms for all bond monies received and account for the numerical sequence.
- 3. Request the police department to transmit bond receipts daily or when accumulated receipts exceed \$100.
- 4. Prepare monthly listings of open items (liabilities) and reconcile these listings to monies held in trust.

Status:

A.1&

B.4 Not implemented. See MAR No. 4.

A.2-4,

B.1-3. Implemented.

5. City of Springfield Municipal Division

- A. The police department did not maintain records to account for all traffic tickets, and ticket books were not always assigned to officers in numerical order.

- B.1. Bond monies received from the police department before the related traffic ticket was received from the city prosecutor were not recorded or deposited until the ticket was received.
- 2. The method of bond payments received was not always recorded correctly on daily receipt reports.
- 3. Procedures have not been implemented to routinely follow up on bonds remaining on hand over one year.
- C. The court assessed the \$5 CVC fee and \$2 LET fee on dismissed cases and nonmoving violations.

Recommendations:

The city of Springfield Municipal Division:

- A. Work with the police department to ensure traffic ticket books are assigned to officers in numerical order and records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.
- B.1. Record all bonds immediately upon receipt and deposit all bond receipts daily.
- 2. Correctly indicate the method of payment on daily receipt reports and reconcile the composition of daily receipt reports to the composition of bank deposits.
- 3. Attempt to locate those defendants who have a cash bond due them and remit the bond amount. Bonds remaining unclaimed should be disposed of in accordance with state law. Procedures should be established to routinely follow up on cash bonds remaining on hand over one year.
- C. Discontinue charging the \$5 CVC and \$2 LET fees on dismissed cases and nonmoving traffic violations, as required by state law.

Status:

A &

- B.1. Not implemented. See MAR No. 5.

B.2&

- B.3. Implemented.

- C. Implemented. CVC and LET fees are no longer charged on dismissed cases. Based upon statutory changes effective July 1, 1997, LET fees are to be collected on all cases including nonmoving traffic violations.

6. City of Strafford Municipal Division

- A. The Court Clerk did not prepare monthly reports of all cases heard in court.



- B.1. The court issued rediform receipt slips and the receipts were not consecutively numbered.
- 2. Checks and money orders were not restrictively endorsed until deposits were prepared.
- C. Neither the municipal division nor the police department maintained records to account for all traffic tickets and complaint forms.
- D.1. Court costs for cases heard by the Associate Circuit Judge were not assessed or distributed in accordance with state law.
- 2. The Peace Officer Standards and Training Commission (POSTC) fee was not turned over to the state on a monthly basis.
- 3. The court did not disburse the state's portion of the CVC fees or the statewide court automation fees to the state director of revenue on a monthly basis.
- 4. The court did not charge CVC, LET or POSTC fees on nontraffic ordinance violations.
- E. The filing system for traffic tickets was inadequate.

Recommendations:

The city of Strafford Municipal Division:

- A. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city governing body in accordance with state law.
- B.1. Issue official prenumbered receipt slips for all monies received and account for the numerical sequence.
- 2. Restrictively endorse all checks and money orders immediately upon receipt.
- C. Work with the police department to ensure traffic ticket books and complaint forms are assigned to officers in numerical order and records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms.
- D.1. Collect \$15 court costs on cases heard by the Associate Circuit Judge and remit court costs to the state and county in accordance with state law.
- 2. Determine the amount of POSTC fees due to the state and remit this amount to the state. Future disbursements should be made monthly in accordance with state law.
- 3. Remit CVC and court automation fees to the state monthly in accordance with state law.
- 4. Collect CVC, LET, and POSTC fees on nontraffic ordinance violations in accordance with state law.
- E. Maintain files of all traffic tickets and case information in accessible order.

Status:

A-C,  
D.2-4,  
& E. Implemented.

D.1. Cases are no longer heard by an Associate Circuit Judge.

7. City of Walnut Grove Municipal Division

A.1. Checks and money orders were not always restrictively endorsed immediately upon receipt.

2. The court issued rediform receipt slips for monies received, and the receipts were not consecutively numbered.

B. A schedule listing all of the offenses that may be paid at the Traffic Violations Bureau (TVB) and the corresponding fines and costs to be assessed had not been established or posted.

Recommendations:

The city of Walnut Grove Municipal Division:

A.1. Restrictively endorse all checks and money orders immediately upon receipt.

2. Issue official prenumbered receipt slips for all monies received and account for the numerical sequence.

B. Establish a schedule of offenses and the related fines and court costs which may be collected at the TVB and prominently post this schedule at the TVB.

Status:

A.1  
& B. Implemented.

A.2. Not implemented. See MAR No. 7.

8. City of Willard Municipal Division

A.1. Receipts were not always deposited intact. Personal checks were cashed for city employees from official receipts.

2. Receipts were not deposited on a timely basis.

3. Receipt slips were not issued for some monies received.

4. Checks and money orders were not restrictively endorsed until deposits were prepared.

- B. Tickets dismissed or not prosecuted were not always signed by the Prosecuting Attorney or the Municipal Judge.
- C. The court did not charge the \$2 LET, the \$5 CVC fee, or the \$1 POSTC fee in accordance with state law.

Recommendations:

The city of Willard Municipal Division:

- A.1. Deposit receipts intact and reconcile total receipt slips issued to bank deposits. In addition, the court should discontinue cashing personal check with official receipts.
  - 2. Deposit receipts daily or when accumulated receipts exceed \$100.
  - 3. Issue official prenumbered receipt slips for all monies received and account for the numerical sequence.
  - 4. Restrictively endorse all checks and money orders immediately upon receipt.
- B. Require the Prosecuting Attorney's or Municipals Judges's signature on all tickets that are not prosecuted or dismissed.
- C. Collect the CVC, LET, and POSTC fees in accordance with state law.

Status:

- A.1. Partially implemented. Personal checks are no longer cashed; however, receipts are not deposited intact and total receipts are not reconciled to bank deposits. See MAR No. 8.
- A.2-3. Not implemented. See MAR No. 8.
- A.4,  
B&C. Implemented.

CITY OF REPUBLIC, MISSOURI  
YEAR ENDED MARCH 31, 1997

Municipal Court

- A. Fines and court costs of \$263 were not deposited into the city treasury.
- B.1. Receipt slips were not issued immediately upon receipt. In addition, \$451 in checks and money orders dating back to January 1993 had not been recorded or deposited.
  - 2. Fines and court costs were not transmitted to the city on a timely basis.
- C. Duties of receiving and transmitting or depositing monies were not adequately segregated from recording transactions.

- D.1. Bond forms issued by the police department were not prenumbered, and the Court Clerk did not issue receipt slips for bond monies received.
- 2. Some bond monies were held in cash depending court disposition and were refunded in cash. The checks for the bond account were not prenumbered.
- 3. Monthly listing of open items (liabilities) were not prepared.
- 4. The court had not implemented adequate procedures to follow up on bonds held for over one year.
- 5. Interest earned on the bond bank account had not been periodically distributed to the city.
- E. The court did not have adequate procedures to collect amounts owed to the court.
- F. The Municipal Judge did not review the docket sheets for the cases handled through the TVB.

Recommendations:

The city of Republic Municipal Division:

- A. Review the situation with the Board of Aldermen and legal counsel and take necessary action to recover the missing funds.
- B.1. Issue receipt slips for fines and court costs immediately upon receipt. In addition, the court should follow up on the \$451 in old receipts and determine the proper disposition.
- 2. Transmit receipts to the City Collector daily or when accumulated receipts exceed \$100.
- C. Adequately segregate the duties of receiving, recording, and transmitting or depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and transmittals or deposits.
- D.1. Request the police department to issue prenumbered receipt slips or bond forms for all bond monies received. In addition, the Court Clerk should issued prenumbered receipt slips for all bond monies received, including amounts received from the police department.
- 2. Deposit all bonds into the bond bank account and make subsequent disbursements by prenumbered check.
- 3. Prepare listings of open items (liabilities) monthly and reconcile these listings to monies held in the bond bank account.
- 4. Follow up on all bonds held for more than one year and dispose of bonds in accordance with state law.
- 5. Distribute interest earned on the bond bank account periodically to the city.
- E. Establish procedures to maximize the collection of fines and court costs owed to the court.

F. Ensure all TVB cases are reviewed by the Municipal Judge.

Status:

A. The City Administrator indicated that the Board of Aldermen discussed the situation and decided not to pursue any action to recover the missing funds because of the immaterial dollar amount.

B.1. Partially implemented. A portion of the monies were remitted back to the defendant and the remainder sent to the State Unclaimed Property Fund; however, receipt slips are not issued immediately upon receipt. See MAR No. 3.

C -

D.2,

E&F. Implemented.

B.2,

D.3-

D.5. Not implemented. See MAR No. 4.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
HISTORY AND ORGANIZATION

Organization

The Thirty-First Judicial Circuit is composed of Greene county. The Honorable Henry W. Westbrooke Jr. serves as Presiding Judge. There are eight municipal divisions within the Thirty-First Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality, the county, or the State of Missouri, as applicable.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Ash Grove

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge  
City Clerk/Court Clerk

Ryan Ricketts  
Deborah Cox

Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 313                        | 472         |

2. City of Battlefield

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited into a court bank account and are transmitted by check to the city treasury and state periodically. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.



### Personnel

Municipal Judge  
Court Clerk\*

Earl Whitehead  
Elizabeth Ann Howard

\* Joy Sparkman served as Court Clerk from March 1995 until August 1999.

### Caseload Information

|                       | <u>Year Ended June 30.</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 447                        | 513         |

## 3. City of Fair Grove

### Organization

The Court Clerk, assisted by the City Clerk, is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury daily. Court is held every other month. A TVB has been established to receive payment of fines and court costs at times other than during court. An Associate Circuit Judge of Greene County serves as a judge of this municipality.

### Personnel

Associate Circuit Judge  
Court Clerk  
City Clerk

Max E. Bacon  
Debbie Boyd\*  
Christi Edwards

\* Christi Edwards served as Court Clerk prior to June, 1998.

### Caseload Information

|                       | <u>Year Ended June 30.</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 97                         | 122         |

## 4. City of Republic

### Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Bond monies are deposited into a separate municipal division bank account pending disposition. Court is held four times a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

### Personnel

Municipal Judge  
Court Clerk

Andrew Hager, Jr.\*  
Jeff Ragsdale\*\*

\* Steven Shanholtzer served as Municipal Judge prior to September 1998.

\*\* Cynthia Graybill served as Court Clerk prior to September 1999.

#### Caseload Information

|                       | <u>Year Ended December 31,</u> |             |
|-----------------------|--------------------------------|-------------|
|                       | <u>1999</u>                    | <u>1998</u> |
| Number of cases filed | 1,853                          | 1,850       |

#### 5. City of Springfield

##### Organization

The Court Administrator, along with 16 assistants are responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury daily. Bond monies are deposited into a separate municipal division bank account pending disposition. Court is held daily. A TVB has been established to receive payment of fines and court costs at times other than during court. Court is held by two full-time municipal judges. In addition, the city hires part-time judges as needed.

##### Personnel

|                                    |                   |
|------------------------------------|-------------------|
| Chief Municipal Judge              | Todd M. Thornhill |
| Municipal Judge                    | Dennis E. Budd    |
| Court Administrator                | Janice A. Piper   |
| Court Clerk                        | Rick L. Thompson  |
| Accounting Services Representative | Rhonda Bateman    |

#### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 73,037                     | 70,522      |

#### 6. City of Strafford

##### Organization

The Court Clerk, assisted by the City Clerk, is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury daily. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

##### Personnel

|                 |                 |
|-----------------|-----------------|
| Municipal Judge | Shannon Bryant* |
| Court Clerk     | Debbie Pettit** |
| City Clerk      | Carin Yates     |

\* Court cases were handled by the Greene County Associate Court until Judge Bryant assumed the Municipal Judge position in October, 1997.

\*\* Kay Moore served as Court Clerk prior to June 1998.

Caseload Information

|                          | <u>Year Ended September 30,</u> |             |
|--------------------------|---------------------------------|-------------|
|                          | <u>1999</u>                     | <u>1998</u> |
| Number of tickets issued | 1,296                           | 667         |

7. City of Walnut Grove

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited directly into the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court. An Associate Circuit Judge of Greene County serves as judge of this municipality.

Personnel

|                         |                |
|-------------------------|----------------|
| Associate Circuit Judge | J. Dan Conklin |
| City Clerk/Court Clerk  | Donna Elliott  |

Caseload Information

|                       | <u>Year Ended December 31,</u> |             |
|-----------------------|--------------------------------|-------------|
|                       | <u>1999</u>                    | <u>1998</u> |
| Number of cases filed | 39                             | 57          |

8. City of Willard

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. A bank account is maintained for the deposit of fines, court costs, and bonds. Fines and court costs are transmitted by check monthly to the city treasury. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court. An Associate Circuit Judge of Greene County serves as a judge for this municipality.

Personnel

|                         |                   |
|-------------------------|-------------------|
| Associate Circuit Judge | Mark Fitzsimmons* |
| City Clerk/Court Clerk  | Linda Murray**    |

\* Wilbur Peck served as Municipal Judge prior to September 1998.

\*\* Randy Siegler served as Court Clerk from June 1999 through September 1999. Bobbie McQuenter served as Court Clerk prior to May 1999.

Caseload Information

|                       | <u>Year Ended December 31,</u> |             |
|-----------------------|--------------------------------|-------------|
|                       | <u>1999</u>                    | <u>1998</u> |
| Number of cases filed | 532                            | 385         |

THIRTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
ORGANIZATION CHART



\* \* \* \* \*



AUDIT OF  
THE DEPARTMENT OF NATURAL RESOURCES  
AIR POLLUTION CONTROL PROGRAM  
NEW SOURCE REVIEW UNIT

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-55  
July 17, 2000

*Establishing a pre-screening unit to process applications for air quality construction permits will enhance timeliness of processing and improve customer service*



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**Reorganizing the New Source Review Unit of the Air Pollution Control Program and creating additional improvements and enhancements will improve timeliness of processing air quality permit applications and improve customer service.**

---

At the request of the Director, Department of Natural Resources (DNR), the State Auditor's Office audited the department's Air Pollution Control Program's (APCP) New Source Review Unit's (NSRU) procedures and practices for issuing construction permits. The purpose of the audit was to determine if the New Source Review Unit was processing construction permit applications and issuing permits in a timely manner. The impetus for the request and the audit was the desire to address concerns raised by the industries regulated by the Air Pollution Control Program.

We examined construction permit application statistics for the nine month period January 1999 to October 1999, and in conjunction with an agreement that the two month period September 1999 and October 1999 would be representative, we reviewed all applications processed during that period.

We determined that the New Source Review Unit had made good progress in addressing the concerns of the regulated industry by establishing a task force to review their own policies and procedures, developing Internet capability, and revising construction permit applications and instructions to make them user-friendly.

We concluded that by reorganizing the functions of the New Source Review Unit and making additional enhancements, the New Source Review Unit would perform more effectively and be more responsive to its customers. Our recommendations addressed the following areas:

- ❑ A prescreening unit should be established to screen out the incomplete applications and to ensure that technical engineers are devoting their time to applications that can be processed.
- ❑ Accounting duties currently performed by engineers should be transferred to the accounting department.
- ❑ Non-professional staff should be hired to review the less complicated applications.
- ❑ Improvements could be made in several aspects of processing the applications during the various review stages to include obtaining supervisory approval before placing the application on hold awaiting comments from the industry.

(over)

YELLOW SHEET

- ❑ Improvements could be made in managing fees and interest for processing construction permit applications.
- ❑ Better financial and management reports are needed to assist executives in decision-making.
- ❑ Improvements could be made in the website to make it more user-friendly, and additional industries should be evaluated to determine applicability of the permit-by-rule concept to ease the application burden for these industries.

The Department of Natural Resources agreed with most of the recommendations and provided acceptable implementation plans.



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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
Members of the General Assembly  
Members of the Air Conservation Commission  
Director, Department of Natural Resources  
Director, Air Pollution Control Program

At the request of the Department of Natural Resources (DNR), we audited the Air Pollution Control Program's (APCP) New Source Review Unit (NSRU). DNR requested a review of the NSRU as a result of concerns expressed to the DNR and the Governor's office from various industry groups and business associations located in the state of Missouri.

The objective of our audit was to determine whether construction permit applications were processed, and reviewed, and issued in accordance with Missouri statutes and the Code of State Regulations, and to determine whether the NSRU was responsive to the needs of businesses that are required to have construction permits.

We determined that the NSRU had made good progress in addressing the concerns of the regulated industry by establishing a task force to review their own policies and procedures, developing Internet capability, and revising construction permit applications and instructions to make them user-friendly.

We concluded that the NSRU could improve its organizational structure, process flow of construction permit applications, assessment and collection of fees, and management information reporting system as well as develop other enhancements to more efficiently and effectively issue construction permits and meet the needs of businesses requiring construction permits.

The Department of Natural Resources agreed with most of the recommendations and provided acceptable implementation plans. We will follow-up on these plans until the recommendations are implemented.

Claire McCaskill  
State Auditor

March 10, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | William D. Miller, CIA |
| Audit Manager:      | John Birdno, CPA       |
| In-Charge Auditor:  | Gary Boehmer, CPA      |
| Audit Staff:        | Robyn Lamb             |
|                     | Brian Benter           |

## **RESULTS AND RECOMMENDATIONS**

### **1. Organization of the New Source Review Unit (NSRU)**

Construction permit processing times and workload management within the NSRU could be improved by reorganizing functions. Engineers responsible for reviewing construction permit applications are frequently distracted from their tasks because (i) applications are not complete, (ii) letters from industry seeking advice as to whether a construction permit is required are processed as permit applications, and (iii) engineers are performing accounting functions such as billing and follow-up. The NSRU could improve timeliness of processing construction permit applications, improve staffing levels, and enhance customer satisfaction by establishing a unit to pre-screen permit applications, reassigning accounting functions to the accounting department, and hiring program specialists to review the less complex permits.

#### **The NSRU is responsible for processing permits for new construction.**

The NSRU is an integral part of the Air Pollution Control Program (APCP) and was established to ensure that emissions of air pollutants by businesses involved in new construction do not exceed the safe levels established by federal and state law. The NSRU derives its authority from Section 643.075 RSMo and 10 CSR 10-6.060 of the Code of State Regulations. The NSRU is staffed with a section chief, unit chief, staff engineers, and support staff. It also uses the assistance of a construction permit action tracking system to record the activity on each permit application received. *(See Appendix IV, page 31, for a flowchart of the process flow of the permit application process).*

#### **Processing of Construction Permits in the NSRU**

After interviewing program and operating officials, testing the processing of applications, reviewing industry questionnaire results, and benchmarking with other states, we determined construction permits could be processed more timely.

#### **Processing of Incomplete Permit Applications**

Construction permit applications are assigned to engineers when received. Engineers are required to complete a checklist to ensure the permit application is complete including the receipt of the appropriate filing fee before subjecting the permit application to the technical review phase. We noted permit applications that were either incomplete or did not contain proper information, thus requiring engineers to spend additional time contacting the applicant to correct information in the application or request more data.

Applications  
are not  
complete

A checklist was required for 57 projects received during the test months of September and October 1999. The applications for 11 of these projects (19%) were either incomplete or did not contain enough information. As a result, the processing of these

permits was suspended for a total of 813 days, or an average of 74 days, awaiting additional information. The range for these projects was from 5 to 288 days. This required the engineers to make numerous inquiries to the applicants and follow-up to attempt to get a permit into the technical processing phase. Of the total time it takes from receipt of an application to issuance of the permit, it takes from 17 to 31 percent of the total permit processing days, depending upon the type of permit, to get an application ready for technical review. *(See Appendix III, page 28, for charts on processing times).*

We noted a particular problem with Section 5 and 6 construction permit applications (these are categorized in the CSR as De Minimis<sup>1</sup> and minor construction projects). We determined that, it takes 2.6 hours of engineer time to review the application for those requiring no permits. Also, it takes an average of 56.5 days to send the “no permit required” letter to the applicant. The lengthy time to notify industry can mostly be attributed to the need to acquire more information. In our 2-month sample, 38 of the 113 applications (34 percent of the total applications) were De Minimis requests.

### **Processing of Permit Determination Letters**

For the period January 1, 1999 through October 31, 1999, the NSRU received 154 letters from entities seeking advice as to whether a construction permit was required. Only 58 letters (37.7%) resulted in the decision that a permit was required and 96 letters (62.3%) resulted in a permit not being required. Based on our review of engineer time charges, we noted it takes approximately 1.1 hours of engineer time to review each letter, but it takes approximately 30 days to complete the letter review process and either notify the applicant that a permit is not required or that a formal permit application needs to be submitted. The lengthy time to notify the applicant results from the need to gather more information from the applicant and follow-up to ensure the information is submitted. In the 2-month sample, 25 of the 113 applications (22 percent of the total applications) were request letters seeking advice as to whether a construction permit was required.

Most letter requests do not require permits

We concluded that by establishing a pre-screening unit in the NSRU, engineer time would be saved and could be used for the more complex tasks. Additionally, since RSMo Section 643.075 prescribes that the NSRU will process permits within 90 days (Class B) or 184 days (Class A); NSRU would be in a better position for meeting that deadline if only complete applications were sent to the engineers. We envision that a pre-screening unit would receive all letters and applications, review them to see what action is needed, and contact the applicant as necessary to obtain any additional information needed before sending the application to the engineers for technical review. This unit would also be able to respond if a construction permit is not required and notify the applicant accordingly. The goal of the unit would be to make sure the engineers only get applications for permits, and that these applications are complete and ready for technical review.

---

<sup>1</sup> De Minimis is categorized as less than a minor construction project

We noted that the states of Kansas, Iowa, Nebraska, and Arkansas use pre-screening units.

### **NSRU Accounting Procedure**

Engineers are responsible for performing accounting functions they are not trained to do. Nor, should they be expected to perform these functions. These functions include determining billing amounts, sending bills for filing and processing fees, and following up on bills that have not been paid. We noted that basic accounting controls are not established and there is no assurance that NSRU is receiving the fees that are due. NSRU does not have a formal accounting system for billings, matching receipts against billings, maintaining appropriate accounts receivable records, or for properly accounting for refunds of filing and process review fees. Instead of pre-numbered billing invoices, the NSRU sends bills by letter.

Transfer  
accounting  
functions

The NSRU does not have formal accounts receivable records to track the billing and subsequent receipt of fees. As a result, the NSRU cannot readily determine the total amounts due from applicants. Fees received and transmitted to the state treasury are not reconciled to fees received and processed through the Permit Action Tracking System (PATs). Therefore, there is less assurance that the numbers in the PATs are accurate.

These additional duties detract from the primary mission of the engineers, which is to make technical reviews and decisions on the need for construction permits. The billing, accounts receivable, and follow-up functions are more appropriately performed and managed by an accounting section and we recommend that all of these accounting duties be transferred to the DNR accounting office. The engineers would be required to track billable time and notify the accounting section who would proceed to ensure that the bills are sent, formal accounts receivable are established, fees are obtained, and refunds, when warranted, are mailed.

### **NSRU Staffing Levels**

The NSRU is having difficulty in attracting and retaining engineers. Currently, excluding the section and unit chiefs' positions, the NSRU is authorized a total of 11 engineer positions of which only 7 are filled. Two of the four remaining vacant positions have never been filled. This has an impact on the NSRU's ability to process permit applications on a timely basis. According to the NSRU's backlog report at November 15, 1999, a total of 55 construction permit applications took over twice the time originally planned to process. The inability of the NSRU to fill the vacant engineer positions with qualified engineers has contributed to processing delays.

Seek  
alternatives to  
fill staffing  
needs

The NSRU has taken steps to fill the vacant positions, however, the salary levels available for engineers are lower than the salaries offered in the private sector. As a result, it is difficult to obtain the necessary qualified engineers. Based on discussions

with the NSRU's section chief and unit chief, engineer salaries in the private sector are approximately \$10,000 to \$15,000 higher than comparable annual state salaries for engineers. The NSRU needs to request increases in engineer salaries to a level competitive with private industry to enable it to attract and retain qualified engineer personnel. Further, for those times when the section is experiencing excessive work loads, external engineering consulting firms should be used to relieve the excess workload.

We analyzed the NSRU's workload and determined that 215 projects were in process at October 31, 1999 of which 191 (89%) were De Minimis or lesser type projects. These 191 projects, although required by statute to be completed in 90 days or less, had been in process an average of 5 months or more. These requests may be able to be handled by non-engineer employees. Some of the excess time is due to the various projects being placed on hold awaiting additional information from the applicant. If a pre-screening unit were established, many of these applications would not reach the engineers. Some of the excess time occurs because these type permits receive lower priority attention from the engineers.

Our review of other states' procedures noted that the state of Nebraska uses Program Specialists (non-engineer employees) to review permit applications with engineer oversight. The NSRU executives need to conduct a detailed analysis of their workload and determine what duties and functions could be performed by non-engineer personnel. Once this has been determined, the number of necessary engineer and non-engineer positions should be determined and filled.

## **Recommendations**

- A. Establish a pre-screening unit to ensure engineers are only given permit applications that are complete and ready for the engineers' technical reviews.
- B. Transfer accounting functions to DNR's accounting office.
- C. Request salary increases for engineers at or near private sector levels.
- D. Analyze current workloads to determine the:
  - 1. duties and functions that could be performed by non-engineer employees,
  - 2. number of engineer and non-engineer personnel needed to perform the NSRU functions, and recruit and hire staff accordingly.

## **Department of Natural Resources Comments**

*DNR agreed with all four recommendations stating that a new unit will be established and staffed with non-engineers to check applications for administrative completeness. They advised that engineers would still receive some applications that will require additional technical*

*information. DNR agreed to transfer accounting functions to the Air Pollution Control Program accounting office. DNR agreed to pursue alternatives for increasing salaries for engineer staff, especially non-registered engineer staff. DNR advised that the new unit to be established would handle workload analysis functions. (Full text comments are included as Appendix VI, page 34 ).*

#### **State Auditor Comments**

The responses to the recommendations are acceptable, and we will follow up on the implementation plans.



## **2. Construction Permit Application Process Flow**

The construction permit review process has delays that can be avoided. These delays occur in all stages of the review process, and increase the time that companies have to wait for their construction permits. We attributed the cause for these delays to staff and management not having or taking the time to reevaluate how the work is performed. As a result, a small amount of processing fees had to be forfeited because the applications were not processed on time, and the vulnerability for more forfeiture exists. Additionally, one third of the respondents to our questionnaire believed that the permit process took too long.

### **Processing of Construction Permits in the NSRU**

We reviewed permit applications that were completed during September and October 1999. We analyzed the applications from their entry to the NSRU and identified specific areas where delays in processing were occurring and assessed whether these delays were avoidable.

#### **Processing of Permit Application at the Receptionist**

The receptionist within the APCP receives a permit application with a check for the filing fee and sends the application and the filing fee to the Administration Section to have the fee processed and deposited. As a result, the application is not processed until after the filing fee is accepted and recorded. The NSRU can improve timeliness by separating the checks for filing fees from the applications and allowing simultaneous processing of the application and the filing fee.

Separate  
checks from  
applications

#### **Construction Permit Applications Assignment Timeframe**

The number of days from the time an application is received until it is assigned to an engineer for review is sometimes excessive. The standard timeframe, according to the construction permit review procedures manual is 3 days. As noted in Appendix III, as much as 28 percent of the total number of processing days for a project is spent waiting to get the project assigned to an engineer depending on the specific type of project.

Review delays  
in assignments

It took from 1 to 17 days to assign complete applications to engineers, and 34 out of 113 projects reviewed (30%) took longer than 3 days to get assigned to an engineer. These 34 projects ranged from 4 to 17 days averaging in excess of 5 days each.

The causes for these delays can be attributed to:

- ❑ Lower priority applications (De Minimis and minor) being delayed.
- ❑ Lack of staff to accomplish reviews of all applications ready for review.
- ❑ Staff attempting to process incomplete applications which impacts on their ability to accept a new application for review.

### **Completeness Checklist**

The application checklist is the management tool for ensuring that permit applications are complete. The engineer completes the checklist before technical review of the application can begin. According to 10 CSR 10-6.060, the standard for completing the checklist is 30 days.

In our review of 113 projects, 8 (7%) exceeded 30 days for the completeness check. The range of days for the completeness checklist for these cases ranged from 31 to 139 days. *(See Appendix II, page 25, for statutory and regulatory guidance regarding a completed application).*

Based on discussions with NSRU personnel, these particular projects were not assigned a high priority and thus were allowed to exceed the 30-day limit due to more important projects being worked on at the time. The underlying causes for delay make all applications vulnerable to these types of time slippages.

### **Request for Additional Information**

Delays occurred during technical review because additional information was needed or because the applicant requested a delay in processing. Some delays were of sufficient length to consider canceling the project. Examples follow.

A De Minimis project application was put on hold for 210 days. The applicant called and asked the NSRU to place the application on hold. Two months later, the NSRU tried to call the applicant, but the applicant could not be reached by phone and a letter was sent to determine if the applicant wanted to proceed with the application. The applicant called 2 weeks later and the application was placed on hold for another 30 days. A week later the application was assigned to a new engineer. The application stayed on hold for an additional 4 months until the applicant finally brought in new information.

Long delays in  
completing  
applications

Another De Minimis project application was placed on hold for 339 days. The NSRU requested more information from the applicant. Three months later a follow up letter was sent, and the response stated that the application would be modified. Seven months later, after no further input from the applicant, the NSRU sent a letter requesting the modifications. The new information finally arrived and the fees were received and the permit subsequently was issued in October 1999.

An application requesting an amendment to a permit was placed on hold for 316 days. The NSRU sent a technical request letter to the applicant. A response was not received to this request and a second technical request letter was sent 10 months later. Information and fees were finally received and a permit issued in October 1999.

Our review of the 113 projects in our 2-month sample indicated a total of 32 projects were put on hold for a total of 1,760 days with delays ranging from a low of 1 day to a high of 361 days and an average of 55 days for each project.

These examples exemplify the difficulties encountered when the applicant does not respond properly or timely, and when the NSRU does not follow-up. More timely follow-up may have brought these projects to a conclusion sooner.

The process of placing applications in a hold status is designed to ensure that the 90-day processing time requirement outlined in the statutes is not breached, which in turn would allow the NSRU to bill the applicant for fees because the days the project is in hold status are not counted toward the 90-day requirement. In our opinion, when projects are in a hold status as long as these were, the best action would be to cancel the project and bill the applicant for the processing fees that were incurred up to the point of cancellation.

### **Placing Applications on Hold**

Technical review engineers can place an application on hold during the technical review for whatever reasons they feel necessary. Some of these reasons concern requesting additional information. In the survey responses we received, 20 percent of the respondents said that the engineers requested unnecessary information from them. Additionally, 34 percent of the respondents said that the permit application process took longer than reasonably necessary.

|                                    |
|------------------------------------|
| Require<br>supervisory<br>approval |
|------------------------------------|

When an application is placed on hold, the engineer moves on to another application until the applicant responds. Since there may be other alternatives to solving the engineer's problem, we believe supervisory approval is needed before any application is placed on hold. Supervisors are more experienced, may have encountered the same or similar problem before, and are in the position to make the best decision for the circumstance, and to make the decision necessary to keep the process moving.

### **Construction Permits Mail Outs**

10 CSR 10-6.060 (13)-(16) states that permits will be issued no later than 3 calendar days after receipt of the processing fees. The NSRU did not issue the permits within 3 calendar days for 14 of the 113 projects (12%) included in our 2-month review. The number of days to issue a permit on the 14 cases ranged from 4 to 7 days. Based on discussions with the unit chief, these delays are caused by a lack of secretarial help. *(See Appendix II, page 25, regarding the statutory and regulatory guidance on this issue).*

## **Executive Review Procedures**

Executive review is the last stage in permit processing before a decision is made to issue a permit. Our 2-month test disclosed that executive review time accounted for 23 percent to 40 percent of the total processing times for the various types of permit applications. *(See Appendix III, page 30, for charts showing processing times)*. The average time in executive review for the various type of permit applications exceeded the standard time frames allowed per the NSRU's construction permit review procedure manual. The average times noted for each type of permit application excludes the number of days when the applications were placed on hold awaiting payment of fees.

Improve  
executive  
review times

| Type of Permit Application | Standard Days | Average processing days |
|----------------------------|---------------|-------------------------|
| Unified Major Permits      | 24            | 30                      |
| Amendments to Permits      | 5             | 16                      |
| De Minimis                 | 24            | 27                      |

Executive level staff advised us that the amount of time permits are in executive review can be attributed to the applications competing for priority with other duties and to a lack of adequate secretarial help, and the return of the construction permit applications back to the engineers for further work or information when necessary. In our opinion, some of the executive review time could be reduced or eliminated by changing procedures. Currently, the Section Chief approves Section 4 permit relocation letters while section 5 & 6 De Minimis permits are approved by the Director of the Air Pollution Control Program. In our opinion, the NSRU unit chief could be delegated the authority to approve applications for De Minimis and minor projects, relocation projects, and amendments to existing permits.

## **Construction Permit Processing Fees**

Our review of the 113 projects during the 2-month test period noted 2 projects where the processing days exceeded the mandatory standard times and resulted in forfeiture of processing fees.

One of the projects was a De Minimis Section 5 application. It took 145 days to issue the permit. The project was in technical review for 69 days and executive review for 68 days. A De Minimis Section 5 permit has a mandatory 90 days for processing. In our opinion, the executive review time was the major contributor to this loss of fees. The standard time for executive review is 24 days for De Minimis projects. The NSRU lost \$475 in review fees on this project.

Processing  
fees were  
forfeited

The other permit application was for a Section 4 Relocate to a New Site. It took 45 days to issue the permit. This project was in technical review for 32 days and executive review for 9 days. A Section 4 Relocate to a New Site has a mandatory 21 days for processing. The NSRU lost \$175 in review fees on this project.

The vulnerability for forfeiture of fees is prevalent for all applications. Forfeiting fees is the ultimate outcome of the compilation of missed deadlines in the various phases of processing permits.

## **Conclusion**

We determined that the process flow of applications through the NSRU could improve. Many of the delays and causes for delays in processing the permit applications can be attributed to the issues discussed in Result 1 of this report. Our recommendations to establish a pre-screening unit and hire non-engineering personnel, if implemented, would alleviate most of the delays discussed above. Without the implementation of this recommendation, supervisors will have to devote more attention to the assignment of application reviews and the activities of the individual engineers to ensure that the time spent on the reviews is appropriate. Additionally, the process flow can be improved by implementing the following recommendations.

## **Recommendations**

- A. Separate the fee check from the application and send the application immediately to the permitting section to begin processing. The check and a photocopy of the front page of the application could be sent to administration to be processed simultaneously.
- B. Review the time it takes to assign projects to engineers and ensure projects are assigned on a timely basis.
- C. Monitor the processing times in all phases of the application review process and, take action to ensure standard time frames are met.
- D. Develop maximum time standards for projects placed on hold after which the applications would be canceled.
- E. Ensure that follow-up action is timely for projects placed on hold awaiting additional information.
- F. Require supervisory approval before placing any project on hold.
- G. Delegate the authority to approve permits for the lower priority applications to the Unit Chief.
- H. Establish a warning system for executives to ensure that their reviews are complete before fees are forfeited.

## **Department of Natural Resources Comments**

*DNR agreed with five of the eight recommendations, provided acceptable alternative corrective action to two recommendations, and disagreed with one recommendation. DNR agreed to separate fee checks from applications to enhance simultaneous processing of fee payments and permit application review. DNR agreed to reevaluate the time it takes to assign projects to engineers. DNR agreed to improve monitoring of the processing times within each step of the permit review process. Rather than agree to immediately establish maximum time standards for projects placed on hold, DNR suggested that a rule change and legal support are needed and stated that until such time this can be pursued they will establish a new step called Inactive Status for those permit applications put on hold for a longer time. DNR agreed to follow-up on applications placed on hold and shorten the timeframe for projects placed on hold from 30 to 10 days. DNR agreed to initiate a process where projects placed on hold will be reviewed weekly by the NSRU Chief, and to improve documentation of projects placed on hold in lieu of our recommendation to require supervisory approval before placing projects on hold. DNR did not agree with our recommendation to delegate the authority for approval of lower priority permits to the Unit Chief citing the need for coordination beyond the unit chief level before permits are approved. DNR agreed to evaluate the capability to establish a warning system for executives within their automated system. (Full text comments are included in Appendix VI, page 34).*

## **State Auditor Comments**

The response to the recommendations is satisfactory. We agree with the alternatives suggested for the recommendations to which DNR agreed in part. We will follow-up on the implementation plans.

### **3. NSRU Staff Could Improve Management of Fees that Are Received for Construction Permits**

Better procedures and supervisory oversight are needed to ensure that engineers properly recognize their financial responsibilities when processing permit applications. Our review determined that some fees were not collected when they should have been, some refunds were due but not made, and some bills for fees were generated when they should not have been. We attributed the cause for these conditions to a lack of procedures and lack of attentiveness in performing the financial aspects of permit processing.

#### **Fees and interest should be billed and collected when appropriate**

We determined that there were at least two circumstances where fees were due but not collected. First, according to CSR 10-6.060 (10)(A)3 and 5, permit applications that are denied or withdrawn after submittal shall be charged fees at the same rate as processed permits. The NSRU was not billing and collecting these fees when applications were withdrawn. In our 2-month sample of 113 permit applications, 4 permit applications were either withdrawn or denied, and fees in the amount of \$313 were not collected. Second, we noted in one case, that interest had not been charged when the fee payment was paid after the 90-day period for payment as prescribed in CSR 10-6.060 (12) (A) 15.

Not all fees  
were collected

#### **The NSRU staff needs to refund fees**

The NSRU staff received application fees for some permits that did not require application fees. These usually occurred for amendments to permits or permits for relocation. We did not find any procedures to require NSRU staff to refund these fees or to apply them to the processing fees when the permit review is completed. We found one instance in our sample of 113 projects where a refund of a \$100 fee should have been made. We also noted, during our review of fees received from January to June 1999, six instances where filing fees had been received when they were not required and they were not refunded. In another instance the fees were applied to the permit processing fees when the permit was completed. In our opinion either applying the fees to pending permit processing fees or refunding the fees to the applicant would be equitable restitution to the applicant.

Fees should be  
refunded

According to 10 CSR 10-6.060 (12)(A) 9C, if permit applications are not reviewed and completed within the required timeframe, the applicant is not required to pay the processing fees. In our 2-month sample of 113 permit applications, we found 5 instances where the processing days to complete the projects exceeded the regulatory number of processing days. In each instance, the company was billed for the processing fees and we did not find any evidence that these fees were refunded. The total for these five projects was \$1,950.

## **Recommendations**

- A. Establish procedures and appropriate supervisory review for
  - 1.) assessing fees for permit applications that are either withdrawn or denied,
  - 2.) refunding or applying fees to pending processing fees when fees are received for permits that do not require them, and
  - 3.) refunding fees to applicants when they are improperly billed for permit processing days in excess of regulatory timeframes.
- B. Discontinue billing applicants for processing fees when NSRU does not meet regulatory timeframes.

## **Department of Natural Resources Comments**

*DNR agreed to transfer the function of assessing fees for permit applications that are either withdrawn or denied to the APCP Administration Section. DNR also stated that a change in state law might be needed to enforce collection of the fees and they will pursue legislation if necessary. DNR agreed to develop a standard procedure for refunding fees that will include transferring some of the responsibilities to the accounting group. DNR agreed to discontinue billing applicants for processing fees when NSRU does not meet regulatory time frames. They stated that billing processes would improve with the transfer of accounting functions as previously agreed. (Full text comments are included in Appendix VI, page 34).*

## **State Auditor Comments**

The response and implementation plan is acceptable. We will follow-up on the implementation plan.



#### 4. **Financial and Management Reporting Information System**

New management reports are needed to determine the overall timeliness of the permit application review process and to determine whether the fees collected are substantially covering the cost of operations for the NSRU. Management reports that are currently available are prepared only to follow specific projects or to determine workload activity by engineer. Engineers record their time spent on permit reviews through the time accounting system but this time is not reconciled to the hours recorded on the billable hours form maintained in the Permit Tracking System project file (PATS). As a result, managers are not able to determine whether appropriate hours have been recorded on the Permit Tracking System (PATS). Responsible personnel advised that they did not plan to make the PATS system and the timekeeping system comparable. The PATS is not used to its full potential and is missing important information or not being used correctly. Improvements are needed in the various reporting systems for management to determine the time spent in the various stages of the review process as well as to determine whether all time charged to the respective projects agrees with the time recorded on the individual time sheets.

##### **Permit Processing Management Reports**

Various management reports are prepared at different time intervals to track the activity of each permit application project and the workload for each individual engineer. These reports are used for assignment of projects and to determine the status of each project before the statutory deadline is met to issue the construction permit. However, management reports designed to determine the actual time involved in processing the permit application within each program review step are not prepared. These reports would provide significant information regarding the actual processing times and help determine the cost of operating the NSRU. Presently, without this type of information, management cannot adequately evaluate the effectiveness and efficiency of the NSRU in issuing permits.

|   |
|---|
| Better<br>management<br>reports are<br>needed |
|---|

##### **NSRU Permit Fees Worksheet**

The times recorded by the engineers on the Permit Tracking System forms in each project file are not and cannot be reconciled to the times recorded on the time sheets submitted by each engineer. A job cost reporting system is needed to track the actual hours charged to the various projects and to reconcile these charges to actual time recorded on the time accounting system.

Our review of the months of September and October 1999, determined that approximately only 65 percent of the engineers' actual time spent on the job is charged to the actual job task code of permit application reviews. There is no determination made as to how much time should be recorded to the job task code and what percent of the time should be devoted to other activities that are not related to permit application review. Process review fees are charged based upon the engineers' actual time spent on the project at an hourly rate of \$50 per hour. However, it cannot be determined whether all the time spent processing applications is actually

|   |
|---|
| Costs by<br>project need to<br>be reported in<br>the time<br>system |
|---|

billed. The job cost reporting system should ensure that the time actually spent on a project is charged to the respective job task code and that the process review fee charged each project is properly billed. Because the NSRU does not have a job cost system we could not determine if billable hours were correct and whether applicants were billed the proper amounts.

### **Permit Tracking System**

During our review of permit applications, we were able to make an assessment of the PATS system and identified enhancements and shortcomings that if corrected would make it a better system. A discussion of these follows.

- ❑ The PATS form does not indicate whether a filing fee has been received. This information is necessary to indicate that the filing fee has been received before the application is processed.
- ❑ The PATS form does not document the processing steps or assign responsibility for the project from the time the application is received until the time the project is assigned to an engineer. Our review of 113 projects for the two test months indicated a total of 379 days of elapsed time or an average of 3 ½ days before these projects were assigned to an engineer. During that average 3 ½ day period, the PATS system does not track who has the application. The PATS should be modified to document all processing steps and assign responsibility for each project from the time of receipt until assignment to an engineer.
- ❑ The engineers do not update PATS accurately or timely. During our review of the two test months, we noted instances where engineers requested information but did not document the request on the PATS, and instances where the application was placed in hold status but not clearly documented. Also, there was not a clear distinction as to whether work was being performed on the completeness checklist or the technical review, and there were instances of unrecorded activity.
- ❑ The finalized PATS reports are frequently missing from a completed project folder. In our review of 113 file folders, 61 (54%) did not have a final PATS report in the completed folder. Most completed folders have either missing, inaccurate, or incomplete PATS reports. The PATS reports document the total time used in the processing of each permit and provide a basis for review by management. A copy of the report should be included in each completed folder to properly document the amount of time used for each project.

### **Processing Fees**

Time charged for process review fees includes only the engineer's time and does not include the hours of actual staff time devoted to each project. Process review fees are charged at the rate of \$50 per hour based on the actual hours charged to the project by the review engineer. This rate is more than the hourly rates paid to the engineers and was designed to recover the other costs of the review process. The requirements of state law and code of state regulations provide for the

billing of actual staff time necessary to complete the application but not to exceed the rate of \$50 per hour. Section 643.075.7(2) RSMo states that upon completion of the department's evaluation of the application, but before receiving a construction permit, the applicant shall reimburse the department for all reasonable costs incurred by the department whether or not a construction permit is issued by the department or withdrawn by the applicant. The commission shall, by rule, set the hourly charge, not to exceed fifty dollars per hour, for review of each construction permit application. Because the actual hours used by each person to complete and review the permit applications are not recorded or tracked in any manner, it cannot be readily determined whether this rate is sufficient to cover the actual cost incurred by the department.

|                     |
|---------------------|
| Compute total costs |
|---------------------|

Management personnel indicated that this statutory fee was passed around 1994, but actions have not been taken since this time to provide information to the legislature on what the actual costs are for processing a permit application. Detailed studies of actual processing times and hours charged by the various staff employees and management personnel for each type of application are needed to determine whether the \$50 per hour engineer review process fee is still appropriate. If this fee is determined to be no longer appropriate, legislative changes should be requested to increase/adjust the process review fee to cover the cost of the review with future increases to account for changes in the consumer price index.

### **Recommendations**

- A. Develop more detailed reports of actual hours used on each permit application, current status of each permit application, and the number of days used to process the application in each review stage.
- B. Develop a job cost reporting system to track the time charged to each permit application to the time actually charged on the time sheets.
- C. Ensure the PATS reports add sections to track the filing fee and the steps between the time the application is logged in until the time it is assigned to an engineer.
- D. Ensure the completed folders contain a final PATS report.
- E. Instruct engineers to exercise greater care in the timely, accurate recording of entries to the PATS system.
- F. Study the actual staff time, engineer's time, and management review time for each permit application to determine the actual and required number of hours necessary to process a permit application.
- G. Request legislation to change the statutory maximum billing rate if the actual cost of operation for each permit application exceeds the current statutory billing rate of \$50 per hour for process review time.

- H. Develop a system to determine the appropriate billing rates for each of the different classifications of employees that actually work on the permit review process.

### **Department of Natural Resources Comments**

*DNR agreed with five of the eight recommendations, proposed alternatives to two recommendations and disagreed with one recommendation. DNR agreed to assess rather than develop changes to the system to provide more detailed reports of actual hours used on each permit application, current status of each permit application, and number of days used to process the application in each review stage. DNR agreed to assess developing a job cost reporting system to track the time charged to each permit application to time actually charged on time sheets. This would require relating the current timekeeping system to the management reporting system. DNR agreed to ensure that the PATS reports track filing fees and the time between steps in the application process by evaluating additional steps to be added to the Check Application group. DNR did not agree to ensure that completed project folders contain a final PATS report opting to rely on the electronic summary version maintained on the automated system. DNR agreed to better train engineers and oversee engineers to ensure the PATS system is properly updated. DNR agreed to strive for more accurate tracking of staff time, engineer's time, and management time and will be in a better position to do so when previous recommendations are implemented. DNR agreed to recommend possible legislation for the next General Assembly regarding the adequacy of the \$50 per hour billing rate. DNR agreed to pursue an interpretation of the statute in order to implement or determine if they can implement a system to determine appropriate billing rates for each of the different classifications of employees that actually work on the permit review process. (Full text comments are included in Appendix VI, page 34).*

### **State Auditor Comments**

DNR has been responsive to the recommendations and we accept their response. For those recommendations where they partially agreed and indicated internal discussions will determine future action, we recognize that there are some technical system type changes that may be required. Since the issues discussed in the report relating to these recommendations identified a need for better management reports, we would hope that DNR's internal assessment would weigh heavily toward finding a way to improve the management reports as we suggested. We will follow-up on the implementation plans.

## **5. Steps Taken by the APCP**

The APCP has responded favorably to concerns expressed by the industry and taken steps to enhance the operations of the NSRU. Three years ago, the APCP formed a workgroup to address specific industry complaints about the length of time it takes to process permits. The “Construction Permit Streamlining Workgroup” was organized to develop recommendations to improve the operations of the construction permitting process and included members from APCP and representatives from the industries the APCP regulates. The workgroup issued a report with recommendations for improvement, and the APCP has been developing plans and procedures to address many of the recommendations. Some improvements are in the final review stages. These actions demonstrate the desire of the APCP to work with the industry to ease their burden while maintaining the arms length relationship necessary between the regulator and regulated. Additional enhancements can also be made.

APCP  
responds to  
industry

### **Procedure Changes**

The amount of time to issue a construction permit was of major concern to members of the workgroup and they focused on the amount of time the permit applications were in executive review. Improvement was made by delegating approval authority for the construction permits to the APCP instead of having them approved by the Director of the Division of Environmental Quality.

A new construction permit application, along with detailed instructions and supplemental information has been developed and is currently in executive review. This package was sent to members and associations in the regulated industry for comments, and APCP staff are evaluating the comments and preparing the new application for distribution. While we are unable to evaluate the new construction permit application package at this time, we believe the NSRU is to be commended on their efforts to improve the overall permit process.

The APCP participated in providing information to the industry through the Internet and the development of a construction permit web site. This allowed industry to access information about the permit process through the Internet.

### **Additional Enhancements**

Some additional enhancements would help the industry better understand the permit application process and help the NSRU process applications more efficiently. These include better use of the electronic media, development of a lessons learned package, follow up on the permit-by-rule recommendations made by the Construction Permit Streamlining Workgroup, and development of standard uniform modeling procedures that, if implemented, would strengthen associations with industry and reduce the amount of time and cost to process construction permits.

## **The APCP Web Site**

We visited the construction permit web page to gain information about the construction permit program. We were not able to obtain information directly from the page that would be helpful in determining whether a construction permit was required.

There is not any mention of, or direct link from, the construction permit page to the state statute that is applicable to construction permits. Providing access to the relevant statute is important for industries to gain a better insight into construction permit laws. By offering a direct link to the actual statute, industries could immediately go to the relevant statute without leaving the construction permit page. If this is not possible, listing the state statutes web site and mentioning the relevant statute on the construction permit page would present the industries with access to the statutes if needed.

There is a link to applicable state regulations, but it is indirect and difficult to locate without looking through all aspects of the APCP's page. Providing easy access to the relevant state regulations is important for industries to gain a better insight into construction permit rules. Currently, from the APCP page, you must access "Other Environmental Links", then "Federally Approved Rule", then "Chapter 6" to get to the relevant regulations. "Other Environmental Links" is not within the construction permit information. By providing a direct link from the construction permit page, web users would be able to locate the applicable regulations without searching through other links.

On-line access to the construction permit application, instructions or supplemental information process is needed. Providing this information on-line would allow industries to gain insight into whether a permit is required or not and what information is necessary when submitting a permit application. It would also enable industries to download the permit application instead of contacting the NSRU by phone or mail for an application. Based on our survey of 100 companies that submitted a permit application during the period January 1, 1999 through October 31, 1999 as noted in Appendix V, 56 of those responding indicated they would like to see the application package along with instructions available through the Internet. We contacted five surrounding states for various information concerning construction-permitting processes. We asked for a copy of their construction permit applications and instructions. Four out of the five states instructed us to visit their web sites to download the appropriate information.

## **Development of a Lessons-Learned Package**

A lessons-learned package would include a summary of the more common problems encountered with processing permit applications and permit determinations and possible solutions to prevent or reduce their occurrence. In addition, commonly asked questions and answers should be developed and made available on the NSRU web sight and other information distribution channels to provide ready access to industry. Providing such information should help reduce the amount of requests for information by the engineers after an application has been submitted, and improve the quality of permit determinations and applications being received.

## **Implementation of Permit-by-Rule Concept**

The workgroup study recommended that a permit-by-rule concept be explored with various industries. Permit-by-rule is an exemption for common industries that agree to conditions set formally by rule. The study recommended that actual rule language be developed through cooperative efforts between the industries and APCP staff. The study listed industries that were likely candidates for permit-by-rule. These included printers, grain elevators, concrete batch plants, asphalt plants, sand and gravel operations, and the wood products industry.

## **Modeling Procedures**

Most of the construction permits issued by the NSRU contain specific requirements and procedures referred to as modeling procedures to be followed by the respective permit holder as a condition of receiving the permit. The engineers, based on the information submitted with the permit applications, determine these modeling procedures. Many of the industries have expressed concerns that the modeling procedures imposed by the engineers are different and unpredictable for similar or identical industry operations and that there is inconsistency between the engineers as to the required specific modeling procedures.

The engineers do not have a standard modeling procedures manual for the various industries that would provide standard guidance and requirements when modeling is required. Standard modeling requirements are necessary to ensure consistent treatment of similar industries and situations by the engineers and to provide industry with specific requirements that can be expected when applying for a construction permit.

## **Recommendations**

- A. Develop a more informative and detailed web site for the construction permit process including placing the permit application and instructions on the web site. Specific information should be provided to enable businesses to be able to determine when permits are not needed.
- B. Develop a lessons-learned package for distribution to industry to improve information and the quality of permit applications.
- C. Conduct focused reviews on the industries outlined in the “Construction Permit Streamlining Workgroup” final report to determine the feasibility of establishing permits by rule.
- D. Develop standard modeling procedures and requirements for the various types of industries.

## **Department of Natural Resources Comments**

*DNR agreed with all four recommendations. They agreed to improve the web site and develop a lessons-learned package for industry to improve information and the quality of permit applications. DNR agreed to seek out additional partnerships with the industry to develop permits by rule. DNR also agreed to develop standard modeling procedures and requirements for the various types of industries. They are currently working with the limestone industry and will expand to others. (Full text comments are included in Appendix VI, page 34).*

## **State Auditor Comments**

The response is acceptable and we will follow-up on their implementation plans.



### **OBJECTIVE, SCOPE AND METHODOLOGY**

#### **Objective**

The objective of the audit was to determine whether construction permit applications were processed, reviewed, and issued in accordance with the Missouri statutes and the Code of State Regulations, and to determine whether the Air Pollution Control Program was responsive to their customers.

#### **Scope and Methodology**

We reviewed applicable state statutes, code of state regulations, the minutes of the Air Conservation Commission, the construction permit review procedure manual, correspondence files, personnel procedures, and permit practices followed by local permitting authorities. We interviewed applicable employees, discussed concerns with various industry groups and business associations, and solicited information from other states regarding their construction permit procedures.

We selected the months of September and October 1999 to review all construction permit applications and other projects completed during these 2 months, with the exception of local permits issued by the local permitting agencies. This 2-month review was discussed with executives of the APCP, who agreed that this period would be representative of annual activity in the program.

We selected all letter requests seeking a determination of the need to file an application, all closed projects, and all applications with no permits required for the period January 1, 1999 through October 31, 1999. We reviewed all projects received from January 1, 1999 through June 30, 1999 for applicable filing fees. We also sent survey questionnaires to 100 randomly selected businesses that filed a permit application during the period January 1, 1999 through October 31, 1999. The various types of applications reviewed for the months of September 1999 and October 1999 included the following:

## APPENDIX I

### 2-Month Workload

| Project Type                               | Sept. 1999 | Oct. 1999 | Totals | % of Total |
|--|------------|-----------|--------|------------|
| Applicability Determinations               | 9          | 16        | 25     | 22%        |
| Banking, Sales Tax Exemptions              | 1          | 0         | 1      | 1%         |
| Corrections, Amendments, Temporary & Pilot | 9          | 8         | 17     | 15%        |
| Sec 4: Relocate Approved Site              | 8          | 6         | 14     | 12%        |
| Sec 4: Relocate to New Site                | 10         | 6         | 16     | 14%        |
| Sec 5 & 6: De Minimis & Minor              | 19         | 19        | 38     | 34%        |
| Sec 7, 8 & 9: Major Source Review          | 0          | 2         | 2      | 2%         |
| Totals                                     | 56         | 57        | 113    | 100%       |

We did not examine the various types of construction projects that were not reviewed by engineers. These projects included Installation/Source Name Changes and Inter-program Coordination Tasks. Also, we did not examine Local Permits. The local offices process these projects, and the NSRU only reviews and comments on the permits.

### Applicability Determinations and Section 5 & 6 permits January 1999 – October 1999

| Type of Applicability Determination | Number | Permit Required | No Permit Required |
|-------------------------------------|--------|-----------------|--------------------|
| Letters                             | 154    | 58              | 96                 |
| Applications                        | 5      | 0               | 5                  |
| Incomplete Applications             | 2      | 0               | 2                  |
| Totals                              | 161    | 58              | 103                |
|                                     |        |                 |                    |
| Section 5 & 6                       | 303    | 257             | 46                 |

The audit was made in accordance with applicable generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate under the circumstances.

## **APPENDIX II**

### **STATUTES AND CODE OF STATE REGULATIONS**

The construction permit application process is governed in accordance with Section 643.075 of the RSMo and 10 CSR 10-6.060 of the Code of State Regulations. Section 643.075 prescribes that it shall be unlawful for any person to commence construction of any air contaminant source in this state without a permit if such source is of a class fixed by regulation of the commission that requires a permit. Every source required to obtain a construction permit shall make application to the department and shall submit such plans and specifications as prescribed by rule. The director shall promptly investigate each application, and if he determines that the source meets and will meet the requirements of sections 643.010 to 643.190 and the rules promulgated pursuant thereto, he shall issue a construction permit with such conditions as he deems necessary to ensure that the source will meet these requirements. If the director determines that the source does not meet or will not meet the requirements and the rules, he shall deny the construction permit.

Section 643.075 prescribes that before issuing a construction permit to build or modify an air contaminant source the director shall determine if the ambient air quality standards in the vicinity of the source are being exceeded and shall determine the impact on the ambient air quality standards from the source. The director may deny a construction permit if the source will appreciably affect the air quality or the air quality standards are substantially not being met. The director may require the applicant as a condition to the issuance of the construction permit to provide and maintain such facilities or to conduct such tests as are necessary to determine the nature, extent, quantity or degree of air contaminants discharged into the ambient air from the proposed source.

Section 643.075 prescribes that the director shall act within 30 days after a request for approval of an application for a construction permit. The director shall render a decision to approve or deny a construction permit within 90 days of receipt of a complete application for a class B source and within 184 days of receipt of a complete application for a class A source. The director shall promptly notify the applicant in writing of his action and if the construction permit is denied, state the reasons therefore. Any aggrieved person may appeal any permit decision made under this section, including failure to render a decision within the time period established in this section. A notice of appeal shall be filed with the commission within thirty days of the director's action or within thirty days from the date by which the decision should have been rendered if the director has failed to act.

Section 643.075 prescribes that there shall be a \$100 filing fee payable to the state of Missouri with each application before a construction permit shall be issued. No manufacturing or processing plant or operating location or other air contaminant source shall be required to pay more than one filing fee with a construction permit application. Upon completion of the

## APPENDIX II

department's evaluation of the application, but before receiving a construction permit, the applicant shall reimburse the department for all reasonable costs incurred by the department whether or not a construction permit is issued by the department or withdrawn by the applicant. If the department fails to approve or deny a construction permit within the time period specified in this section, the applicant shall not be required to reimburse the department for the review of the construction permit application. The commission shall, by rule, set the hourly charge, not to exceed the actual cost thereof and not to exceed \$50 per hour, for review of each construction permit application. The commission may exempt any person from payment of the hourly fees under this subdivision, or may reduce such fees, upon an appeal filed with the commission by such person stating that the fee will create an unreasonable economic hardship upon such person.

Section 643.075 prescribes that if the fees or any portion of the fees imposed by this section are not paid within 90 days from the date of billing there shall be imposed interest upon the unpaid amount at the rate of ten percent per annum from the date of billing until payment is actually made. A construction permit application for a portable facility may include any site at which the portable facility is expected to be used; however, a separate site permit application shall be required when the portable facility is used or expected to be used at any site which is not included in a previously approved construction permit application. Upon receipt of the application, the applicant shall be notified by the department of hourly fees and requirements put forth in this subdivision. Applicants who withdraw their application before the department completes its evaluation shall reimburse the department for costs incurred in the evaluation.

10 CSR 10-6.060 of the code of state regulations defines sources that are required to obtain permits to construct. It establishes requirements to be met prior to construction or modification of any of these sources. The rule also establishes permit fees and public notice requirements for certain sources and incorporates a means for unifying the processing of construction and operating permit issuance. The rule shall apply to installations throughout Missouri with the potential to emit any pollutant in an amount equal to or greater than the De Minimis levels. The rule describes the various exempt emissions units and the requirements for the different levels of permits. These different levels consist of temporary installations and pilot plants permits (Section 3), portable equipment permits (Section 4) for relocation to a new site or to an approved site De Minimis and minor permits (Sections 5 & 6), and major permits (Section 7, 8, or 9).

10 CSR 10-6.060 (10) addresses permit amendments and fees. Failure to submit the filing fee constitutes an incomplete permit application. Upon the determination that a complete application for a permit or a permit amendment has been received, a fee for permit processing in the amount of \$50 per hour of actual staff time will begin to accrue. The applicant shall submit fees for the processing of the permit application within 90 calendar days of the final review determination, whether the permit is approved, denied, withdrawn or not needed. After the 90 calendar days, the unpaid processing fees shall have interest imposed upon the unpaid amount at the rate of ten percent per annum from the date of billing until payment is made.

## APPENDIX II

Failure to submit the processing fees after the 90 calendar days will result in the permit being denied (revoked for portable installation location amendments) and the rejection of any future permit applications by the same applicant until the processing fees plus interest have been paid. Partially processed permits that are withdrawn after submittal shall be charged at the same processing fee rate of \$50 per hour of actual staff time.

10 CSR 10-6.060 prescribes that in order for an application to be complete, an application must include a completed application form and, to the extent not called for by the form, other information as required in the rule. Nothing shall prevent the permitting authority from requesting additional information that is reasonably necessary to process the application. The permitting authority shall maintain a checklist to be used for the completeness determination. A copy of the checklist identifying the application's deficiencies shall be provided to the applicant along with the notice of incompleteness. In requesting additional information, the permitting authority shall establish a reasonable deadline for a response. The review period will be extended by the amount of time necessary to collect the required information. An applicant shall submit an application package consisting of the standard application form and emissions information for construction permit application. The permitting authority may impose those conditions in a permit as may be necessary to accomplish the purposes of this rule, any applicable requirements, or the Air Conservation Law, Chapter 643 of the RSMo, and are no less stringent than any applicable requirements.

10 CSR 10-6.060 (13)-(16) prescribes that after making a final determination whether the permit should be approved, approved with conditions, or denied, the permitting authority shall notify the applicant in writing of the final determination and the total permit processing fees due. If payment of processing fees has not been received from the applicant 80 calendar days after the final determination, the permitting authority shall issue in writing to the applicant a final notice of payment due. No later than 3 calendar days after receipt of the whole amount of the fee due, the permitting authority will send the applicant a notice of payment received. The permit will also be issued at this time, provided the final determination was for approval and the permit processing fee was timely received.

## APPENDIX III

### WORKLOAD INFORMATION

#### Permit Applications in 1998 & 1999

|           | Applications in 1998 |           |          |                | Applications in 1999 |           |          |                |
|-----------|----------------------|-----------|----------|----------------|----------------------|-----------|----------|----------------|
| Month     | Received             | Completed | Issued * | Sect. 4 Issued | Received             | Completed | Issued * | Sect. 4 Issued |
| January   | 34                   | 59        | 37       | 8              | 47                   | 51        | 28       | 6              |
| February  | 55                   | 31        | 22       | 4              | 54                   | 53        | 23       | 15             |
| March     | 54                   | 50        | 21       | 14             | 90                   | 64        | 34       | 11             |
| April     | 59                   | 53        | 23       | 13             | 73                   | 80        | 25       | 22             |
| May       | 86                   | 52        | 20       | 11             | 69                   | 60        | 23       | 10             |
| June      | 72                   | 85        | 34       | 23             | 78                   | 89        | 37       | 21             |
| July      | 61                   | 81        | 45       | 11             | 65                   | 72        | 25       | 15             |
| August    | 69                   | 64        | 30       | 10             | 61                   | 80        | 32       | 13             |
| September | 47                   | 76        | 33       | 16             | 50                   | 60        | 21       | 18             |
| October   | 49                   | 58        | 20       | 14             | 55                   | 49        | 21       | 10             |
| November  | 59                   | 47        | 23       | 6              | 64                   | 48        | 16       | 8              |
| December  | 62                   | 51        | 23       | 3              | 53                   | 61        | 22       | 6              |
| Total     | 707                  | 707       | 331      | 133            | 759                  | 767       | 307      | 155            |

\* includes Sections 5, 6, 7, & 8 permits only

## APPENDIX III

### Summary of Project Activity\*

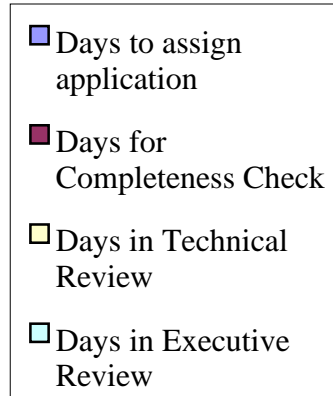
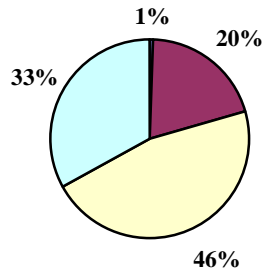
| Stage                     | September 1999 | October 1999 |
|---------------------------|----------------|--------------|
| In Progress, Beginning    | 211            | 207          |
| Projects Received         | 77             | 69           |
| Projects Completed        | 74             | 69           |
| Permits Issued            | 54             | 46           |
| Other Projects Finished * | 27             | 15           |
| In Progress, Ending       | 207            | 215          |

\* Includes Applicability Determinations, Inter-program Coordination Tasks, Banking Sales Tax Exemption, and Affected States Review.

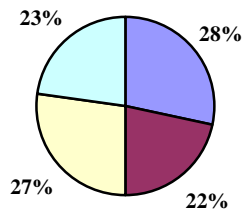
## APPENDIX III

### PERCENT OF DAYS IN APPLICATION PROCESSING ON CONSTRUCTION PROJECTS REVIEWED FOR SEPTEMBER 1999 AND OCTOBER 1999

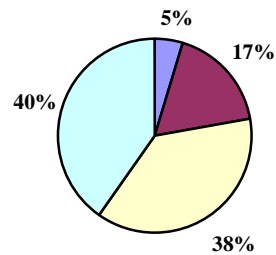
**(Unified): Major Reviews**



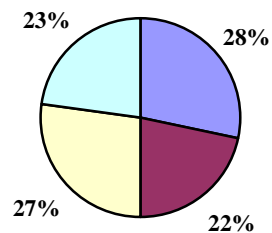
**Relocations**



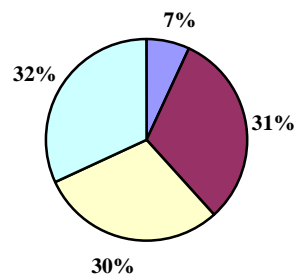
**Deminimis and Minor**



**Relocations**



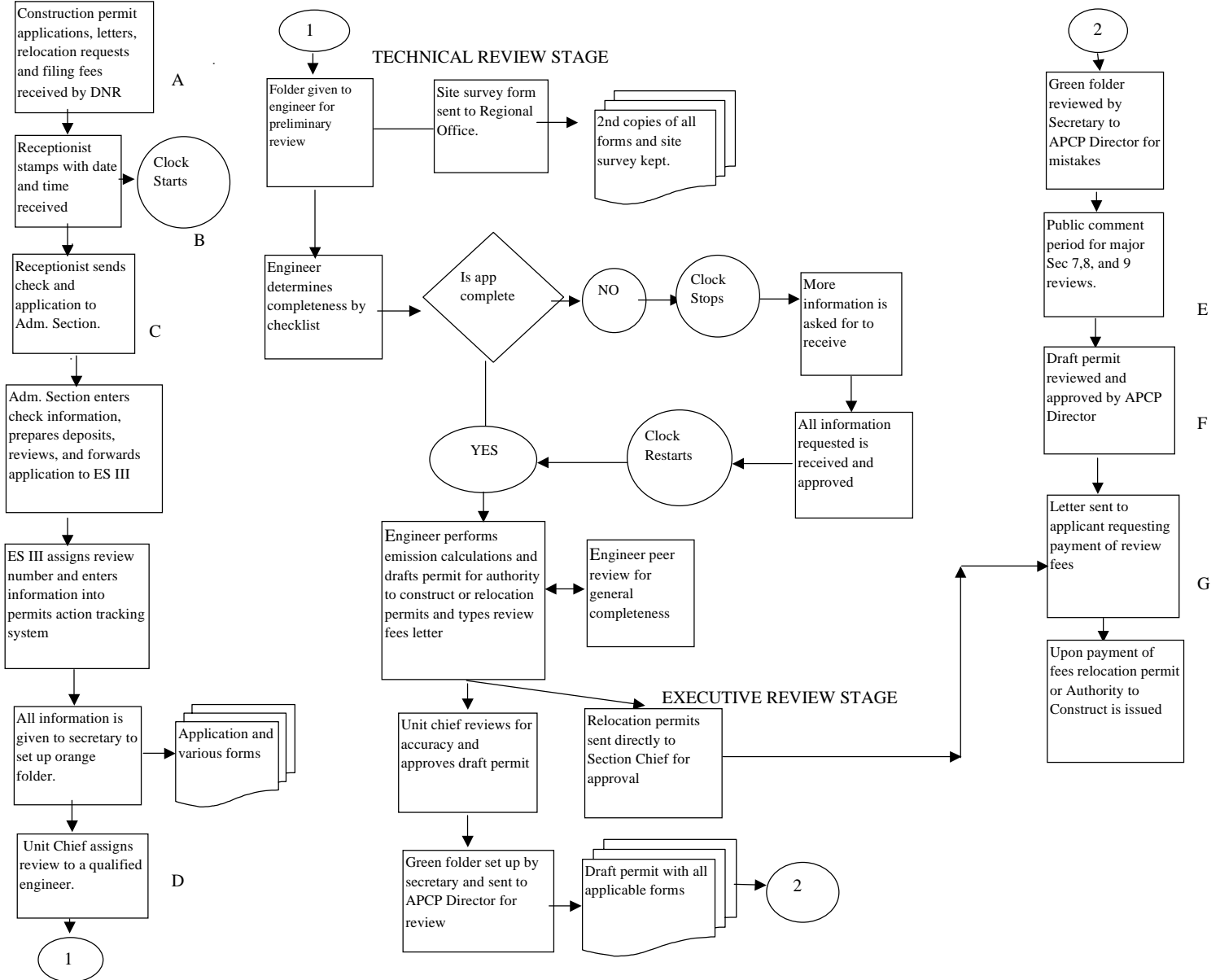
**Applicability Determinations**





## APPENDIX IV

### FLOWCHART OF PERMIT APPLICATION PROCESS



- A Filing fee of \$100 is not charged for applicability determination letters and Section 4 relocations.
- B DNR has 30 calendar days to determine completeness of the construction permit application.
- C If no check is received for a certain type of application or applicability determination letter, then the application or letter goes directly to the ES III to enter into the Permit Action Tracking System (PATs).
- D Secretary types letter to company telling that the application has been received and has been assigned to a certain engineer for review.
- E This process is statutory and requires public notice through advertisements and public hearings with time for comments.
- F The application stage did go all the way up to the Director of Environmental Quality to be approved and signed. The process was changed in June 1998 to allow program approval of permits.
- G The applicant is given 90 days to pay the review fees before interest is charged. An 80 day second fee notice is sent if not paid.

## APPENDIX V

### SUMMARY OF SURVEY QUESTIONNAIRE RESULTS

A survey questionnaire was sent to 100 different companies that submitted a permit application during the period January 1, 1999 through October 31, 1999. The results of this survey are as follows:

| Question   | Yes | No | % Yes |
|--|-----|----|-------|
| Enough information available to determine whether a permit was needed?   | 58  | 13 | 81    |
| Permit application package complete and easy to understand?  | 53  | 16 | 77    |
| Instructions accompanying the application detailed and easy to follow?   | 54  | 15 | 78    |
| Did DNR permit reviewer require any unnecessary information?   | 14  | 54 | 21    |
| Did you receive or need assistance from the Technical Assistance Program?  | 27  | 44 | 38    |
| Were the persons who assisted helpful, knowledgeable, and polite?  | 26  | 1  | 96    |
| Is the permit application process too complicated?   | 31  | 35 | 47    |
| Could the application process be standardized for many of the types of construction projects performed?          | 30  | 34 | 47    |
| Did the permit application process take longer than reasonably necessary?  | 25  | 48 | 34    |
| Was the permit to construct issued in a timely manner?   | 51  | 19 | 73    |
| Do you have ready access to the construction permit application package?   | 65  | 9  | 88    |
| Would you like application package and instructions to be on Internet?   | 56  | 16 | 78    |
| Is the \$100 construction permit filing fee charged reasonable?  | 65  | 9  | 88    |
| Is the review fee of \$50 per hour charged reasonable?   | 51  | 22 | 70    |
| Was an air quality analysis performed on your construction permit? Necessary?                                    | 17  | 44 | 28    |
| Has your company applied for more than one construction permit?  | 55  | 19 | 74    |
| Has the permit application process been consistent with your construction needs?                                 | 38  | 15 | 72    |
| Was an on-site inspection or survey performed on the construction project before the permit was actually issued? | 41  | 33 | 55    |

| Question  | Always | Sometimes | Never |
|---|--------|-----------|-------|
| Was the engineer who reviewed your permit knowledgeable and helpful?            | 42     | 17        |       |
| Did the construction permit unit appear responsive to your needs and questions? | 41     | 19        | 1     |

## **APPENDIX V**

An analysis of the responses indicates that the NSRU has received generally favorable customer service ratings from the respondents. The NSRU is rated in the above-75-percentile in key customer service questions (enough information available, application package easy to understand, instructions understandable, and ready access to permit package).

Respondents expressed an interest in having information available on the Internet. Over one third of the respondents believed the permit process took too long, and nearly half the respondents believed that the permit process was too complicated, and also, believed that some standardization in the application process could be accomplished for some industries. These would be areas that NSRU should strive for improvement.

## APPENDIX VI

STATE OF MISSOURI  
DEPARTMENT OF NATURAL RESOURCES  
OFFICE OF THE DIRECTOR  
P.O. Box 176 Jefferson City, MO 65102-0176

JUL 11 2000

The Honorable Claire McCaskill  
Missouri State Auditor  
State Capitol Building, Room 224  
Jefferson City, MO 65102

Dear Auditor McCaskill:

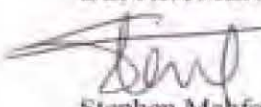
I would like to thank you for completing the performance audit entitled, *The Department of Natural Resources Air Pollution Control Program New Source Review Unit* on our permitting function in the Air Pollution Control Program within the Division of Environmental Quality. When I contacted you to complete this performance audit, we were hoping for a product that would help us improve the operations of our Air Pollution Control Program. We would also like to replicate this assessment into our other programs. We are very pleased with the results of this audit and are in the process of implementing most of your recommendations. I am enclosing the Department of Natural Resources responses to the issues identified in the audit.

The working relationship developed between our two staffs during this audit was excellent. I believe that this audit establishes a model for performance auditing that could be useful for all state agencies. I appreciate your willingness to work with my staff in presenting the findings professionally and objectively.

Thank you for your assistance in performing this audit for the needed function for the Department of Natural Resources.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES

  
Stephen Mahfood  
Director

SM/ghh



## DNR Responses to draft State Auditor Report of NSRU in 2000

**1.Reorganizing the New Source Review Unit (NSRU) Would Enhance Construction Permit Processing**

| <b>Recommendations</b>   | <b>Response</b> | <b>Comment</b>   |
|--|-----------------|--|
| A. Establish a pre-screening unit to ensure engineers are only given permit applications that are complete and ready for the engineers' technical reviews. | Agree           | The APCP will staff the new unit with non-engineers who will only be checking for administrative completeness. The review engineers will still get applications where additional technical information is needed. The new unit will also conduct some permitting functions such as review of portable sources. Positions for this unit are in process of re-allocation and will be subject to the Office of Administration approval. The new unit is expected to be approved no later than November 1, 2000 and established immediately upon approval. |
| B. Transfer accounting functions to DNR's accounting office  | Agree           | APCP will be transferring this function to the APCP accounting office, rather than the DNR's. The APCP believes permits will be processed faster at a program level. Hence, activity functions will be transferred to APCP Administration Section as soon as possible, but no later than January 1, 2001.  |

## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations   | Response | Comment  |
|---|----------|--|
| C. Request salary increases for engineers at or near private sector levels.   | Agree    | The DNR is supportive of the Governor's initiative, COMAP. In addition, the Division of Environmental Quality (DEQ) is looking for ways to promote non-registered engineers above the entry-level positions. The APCP will recommend options to the DEQ as soon as possible, but no later than November 1, 2000. |
| D.1. Analyze current workloads to determine the duties and functions that could be performed by non-engineer employees.   | Agree    | The new Unit (mentioned in a previous recommendation) will include additional non-engineering permitting duties. The duties and functions identified through this analysis will be moved to this Unit. These non-engineering duties will be performed as soon as the new unit is established.                    |
| D.2. Analyze current workloads to determine the number of engineer and non-engineer personnel needed to perform the NSRU functions, and recruit and hire staff accordingly. | Agree    | As mentioned previously, some of the NSRU's functions will be transferred to the new unit as soon as the new unit is established.  |

## DNR Responses to draft State Auditor Report of NSRU in 2000

2. **The Process Flow of Construction Permit Applications Can Be Improved**

| Recommendations   | Response | Comment   |
|---|----------|---|
| A. Separate the fee check from the application and send the application immediately to the permitting section to begin processing. The check and a photocopy of the front page of the application could be sent to administration to be processed simultaneously. | Agree    | The implementation of this recommendation will occur as soon as possible, but no later than November 1, 2000.   |
| B. Review the time it takes to assign projects to engineers and ensure projects are assigned on a timely basis.   | Agree    | The APCP will re-evaluate the number of planned days assigned to each processing step (these are non-regulatory timeframes). This re-evaluation will be one of the first tasks of the new Unit and will be addressed as soon as the Unit is established (refer to recommendation 1.A.). |

## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations  | Response | Comment  |
|--|----------|--|
| C. Monitor the processing times in all phases of the application review process and, take action to ensure standard time frames are met. | Agree    | The <u>current</u> procedure ensures regulatory deadlines are met with a success rate of 99%. The APCP will improve the current processing time monitoring procedures to minimize deviation within each planned step and correct the 1% of projects that exceed the regulatory timeframes. The improved monitoring will occur as soon as possible, but no later than November 1, 2000. A report of the results of the improved monitoring will be available July 1, 2001 (approximately eight months of data). |



## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations   | Response      | Comment  |
|---|---------------|--|
| D. Develop maximum time standards for projects placed on hold after which the applications would be canceled. | Agree in Part | <p>The APCP will work with applicants to ensure that applicants are still actively pursuing their permits. The state statute does not place a deadline on an applicant's ability to supply information. Thus, many projects are placed on hold until extensive modeling or monitoring is conducted. Often the applicant fails to respond for business reasons unknown to APCP. Projects on hold take longer to complete, but are still within the statutory timeframes (because the statute deals with the permitting authority's actions, not the applicants). Because this recommendation requires legal support and possibly a rule revision, we expect to complete implementation within 12 months, July 1, 2001. Since this change may have a negative affect on customer satisfaction, the APCP recommends that at this time we include a step called "inactive status" in PATS until we work through these issues. "Inactive Status" will begin as soon as possible, but not later than November 1, 2001.</p> |

## APPENDIX VI

### DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations  | Response | Comment  |
|--|----------|--|
| E. Ensure that follow-up action is timely for projects placed on hold awaiting additional information. | Agree    | In addition, the APCP will shorten the length of time a project is placed on hold, from 30 days to 10 days. This recommendation should reduce the amount of time an application is awaiting additional information, or “on hold” (see attached pie charts). APCP will implement these changes as soon as possible, but no later than November 1, 2000. |

## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations   | Response      | Comment   |
|---|---------------|---|
| F. Require supervisory approval before placing any project on hold. | Agree in Part | <p>The APCP has established that projects may be placed “on hold” only if additional information is necessary or if the applicant wants to delay processing for their own reasons. Unit Chief approval of each of the “on hold” requests will slow down permit processing due to the number of projects being processed. Instead, the APCP will initiate a process where the NSRU Chief reviews the projects “on hold” during the weekly unit meetings. Documentation for projects “on hold” will be recorded in the permit file as well as in PATS. This information will be available to the NSRU Chief for review. The APCP alternative will be implemented as soon as possible, but no later than November 1, 2000.</p> |

## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations   | Response | Comment  |
|---|----------|--|
| G. Delegate the authority to approve permits for the lower priority applications to the Unit Chief                | Disagree | The signature authority in the statute resides with the Department Director. The signature authority has been delegated two management levels down. It is necessary that multi-media coordination occur on permits. The lowest level of management where multi-media coordination occurs at a peer level is the level at which the permit signature is currently delegated, the APCP Program Director. |
| H. Establish a warning system for executives to ensure that their reviews are complete before fees are forfeited. | Agree    | The APCP will evaluate the PATS's capabilities provide weekly reports that anticipate action. The results of this evaluation will be available as soon as possible, but no later than November 1, 2000. If additional resources are necessary in order to establish an early warning system, then those resources will pursued and should be available no later than July 1, 2001.                     |

## DNR Responses to draft State Auditor Report of NSRU in 2000

3. **NSRU Staff Could Improve Management of Fees that Are Received for Construction Permits**

| Recommendations  | Response | Comment   |
|--|----------|---|
| A.1.) Establish procedures and appropriate supervisory review for assessing fees for permit applications that are either withdrawn or denied.  | Agree    | The APCP will transfer this function to the APCP Administration Section. While the APCP attempts to collect fees, there is no enforceable mechanism to assess these fees. A change in state law may be necessary. The Department will assess the need for legislation and pursue accordingly. |
| A.2.) Establish procedures and appropriate supervisory review for refunding or applying fees to pending processing fees when fees are received for permits that do not require them.           | Agree    | The APCP will improve this action by developing a standard procedure for refunding fees that will include the transfer of some responsibilities to the APCP accounting group. These actions will occur as soon as possible, but no later than January 1, 2001.                                |
| A.3.) Establish procedures and appropriate supervisory review for refunding fees to applicants when they are improperly billed for permit processing days in excess of regulatory time frames. | Agree    | Same as above.  |

## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations   | Response | Comment  |
|---|----------|--|
| B. Discontinue billing applicants for processing fees when NSRU does not meet regulatory time frames. | Agree    | The APCP's practice is to forgo the engineering fees whenever the timeframe is not met. However, the billing process will improve with the transfer of accounting functions, as noted in previous recommendations. |

## DNR Responses to draft State Auditor Report of NSRU in 2000

4. **Financial and Management Reporting Information Systems Could Be Improved**

| Recommendations   | Response      | Comment  |
|---|---------------|--|
| A. Develop more detailed reports of actual hours used on each permit application, current status of each permit application, and the number of days used to process the application in each review stage. | Agree in Part | The APCP will assess the following issues before committing to any changes in the current procedures: cost benefit and SAM II system capabilities. The resources to study this recommendation will be pursued. Internal recommendations will be prepared as soon as possible, but no later than July 1, 2001.  |
| B. Develop a job cost reporting system to track the time charged to each permit application to the time actually charged on the time sheets.  | Agree         | This recommendation could require several years to develop. The computer system will have to be tied into our existing efforts. APCP estimates a cost of \$100,000 to include this in our permit integration efforts. Internal recommendations to develop and implement this system will be pursued as soon as possible, but no later than January 1, 2001 |

## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations   | Response | Comment   |
|---|----------|---|
| C. Ensure the PATS reports add sections to track the filing fee and the steps between the time the application is logged in until the time it is assigned to an engineer. | Agree    | The APCP currently tracks these steps under “Check Application”. Currently this group contains two steps. The first entry is at the program level, which is entered by the permit section staff. The second entry is at the Unit staff level. The APCP will evaluate adding more steps to the “Check Application” group as soon as possible, but no later than November 1, 2000. If additional resources are indicated by the evaluation, then those resources will be available as soon as the new Unit is established (refer to recommendation 1.A.). |
| D. Ensure the completed folders contain a final PATS report.  | Disagree | The APCP believes the electronic version of the PATS report is sufficient. The electronic version summarizes the permitting activities. The inclusion of a final printed PATS report in the permit file would not serve any useful purpose.   |



## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations  | Response      | Comment  |
|--|---------------|--|
| E. Instruct engineers to exercise greater care in the timely, accurate recording of entries to the PATS system.  | Agree         | APCP is committing to more training and oversight to accomplish this recommendation. The APCP will immediately add periodic reminders during unit meetings. The additional training will be developed and oversight procedures implemented as soon as possible, but no later than January 1, 2001. |
| F. Study the actual staff time, engineers' time, and management review time for each permit application to determine the actual and required number of hours necessary to process a permit application.              | Agree in Part | APCP will continue to strive for accurate tracking in permit processing. Coupled with previous recommendations, the APCP will be in a better position to address this. See recommendation 4.A.   |
| G. Request legislation to change the statutory maximum billing rate if the actual cost of operation for each permit application exceeds the current statutory billing rate of \$50 per hour for process review time. | Agree         | The APCP will recommend possible legislation for the next session of the General Assembly.   |

## DNR Responses to draft State Auditor Report of NSRU in 2000

| Recommendations  | Response | Comment   |
|--|----------|---|
| H. Develop a system to determine the appropriate billing rates for each of the different classifications of employees that actually work on the permit review process. | Agree    | We have interpreted the law as it is presented in the permit rule. APCP will evaluate this recommendation. This proposal is a more complicated billing system than our current method. A legal request for statute interpretation will be prepared as soon as possible, but not later than January 1, 2001. |

## DNR Responses to draft State Auditor Report of NSRU in 2000

5. The APCP Has Taken Positive Steps to Assist Industry

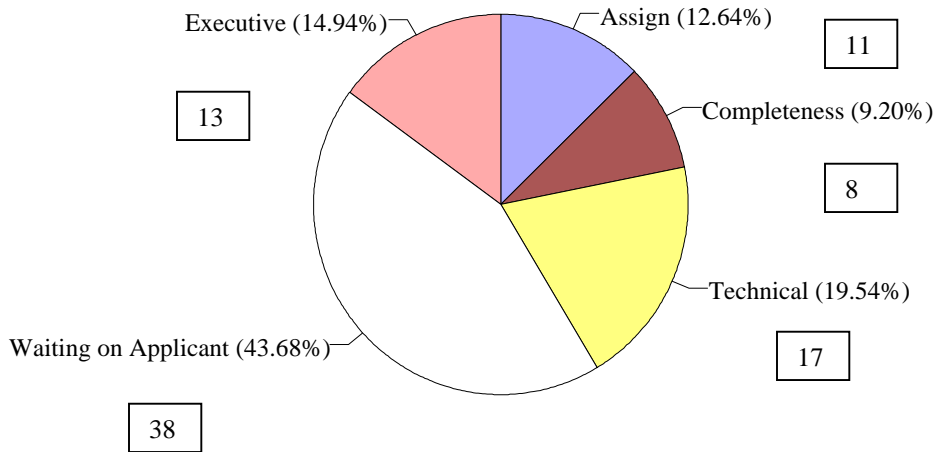
| Recommendations  | Response | Comment   |
|--|----------|---|
| A. Develop a more informative and detailed web site for the construction permit process including placing the permit application and instructions on the web site. Specific information should be provided to enable businesses to be able to determine when permits are not needed. | Agree    | The APCP will pursue the recommendation no later than January 1, 2001.  |
| B. Develop a lessons-learned package for distribution to industry to improve information and the quality of permit applications.   | Agree    | The APCP will pursue this recommendation as soon as possible, but no later than July 1, 2001.   |
| C. Conduct focused reviews on the industries outlined in the "Construction Permit Streamlining Workgroup" final report to determine the feasibility of establishing permits by rule.   | Agree    | The time to implement this recommendation subject to availability and interest of industrial associations. The APCP will seek out additional partnerships to develop "permits by rule." This recommendation will be initiated as soon as possible, but no later than January 1, 2001. |
| D. Develop standard modeling procedures and requirements for the various types of industries.  | Agree    | The APCP is currently working with the limestone producers association to develop procedures for modeling and permitting. The resources and staff will be re-allocated for this recommendation as soon as possible, but no later than July 1, 2001.                                   |

## DNR Responses to draft State Auditor Report of NSRU in 2000

Data For 1998 and 1999

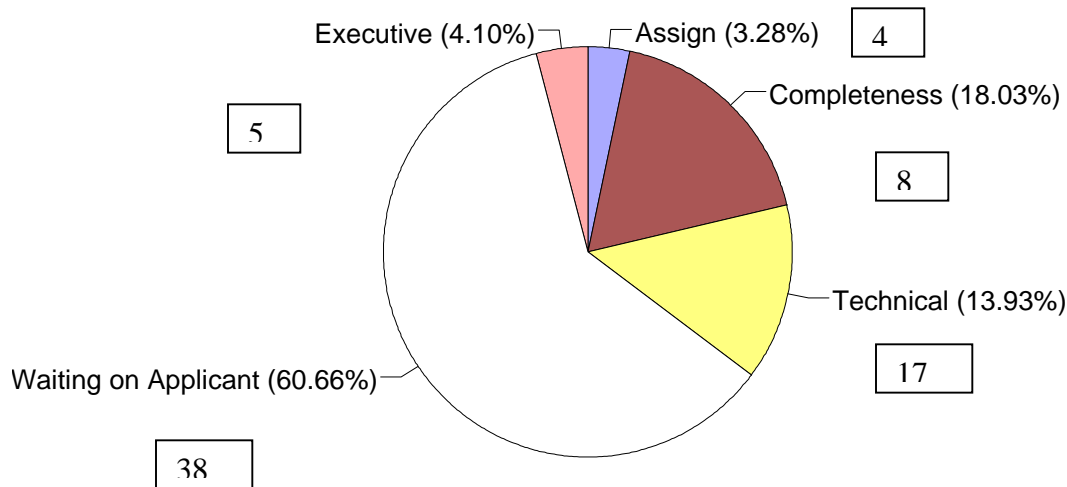
## Minor Source

average # days



## Major Review

average # days





MONROE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-54  
July 5, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

July 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Monroe, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

-----  
This audit of Monroe County was a financial and compliance audit of various county operating funds. The following concern was noted as part of the audit:

- As noted in the prior audit report, the county does not have adequate procedures in place to prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA). The county's SEFA contained errors and omissions. An accurate SEFA is necessary to ensure federal financial activity is audited and reported in accordance with federal requirements.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

# MONROE COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Monroe County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Monroe County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

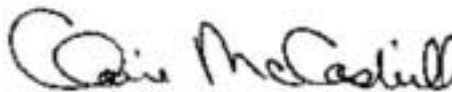
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Monroe County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Monroe County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Monroe County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 15, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 15, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Jeannette Eaves, CPA  |
| In-Charge Auditor:  | Debbie Hill, CPA      |
| Audit Staff:        | Todd Stoll            |
|                     | Michael J. Monia      |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Monroe County, Missouri

We have audited the special-purpose financial statements of various funds of Monroe County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

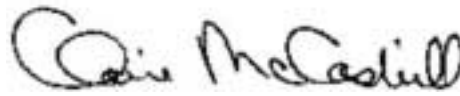
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Monroe County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Monroe County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the

design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Monroe County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

February 15, 2000 (fieldwork completion date)



## Financial Statements

Exhibit A-1

MONROE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 76,768          | 1,189,235 | 1,207,904     | 58,099               |
| Special Road and Bridge             | 43,487             | 1,211,172 | 1,074,834     | 179,825              |
| Assessment                          | 2,329              | 97,342    | 98,343        | 1,328                |
| Law Enforcement Training            | 1,741              | 3,370     | 3,412         | 1,699                |
| Prosecuting Attorney Training       | 332                | 576       | 772           | 136                  |
| Health Center                       | 246,412            | 443,251   | 395,024       | 294,639              |
| Mark Twain Reservoir                | 613,983            | 197,532   | 197,529       | 613,986              |
| Recorder's User Fees                | 499                | 4,862     | 5,171         | 190                  |
| Handicapped Board                   | 83,945             | 81,640    | 70,278        | 95,307               |
| Domestic Violence                   | 1,009              | 336       | 358           | 987                  |
| Prosecuting Attorney Bad Check      | 10,760             | 4,204     | 4,250         | 10,714               |
| Circuit Clerk Interest              | 1,332              | 1,020     | 872           | 1,480                |
| Associate Circuit Division Interest | 218                | 906       | 0             | 1,124                |
| Election Machine                    | 3,680              | 124       | 338           | 3,466                |
| Enhanced 911                        | 62,788             | 103,564   | 103,564       | 62,788               |
| Sheriff's Civil Fees                | 6,942              | 22,042    | 8,500         | 20,484               |
| Prosecuting Attorney Delinquent Tax | 5,094              | 973       | 498           | 5,569                |
| DARE Program                        | 1,041              | 1,195     | 2,233         | 3                    |
| Local Emergency Planning Grant      | 2,825              | 101       | 0             | 2,926                |
| Election Services Fund              | 0                  | 47        | 0             | 47                   |
| Total                               | \$ 1,165,185       | 3,363,492 | 3,173,880     | 1,354,797            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MONROE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 124,005         | 1,104,390 | 1,151,627     | 76,768               |
| Special Road and Bridge             | 153,084            | 915,438   | 1,025,035     | 43,487               |
| Assessment                          | 12,059             | 95,787    | 105,517       | 2,329                |
| Law Enforcement Training            | 1,723              | 3,334     | 3,316         | 1,741                |
| Prosecuting Attorney Training       | 545                | 567       | 780           | 332                  |
| Health Center                       | 198,341            | 480,789   | 432,718       | 246,412              |
| Mark Twain Reservoir                | 702,535            | 51,658    | 140,210       | 613,983              |
| Recorder's User Fees                | 974                | 5,938     | 6,413         | 499                  |
| Handicapped Board                   | 82,152             | 82,981    | 81,188        | 83,945               |
| Domestic Violence                   | 972                | 423       | 386           | 1,009                |
| Prosecuting Attorney Bad Check      | 8,281              | 3,338     | 859           | 10,760               |
| Circuit Clerk Interest              | 971                | 661       | 300           | 1,332                |
| Associate Circuit Division Interest | 278                | 280       | 340           | 218                  |
| Election Machine                    | 2,538              | 1,142     | 0             | 3,680                |
| Enhanced 911                        | 11,878             | 73,362    | 22,452        | 62,788               |
| Sheriff's Civil Fees                | 0                  | 24,345    | 17,403        | 6,942                |
| Prosecuting Attorney Delinquent Tax | 5,570              | 814       | 1,290         | 5,094                |
| DARE Program                        | 1,560              | 1,660     | 2,179         | 1,041                |
| Local Emergency Planning Grant      | 2,718              | 107       | 0             | 2,825                |
| Total                               | \$ 1,310,184       | 2,847,014 | 2,992,013     | 1,165,185            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 191,500              | 196,616   | 5,116                                  | 156,420   | 163,833   | 7,413                                  |
| Sales taxes                         | 550,000                 | 481,620   | (68,380)                               | 519,000   | 456,894   | (62,106)                               |
| Intergovernmental                   | 194,082                 | 180,483   | (13,599)                               | 215,163   | 193,266   | (21,897)                               |
| Charges for services                | 260,723                 | 204,842   | (55,881)                               | 208,465   | 206,613   | (1,852)                                |
| Interest                            | 8,428                   | 8,447     | 19                                     | 7,800     | 11,948    | 4,148                                  |
| Other                               | 78,247                  | 76,485    | (1,762)                                | 26,517    | 27,656    | 1,139                                  |
| Transfers in                        | 40,292                  | 40,742    | 450                                    | 25,926    | 44,180    | 18,254                                 |
| Total Receipts                      | 1,323,272               | 1,189,235 | (134,037)                              | 1,159,291 | 1,104,390 | (54,901)                               |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 61,421                  | 59,929    | 1,492                                  | 52,760    | 47,767    | 4,993                                  |
| County Clerk                        | 72,242                  | 67,081    | 5,161                                  | 70,241    | 65,470    | 4,771                                  |
| Elections                           | 11,600                  | 12,895    | (1,295)                                | 34,675    | 29,902    | 4,773                                  |
| Buildings and grounds               | 68,550                  | 70,767    | (2,217)                                | 79,245    | 62,829    | 16,416                                 |
| Employee fringe benefits            | 169,000                 | 142,147   | 26,853                                 | 157,100   | 145,067   | 12,033                                 |
| County Treasurer                    | 22,322                  | 21,864    | 458                                    | 20,230    | 19,268    | 962                                    |
| County Collector                    | 60,398                  | 57,494    | 2,904                                  | 59,239    | 58,048    | 1,191                                  |
| Circuit Clerk                       | 39,176                  | 29,907    | 9,269                                  | 35,322    | 25,239    | 10,083                                 |
| Associate Circuit Court             | 12,095                  | 5,890     | 6,205                                  | 12,620    | 7,992     | 4,628                                  |
| Court administration                | 6,939                   | 4,619     | 2,320                                  | 5,601     | 4,855     | 746                                    |
| Public Administrator                | 11,710                  | 19,906    | (8,196)                                | 11,890    | 15,374    | (3,484)                                |
| Sheriff                             | 322,188                 | 311,423   | 10,765                                 | 281,785   | 295,744   | (13,959)                               |
| Jail                                | 60,000                  | 74,967    | (14,967)                               | 29,500    | 84,217    | (54,717)                               |
| Prosecuting Attorney                | 67,212                  | 68,136    | (924)                                  | 66,263    | 59,783    | 6,480                                  |
| Juvenile Officer                    | 63,047                  | 41,519    | 21,528                                 | 61,657    | 62,117    | (460)                                  |
| County Coroner                      | 8,700                   | 6,904     | 1,796                                  | 7,835     | 9,037     | (1,202)                                |
| Other                               | 216,750                 | 212,456   | 4,294                                  | 168,140   | 158,918   | 9,222                                  |
| Transfers out                       | 11,100                  | 0         | 11,100                                 | 0         | 0         | 0                                      |
| Emergency Fund                      | 37,000                  | 0         | 37,000                                 | 33,000    | 0         | 33,000                                 |
| Total Disbursements                 | 1,321,450               | 1,207,904 | 113,546                                | 1,187,103 | 1,151,627 | 35,476                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,822                   | (18,669)  | (20,491)                               | (27,812)  | (47,237)  | (19,425)                               |
| CASH, JANUARY 1                     | 76,768                  | 76,768    | 0                                      | 103,991   | 124,005   | 20,014                                 |
| CASH, DECEMBER 31                   | \$ 78,590               | 58,099    | (20,491)                               | 76,179    | 76,768    | 589                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                       | Year Ended December 31, |           |  |           |           |  |
|---------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                       | 1999                    |           |  | 1998      |           |  |
|                                       | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                              |                         |           |  |           |           |  |
| Property taxes                        | \$ 221,450              | 164,241   | (57,209)                               | 142,030   | 160,270   | 18,240                                 |
| Sales taxes                           | 79,000                  | 75,080    | (3,920)                                | 79,000    | 70,900    | (8,100)                                |
| Intergovernmental                     | 1,200,008               | 884,152   | (315,856)                              | 1,163,150 | 662,529   | (500,621)                              |
| Interest                              | 3,000                   | 7,814     | 4,814                                  | 14,100    | 6,097     | (8,003)                                |
| Other                                 | 15,700                  | 79,885    | 64,185                                 | 36,000    | 15,642    | (20,358)                               |
| Total Receipts                        | 1,519,158               | 1,211,172 | (307,986)                              | 1,434,280 | 915,438   | (518,842)                              |
| DISBURSEMENTS                         |                         |           |  |           |           |  |
| Salaries                              | 260,000                 | 242,622   | 17,378                                 | 249,000   | 238,518   | 10,482                                 |
| Employee fringe benefits              | 98,100                  | 83,159    | 14,941                                 | 93,000    | 80,524    | 12,476                                 |
| Supplies                              | 63,860                  | 51,603    | 12,257                                 | 62,810    | 53,971    | 8,839                                  |
| Insurance                             | 16,000                  | 8,037     | 7,963                                  | 18,000    | 13,936    | 4,064                                  |
| Road and bridge materials             | 243,600                 | 226,628   | 16,972                                 | 229,000   | 259,681   | (30,681)                               |
| Equipment repairs                     | 50,000                  | 50,156    | (156)                                  | 50,000    | 53,935    | (3,935)                                |
| Equipment purchases                   | 190,000                 | 87,101    | 102,899                                | 200,000   | 139,334   | 60,666                                 |
| Construction, repair, and maintenance | 1,000                   | 1,266     | (266)                                  | 19,000    | 15,093    | 3,907                                  |
| Bridge projects                       | 492,160                 | 241,368   | 250,792                                | 532,330   | 67,529    | 464,801                                |
| Other                                 | 94,000                  | 51,894    | 42,106                                 | 47,400    | 76,334    | (28,934)                               |
| Transfers out                         | 31,000                  | 31,000    | 0                                      | 26,180    | 26,180    | 0                                      |
| Total Disbursements                   | 1,539,720               | 1,074,834 | 464,886                                | 1,526,720 | 1,025,035 | 501,685                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS   | (20,562)                | 136,338   | 156,900                                | (92,440)  | (109,597) | (17,157)                               |
| CASH, JANUARY 1                       | 43,487                  | 43,487    | 0                                      | 137,525   | 153,084   | 15,559                                 |
| CASH, DECEMBER 31                     | \$ 22,925               | 179,825   | 156,900                                | 45,085    | 43,487    | (1,598)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |           |         |  |         |         |  |
|-------------------------------------|-----------|---------|--|---------|---------|--|
| 1999                                |           |         | 1998                                   |         |         |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |         |  |
| Intergovernmental                   | \$ 93,815 | 96,075  | 2,260                                  | 104,256 | 93,873  | (10,383)                               |
| Interest                            | 867       | 886     | 19                                     | 1,330   | 1,308   | (22)                                   |
| Other                               | 606       | 381     | (225)                                  | 545     | 606     | 61                                     |
| Transfers in                        | 11,100    | 0       | (11,100)                               | 0       | 0       | 0                                      |
| Total Receipts                      | 106,388   | 97,342  | (9,046)                                | 106,131 | 95,787  | (10,344)                               |
| DISBURSEMENTS                       |           |         |  |         |         |  |
| Assessor                            | 104,641   | 98,343  | 6,298                                  | 115,983 | 105,517 | 10,466                                 |
| Total Disbursements                 | 104,641   | 98,343  | 6,298                                  | 115,983 | 105,517 | 10,466                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 1,747     | (1,001) | (2,748)                                | (9,852) | (9,730) | 122                                    |
| CASH, JANUARY 1                     | 2,329     | 2,329   | 0                                      | 10,215  | 12,059  | 1,844                                  |
| CASH, DECEMBER 31                   | \$ 4,076  | 1,328   | (2,748)                                | 363     | 2,329   | 1,966                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

MONROE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |         |               |        |        |               |  |
|-------------------------------------|---------|---------------|--------|--------|---------------|--|
| 1999                                |         |               | 1998   |        |               |  |
|                                     |         | Variance      |        |        | Variance      |  |
|                                     |         | Favorable     |        |        | Favorable     |  |
|                                     |         | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget  | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |         |               |        |        |               |  |
| Intergovernmental                   | \$ 0    | 1,011         | 0      | 1,100  | 1,100         |  |
| Charges for services                | 2,200   | 2,284         | 2,500  | 2,208  | (292)         |  |
| Interest                            | 25      | 75            | 0      | 26     | 26            |  |
| Total Receipts                      | 2,225   | 3,370         | 2,500  | 3,334  | 834           |  |
| DISBURSEMENTS                       |         |               |        |        |               |  |
| Sheriff                             | 3,250   | 3,412         | 3,450  | 3,316  | 134           |  |
| Total Disbursements                 | 3,250   | 3,412         | 3,450  | 3,316  | 134           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,025) | (42)          | (950)  | 18     | 968           |  |
| CASH, JANUARY 1                     | 1,741   | 1,741         | 1,723  | 1,723  | 0             |  |
| CASH, DECEMBER 31                   | \$ 716  | 1,699         | 773    | 1,741  | 968           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

MONROE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY TRAINING FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Charges for services                | \$ 700 | 569           | 1,000  | 550    | (450)         |  |
| Interest                            | 18     | 7             | 0      | 17     | 17            |  |
| Total Receipts                      | 718    | 576           | 1,000  | 567    | (433)         |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Prosecuting Attorney                | 900    | 772           | 650    | 780    | (130)         |  |
| Total Disbursements                 | 900    | 772           | 650    | 780    | (130)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (182)  | (196)         | 350    | (213)  | (563)         |  |
| CASH, JANUARY 1                     | 332    | 332           | 545    | 545    | 0             |  |
| CASH, DECEMBER 31                   | \$ 150 | 136           | 895    | 332    | (563)         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit G

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

|                                     | Year Ended December 31, |         |  |          |         |  |
|-------------------------------------|-------------------------|---------|--|----------|---------|--|
|                                     | 1999                    |         |  | 1998     |         |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |         |  |
| Property taxes                      | \$ 84,000               | 87,182  | 3,182                                  | 80,000   | 85,304  | 5,304                                  |
| Intergovernmental                   | 175,100                 | 184,902 | 9,802                                  | 189,700  | 184,668 | (5,032)                                |
| Charges for services                | 177,500                 | 139,329 | (38,171)                               | 187,000  | 180,969 | (6,031)                                |
| Interest                            | 15,000                  | 16,700  | 1,700                                  | 10,000   | 15,400  | 5,400                                  |
| Other                               | 14,000                  | 15,138  | 1,138                                  | 13,000   | 14,448  | 1,448                                  |
| Total Receipts                      | 465,600                 | 443,251 | (22,349)                               | 479,700  | 480,789 | 1,089                                  |
| DISBURSEMENTS                       |                         |         |  |          |         |  |
| Salaries                            | 254,000                 | 222,747 | 31,253                                 | 258,000  | 240,325 | 17,675                                 |
| Employee fringe benefits            | 52,000                  | 45,008  | 6,992                                  | 56,000   | 46,580  | 9,420                                  |
| Office expenditures                 | 14,000                  | 14,703  | (703)                                  | 14,800   | 13,086  | 1,714                                  |
| Equipment                           | 10,000                  | 10,726  | (726)                                  | 6,000    | 17,122  | (11,122)                               |
| Mileage and training                | 21,000                  | 15,196  | 5,804                                  | 25,000   | 18,510  | 6,490                                  |
| Other                               | 114,600                 | 86,644  | 27,956                                 | 139,900  | 97,095  | 42,805                                 |
| Total Disbursements                 | 465,600                 | 395,024 | 70,576                                 | 499,700  | 432,718 | 66,982                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | 48,227  | 48,227                                 | (20,000) | 48,071  | 68,071                                 |
| CASH, JANUARY 1                     | 246,412                 | 246,412 | 0                                      | 198,384  | 198,341 | (43)                                   |
| CASH, DECEMBER 31                   | \$ 246,412              | 294,639 | 48,227                                 | 178,384  | 246,412 | 68,028                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit H

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 MARK TWAIN RESERVOIR FUND

| Year Ended December 31,             |            |         |  |         |          |  |
|-------------------------------------|------------|---------|--|---------|----------|--|
| 1999                                |            |         | 1998                                   |         |          |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |          |  |
| Intergovernmental                   | \$ 150,000 | 159,870 | 9,870                                  | 300,250 | 1,743    | (298,507)                              |
| Interest                            | 35,000     | 33,349  | (1,651)                                | 42,000  | 38,956   | (3,044)                                |
| Other                               | 1,962      | 4,313   | 2,351                                  | 272,462 | 10,959   | (261,503)                              |
| Total Receipts                      | 186,962    | 197,532 | 10,570                                 | 614,712 | 51,658   | (563,054)                              |
| DISBURSEMENTS                       |            |         |  |         |          |  |
| Office expenditures                 | 600        | 602     | (2)                                    | 600     | 702      | (102)                                  |
| Equipment                           | 5,000      | 0       | 5,000                                  | 0       | 23,790   | (23,790)                               |
| Insurance                           | 2,000      | 0       | 2,000                                  | 8,000   | 584      | 7,416                                  |
| Gravel                              | 30,000     | 26,443  | 3,557                                  | 44,000  | 53,205   | (9,205)                                |
| Projects                            | 170,500    | 158,843 | 11,657                                 | 396,750 | 53,929   | 342,821                                |
| Engineer                            | 1,000      | 3,641   | (2,641)                                | 1,000   | 0        | 1,000                                  |
| Transfers out                       | 8,000      | 8,000   | 0                                      | 8,000   | 8,000    | 0                                      |
| Total Disbursements                 | 217,100    | 197,529 | 19,571                                 | 458,350 | 140,210  | 318,140                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (30,138)   | 3       | 30,141                                 | 156,362 | (88,552) | (244,914)                              |
| CASH, JANUARY 1                     | 613,983    | 613,983 | 0                                      | 702,535 | 702,535  | 0                                      |
| CASH, DECEMBER 31                   | \$ 583,845 | 613,986 | 30,141                                 | 858,897 | 613,983  | (244,914)                              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit I

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 RECORDER'S USER FEES FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        | 1998                                   |        |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Intergovernmental                   | \$ 1,200 | 0      | (1,200)                                | 0      | 0      | 0                                      |
| Charges for services                | 6,000    | 4,806  | (1,194)                                | 5,576  | 5,856  | 280                                    |
| Interest                            | 82       | 56     | (26)                                   | 0      | 82     | 82                                     |
| Total Receipts                      | 7,282    | 4,862  | (2,420)                                | 5,576  | 5,938  | 362                                    |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Recorder of Deeds                   | 7,457    | 5,171  | 2,286                                  | 6,527  | 6,413  | 114                                    |
| Total Disbursements                 | 7,457    | 5,171  | 2,286                                  | 6,527  | 6,413  | 114                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (175)    | (309)  | (134)                                  | (951)  | (475)  | 476                                    |
| CASH, JANUARY 1                     | 499      | 499    | 0                                      | 974    | 974    | 0                                      |
| CASH, DECEMBER 31                   | \$ 324   | 190    | (134)                                  | 23     | 499    | 476                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HANDICAPPED BOARD FUND

|                                     | Year Ended December 31, |        |  |          |        |  |
|-------------------------------------|-------------------------|--------|--|----------|--------|--|
|                                     | 1999                    |        |  | 1998     |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |          |        |  |
| Property taxes                      | \$ 70,000               | 77,186 | 7,186                                  | 67,853   | 76,532 | 8,679                                  |
| Interest                            | 5,000                   | 4,454  | (546)                                  | 4,400    | 6,449  | 2,049                                  |
| Total Receipts                      | 75,000                  | 81,640 | 6,640                                  | 72,253   | 82,981 | 10,728                                 |
| DISBURSEMENTS                       |                         |        |  |          |        |  |
| Salaries                            | 8,500                   | 8,065  | 435                                    | 8,500    | 6,238  | 2,262                                  |
| Office expenditures                 | 1,000                   | 1,080  | (80)                                   | 1,000    | 936    | 64                                     |
| Equipment                           | 500                     | 359    | 141                                    | 500      | 0      | 500                                    |
| Mileage and training                | 4,000                   | 2,803  | 1,197                                  | 3,500    | 3,206  | 294                                    |
| Payments to workshops               | 41,000                  | 31,000 | 10,000                                 | 42,700   | 40,242 | 2,458                                  |
| Other                               | 104,223                 | 26,971 | 77,252                                 | 96,595   | 30,566 | 66,029                                 |
| Total Disbursements                 | 159,223                 | 70,278 | 88,945                                 | 152,795  | 81,188 | 71,607                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (84,223)                | 11,362 | 95,585                                 | (80,542) | 1,793  | 82,335                                 |
| CASH, JANUARY 1                     | 84,223                  | 83,945 | (278)                                  | 80,542   | 82,152 | 1,610                                  |
| CASH, DECEMBER 31                   | \$ 0                    | 95,307 | 95,307                                 | 0        | 83,945 | 83,945                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

MONROE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
DOMESTIC VIOLENCE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 420   | 295           | 240    | 379    | 139           |  |
| Interest                            | 44       | 41            | 0      | 44     | 44            |  |
| Total Receipts                      | 464      | 336           | 240    | 423    | 183           |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Other                               | 420      | 358           | 278    | 386    | (108)         |  |
| Total Disbursements                 | 420      | 358           | 278    | 386    | (108)         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 44       | (22)          | (38)   | 37     | 75            |  |
| CASH, JANUARY 1                     | 1,009    | 1,009         | 972    | 972    | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,053 | 987           | 934    | 1,009  | 75            |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

MONROE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
PROSECUTING ATTORNEY BAD CHECK FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    |                         |        | Variance<br>Favorable<br>(Unfavorable) |        |        | Variance<br>Favorable<br>(Unfavorable) |
|                                     |    | Budget                  | Actual |  | Budget | Actual |  |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 2,500                   | 3,691  | 1,191                                  | 2,363  | 2,600  | 237                                    |
| Interest                            |    | 700                     | 513    | (187)                                  | 0      | 738    | 738                                    |
| Total Receipts                      |    | 3,200                   | 4,204  | 1,004                                  | 2,363  | 3,338  | 975                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Office expenditures                 |    | 0                       | 134    | (134)                                  | 0      | 132    | (132)                                  |
| Equipment                           |    | 5,500                   | 2,824  | 2,676                                  | 750    | 0      | 750                                    |
| Mileage and training                |    | 0                       | 0      | 0                                      | 500    | 0      | 500                                    |
| Transfers out                       |    | 1,292                   | 1,292  | 0                                      | 500    | 727    | (227)                                  |
| Total Disbursements                 |    | 6,792                   | 4,250  | 2,542                                  | 1,750  | 859    | 891                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    |                         |        |  |        |        |  |
|                                     |    | (3,592)                 | (46)   | 3,546                                  | 613    | 2,479  | 1,866                                  |
| CASH, JANUARY 1                     |    |                         |        |  |        |        |  |
|                                     |    | 10,760                  | 10,760 | 0                                      | 8,281  | 8,281  | 0                                      |
| CASH, DECEMBER 31                   |    |                         |        |  |        |        |  |
|                                     | \$ | 7,168                   | 10,714 | 3,546                                  | 8,894  | 10,760 | 1,866                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

MONROE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT CLERK INTEREST FUND

|                                     | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|-------------------------|--------|--|--------|--------|--|
|                                     | 1999                    |        |  | 1998   |        |  |
|                                     | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |        |  |        |        |  |
| Interest                            | 750                     | 1,020  | 270                                    | 720    | 661    | (59)                                   |
| Total Receipts                      | 750                     | 1,020  | 270                                    | 720    | 661    | (59)                                   |
| DISBURSEMENTS                       |                         |        |  |        |        |  |
| Office expenditures                 | 0                       | 60     | (60)                                   | 730    | 300    | 430                                    |
| Equipment                           | 300                     | 362    | (62)                                   | 0      | 0      | 0                                      |
| Transfers out                       | 0                       | 450    | (450)                                  | 0      | 0      | 0                                      |
| Total Disbursements                 | 300                     | 872    | (572)                                  | 730    | 300    | 430                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 450                     | 148    | (302)                                  | (10)   | 361    | 371                                    |
| CASH, JANUARY 1                     | 1,332                   | 1,332  | 0                                      | 971    | 971    | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,782                | 1,480  | (302)                                  | 961    | 1,332  | 371                                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

MONROE COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

| Year Ended December 31,             |        |        |               |
|-------------------------------------|--------|--------|---------------|
| 1999                                |        |        |               |
|                                     |        |        | Variance      |
|                                     | Budget | Actual | Favorable     |
|                                     |        |        | (Unfavorable) |
| RECEIPTS                            |        |        |               |
| Interest                            | \$ 200 | 906    | 706           |
| Total Receipts                      | 200    | 906    | 706           |
| DISBURSEMENTS                       |        |        |               |
| Equipment                           | 250    | 0      | 250           |
| Total Disbursements                 | 250    | 0      | 250           |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (50)   | 906    | 956           |
| CASH, JANUARY 1                     | 190    | 218    | 28            |
| CASH, DECEMBER 31                   | \$ 140 | 1,124  | 984           |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit O

MONROE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ELECTION MACHINE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 0     | 0             | 4,000  | 1,000  | (3,000)       |  |
| Interest                            | 75       | 124           | 0      | 142    | 142           |  |
| Rent                                | 1,350    | 0             | 0      | 0      | 0             |  |
| Total Receipts                      | 1,425    | 124           | 4,000  | 1,142  | (2,858)       |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Equipment                           | 1,000    | 338           | 0      | 0      | 0             |  |
| Total Disbursements                 | 1,000    | 338           | 0      | 0      | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 425      | (214)         | 4,000  | 1,142  | (2,858)       |  |
| CASH, JANUARY 1                     | 3,680    | 3,680         | 2,538  | 2,538  | 0             |  |
| CASH, DECEMBER 31                   | \$ 4,105 | 3,466         | 6,538  | 3,680  | (2,858)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit P

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ENHANCED 911 FUND

|                                     | Year Ended December 31, |         |  |        |        |  |
|-------------------------------------|-------------------------|---------|--|--------|--------|--|
|                                     | 1999                    |         |  | 1998   |        |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |        |        |  |
| Interest                            | \$ 1,333                | 3,136   | 1,803                                  | 0      | 1,667  | 1,667                                  |
| Phone tax                           | 71,532                  | 75,428  | 3,896                                  | 79,357 | 71,695 | (7,662)                                |
| Other                               | 240,820                 | 25,000  | (215,820)                              | 0      | 0      | 0                                      |
| Total Receipts                      | 313,685                 | 103,564 | (210,121)                              | 79,357 | 73,362 | (5,995)                                |
| DISBURSEMENTS                       |                         |         |  |        |        |  |
| Salaries                            | 0                       | 10,983  | (10,983)                               | 0      | 0      | 0                                      |
| Employee fringe benefits            | 0                       | 3,486   | (3,486)                                | 0      | 0      | 0                                      |
| Contracted services                 | 0                       | 10,084  | (10,084)                               | 21,671 | 22,452 | (781)                                  |
| Office expenses                     | 0                       | 5,620   | (5,620)                                | 0      | 0      | 0                                      |
| Equipment                           | 0                       | 70,547  | (70,547)                               | 0      | 0      | 0                                      |
| Mileage and training                | 0                       | 2,326   | (2,326)                                | 0      | 0      | 0                                      |
| Fuel & vehicle repairs              | 0                       | 518     | (518)                                  | 0      | 0      | 0                                      |
| Installation costs                  | 184,504                 | 0       | 184,504                                | 0      | 0      | 0                                      |
| Recurring costs                     | 140,622                 | 0       | 140,622                                | 0      | 0      | 0                                      |
| Other                               | 0                       | 0       | 0                                      | 46,410 | 0      | 46,410                                 |
| Total Disbursements                 | 325,126                 | 103,564 | 221,562                                | 68,081 | 22,452 | 45,629                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (11,441)                | 0       | 11,441                                 | 11,276 | 50,910 | 39,634                                 |
| CASH, JANUARY 1                     | 62,788                  | 62,788  | 0                                      | 11,878 | 11,878 | 0                                      |
| CASH, DECEMBER 31                   | \$ 51,347               | 62,788  | 11,441                                 | 23,154 | 62,788 | 39,634                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit Q

MONROE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SHERIFF'S CIVIL FEES FUND

| Year Ended December 31,             |           |        |  |        |        |  |
|-------------------------------------|-----------|--------|--|--------|--------|--|
| 1999                                |           |        | 1998                                   |        |        |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |        |        |  |
| Charges for services                | \$ 24,000 | 21,779 | (2,221)                                | 17,500 | 24,040 | 6,540                                  |
| Interest                            | 304       | 263    | (41)                                   | 0      | 305    | 305                                    |
| Total Receipts                      | 24,304    | 22,042 | (2,262)                                | 17,500 | 24,345 | 6,845                                  |
| DISBURSEMENTS                       |           |        |  |        |        |  |
| Office expenditures                 | 0         | 0      | 0                                      | 0      | 600    | (600)                                  |
| Equipment                           | 7,000     | 8,464  | (1,464)                                | 17,500 | 6,300  | 11,200                                 |
| Vehicle repairs                     | 0         |        | 0                                      | 0      | 478    | (478)                                  |
| Subpoenas                           | 1,000     | 36     | 964                                    | 0      | 25     | (25)                                   |
| Transfers out                       | 0         | 0      | 0                                      | 0      | 10,000 | (10,000)                               |
| Total Disbursements                 | 8,000     | 8,500  | (500)                                  | 17,500 | 17,403 | 97                                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 16,304    | 13,542 | (2,762)                                | 0      | 6,942  | 6,942                                  |
| CASH, JANUARY 1                     | 6,942     | 6,942  | 0                                      | 0      | 0      | 0                                      |
| CASH, DECEMBER 31                   | \$ 23,246 | 20,484 | (2,762)                                | 0      | 6,942  | 6,942                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

MONROE COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Monroe County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board or the Handicapped Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| DARE Program Fund                        | 1999 and 1998                   |
| Associate Circuit Division Interest Fund | 1998                            |
| Local Emergency Planning Grant Fund      | 1999 and 1998                   |
| Election Services Fund                   | 1999                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                        | <u>Years Ended December 31,</u> |
|------------------------------------|---------------------------------|
| Law Enforcement Training Fund      | 1999                            |
| Prosecuting Attorney Training Fund | 1998                            |
| Domestic Violence Fund             | 1998                            |
| Circuit Clerk Interest Fund        | 1999                            |
| Sheriff's Civil Fees Fund          | 1999                            |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

| <u>Fund</u>                            | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| Handicapped Board Fund                 | 1999 and 1998                   |
| DARE Program Fund                      | 1999 and 1998                   |
| Local Emergency Planning Grant<br>Fund | 1999 and 1998                   |
| Health Center Fund                     | 1999 and 1998                   |

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

### Deposits

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

At December 31, 1999, the reported amount of the county's deposits was \$3,663,508 and the bank balance was \$3,748,229. Of the bank balance, \$1,564,961 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$2,183,268 was covered by collateral pledged by one bank and held in the county's name by the trust department of an affiliate of the same bank holding company.

At December 31, 1998, the reported amount of the county's deposits was \$3,705,231 and the bank balance was \$3,786,509. Of the bank balance, \$1,539,213 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$2,247,296 was covered by collateral pledged by one bank and held in the county's name by the trust department of an affiliate of the same bank holding company.

Of the health center's bank balance at December 31, 1999, \$302,341 was covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name and \$20,696 was covered by collateral pledged by one bank and held in the health center's name by the trust department of an affiliate of the same bank holding company.

Of the health center's bank balance at December 31, 1998, \$258,634 was covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name and \$18,326 was covered by collateral pledged by one bank and held in the health center's name by the trust department of an affiliate of the same bank holding company.

The Handicapped Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance.

### Investments

The only investment of the various funds at December 31, 1999 and 1998, was a repurchase agreement with reported amounts of \$2,841,000 and \$2,881,000 which approximated fair value.

This investment represents uninsured and unregistered investments for which the securities were held by the dealer bank's trust department or agent in the county's name.



## Supplementary Schedule

## Schedule

MONROE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                                      | Federal Grantor/Pass-Through Grantor/Program Title                         | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |        |
|--|--|---|-------------------------|--------|
|  |  |   | Year Ended December 31, |        |
|  |  |   | 1999                    | 1998   |
| U. S. DEPARTMENT OF AGRICULTURE                                |  |   |                         |        |
| Passed through state:  |  |   |                         |        |
| Department of Health -   |  |   |                         |        |
| 10.557   | Special Supplemental Nutrition Program<br>for Women, Infants, and Children | ERO045-8169 \$                                  | 0                       | 15,186 |
|  |  | ERO045-9169                                     | 16,295                  | 4,848  |
|  |  | ERO045-0169                                     | 6,812                   | 0      |
|  | Program Total  |   | 23,107                  | 20,034 |
| U.S. DEPARTMENT OF DEFENSE                                     |  |   |                         |        |
| Passed through state:  |  |   |                         |        |
| Office of Administration -                                     |  |   |                         |        |
| 12.112   | Payments to States in Lieu of Real Estate Taxes                            | N/A   | 17,741                  | 10,002 |
| U.S. DEPARTMENT OF HOUSING AND URBAN<br>DEVELOPMENT            |  |   |                         |        |
| Passed through state:  |  |   |                         |        |
| Department of Economic Development -                           |  |   |                         |        |
| 14.228   | Community Development Block Grants/State's<br>Program                      | 91-PF-656                                       | 5,000                   | 11,162 |
| U.S. DEPARTMENT OF JUSTICE                                     |  |   |                         |        |
| Passed through:  |  |   |                         |        |
| State Department of Public Safety -                            |  |   |                         |        |
| 16.554   | National Criminal History Improvement Program                              | N/A   | 0                       | 4,137  |
| Missouri Sheriffs' Association -                               |  |   |                         |        |
| 16.unknown   | Domestic Cannabis Eradication/Suppression Program                          | N/A   | 1,247                   | 1,210  |
| U. S. DEPARTMENT OF TRANSPORTATION                             |  |   |                         |        |
| Passed through state Highway and Transportation<br>Commission: |  |   |                         |        |
| 20.205   | Highway Planning and Construction  | BRO 069(12)                                     | 0                       | 3,495  |
|  |  | BRO 069(15)                                     | 182,555                 | 22,978 |
|  |  | BRO 069(16)                                     | 159,870                 | 1,743  |
|  |  | BRO 069(17)                                     | 46,068                  | 1,895  |
|  |  | BRO 069(18)                                     | 12,558                  | 0      |
|  |  | BRO 069(19)                                     | 7,458                   | 0      |
|  | Program Total  |   | 408,509                 | 30,111 |

## Schedule

MONROE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal<br>CFDA<br>Number                     | Federal Grantor/Pass-Through Grantor/Program Title   | Pass-Through<br>Entity<br>Identifying<br>Number | Federal Expenditures    |                |
|---|--|---|-------------------------|----------------|
|   |  |   | Year Ended December 31, |                |
|   |  |   | 1999                    | 1998           |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES |  |   |                         |                |
| Passed through state:                         |  |   |                         |                |
| Department of Health -                        |  |   |                         |                |
| 93.197  | Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | ERO146-0169CLPP                                 | 940                     | 90             |
| 93.268  | Immunization Grants  | PG0064-9169IAP                                  | 20,828                  | 11,972         |
| Department of Social Services -               |  |   |                         |                |
| 93.563  | Child Support Enforcement  | N/A   | 6,033                   | 9,475          |
| Department of Health -                        |  |   |                         |                |
| 93.575  | Child Care and Development Block Grant   | ERO146-8169                                     | 0                       | 1,658          |
|   |  | ERO146-9169                                     | 625                     | 375            |
|   |  | PGO067-8169                                     | 0                       | 1,510          |
|   |  | PGO067-9169                                     | 2,080                   | 220            |
|   |  | PGO067-0169                                     | 140                     | 0              |
|   | Program Total  |   | <u>2,845</u>            | <u>3,763</u>   |
| Department of Health -                        |  |   |                         |                |
| 93.919  | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs   | N/A   | 564                     | 1,132          |
| 93.945  | Assistance Program for Chronic Disease Prevention and Control  | C906266001                                      | 974                     | 0              |
| 93.991  | Preventive Health and Health Services Block Grant  | N/A   | 235                     | 256            |
| 93.994  | Maternal and Child Health Services Block Grant to the States   | ERO146-8169M                                    | 0                       | 12,856         |
|   |  | ERO146-9169M                                    | 11,740                  | 4,335          |
|   |  | ERO146-0169M                                    | 609                     | 0              |
|   |  | ERO175-8169FP                                   | 0                       | 1,742          |
|   |  | ERO175-9169FP                                   | 1,932                   | 794            |
|   |  | ERO175-0169FP                                   | 723                     | 0              |
|   |  | 309893  | 2,348                   | 0              |
|   | Program Total  |   | <u>17,352</u>           | <u>19,727</u>  |
|   | Total Expenditures of Federal Awards   |   | <u>\$ 505,375</u>       | <u>123,071</u> |

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Notes to the Supplementary Schedule

MONROE COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Monroe County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the National Criminal History Improvement Program (CFDA number 16.554) represent the original acquisition cost of equipment received.

Of the pass-through amounts for Immunization Grants (CFDA number 93.268), \$19,708 and \$9,856 represent the original acquisition cost of vaccines purchased by

the Centers for Disease Control of the U.S. Department of Health and Human Services, but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991) represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,173 and \$896 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Monroe County, Missouri

Compliance

We have audited the compliance of Monroe County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Monroe County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998. However, the results of our auditing procedures disclosed an instance

of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

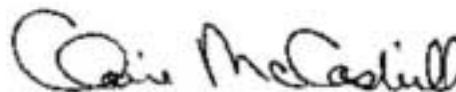
#### Internal Control Over Compliance

The management of Monroe County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Monroe County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

February 15, 2000 (fieldwork completion date)

Schedule

MONROE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 1999 and 1998

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major program:

Material weaknesses identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for  
major program: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major program:

|  |                                   |
|--|-----------------------------------|
| CFDA or<br>Other Identifying<br>Number | <u>Program Title</u>              |
| 20.205                                 | Highway Planning and Construction |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes      x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

|              |   |
|--------------|---|
| <b>99-1.</b> | <b>Schedule of Expenditures of Federal Awards</b> |
|--------------|---|

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Transportation        |
| Pass-Through Grantor: | Department of Highway and Transportation |
| Federal CFDA Number:  | 20.205                                   |
| Program Title:        | Highway Planning and Construction        |
| Pass-Through Entity   |  |
| Identifying Numbers:  | BRO-069                                  |
| Award Years:          | 1999 and 1998                            |
| Questioned Costs:     | Not applicable                           |

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 1999 and 1998, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal grants were not included on the schedules. Other programs reported did not include the required CFDA number or pass-through grantor's number. In addition, some non-federal programs were included and other programs were reported incorrectly. In total, expenditures were understated by approximately \$175,000 for 1999 and expenditures were overstated by approximately \$8,000 for 1998.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Clerk provided the following response:*

*We will try to prepare a complete and accurate SEFA beginning with the budget filed in January 2001.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

MONROE COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.



Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

MONROE COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

4.D. Schedule of Federal Financial Assistance

|                       |  |
|-----------------------|--|
| Federal Grantor:      | U.S. Department of Transportation        |
| Pass-Through Grantor: | Department of Highway and Transportation |
| Federal CFDA Number:  | 20.205                                   |
| Program Title:        | Highway Planning and Construction        |
| Pass-Through Entity   |  |
| Identifying Numbers:  | BRO-069                                  |
| Award Years:          | 1996                                     |
| Questioned Costs:     | Not applicable                           |

|                       |                                     |
|-----------------------|-------------------------------------|
| Federal Grantor:      | Federal Emergency Management Agency |
| Pass-Through Grantor: | Department of Public Safety         |
| Federal CFDA Number:  | 83.516                              |
| Program Title:        | Disaster Assistance                 |
| Pass-Through Entity   |                                     |
| Identifying Numbers:  | FEMA-995-DR-MO                      |
| Award Years:          | 1996                                |
| Questioned Costs:     | Not applicable                      |

The county's Schedule of Federal Financial Assistance contained errors and omissions. Expenditures from the Highway Planning and Construction Program were overstated by \$218,102 for 1996 and the Federal Emergency Management Assistance program was understated by \$10,300 for 1996.

Recommendation:

The County Commission and the County Clerk ensure all federal financial expenditure amounts are properly recorded on the schedule of federal financial assistance.

Status:

Not implemented. See finding number 99-1.

## SECTION ON OTHER MATTERS

## MONROE COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Monroe County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 15, 2000. We also have audited the compliance of Monroe County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 15, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Monroe County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

### 1. Personnel Policies and Procedures

Employees do not always record actual hours worked or leave or compensatory time taken on their time sheets. Officials or supervisors do not always sign time sheets to document approval of payroll expenditures. The Sheriff and the salaried deputies do not prepare time sheets and do not submit leave records to the County Clerk.

### 2. Sheriff Expenditures

The County Sheriff uses a county MasterCard for expenditures incurred to transport prisoners, attend seminars and conferences, and purchase supplies and equipment. The Mastercard bills are not always submitted to the County Clerk in a timely manner and the county has incurred late fees and finance charges on these expenditures.

### 3. County Treasurer's Banking Procedures

As of December 31, 1999, the County Treasurer maintained six checking accounts, eight money market accounts, and three certificates of deposit. A large number of accounts creates additional record keeping and increases the likelihood that errors will occur in recording transactions.

4. Health Center

The postage petty cash fund is not maintained on an imprest basis or at a constant amount. Some donations received by the Health Center are not receipted and are placed directly in the postage petty cash fund.

Receipt slips are not appropriately controlled. A voided receipt slip was not retained and three receipt slips were unaccounted for.

The Health Center's financial statements were not published as required by Sections 50.800 and 50.810.

5. Handicapped Board

Expenses of the Handicapped Board were sometimes charged on the Administrator's personal credit card. As a result, personal and business expenses were not always distinguishable and errors were sometimes made. We noted finance charges were sometimes paid by the board and in one instance, a personal expenditure was paid by the board and was not reimbursed for several months.

The Handicapped Board's financial statements were not published as required by Sections 50.800 and 50.810. Budget estimates prepared by the Handicapped Board did not appear reasonable as disbursements were overestimated resulting in a zero projected ending balance.

This Letter on Other Matters is intended for the information of the management of Monroe County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



OFFICE OF ATTORNEY GENERAL

FOUR YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-53  
June 28, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following findings were noted as a result of an audit conducted by our office of the Office of the Attorney General.**

-----  
Formal written contracts are rarely prepared to document agreements for outside legal and other professional services, but instead the Attorney General's office generally uses an engagement letter to document such arrangements. However, twenty-two payments were noted totaling over \$199,000 for such services, which the Attorney General's office was unable to produce an engagement letter.

Eleven payments were noted which included charges which were either not addressed in the engagement letters or were not in accordance with the letters. In all of these instances, the rates billed for associates and paralegals were not included in the engagement letters, and in four instances, the rates billed for partners were higher than the rates quoted in the letters. While the Attorney General's Office has established billing policies and procedures for outside counsel in a billing policies and procedures manual, we noted many instances where supporting documentation was not in accordance with this manual.

Without written agreements, it is difficult to determine whether all charges billed are proper. In addition, written agreements are necessary to ensure all parties are aware of their duties and to clarify all compensation allowed.

According to staff of the Attorney General's office, outside legal counsel is hired when there is a conflict of interest for the office or when the case is very complex and requires specialized services. The Attorney General's office could not provide us with documentation regarding the reasons for hiring outside legal counsel for particular cases or the method of selecting these attorneys, including the case involving the tobacco litigation. There was no documentation to support how the lead attorney was selected to represent Missouri in this case.

Considering the extent of services obtained from outside legal counsel, it appears this information should be documented to support the propriety of the decision-making process.

Other items noted in the report included:

- The duties surrounding the establishment and handling of restitution amounts due are not adequately segregated and procedures for monitoring the collection of these receivables are not adequate.

(over)

YELLOW SHEET



- The Attorney General's Office does not require some employees to prepare monthly time sheets, and the timekeeping system is cumbersome and does not provide useful information. A written personnel policy has not been established and written job descriptions have not been created.
- The Attorney General's Office does not ensure the costs of commercial flights are compared to the costs of using state planes for out-of-state air travel.
- It was noted that some computer equipment purchased with federal funds for the Medicaid Fraud Control Unit was being used by employees in other sections. According to the federal program regulations, equipment purchased with funds pursuant to this program should not be used for any purpose other than investigating and prosecuting Medicaid fraud.
- The Attorney General's office has established several bank accounts outside the state treasury. It appears the monies deposited in some of these accounts are state funds and should be maintained by the State Treasurer's office. In addition, a formal written depository contract has not been entered into with the bank where the accounts are maintained.

OFFICE OF ATTORNEY GENERAL

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Honorable Jeremiah W. (Jay) Nixon, Attorney General  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Office of Attorney General as of and for the years ended June 30, 1999, 1998, 1997, and 1996, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, transfers, and changes in cash and investments of the General Revenue Fund-Federal, Court Costs Fund, Antitrust Revolving Fund, Merchandising Practices Revolving Fund, Merchandising Practices Restitution Account, Tort Victims' Compensation Fund, Health Spa Regulatory Fund, Inmate Incarceration Reimbursement Act Revolving Fund, and Multi-State Consumer Fraud Accounts; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the Office of Attorney General and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

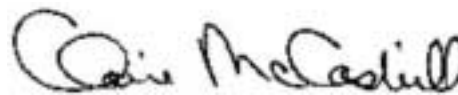
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, transfers, and changes in cash and investments of the General Revenue Fund-Federal, Court Costs Fund, Antitrust Revolving Fund, Merchandising Practices Revolving Fund, Merchandising Practices Restitution Account, Tort Victims' Compensation Fund, Health Spa Regulatory Fund, Inmate Incarceration Reimbursement Act Revolving Fund, and Multi-State Consumer Fraud Accounts; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the Office of Attorney General as of and for the years ended June 30, 1999, 1998, 1997, and 1996, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 1, 1999, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the office's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill  
State Auditor

October 1, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                               |
|---------------------|-------------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA        |
| Audit Manager:      | Gregory A. Slinkard, CPA, CIA |
| In-Charge Auditor:  | Toni Crabtree, CPA            |
| Audit Staff:        | Tiffany Blew                  |
|                     | Rose Lamb                     |
|                     | Julie Vollmer                 |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Jeremiah W. (Jay) Nixon, Attorney General  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Office of Attorney General as of and for the years ended June 30, 1999, 1998, 1997, and 1996, and have issued our report thereon dated October 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of Attorney General are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

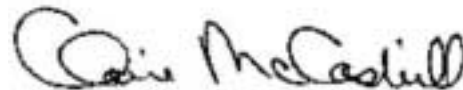
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of Attorney General, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Office of Attorney General and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 1, 1999 (fieldwork completion date)

## Financial Statements

## Exhibit A-1

OFFICE OF ATTORNEY GENERAL  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, TRANSFERS,  
 AND CHANGES IN CASH AND INVESTMENTS  
 YEAR ENDED JUNE 30, 1999

|  |  |  | </ |  |  |  |  |  |  |  |  |
|--|--|--|----|--|--|--|--|--|--|--|--|

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OFFICE OF ATTORNEY GENERAL  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, TRANSFERS,  
AND CHANGES IN CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1998

|  | General<br>Revenue<br>Fund-Federal | Court Costs<br>Fund | Antitrust<br>Revolving<br>Fund | Merchandising<br>Practices<br>Revolving<br>Fund | Merchandising<br>Practices<br>Restitution<br>Account | Tort<br>Victims'<br>Compensation<br>Fund | Health<br>Spa<br>Regulatory<br>Fund | Inmate<br>Incarceration<br>Reimbursement<br>Act Revolving<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------------|---------------------|--------------------------------|---|--|--|-------------------------------------|---|-------------------------------|
| RECEIPTS   |                                    |                     |                                |   |  |  |                                     |   |                               |
| Federal grants                                       | \$ 686,000                         | 0                   | 0                              | 0   | 0  | 0  | 0                                   | 0   | 686,000                       |
| Restitution  | 0                                  | 0                   | 0                              | 0   | 256,949  | 0  | 0                                   | 0   | 256,949                       |
| Inmate housing receipts                              | 0                                  | 0                   | 0                              | 0   | 0  | 0  | 0                                   | 55,129  | 55,129                        |
| Penalties and awards                                 | 0                                  | 9,525               | 50,000                         | 777,656   | 0  | 4,816,845                                | 0                                   | 0   | 5,654,026                     |
| Settlement fees                                      | 0                                  | 0                   | 279,835                        | 0   | 0  | 0  | 0                                   | 0   | 279,835                       |
| Registration fees                                    | 0                                  | 0                   | 0                              | 15,390  | 0  | 0  | 5,400                               | 0   | 20,790                        |
| Interest   | 0                                  | 0                   | 0                              | 0   | 3,345  | 0  | 0                                   | 0   | 3,345                         |
| Miscellaneous  | 0                                  | 374                 | 0                              | 2,579   | 0  | 0  | 0                                   | 0   | 2,953                         |
| Total Receipts                                       | 686,000                            | 9,899               | 329,835                        | 795,625   | 260,294  | 4,816,845                                | 5,400                               | 55,129  | 6,959,027                     |
| DISBURSEMENTS  |                                    |                     |                                |   |  |  |                                     |   |                               |
| Personal service                                     | 479,426                            | 0                   | 125,450                        | 187,542   | 0  | 0  | 0                                   | 0   | 792,418                       |
| Employee fringe benefits                             | 109,627                            | 0                   | 27,279                         | 51,778  | 0  | 0  | 0                                   | 0   | 188,684                       |
| Expense and equipment                                | 100,898                            | 159,517             | 75,516                         | 307,096   | 0  | 0  | 0                                   | 0   | 643,027                       |
| Payments to other parties                            | 0                                  | 0                   | 0                              | 0   | 236,637  | 0  | 0                                   | 0   | 236,637                       |
| Total Disbursements                                  | 689,951                            | 159,517             | 228,245                        | 546,416   | 236,637  | 0  | 0                                   | 0   | 1,860,766                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                  | -3,951                             | -149,618            | 101,590                        | 249,209   | 23,657   | 4,816,845                                | 5,400                               | 55,129  | 5,098,261                     |
| TRANSFERS  |                                    |                     |                                |   |  |  |                                     |   |                               |
| Transfers from:                                      |                                    |                     |                                |   |  |  |                                     |   |                               |
| General Revenue Fund-State                           | 0                                  | 140,000             | 125,000                        | 0   | 0  | 0  | 0                                   | 0   | 265,000                       |
| Merchandising Practices Restitution Account          | 0                                  | 0                   | 2,936                          | 42,653  | 0  | 0  | 0                                   | 0   | 45,589                        |
| Transfers to:  |                                    |                     |                                |   |  |  |                                     |   |                               |
| General Revenue Fund-State (Note 2)                  | 0                                  | -708                | -4,753                         | -54,279   | 0  | -540                                     | -411                                | -617  | -61,308                       |
| Antitrust Revolving Fund                             | 0                                  | 0                   | 0                              | 0   | -2,936   | 0  | 0                                   | 0   | -2,936                        |
| Merchandising Practices Revolving Fund               | 0                                  | 0                   | 0                              | 0   | -42,653  | 0  | 0                                   | 0   | -42,653                       |
| Total Transfers                                      | 0                                  | 139,292             | 123,183                        | -11,626   | -45,589  | -540                                     | -411                                | -617  | 203,692                       |
| RECEIPTS OVER (UNDER) DISBURSEMENTS<br>AND TRANSFERS | -3,951                             | -10,326             | 224,773                        | 237,583   | -21,932  | 4,816,305                                | 4,989                               | 54,512  | 5,301,953                     |
| CASH AND INVESTMENTS, JULY 1, 1997 (Note 3)          | 3,951                              | 19,782              | 539,006                        | 2,050,843                                       | 139,389  | 56,830                                   | 61,100                              | 74,445  | 2,945,346                     |
| CASH AND INVESTMENTS, JUNE 30, 1998 (Note 3)         | \$ 0                               | 9,456               | 763,779                        | 2,288,426                                       | 117,457  | 4,873,135                                | 66,089                              | 128,957   | 8,247,299                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

OFFICE OF ATTORNEY GENERAL  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, TRANSFERS,  
AND CHANGES IN CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1997

|   |    |        |         |        |         |         |        |       |       |         |   |   |         | Inmate    |            |          |           |           |             |           |           |             |      |       |
|---|----|--------|---------|--------|---------|---------|--------|-------|-------|---------|---|---|---------|-----------|------------|----------|-----------|-----------|-------------|-----------|-----------|-------------|------|-------|
|   |    |        |         |        |         |         |        |       |       |         |   |   |         | Health    | Incarcerat |          |           |           |             |           |           |             |      |       |
|   |    |        |         |        |         |         |        |       |       |         |   |   |         | Spa       | Reimburs   | Total    |           |           |             |           |           |             |      |       |
|   |    |        |         |        |         |         |        |       |       |         |   |   |         | Practices | Practices  | Victims' | Regulator | Act Revol | (Memorandum |           |           |             |      |       |
|   |    |        |         |        |         |         |        |       |       |         |   |   |         | General   | Antitrust  | Merchand | Merchand  | Tort      | Compensi    | Regulator | Act Revol | (Memorandum |      |       |
|   |    |        |         |        |         |         |        |       |       |         |   |   |         | Revenue   | Court      | Cos      | Revolving | Revolving | Restitutio  | Account   | Fund      | Fund        | Fund | Only) |
|   |    |        |         |        |         |         |        |       |       |         |   |   |         | Fund-Feds | Fund       | Fund     | Fund      | Fund      | Fund        | Fund      | Fund      | Fund        | Fund | Only) |
| RECEIPTS  |    |        |         |        |         |         |        |       |       |         |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| Federal grants                                    | \$ | 767000 | 0       | 0      | 0       | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 0       | 767000    |            |          |           |           |             |           |           |             |      |       |
| Restitution                                       |    | 0      | 0       | 0      | 0       | 0       | 230421 | 0     | 0     | 0       | 0 | 0 | 0       | 230421    |            |          |           |           |             |           |           |             |      |       |
| Inmate housing receipts                           |    | 0      | 0       | 0      | 0       | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 57245   | 57245     |            |          |           |           |             |           |           |             |      |       |
| Penalties and awards                              |    | 0      | 5820    | 0      | 840040  | 0       | 16689  | 0     | 0     | 0       | 0 | 0 | 862549  |           |            |          |           |           |             |           |           |             |      |       |
| Settlement fees                                   |    | 0      | 0       | 454528 | 0       | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 454528  |           |            |          |           |           |             |           |           |             |      |       |
| Registration fees                                 |    | 0      | 0       | 0      | 12325   | 0       | 0      | 5700  | 0     | 0       | 0 | 0 | 18025   |           |            |          |           |           |             |           |           |             |      |       |
| Interest  |    | 0      | 0       | 0      | 0       | 0       | 7046   | 0     | 0     | 0       | 0 | 0 | 7046    |           |            |          |           |           |             |           |           |             |      |       |
| Miscellaneous                                     |    | 0      | 533     | 0      | 2833    | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 3366    |           |            |          |           |           |             |           |           |             |      |       |
| Total Receipts                                    |    | 767000 | 6353    | 454528 | 855198  | 237467  | 16689  | 5700  | 57245 | 2400180 |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| DISBURSEMENTS                                     |    |        |         |        |         |         |        |       |       |         |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| Personal service                                  |    | 598680 | 0       | 119305 | 178097  | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 896082  |           |            |          |           |           |             |           |           |             |      |       |
| Employee fringe benefits                          |    | 159218 | 0       | 25619  | 50776   | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 235613  |           |            |          |           |           |             |           |           |             |      |       |
| Expense and equipment                             |    | 70598  | 176015  | 14593  | 325991  | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 587197  |           |            |          |           |           |             |           |           |             |      |       |
| Payments to other parties                         |    | 0      | 0       | 0      | 0       | 472963  | 0      | 0     | 0     | 0       | 0 | 0 | 472963  |           |            |          |           |           |             |           |           |             |      |       |
| Total Disbursements                               |    | 828496 | 176015  | 159517 | 554864  | 472963  | 0      | 0     | 0     | 0       | 0 | 0 | 2191855 |           |            |          |           |           |             |           |           |             |      |       |
| RECEIPTS OVER (UNDER) DISBURSEMENTS               |    |        |         |        |         |         |        |       |       |         |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
|   |    | -61496 | -169662 | 295011 | 300334  | -235496 | 16689  | 5700  | 57245 | 208325  |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| TRANSFERS   |    |        |         |        |         |         |        |       |       |         |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| Transfers from:                                   |    |        |         |        |         |         |        |       |       |         |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| General Revenue Fund-State                        |    | 0      | 150000  | 125000 | 0       | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 275000  |           |            |          |           |           |             |           |           |             |      |       |
| Merchandising Practices Restitution Acco          |    | 0      | 0       | 0      | 8372    | 0       | 0      | 0     | 0     | 0       | 0 | 0 | 8372    |           |            |          |           |           |             |           |           |             |      |       |
| Transfers to:                                     |    |        |         |        |         |         |        |       |       |         |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| General Revenue Fund-State                        |    | 0      | -2319   | 0      | 0       | 0       | 0      | 0     | 0     | 0       | 0 | 0 | -2319   |           |            |          |           |           |             |           |           |             |      |       |
| Merchandising Practices Revolving Fund            |    | 0      | 0       | 0      | 0       | -8372   | 0      | 0     | 0     | 0       | 0 | 0 | -8372   |           |            |          |           |           |             |           |           |             |      |       |
| Total Transfers                                   |    | 0      | 147681  | 125000 | 8372    | -8372   | 0      | 0     | 0     | 0       | 0 | 0 | 272681  |           |            |          |           |           |             |           |           |             |      |       |
| RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS |    |        |         |        |         |         |        |       |       |         |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
|   |    | -61496 | -21981  | 420011 | 308706  | -243868 | 16689  | 5700  | 57245 | 481006  |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| CASH AND INVESTMENTS, JULY 1, 1996 (Note 3)       |    | 65447  | 41763   | 118995 | 1742137 | 383257  | 40141  | 55400 | 17200 | 2464340 |   |   |         |           |            |          |           |           |             |           |           |             |      |       |
| CASH AND INVESTMENTS, JUNE 30, 1997 (Note : \$    |    | 3951   | 19782   | 539006 | 2050843 | 139389  | 56830  | 61100 | 74445 | 2945346 |   |   |         |           |            |          |           |           |             |           |           |             |      |       |

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF ATTORNEY GENERAL  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, TRANSFERS,  
 AND CHANGES IN CASH AND INVESTMENTS  
 YEAR ENDED JUNE 30, 1996

|   | General      |             | Antitrust | Merchandising | Merchandising | Tort      | Health     | Inmate        |             |
|---|--------------|-------------|-----------|---------------|---------------|-----------|------------|---------------|-------------|
|   | Revenue      | Court Costs | Revolving | Revolving     | Practices     | Practices | Spa        | Incarceration |             |
|   | Fund-Federal | Fund        | Fund      | Fund          | Restitution   | Victims'  | Regulatory | Reimbursement | Total       |
|   |              |             |           |               | Account       | Fund      | Fund       | Act Revolving | (Memorandum |
|   |              |             |           |               |               |           |            | Fund          | Only)       |
| RECEIPTS  |              |             |           |               |               |           |            |               |             |
| Federal grants                                    | \$ 930,000   | 0           | 0         | 0             | 0             | 0         | 0          | 0             | 930,000     |
| Restitution                                       | 0            | 0           | 0         | 0             | 707,521       | 0         | 0          | 0             | 707,521     |
| Inmate housing receipts                           | 0            | 0           | 0         | 0             | 0             | 0         | 0          | 17,200        | 17,200      |
| Penalties and awards                              | 0            | 19,404      | 0         | 1,102,592     | 0             | 9,565     | 0          | 0             | 1,131,561   |
| Settlement fees                                   | 0            | 0           | 104,975   | 0             | 0             | 0         | 0          | 0             | 104,975     |
| Registration fees                                 | 0            | 0           | 0         | 12,175        | 0             | 0         | 5,800      | 0             | 17,975      |
| Interest  | 0            | 0           | 0         | 0             | 7,905         | 0         | 0          | 0             | 7,905       |
| Miscellaneous                                     | 37,618       | 1,247       | 0         | 1,884         | 0             | 0         | 0          | 0             | 40,749      |
| Total Receipts                                    | 967,618      | 20,651      | 104,975   | 1,116,651     | 715,426       | 9,565     | 5,800      | 17,200        | 2,957,886   |
| DISBURSEMENTS                                     |              |             |           |               |               |           |            |               |             |
| Personal service                                  | 622,060      | 0           | 109,804   | 168,016       | 0             | 0         | 0          | 0             | 899,880     |
| Employee fringe benefits                          | 147,026      | 0           | 26,812    | 48,326        | 0             | 0         | 0          | 0             | 222,164     |
| Expense and equipment                             | 144,334      | 128,888     | 13,585    | 303,199       | 0             | 0         | 0          | 0             | 590,006     |
| Payments to other parties                         | 0            | 0           | 0         | 0             | 369,223       | 0         | 0          | 0             | 369,223     |
| Total Disbursements                               | 913,420      | 128,888     | 150,201   | 519,541       | 369,223       | 0         | 0          | 0             | 2,081,273   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS               | 54,198       | -108,237    | -45,226   | 597,110       | 346,203       | 9,565     | 5,800      | 17,200        | 876,613     |
| TRANSFERS   |              |             |           |               |               |           |            |               |             |
| Transfers from:                                   |              |             |           |               |               |           |            |               |             |
| General Revenue Fund-State                        | 0            | 150,000     | 125,000   | 0             | 0             | 0         | 0          | 0             | 275,000     |
| Merchandising Practices Restitution Account       | 0            | 0           | 0         | 12,133        | 0             | 0         | 0          | 0             | 12,133      |
| Transfers to:                                     |              |             |           |               |               |           |            |               |             |
| Merchandising Practices Revolving Fund            | 0            | 0           | 0         | 0             | -12,133       | 0         | 0          | 0             | -12,133     |
| Total Transfers                                   | 0            | 150,000     | 125,000   | 12,133        | -12,133       | 0         | 0          | 0             | 275,000     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS | 54,198       | 41,763      | 79,774    | 609,243       | 334,070       | 9,565     | 5,800      | 17,200        | 1,151,613   |
| CASH AND INVESTMENTS, JULY 1, 1995 (Note 3)       | 11,249       | 0           | 39,221    | 1,132,894     | 49,187        | 30,576    | 49,600     | 0             | 1,312,727   |
| CASH AND INVESTMENTS, JUNE 30, 1996 (Note : \$    | 65,447       | 41,763      | 118,995   | 1,742,137     | 383,257       | 40,141    | 55,400     | 17,200        | 2,464,340   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OFFICE OF ATTORNEY GENERAL  
COMPARATIVE STATEMENT OF RECEIPTS  
GENERAL REVENUE FUND - STATE

|                            |    | Year Ended June 30, |         |        |        |
|----------------------------|----|---------------------|---------|--------|--------|
|                            |    | 1999                | 1998    | 1997   | 1996   |
| Penalties and court awards | \$ | 10,952              | 304,910 | 26,102 | 16,393 |
| Recoveries                 |    | 6,089               | 8,114   | 1,979  | 23,214 |
| Refunds                    |    | 3,453               | 1,518   | 2,604  | 18,097 |
| Miscellaneous              |    | 5,151               | 130     | 6,623  | 3,160  |
| Total                      | \$ | 25,645              | 314,672 | 37,308 | 60,864 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

OFFICE OF ATTORNEY GENERAL  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  |    | Year Ended June 30, |              |                 |                |              |                 |
|--|----|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  |    | 1999                |              |                 | 1998           |              |                 |
|  |    | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND - STATE   |    |                     |              |                 |                |              |                 |
| Personal Service   | \$ | 8,960,398           | 8,698,167    | 262,231         | 8,456,748      | 7,851,341    | 605,407         |
| Medicaid Fraud Unit - Expense and Equipment  |    | 149,113             | 127,857      | 21,256          | 149,113        | 142,215      | 6,898           |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment |    | 209,840             | 194,976      | 14,864          | 209,840        | 171,974      | 37,866          |
| Medicaid Fraud Unit - Personal Service   |    | 175,830             | 170,555      | 5,275           | 167,143        | 167,143      | 0               |
| Legal and travel expenses related to desegregation cases - Personal Service  |    | 145,574             | 100,986      | 44,588          | 68,069         | 68,069       | 0               |
| Legal and travel expenses related to desegregation cases - Expense and Equipment   |    | 240,893             | 36,566       | 204,327         | 311,351        | 67,836       | 243,515         |
| Expenses related to Americans with Disabilities Act cases - Personal Service   |    | 51,864              | 51,019       | 845             | 49,309         | 47,830       | 1,479           |
| Expenses related to Americans with Disabilities Act cases - Expense and Equipment  |    | 31,360              | 22,869       | 8,491           | 31,360         | 17,082       | 14,278          |
| Expense and Equipment  |    | 2,298,263           | 2,298,263    | 0               | 2,215,363      | 2,192,402    | 22,961          |
| Participation by the State of Missouri in the National Association of Attorneys General - Expense and Equipment                                      |    | 34,080              | 34,080       | 0               | 34,080         | 34,080       | 0               |
| Total General Revenue Fund - State   |    | 12,297,215          | 11,735,338   | 561,877         | 11,692,376     | 10,759,972   | 932,404         |
| GENERAL REVENUE FUND - FEDERAL   |    |                     |              |                 |                |              |                 |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment |    | 89,700              | 56,910       | 32,790          | 89,700         | 51,545       | 38,155          |
| Medicaid Fraud Unit - Personal Service   |    | 634,686             | 375,387      | 259,299         | 603,464        | 417,807      | 185,657         |
| Medicaid Fraud Unit - Expense and Equipment  |    | 809,711             | 22,440       | 787,271         | 809,711        | 52,216       | 757,495         |
| Personal Service   |    | 330,542             | 43,980       | 286,562         | 314,434        | 61,619       | 252,815         |
| Expense and Equipment  |    | 485,170             | 0            | 485,170         | 485,170        | 871          | 484,299         |
| Total General Revenue Fund - Federal   |    | 2,349,809           | 498,717      | 1,851,092       | 2,302,479      | 584,058      | 1,718,421       |
| GAMING COMMISSION FUND   |    |                     |              |                 |                |              |                 |
| Personal Service   |    | 86,382              | 72,383       | 13,999          | 82,126         | 58,329       | 23,797          |
| Expense and Equipment  |    | 30,747              | 8,324        | 22,423          | 30,747         | 11,465       | 19,282          |
| Total Gaming Commission Fund   |    | 117,129             | 80,707       | 36,422          | 112,873        | 69,794       | 43,079          |
| NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT  |    |                     |              |                 |                |              |                 |
| Personal Service   |    | 29,100              | 29,100       | 0               | 27,670         | 27,670       | 0               |
| Expense and Equipment  |    | 4,715               | 4,715        | 0               | 4,715          | 4,715        | 0               |
| Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount  |    | 33,815              | 33,815       | 0               | 32,385         | 32,385       | 0               |
| SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND  |    |                     |              |                 |                |              |                 |
| Personal Service   |    | 29,103              | 29,103       | 0               | 27,673         | 27,673       | 0               |
| Expense and Equipment  |    | 5,215               | 5,215        | 0               | 5,215          | 5,215        | 0               |
| Total Solid Waste Management Special Revenue Fund  |    | 34,318              | 34,318       | 0               | 32,888         | 32,888       | 0               |
| PETROLEUM STORAGE TANK INSURANCE FUND  |    |                     |              |                 |                |              |                 |
| Personal Service   |    | 20,000              | 19,950       | 50              | 0              | 0            | 0               |
| Total Petroleum Storage Tank Insurance Fund  |    | 20,000              | 19,950       | 50              | 0              | 0            | 0               |
| MOTOR VEHICLE COMMISSION FUND  |    |                     |              |                 |                |              |                 |
| Personal Service   |    | 30,226              | 0            | 30,226          | 28,730         | 28,730       | 0               |
| Expense and Equipment  |    | 11,300              | 0            | 11,300          | 11,300         | 1,951        | 9,349           |
| Total Motor Vehicle Commission Fund  |    | 41,526              | 0            | 41,526          | 40,030         | 30,681       | 9,349           |
| HEALTH SPA REGULATORY FUND   |    |                     |              |                 |                |              |                 |
| Expense and Equipment  |    | 5,000               | 1,725        | 3,275           | 5,000          | 0            | 5,000           |
| Total Health Spa Regulatory Fund   |    | 5,000               | 1,725        | 3,275           | 5,000          | 0            | 5,000           |
| NATURAL RESOURCES PROTECTION FUND - AIR POLLUTION PERMIT FEE SUBACCOUNT  |    |                     |              |                 |                |              |                 |
| Personal Service   |    | 29,098              | 29,098       | 0               | 27,669         | 27,669       | 0               |
| Expense and Equipment  |    | 4,715               | 4,715        | 0               | 4,715          | 4,715        | 0               |
| Total Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount  |    | 33,813              | 33,813       | 0               | 32,384         | 32,384       | 0               |
| COURT COSTS FUND   |    |                     |              |                 |                |              |                 |
| Expense and Equipment  |    | 187,000             | 141,568      | 45,432          | 187,000        | 160,545      | 26,455          |



|  |               |            |           |            |            |           |
|--|---------------|------------|-----------|------------|------------|-----------|
| Total Court Costs Fund   | 187,000       | 141,568    | 45,432    | 187,000    | 160,545    | 26,455    |
| SOIL AND WATER SALES TAX FUND  |               |            |           |            |            |           |
| Personal Service   | 9,700         | 9,700      | 0         | 9,224      | 9,224      | 0         |
| Expense and Equipment  | 2,267         | 2,267      | 0         | 2,267      | 2,267      | 0         |
| Total Soil and Water Sales   |               |            |           |            |            |           |
| Tax Fund   | 11,967        | 11,967     | 0         | 11,491     | 11,491     | 0         |
| MERCHANDISING PRACTICES  |               |            |           |            |            |           |
| REVOLVING FUND   |               |            |           |            |            |           |
| Personal Service   | 197,459       | 197,459    | 0         | 187,542    | 187,542    | 0         |
| Expense and Equipment  | 220,780       | 220,780    | 0         | 220,780    | 220,780    | 0         |
| Payment of real property leases, related<br>services, utilities and systems<br>furniture; and structural<br>modifications for new FTE - Expense<br>and Equipment | 104,220       | 104,220    | 0         | 104,220    | 83,558     | 20,662    |
| Total Merchandising Practices  |               |            |           |            |            |           |
| Revolving Fund   | 522,459       | 522,459    | 0         | 512,542    | 491,880    | 20,662    |
| WORKERS' COMPENSATION FUND   |               |            |           |            |            |           |
| Personal Service   | 207,768       | 183,315    | 24,453    | 197,502    | 59,955     | 137,547   |
| Payment of real property leases, related<br>services, utilities and systems<br>furniture; and structural<br>modifications for new FTE - Expense<br>and Equipment | 91,719        | 91,719     | 0         | 91,719     | 87,168     | 4,551     |
| Expense and Equipment  | 225,121       | 38,599     | 186,522   | 225,121    | 18,825     | 206,296   |
| Total Workers' Compensation Fund   | 524,608       | 313,633    | 210,975   | 514,342    | 165,948    | 348,394   |
| ::   |               |            |           |            |            |           |
| WORKERS' COMPENSATION - SECOND   |               |            |           |            |            |           |
| INJURY FUND  |               |            |           |            |            |           |
| Payment of real property leases, related<br>services, utilities and systems<br>furniture; and structural<br>modifications for new FTE - Expense<br>and Equipment | 84,348        | 84,348     | 0         | 84,348     | 84,348     | 0         |
| Personal Service   | 1,242,095     | 1,217,764  | 24,331    | 1,180,662  | 1,155,582  | 25,080    |
| Expense and Equipment  | 436,832       | 333,721    | 103,111   | 436,832    | 259,378    | 177,454   |
| Total Workers' Compensation -<br>Second Injury Fund  | 1,763,275     | 1,635,833  | 127,442   | 1,701,842  | 1,499,308  | 202,534   |
| LOTTERY ENTERPRISE FUND  |               |            |           |            |            |           |
| Personal Service   | 44,223        | 23,250     | 20,973    | 42,060     | 17,905     | 24,155    |
| Total Lottery Enterprise Fund  | 44,223        | 23,250     | 20,973    | 42,060     | 17,905     | 24,155    |
| ANTITRUST REVOLVING FUND   |               |            |           |            |            |           |
| Personal Service   | 131,903       | 131,903    | 0         | 125,450    | 125,450    | 0         |
| Expense and Equipment  | 200,000       | 169,197    | 30,803    | 200,000    | 146,160    | 53,840    |
| Total Antitrust Revolving Fund   | 331,903       | 301,100    | 30,803    | 325,450    | 271,610    | 53,840    |
| HAZARDOUS WASTE FUND   |               |            |           |            |            |           |
| Personal Service   | 29,098        | 29,098     | 0         | 27,669     | 27,669     | 0         |
| Expense and Equipment  | 4,715         | 4,715      | 0         | 4,715      | 4,715      | 0         |
| Total Hazardous Waste Fund   | 33,813        | 33,813     | 0         | 32,384     | 32,384     | 0         |
| SAFE DRINKING WATER FUND   |               |            |           |            |            |           |
| Personal Service   | 9,702         | 9,702      | 0         | 9,225      | 9,225      | 0         |
| Expense and Equipment  | 2,265         | 2,265      | 0         | 2,265      | 2,265      | 0         |
| Total Safe Drinking Water Fund   | 11,967        | 11,967     | 0         | 11,490     | 11,490     | 0         |
| HAZARDOUS WASTE REMEDIAL FUND  |               |            |           |            |            |           |
| Personal Service   | 198,117       | 198,117    | 0         | 188,439    | 188,439    | 0         |
| Expense and Equipment  | 10,165        | 10,165     | 0         | 10,165     | 10,165     | 0         |
| Total Hazardous Waste Remedial<br>Fund   | 208,282       | 208,282    | 0         | 198,604    | 198,604    | 0         |
| INMATE INCARCERATION REIMBURSEMENT   |               |            |           |            |            |           |
| ACT REVOLVING FUND   |               |            |           |            |            |           |
| Expense and Equipment  | 20,675        | 10,192     | 10,483    | 0          | 0          | 0         |
| Personal Service   | 19,500        | 19,500     | 0         | 0          | 0          | 0         |
| Total Inmate Incarceration<br>Reimbursement Act  |               |            |           |            |            |           |
| Revolving Fund   | 40,175        | 29,692     | 10,483    | 0          | 0          | 0         |
| MINED LAND RECLAMATION FUND  |               |            |           |            |            |           |
| Personal Service   | 9,700         | 9,700      | 0         | 9,224      | 9,224      | 0         |
| Expense and Equipment  | 2,262         | 2,262      | 0         | 2,262      | 2,262      | 0         |
| Total Mined Land Reclamation Fund  | 11,962        | 11,962     | 0         | 11,486     | 11,486     | 0         |
| Total All Funds  | \$ 18,624,259 | 15,683,909 | 2,940,350 | 17,799,106 | 14,414,813 | 3,384,293 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

| 1997           |              |                 | 1996           |              |                 |
|----------------|--------------|-----------------|----------------|--------------|-----------------|
| Appropriations | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| 8,079,389      | 7,483,102    | 596,287         | 7,575,708      | 7,295,718    | 279,990         |
| 84,727         | 84,727       | 0               | 171,307        | 120,147      | 51,160          |
| 376,064        | 247,911      | 128,153         | 372,401        | 265,959      | 106,442         |
| 0              | 0            | 0               | 8,186          | 1,276        | 6,910           |
| 0              | 0            | 0               | 229,732        | 229,732      | 0               |
| 209,840        | 167,777      | 42,063          | 0              | 0            | 0               |
| 91,775         | 91,775       | 0               | 0              | 0            | 0               |
| 2,229,297      | 1,934,705    | 294,592         | 2,227,145      | 2,163,314    | 63,831          |
| 34,080         | 34,080       | 0               | 34,080         | 34,080       | 0               |
| 11,105,172     | 10,044,077   | 1,061,095       | 10,618,559     | 10,110,226   | 508,333         |
| 0              | 0            | 0               | 691,132        | 568,516      | 122,616         |
| 0              | 0            | 0               | 282,283        | 53,543       | 228,740         |
| 0              | 0            | 0               | 485,170        | 60,595       | 424,575         |
| 0              | 0            | 0               | 89,700         | 41,550       | 48,150          |
| 89,700         | 45,065       | 44,635          | 0              | 0            | 0               |
| 784,422        | 85,859       | 698,563         | 0              | 0            | 0               |
| 1,514,919      | 538,523      | 976,396         | 0              | 0            | 0               |
| 0              | 0            | 0               | 787,517        | 42,671       | 744,846         |
| 2,389,041      | 669,447      | 1,719,594       | 2,335,802      | 766,875      | 1,568,927       |
| 78,072         | 53,509       | 24,563          | 31,200         | 31,200       | 0               |
| 37,570         | 7,734        | 29,836          | 0              | 0            | 0               |
| 115,642        | 61,243       | 54,399          | 31,200         | 31,200       | 0               |
| 26,309         | 26,309       | 0               | 24,820         | 24,820       | 0               |
| 4,715          | 4,715        | 0               | 4,715          | 4,715        | 0               |
| 31,024         | 31,024       | 0               | 29,535         | 29,535       | 0               |
| 26,312         | 26,312       | 0               | 24,823         | 24,823       | 0               |
| 5,215          | 5,215        | 0               | 5,215          | 5,215        | 0               |
| 31,527         | 31,527       | 0               | 30,038         | 30,038       | 0               |
| 27,305         | 26,391       | 914             | 25,759         | 25,759       | 0               |
| 11,300         | 0            | 11,300          | 11,300         | 48           | 11,252          |
| 38,605         | 26,391       | 12,214          | 37,059         | 25,807       | 11,252          |
| 5,000          | 0            | 5,000           | 5,000          | 0            | 5,000           |
| 5,000          | 0            | 5,000           | 5,000          | 0            | 5,000           |
| 26,309         | 26,309       | 0               | 24,820         | 24,820       | 0               |
| 4,715          | 4,715        | 0               | 4,715          | 4,715        | 0               |
| 31,024         | 31,024       | 0               | 29,535         | 29,535       | 0               |
| 187,000        | 177,296      | 9,704           | 187,000        | 144,935      | 42,065          |
| 187,000        | 177,296      | 9,704           | 187,000        | 144,935      | 42,065          |
| 8,770          | 8,770        | 0               | 8,274          | 8,274        | 0               |

|  |                      |                   |                  |                   |                   |                  |
|--|----------------------|-------------------|------------------|-------------------|-------------------|------------------|
| Expense and Equipment  | 2,267                | 2,267             | 0                | 2,267             | 2,267             | 0                |
| Total Soil and Water Sales   |                      |                   |                  |                   |                   |                  |
| Tax Fund   | <u>11,037</u>        | <u>11,037</u>     | <u>0</u>         | <u>10,541</u>     | <u>10,541</u>     | <u>0</u>         |
| MERCHANDISING PRACTICES  |                      |                   |                  |                   |                   |                  |
| REVOLVING FUND   |                      |                   |                  |                   |                   |                  |
| Personal Service   | 178,097              | 178,097           | 0                | 168,016           | 168,016           | 0                |
| Expense and Equipment  | 220,780              | 220,780           | 0                | 230,188           | 230,188           | 0                |
| Payment of real property leases and related services and utilities - Expense and Equipment   | 0                    | 0                 | 0                | 94,812            | 94,812            | 0                |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment | 104,220              | 84,599            | 19,621           | 0                 | 0                 | 0                |
| Total Merchandising Practices  |                      |                   |                  |                   |                   |                  |
| Revolving Fund   | <u>503,097</u>       | <u>483,476</u>    | <u>19,621</u>    | <u>493,016</u>    | <u>493,016</u>    | <u>0</u>         |
| WORKERS' COMPENSATION FUND   |                      |                   |                  |                   |                   |                  |
| Personal Service   | 187,726              | 54,857            | 132,869          | 177,100           | 99,041            | 78,059           |
| Payment of real property leases and related services and utilities - Expense and Equipment   | 0                    | 0                 | 0                | 91,719            | 71,789            | 19,930           |
| Payment of real property leases and related services and utilities - Expense and Equipment   | 91,719               | 85,879            | 5,840            | 0                 | 0                 | 0                |
| Expense and Equipment  | 225,121              | 16,911            | 208,210          | 265,511           | 33,494            | 232,017          |
| Total Workers' Compensation Fund   | <u>504,566</u>       | <u>157,647</u>    | <u>346,919</u>   | <u>534,330</u>    | <u>204,324</u>    | <u>330,006</u>   |
| ::   |                      |                   |                  |                   |                   |                  |
| WORKERS' COMPENSATION - SECOND   |                      |                   |                  |                   |                   |                  |
| INJURY FUND  |                      |                   |                  |                   |                   |                  |
| Expense and Equipment  | 0                    | 0                 | 0                | 451,061           | 220,222           | 230,839          |
| Personal Service   | 0                    | 0                 | 0                | 1,058,633         | 1,018,178         | 40,455           |
| Payment of real property leases and related services and utilities - Expense and Equipment   | 0                    | 0                 | 0                | 70,119            | 70,119            | 0                |
| Payment of real property leases and related services and utilities - Expense and Equipment   | 84,348               | 84,348            | 0                | 0                 | 0                 | 0                |
| Personal Service and/or Expense and Equipment  | 1,558,986            | 1,350,247         | 208,739          | 0                 | 0                 | 0                |
| Total Workers' Compensation - Second Injury Fund   | <u>1,643,334</u>     | <u>1,434,595</u>  | <u>208,739</u>   | <u>1,579,813</u>  | <u>1,308,519</u>  | <u>271,294</u>   |
| LOTTERY ENTERPRISE FUND  |                      |                   |                  |                   |                   |                  |
| Personal Service   | 40,000               | 13,333            | 26,667           | 0                 | 0                 | 0                |
| Total Lottery Enterprise Fund  | <u>40,000</u>        | <u>13,333</u>     | <u>26,667</u>    | <u>0</u>          | <u>0</u>          | <u>0</u>         |
| ANTITRUST REVOLVING FUND   |                      |                   |                  |                   |                   |                  |
| Personal Service   | 119,305              | 119,305           | 0                | 112,551           | 109,804           | 2,747            |
| Expense and Equipment  | 200,000              | 14,593            | 185,407          | 200,000           | 13,585            | 186,415          |
| Total Antitrust Revolving Fund   | <u>319,305</u>       | <u>133,898</u>    | <u>185,407</u>   | <u>312,551</u>    | <u>123,389</u>    | <u>189,162</u>   |
| HAZARDOUS WASTE FUND   |                      |                   |                  |                   |                   |                  |
| Personal Service   | 26,309               | 26,309            | 0                | 24,820            | 24,820            | 0                |
| Expense and Equipment  | 4,715                | 4,715             | 0                | 4,715             | 4,715             | 0                |
| Total Hazardous Waste Fund   | <u>31,024</u>        | <u>31,024</u>     | <u>0</u>         | <u>29,535</u>     | <u>29,535</u>     | <u>0</u>         |
| SAFE DRINKING WATER FUND   |                      |                   |                  |                   |                   |                  |
| Personal Service   | 8,770                | 8,770             | 0                | 8,274             | 8,274             | 0                |
| Expense and Equipment  | 2,265                | 2,265             | 0                | 2,265             | 2,265             | 0                |
| Total Safe Drinking Water Fund   | <u>11,035</u>        | <u>11,035</u>     | <u>0</u>         | <u>10,539</u>     | <u>10,539</u>     | <u>0</u>         |
| HAZARDOUS WASTE REMEDIAL FUND  |                      |                   |                  |                   |                   |                  |
| Personal Service   | 179,222              | 179,222           | 0                | 169,076           | 169,076           | 0                |
| Expense and Equipment  | 10,165               | 10,165            | 0                | 10,165            | 10,165            | 0                |
| Total Hazardous Waste Remedial Fund  | <u>189,387</u>       | <u>189,387</u>    | <u>0</u>         | <u>179,241</u>    | <u>179,241</u>    | <u>0</u>         |
| ADA COMPLIANCE FUND  |                      |                   |                  |                   |                   |                  |
| Expenses related to Americans with Disabilities Act cases - Personal Service   | 46,889               | 46,030            | 859              | 44,233            | 43,454            | 779              |
| Expenses related to Americans with Disabilities Act cases - Expense and Equipment  | 31,360               | 15,223            | 16,137           | 31,360            | 22,710            | 8,650            |
| Total ADA Compliance Fund  | <u>78,249</u>        | <u>61,253</u>     | <u>16,996</u>    | <u>75,593</u>     | <u>66,164</u>     | <u>9,429</u>     |
| MINED LAND RECLAMATION FUND  |                      |                   |                  |                   |                   |                  |
| Personal Service   | 8,770                | 8,770             | 0                | 8,274             | 8,274             | 0                |
| Expense and Equipment  | 2,262                | 2,262             | 0                | 2,262             | 2,262             | 0                |
| Total Mined Land Reclamation Fund  | <u>11,032</u>        | <u>11,032</u>     | <u>0</u>         | <u>10,536</u>     | <u>10,536</u>     | <u>0</u>         |
| Total All Funds  | <u>\$ 17,276,101</u> | <u>13,609,746</u> | <u>3,666,355</u> | <u>16,539,423</u> | <u>13,603,955</u> | <u>2,935,468</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Supplementary Data

Schedule 1

OFFICE OF ATTORNEY GENERAL  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30, |            |            |            |
|--|---------------------|------------|------------|------------|
|  | 1999                | 1998       | 1997       | 1996       |
| Personal service                                     | \$ 11,649,237       | 10,574,096 | 10,188,759 | 9,825,893  |
| Travel and vehicle expense                           | 662,506             | 673,614    | 579,719    | 585,138    |
| Vehicle purchases                                    | 101,688             | 43,023     | 40,941     | 67,002     |
| Office expense                                       | 943,640             | 905,927    | 898,506    | 631,164    |
| Office and communication equipment purchases         | 253,789             | 71,354     | 163,611    | 228,902    |
| Communication expense                                | 490,695             | 438,717    | 438,170    | 433,264    |
| Institution and physical plant expense and equipment | 605,527             | 525,073    | 578,210    | 667,198    |
| Data processing expense and equipment                | 393,689             | 482,256    | 140,381    | 571,239    |
| Professional services                                | 330,608             | 495,149    | 385,531    | 314,483    |
| Professional development                             | 85,740              | 58,713     | 52,125     | 63,372     |
| Memberships  | 84,170              | 85,004     | 69,610     | 76,892     |
| Other  | 82,620              | 61,887     | 74,183     | 139,408    |
| Totals   | \$ 15,683,909       | 14,414,813 | 13,609,746 | 13,603,955 |

The accompanying Note to the Supplementary Data is an integral part of this statement.

## Schedule 2

OFFICE OF ATTORNEY GENERAL  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS (Note 6)

| All Funds             | Furniture<br>and Equipment | Motor<br>Vehicles | Total     |
|-----------------------|----------------------------|-------------------|-----------|
| Balance July 1, 1995  | \$ 4,366,171               | 388,914           | 4,755,085 |
| Additions             | 408,965                    | 67,002            | 475,967   |
| Dispositions          | 501,484                    | 54,267            | 555,751   |
| Balance June 30, 1996 | 4,273,652                  | 401,649           | 4,675,301 |
| Additions             | 181,268                    | 40,941            | 222,209   |
| Dispositions          | 552,516                    | 38,828            | 591,344   |
| Balance June 30, 1997 | 3,902,404                  | 403,762           | 4,306,166 |
| Additions             | 533,959                    | 43,023            | 576,982   |
| Dispositions          | 574,919                    | 42,553            | 617,472   |
| Balance June 30, 1998 | 3,861,444                  | 404,232           | 4,265,676 |
| Additions             | 502,629                    | 101,688           | 604,317   |
| Dispositions          | 387,596                    | 50,847            | 438,443   |
| Balance June 30, 1999 | \$ 3,976,477               | 455,073           | 4,431,550 |

| Fund of Acquisition                          | Balance<br>June 30, 1999 |
|--|--------------------------|
| General Revenue Fund-State                   | \$ 3,124,916             |
| General Revenue Fund-Federal                 | 220,858                  |
| Gaming Commission Fund                       | 9,072                    |
| Motor Vehicle Commission Fund                | 5,947                    |
| Merchandising Practices<br>Revolving Fund    | 208,587                  |
| Workers' Compensation Fund                   | 234,800                  |
| Workers' Compensation-<br>Second Injury Fund | 556,703                  |
| Antitrust Revolving Fund                     | 39,252                   |
| Department of Natural<br>Resources Funds     | 29,690                   |
| Health Spa Regulatory Fund                   | 1,725                    |
| Total All Funds                              | \$ 4,431,550             |

The accompanying Note to the Supplementary Data is an integral part of this statement.

## Notes to the Financial Statements and Supplementary Data

OFFICE OF ATTORNEY GENERAL  
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Office of Attorney General.

Receipts, disbursements, transfers, and changes in cash and investments are presented in Exhibit A for the General Revenue Fund-Federal, Court Costs Fund, Antitrust Revolving Fund, Merchandising Practices Revolving Fund, Merchandising Practices Restitution Account, Tort Victims' Compensation Fund, Health Spa Regulatory Fund, Inmate Incarceration Reimbursement Act Revolving Fund, and Multi-State Consumer Fraud Accounts. Except for the Merchandising Practices Restitution Account and Multi-State Consumer Fraud Accounts, appropriations from these funds are expended by or for the office for restricted purposes. Appropriations are not made from the Merchandising Practices Restitution Account and Multi-State Consumer Fraud Accounts. These accounts are controlled entirely by the office and are expended by or for the office for restricted purposes.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Receipts are presented in Exhibit B for the General Revenue Fund-State. Receipts include monies the office collects during its normal activities and remits to the fund. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting



The Statements of Receipts, Disbursements, Transfers, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Statement of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Statements of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

#### C. Fiscal Authority and Responsibility

The office administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly, except for the Merchandising Practices Restitution Account and Multi-State Consumer Fraud Accounts, which are controlled entirely by the office.

General Revenue Fund-Federal: The office administers a program financed partially by federal monies which are maintained in the state treasury in the Office of Attorney General's Federal Account. These federal funds may be received in advance, at the time related expenditures are made, or as reimbursements. Appropriations from this fund authorize the disbursement of the office's federal funds.

Court Costs Fund: This fund was established by Section 27.080, RSMo 1994, for the receipt of deposits and the payment of court costs incurred in any litigation in which it is the duty of the office to defend, prosecute, or appear. The fund consists of monies transferred by the General Assembly from the state's General Revenue Fund and refunds of any deposits or court costs. Expenditures are authorized by appropriation and balances remaining in the fund are perpetually maintained for the purpose of the fund.

Antitrust Revolving Fund: This fund was established by Section 416.081, RSMo 1994, to pay costs incurred by the office in the investigation, prosecution, and enforcement of state and federal antitrust related laws. Transfers made by the General Assembly from the state's General Revenue Fund, 10 percent of any settlements, and all court costs recovered pursuant to litigation are deposited into this fund. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Merchandising Practices Revolving Fund: This fund was established by Section 407.140, RSMo 1994, to pay costs incurred by the office in the investigation, prosecution, and enforcement of state merchandising practices laws, and to provide funds for consumer education and advocacy programs. Transfers made by the General Assembly from the state's General Revenue Fund, 10 percent of any court-ordered restitution, court costs recovered, and any unclaimed restitutions, are deposited into this fund. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Merchandising Practices Restitution Account: This bank account was established by the office to receive any restitution awarded by the courts for violation of state merchandising practices laws. Payments from the account provide restitution to parties who can present proof they were affected by the violations. Restitutions remaining unclaimed are transferred to the Merchandising Practices Revolving Fund.

Tort Victims' Compensation Fund: This fund was established by Section 537.675, RSMo 1994. Monies deposited into this fund represent 50 percent of any final judgement awarding punitive damages, after the deduction of attorney's fees and expenses. No disbursements may be made from the fund until procedures for disbursements are established by the General Assembly.

Health Spa Regulatory Fund: This fund was established by Section 407.327, RSMo 1994, for the receipt of health spa registration fees. Monies in the fund are to be used solely for the administration of Sections 407.235 to 407.340, RSMo 1994, relating to the regulation of health spas.

Inmate Incarceration Reimbursement Act Revolving Fund: This fund was established by Section 217.841, RSMo Cumulative Supp. 1999. Monies deposited into this fund represent 20 percent of the reimbursements recovered for the cost of care of prisoners in a state correctional facility, and are considered investigative costs. Expenditures are authorized by appropriation and balances remaining in the fund are perpetually maintained for the purpose of the fund

Multi-State Consumer Fraud Accounts: These bank accounts were established by the office in fiscal year 1999 to receive funds related to five multi-state consumer fraud cases. Some of these funds are to be distributed according to instructions from the claim

administrator(s) and other funds are to be used to pay litigation expenses and costs related to certain programs.

General Revenue Fund-State: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations may also be used to initially fund or to provide matching funds or support for programs paid wholly or partially from other sources.

Gaming Commission Fund: Appropriations from this fund authorize disbursements for legal services related to the Missouri Gaming Commission.

Natural Resources Protection Fund-Water Pollution Permit Fee Subaccount: Appropriations from this fund authorize disbursements for legal services related to the enforcement of water pollution laws.

Solid Waste Management Special Revenue Fund: Appropriations from this fund authorize disbursements for legal services related to the enforcement of solid waste management laws.

Petroleum Storage Tank Insurance Fund: Appropriations from this fund authorize disbursements for legal services related to the administration of this fund, which provides insurance for the owner or operator of an underground petroleum storage tank.

Motor Vehicle Commission Fund: Appropriations from this fund authorize disbursements for legal services related to the Missouri Motor Vehicle Commission.

Natural Resources Protection Fund-Air Pollution Permit Fee Subaccount: Appropriations from this fund authorize disbursements for legal services related to the enforcement of air pollution laws.

Soil and Water Sales Tax Fund: Appropriations from this fund authorize disbursements for legal services related to soil and water conservation.

Workers' Compensation Fund: Appropriations from this fund authorize expenditures related to the defense of workers' compensation cases.

Workers' Compensation-Second Injury Fund: Appropriations from this fund authorize expenditures related to the defense of second injury cases.

Lottery Enterprise Fund: Appropriations from this fund authorize disbursements for legal services related to the State Lottery Commission.

Hazardous Waste Fund: Appropriations from this fund authorize disbursements for legal services related to hazardous waste management laws.

Safe Drinking Water Fund: Appropriations from this fund authorize disbursements for legal services related to the enforcement of safe drinking water laws.

Hazardous Waste Remedial Fund: Appropriations from this fund authorize disbursements for legal services related to the enforcement of hazardous waste laws.

Mined Land Reclamation Fund: Appropriations from this fund authorize disbursements for legal services related to the enforcement of land reclamation laws.

ADA Compliance Fund: Appropriations from this fund authorize disbursements for legal services related to the Americans with Disabilities laws.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and, beginning January 1, 1996, a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the General Revenue Fund-Federal, Antitrust Revolving Fund, Merchandising Practices Revolving Fund, and Inmate Incarceration Reimbursement Act Revolving Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

2. Transfers to General Revenue Fund-State

These transfer out amounts for the years ended June 30, 1999 and 1998, represent these funds' proportional share of fiscal year 1997, 1996, and 1995 refunds required by Article X, Section 18 of the Missouri Constitution.

3. Cash

- A. The balances of the General Revenue Fund-Federal, Court Costs Fund, Antitrust Revolving Fund, Tort Victims' Compensation Fund, Health Spa Regulatory Fund, and Inmate Incarceration Reimbursement Act Revolving Fund are pooled with other state funds and invested by the state treasurer.
- B. Merchandising Practices Revolving Fund: The Merchandising Practices Revolving Fund cash balances include \$2,437,022, \$2,286,822, \$2,050,751, and \$1,741,512 at June 30, 1999, 1998, 1997, and 1996, respectively, which are pooled and invested by the Missouri State Treasurer. In addition, the office has two bank accounts outside the state treasury with funding provided by the Merchandising Practices Revolving Fund. These accounts are in the custody of the office. The office's deposits (maintained in non-interest checking accounts with carrying amounts equal to the bank balances) of \$1,561, \$1,604, \$92, and \$625 at June 30, 1999, 1998, 1997, and 1996, respectively, were entirely covered by federal depository insurance.
- C. Merchandising Practices Restitution Account: Amounts in the Merchandising Practices Restitution Account represent cash which is in the custody of the office. The office's deposits are composed of the following:

|                                  |    | June 30,           |                 |                    |                 |                    |                 |                    |                 |
|----------------------------------|----|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
|                                  |    | 1999               |                 | 1998               |                 | 1997               |                 | 1996               |                 |
|                                  |    | Carrying<br>Amount | Bank<br>Balance | Carrying<br>Amount | Bank<br>Balance | Carrying<br>Amount | Bank<br>Balance | Carrying<br>Amount | Bank<br>Balance |
| Interest bearing<br>NOW accounts | \$ | 1,554,001          | 1,596,578       | 117,457            | 129,314         | 139,389            | 158,129         | 383,257            | 439,762         |

The office's deposits at June 30, 1999, 1998, 1997, and 1996, were entirely covered by federal depository insurance or by collateral securities held by the custodial bank in the office's name.

- D. Multi-State Consumer Fraud Accounts: Amounts in these accounts represent cash which is in the custody of the office. The office's deposits consisted of interest bearing accounts with the carrying amount equal to the bank balance of \$1,558,363 at June 30, 1999, and were entirely covered by federal depository insurance or by collateral securities held by the custodial bank in the office's name.
4. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

| General Revenue Fund - Federal |                   |                |                |                |
|--------------------------------|-------------------|----------------|----------------|----------------|
| Year Ended June 30,            |                   |                |                |                |
|                                | 1999              | 1998           | 1997           | 1996           |
| DISBURSEMENTS PER EXHIBIT A    | \$ 611,954        | 689,951        | 828,496        | 913,420        |
| Employee fringe benefits       | (109,054)         | (109,627)      | (159,218)      | (147,026)      |
| Lapse period expenditures:     |                   |                |                |                |
| 1999                           | 201               | 0              | 0              | 0              |
| 1998                           | (4,384)           | 4,384          | 0              | 0              |
| 1997                           | 0                 | (650)          | 650            | 0              |
| 1996                           | 0                 | 0              | (481)          | 481            |
| EXPENDITURES PER EXHIBIT C     | \$ <u>498,717</u> | <u>584,058</u> | <u>669,447</u> | <u>766,875</u> |

| Court Costs Fund            |                   |                |                |                |
|-----------------------------|-------------------|----------------|----------------|----------------|
| Year Ended June 30,         |                   |                |                |                |
|                             | 1999              | 1998           | 1997           | 1996           |
| DISBURSEMENTS PER EXHIBIT A | \$ 148,147        | 159,517        | 176,015        | 128,888        |
| Lapse period expenditures:  |                   |                |                |                |
| 1999                        | 8,815             | 0              | 0              | 0              |
| 1998                        | (12,577)          | 12,577         | 0              | 0              |
| 1997                        | 0                 | (17,303)       | 17,303         | 0              |
| 1996                        | 0                 | 0              | (12,776)       | 12,776         |
| Accounts payable, June 30:  |                   |                |                |                |
| 1999                        | 2,962             | 0              | 0              | 0              |
| 1998                        | (5,779)           | 5,779          | 0              | 0              |
| 1997                        | 0                 | (25)           | 25             | 0              |
| 1996                        | 0                 | 0              | (3,271)        | 3,271          |
| EXPENDITURES PER EXHIBIT C  | \$ <u>141,568</u> | <u>160,545</u> | <u>177,296</u> | <u>144,935</u> |

|                             |    | Antitrust Revolving Fund |                |                |                |
|-----------------------------|----|--------------------------|----------------|----------------|----------------|
|                             |    | Year Ended June 30,      |                |                |                |
|                             |    | 1999                     | 1998           | 1997           | 1996           |
| DISBURSEMENTS PER EXHIBIT A | \$ | 368,055                  | 228,245        | 159,517        | 150,201        |
| Employee fringe benefits    |    | (33,714)                 | (27,279)       | (25,619)       | (26,812)       |
| Lapse period expenditures:  |    |                          |                |                |                |
| 1999                        |    | 36,515                   | 0              | 0              | 0              |
| 1998                        |    | (68,510)                 | 68,510         | 0              | 0              |
| Accounts payable, June 30:  |    |                          |                |                |                |
| 1999                        |    | 888                      | 0              | 0              | 0              |
| 1998                        |    | (2,134)                  | 2,134          | 0              | 0              |
| EXPENDITURES PER EXHIBIT C  | \$ | <u>301,100</u>           | <u>271,610</u> | <u>133,898</u> | <u>123,389</u> |

|  |    | Merchandising Practices Revolving Fund |                |                |                |
|--|----|--|----------------|----------------|----------------|
|  |    | Year Ended June 30,                    |                |                |                |
|  |    | 1999                                   | 1998           | 1997           | 1996           |
| DISBURSEMENTS PER EXHIBIT A                  | \$ | 583,788                                | 546,416        | 554,864        | 519,541        |
| Employee fringe benefits                     |    | (59,459)                               | (51,778)       | (50,776)       | (48,326)       |
| Lapse period expenditures:                   |    |  |                |                |                |
| 1998   |    | (1,827)                                | 1,827          | 0              | 0              |
| 1997   |    | 0                                      | (2,577)        | 2,577          | 0              |
| 1996   |    | 0                                      | 0              | (26,052)       | 26,052         |
| 1995   |    | 0                                      | 0              | 0              | (3,049)        |
| Accounts payable, June 30:                   |    |  |                |                |                |
| 1997   |    | 0                                      | (1,733)        | 1,733          | 0              |
| Adjustments to reflect bank account activity |    |  |                |                |                |
| 1999   |    | (43)                                   | 0              | 0              | 0              |
| 1998   |    | 0                                      | (275)          | 0              | 0              |
| 1997   |    | 0                                      | 0              | 1,130          | 0              |
| 1996   |    | 0                                      | 0              | 0              | (1,202)        |
| EXPENDITURES PER EXHIBIT C                   | \$ | <u>522,459</u>                         | <u>491,880</u> | <u>483,476</u> | <u>493,016</u> |

|                                    |    |  |
|------------------------------------|----|--|
|                                    |    | Health Spa<br>Regulatory Fund<br>Year Ended June 30,<br>1999                                     |
| DISBURSEMENTS PER EXHIBIT A        | \$ | 0  |
| Lapse period expenditures:<br>1999 |    | 1,725  |
| EXPENDITURES PER EXHIBIT C         | \$ | 1,725  |
|                                    |    | Inmate<br>Incarceration<br>Reimbursement<br>Act Revolving<br>Fund<br>Year Ended June 30,<br>1999 |
| DISBURSEMENTS PER EXHIBIT A        | \$ | 35,191   |
| Employee fringe benefits           |    | (5,499)  |
| EXPENDITURES PER EXHIBIT C         | \$ | 29,692   |

5. Other Collections

The Environmental Protection Division helps ensure Missouri's environmental laws are enforced. The division obtains civil penalties and recovers costs and damages pertaining to related cases. The monies collected are turned over directly to other entities such as the Department of Natural Resources and to various counties for deposit into the school fund. The office collected and turned over approximately \$7,257,000, \$3,835,000, \$2,606,000, and \$3,839,000 in such monies to these entities during the years ended June 30, 1999, 1998, 1997, and 1996, respectively.

The Governmental Affairs Division houses the office's financial services unit. This unit pursues recoveries of monies due the Office of Attorney General and other state agencies/departments, including amounts due on defaults on student loans and economic development loans; delinquent audit and lottery commission fees; penalties owed the Ethics Commission, and collections in bankruptcy court. This unit collected and turned over to other entities amounts totaling in excess of \$1 million during the four years ended June 30, 1999.



The monies noted above which were received and turned over directly to other departments/entities are not included in the financial statements of the office.

Note to the Supplementary Data:

6. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

OFFICE OF ATTORNEY GENERAL  
SUMMARY OF FINDINGS

1. Professional Services (pages 36-39)

Formal written contracts are rarely prepared for legal and other professional services. Some payments were not in accordance with engagement letters or Office of Attorney General (AGO) policies and procedures. Documentation is not maintained of the reasons for hiring contract attorneys for specific cases, or the method used to select the attorneys. The AGO has not established procedures to track costs per case.

2. Accounts Receivable (pages 39-40)

The duties surrounding the establishment and handling of restitution receivables are not adequately segregated and procedures for monitoring these receivables are not adequate.

3. Personnel Records and Policies (pages 41-42)

The AGO does not require some employees to prepare time sheets, and the timekeeping system is cumbersome and does not provide useful information. A written personnel policy has not been established and written job descriptions have not been created.

4. Plane Flights (pages 42-43)

The AGO does not ensure the costs of commercial flights are compared to the costs of using state planes for out-of-state air travel.

5. Fixed Assets (pages 43-45)

A physical inventory is not performed annually. When a physical inventory is taken, it is performed by the same individual who is also responsible for the recordkeeping of these assets. The adjustments to the inventory records are not reviewed and/or approved by management. Some equipment purchased with federal funds for the Medicaid Fraud Control Unit is being used by employees in other sections.

6. Bank Accounts (pages 45-46)

The AGO is maintaining some state funds in bank accounts outside the state treasury.

OFFICE OF ATTORNEY GENERAL  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Office of Attorney General as of and for the years ended June 30, 1999, 1998, 1997, and 1996, and have issued our report thereon dated October 1, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the office's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|                                 |
|---------------------------------|
| <b>1. Professional Services</b> |
|---------------------------------|

The Office of Attorney General (AGO) has contracted for legal and other professional services which included attorneys for inmate litigation, criminal cases, complex consumer protection/antitrust cases, cases involving constitutionality issues, etc.; and professionals for consulting services, expert witness testimony, court reporting, etc. In addition, the AGO utilizes various services such as court reporting, medical record reviews, rehabilitation evaluations, and private investigations/surveillances to defend the Second Injury Fund (SIF). The invoices for these SIF expenses are approved by the AGO, but are paid by the Department of Labor and Industrial Relations-Division of Workers' Compensation (DWC). Also, additional payments were made to outside counsel from the State Legal Expense Fund through an Office of Administration (OA) appropriation, but based on the approval of the AGO.

According to disbursement records, the AGO paid approximately \$1,365,000 during the four years ended June 30, 1999, from its appropriations for legal services and other professional and technical services. During that same period, the DWC and OA paid over \$1.2 million and \$3.1 million, respectively, for legal and other professional and technical services, based upon approval by the AGO. Our review of these contracted services disclosed the following concerns:

- A. Formal written contracts are rarely prepared to document these service agreements, but instead the AGO generally uses an engagement letter to document such arrangements. However, we noted twenty-two payments totaling over \$199,000 for which the AGO was unable to produce an engagement letter.

If there was an engagement letter, it usually indicated the specific case or type of case involved and the rate of compensation. However, the letters did not always address all pertinent issues, such as the rate of compensation for associates and paralegals, and rates of compensation for other professional and technical services. In addition, the letters did

not always address the types of expenses that would be reimbursed and documentation which needed to be submitted for other professional and technical services.

We noted eleven payments totaling approximately \$494,000, which included charges which were either not addressed in the engagement letters or were not in accordance with the letters. In all eleven instances, the rates billed for associates and paralegals were not included in the engagement letters. In four of these instances, the rates billed for partners were higher than the rates quoted in the letters. In addition, while the AGO has established billing policies and procedures for outside counsel in a billing policies and procedures manual, we noted many instances where supporting documentation was not in accordance with this manual.

Without written agreements, it is difficult to determine whether all charges billed are proper. In addition, written agreements are necessary to ensure all parties are aware of their duties and to clarify all compensation allowed. The AGO should ensure that payments for outside counsel and other professional services are in accordance with the agreements, that the agreements address all pertinent issues, and that adequate supporting documentation is submitted in accordance with AGO policies and procedures.

- B. According to AGO officials, outside legal counsel is hired when there is a conflict of interest for the office or when the case is very complex and requires specialized services. The AGO could not provide us with documentation regarding the reasons for hiring outside legal counsel for particular cases or the method of selecting these attorneys. We requested this information for sixteen cases reviewed. Considering the extent of payments to these outside legal counsel, it appears this information should be documented to support the propriety of the decision-making process.

In addition, no documentation could be produced to support how the lead attorney was selected to represent Missouri in the tobacco litigation. At this time, it appears this lead attorney and those other attorneys working with him on the tobacco litigation will receive a substantial amount of compensation from a separate fund (separate from monies to be distributed to the states) established by the tobacco companies.

- C. The AGO has not established procedures to track the costs per case. During the four years ended June 30, 1999, the office spent over \$57 million in personal service and expense and equipment costs to operate the office. As noted above, additional outside legal costs were paid from the State Legal Expense Fund and were not included in these amounts.

The Consumer Protection Division routinely receives reimbursement for the cost of the investigation and/or prosecution of consumer protection and antitrust cases. According to the chief counsel for this division, these costs are estimated and not supported by detailed documentation. Although many times the actual reimbursement is a negotiated amount in

such cases, it appears the AGO should know the actual costs incurred to arrive at a reasonable settlement. We also noted that in March 1999, the AGO submitted a bill for in-house litigation expenses related to the multi-state tobacco case. According to office records, the case costs of \$1,188,635 were based "upon contemporaneous time records as well as good faith estimates."

A system which charges costs to the various cases would support the appropriate reimbursement of investigation and/or prosecution costs, and assist in determining a reasonable settlement, if the amount is negotiated. By not tracking the costs per case, the office has little assurance that its estimates are a reflection of the true costs. In addition, tracking costs per case could prove useful in monitoring the cost effectiveness of overall office performance and in determining which cases should be litigated and when out of court settlements should be considered.

Similar conditions were also noted in the prior report.

**WE AGAIN RECOMMEND** the AGO:

- A. Ensure all legal and other professional services are supported by written agreements signed by both parties. The invoices should be reviewed for compliance with the written agreements and office policies.
- B. Document the rationale for hiring outside legal counsel and the method of selecting the attorney for the applicable case.
- C. Develop a system which accumulates costs per case.

**AUDITEE'S RESPONSE**

- A. *The AGO routinely uses engagement letters when employing outside legal services. These letters set out with specificity the individuals who are authorized to work for the state and their rate of pay. Other terms and conditions of the engagement are set out in detail in the office's "billing policy" handbook, attached and incorporated by reference in each engagement letter. The billing policy addresses the types of expenses that are reimbursable and the documentation necessary to receive reimbursement. Each engagement letter is an offer, which once accepted, is as binding and enforceable as a contract. Therefore, we will continue to use this legally binding method. The AGO has begun using engagement letters when retaining other professional services as well.*

*The audit identified a handful of instances in the last three years when the services of outside legal counsel were engaged without a formal engagement letter. We believe that in each case identified by the Auditor the AGO had an ongoing relationship with the attorney and simply relied on a previous engagement letter rather than generating a new letter for each*

case. The AGO has instituted new procedures to assure that in every case where outside counsel is employed an engagement letter is on file.

At times the AGO has agreed to modify the terms of an engagement letter or the billing policy. For instance, an initial engagement letter will often authorize only a particular individual to work on a case, but as the case develops work by other attorneys or paralegals may be approved. The AGO will immediately implement a system of documenting in writing any agreed modification to the terms of an engagement letter or the billing policy and will update the billing policy to minimize the need for modifications in the future.

- B. As indicated by the Auditor, the AGO employs outside counsel in cases of conflict of interest or when particular expertise is required. Outside counsel are chosen based on the rate they charge, their willingness to adhere to policies of the AGO and their abilities. The specific rationale behind hiring attorneys in an individual case is work product and is privileged information. When possible, the AGO will use retention letters to indicate whether counsel have been hired due to a conflict or for their expertise.
- C. The AGO will assure that a system is in place to track the costs of cases where reimbursement for costs of investigation and/or prosecution is available. The AGO continues to believe that tracking costs per case in cases where reimbursement is not available would be tremendously burdensome and would provide little or no useful information. It is important to note that unlike private litigants whose motivation for litigation is often financial, the state often litigates to further public policies that cannot easily be quantified monetarily.

## **2.**

### **Accounts Receivable**

The Consumer Protection Division (CPD) represents the state in securities fraud, antitrust matters, and in violations of the state consumer protection laws. These prosecutions often result in imprisonment, and fines for offenders, and restitution for the consumers. During the four years ended June 30, 1999, AGO records indicated approximately \$3 million was received as restitution for other parties. A review of the AGO's handling of these restitutions disclosed the following concerns:

- A. The AGO maintains a bank account for the deposit of restitution assessed by the courts for violations of merchandising practices laws. Restitution payments are received by the assistant attorneys general, the same individuals who set up the payment plans and establish the receivable amounts. The fiscal office is not notified of restitutions due until the first payment is received.

To safeguard against possible loss or misuse of funds, receipt duties should be segregated from the establishment of the receivable. Internal control could be improved by having the



fiscal office informed when the receivable is established. In addition, the fiscal office should receive the money and then notify the applicable assistant attorney general of the amount(s) received.

- B. The AGO's procedures for monitoring restitutions receivable are not adequate. The CPD enters restitution receivable into the office's computer enforcement case file system. The payments received are entered into the enforcement system by the fiscal office when they are transmitted from the CPD. The payment information is maintained in a file separate from the receivable records.

During the prior audit, the chief counsel of the CPD periodically requested a report of the uncollected restitution which was generated by merging the receivable and payment files. However, because of questions concerning the reliability of this report, he ceased requesting this report during the current audit period. Thus, the office could not provide us with a current accounts receivable balance for restitution monies. According to the chief counsel of the CPD, the receivable balance is currently being monitored on a case-by case basis by the assistant attorney general assigned the case.

To ensure all restitution due is collected and that restitution collections and disbursements are recorded to the proper case, adequate account receivable information should be maintained. A control ledger accounting for all amounts owed, payments received, and balances due should be established. The control ledger should be periodically reconciled to the detailed enforcement system file. All receivable balances should be recorded into the enforcement system.

Similar conditions were also noted in the prior report.

**WE AGAIN RECOMMEND** the AGO:

- A. Establish procedures whereby all monies are initially received by the fiscal office rather than the assistant attorneys general. The fiscal office should then notify the appropriate assistant attorney general of the receipt.
- B. Maintain a restitution control account summarizing accounts receivable and perform periodic reconciliations between the control account and the detailed records.

**AUDITEE'S RESPONSE**

*The AGO is reviewing internal procedures regarding the receipt and establishment of receivables for the Consumer Protection Division. The AGO requires that any checks received are logged by an independent employee as they arrive. While this system adequately safeguards the receipts process, the AGO is evaluating the establishment of the receivables to see if improvements can be made in this area.*

**3.****Personnel Records and Policies**

During the four years ended June 30, 1999, the AGO expended over \$42 million for employee salaries and wages. Our review of personnel policies and procedures disclosed the following concerns:

- A.1. The AGO does not require some employees (those who are not hourly employees or attorneys) to prepare time sheets to account for all hours worked and leave taken during the month. For these employees, daily attendance records are prepared by the various receptionists, who record which employees are in when they take attendance. The daily attendance records are based on observations of the receptionists at a particular time each day. Employees not present when attendance is taken are marked as taking leave. The employees are responsible for submitting leave slips to the fiscal office, where leave taken is posted to the accumulated leave records. Semiannually, the fiscal office sends copies of the leave records to each employee and requests they verify their accuracy.

Monthly time sheets should be required for these employees to adequately account for all time worked and leave taken. In addition, such time sheets would help ensure the accuracy of the accumulated leave records. As a result of the current situation, it is more likely errors will occur in the accurate maintenance of leave records. We noted a couple of instances where the records incorrectly reflected negative leave balances for the applicable employees and it took several months to correct the accumulated leave records.

2. In addition to the daily attendance records, attorneys fill out a weekly time record which identifies the hours worked each day. These records do not identify the case the attorney worked on or the nature of the work performed. The information from these time records is entered by division secretaries into the office's computerized time system. The computerized time system records are not reviewed or approved by the attorney's supervisor, or reconciled to the attendance or leave records. AGO personnel indicated the computerized system is used to accumulate information about the total hours worked by individual attorneys by the various divisions. This system appears to provide little useful information while expending both employee and computer time.

A system which charges time to the various cases, as well as training, leave, and administrative functions, could prove very valuable in monitoring the cost effectiveness of individual employees as well as overall office performance and costs. In addition, accurate time records are necessary to document work performed and leave taken, and to support payroll expenditures.

- B. A written personnel policy addressing issues such as hours of work, overtime, leave used for family illness, carryover of leave from other state agencies for new employees, etc., has not been established. Also, the office has not created written job descriptions for its employees. To ensure employees are treated equitably, and that they meet minimum

education and experience requirements, written personnel policies and job descriptions should be adopted.

Similar conditions were also noted in the prior report.

**WE AGAIN RECOMMEND** the AGO:

- A. Require the applicable employees to prepare monthly time sheets that document actual hours worked and leave taken, and submit these to their supervisor and the fiscal office for review and approval. In addition, the AGO should implement a timekeeping system which supports hours worked and work performed, and use this data to monitor performance and costs.
- B. Adopt a written personnel policy and job descriptions.

**AUDITEE'S RESPONSE**

- A. *The AGO requires employees who are not attorneys and not employed on an hourly basis to document leave taken by preparing leave slips. Those employees also account on leave slips extra hours worked for purposes of compensatory time. In addition, independent third parties are responsible for documenting daily attendance. Leave slips submitted by employees are compared to independently created attendance records to assure accuracy. The Auditor has suggested that these employees maintain monthly time sheets. While monthly time sheets are used by many offices, the Auditor could point to no state personnel policy that requires their use. The AGO believes that its two-pronged approach to attendance documentation provides adequate safeguards and allows us to identify attendance problems more accurately.*

*As in recommendation #1, the Auditor again recommends that attorney time be documented by case. We respectfully disagree and refer to our response to recommendation 1(C). The AGO does require attorneys to document total hours worked each day. These daily time records are an important management tool as they allow us to monitor individual and division workloads.*

- B. *The AGO makes every effort to inform its employees of personnel policies and of their individual job assignments.*

**4.**

**Plane Flights**

The AGO routinely flies to various in-state and sometimes out-of-state locations using the flight services of the Office of Administration (OA), or a local flying service. During the year ended June 30, 1999, three out-of-state flights were taken in OA planes at a cost totaling over \$7,000. We

noted the office does not ensure the cost of commercial flights is compared to the costs of using OA planes for out-of-state air travel. It appears cost savings may have been realized for at least two of these flights had commercial flights been taken rather than using the OA planes.

To ensure the most economical use of state resources, the office should prepare and retain documentation comparing the costs of commercial flights to the costs of using OA planes. This information should be retained with the flight information. If the higher cost alternative is chosen, the circumstances and justification for the decision should be documented.

**WE RECOMMEND** the AGO ensure a comparison of the costs of commercial flights to the costs of using OA planes for out-of-state flights is documented and retained.

### **AUDITEE'S RESPONSE**

*The AGO conducts a cost comparison between commercial flights and the flight services of the Office of Administration. The commercial flights in each of the instances noted would have required an overnight stay for the return trip the following day. Thus, the comparison included personnel time, hotel costs, meals and incidental expenses associated with the overnight stay rather than a same day return utilizing the flight services of the Office of Administration.*

|                        |
|------------------------|
| <b>5. Fixed Assets</b> |
|------------------------|

At June 30, 1999, the AGO was responsible for approximately \$4.4 million in general fixed assets. These fixed assets are maintained in AGO offices in Kansas City, Springfield, St. Louis, and Cape Girardeau, plus various locations in Jefferson City. Our review of the office's property records indicated the following areas where improvements are needed:

- A. A physical inventory is not performed annually as required by 15 CSR 40-2.031. A physical inventory was started during the summer of 1999; however, according to AGO personnel, the previous fixed assets inventory was started in 1996 and completed in 1997.

Adequate controls and procedures over general fixed assets are necessary to protect the state's investment in fixed assets. Such controls are especially important when fixed assets are maintained at various locations. Annual physical inventories should be conducted and reconciled to the fixed asset records.

- B. When a physical inventory is taken, the inventory is performed by the fiscal officer, the individual who is also responsible for the record keeping of these assets. To provide internal control and to properly safeguard assets from theft or misuse, the annual physical inventory should be performed by an individual(s) independent of the custodial and record keeping functions.

- C. The adjustments to the inventory records are not reviewed and/or approved by management. The variances or discrepancies which cause adjustments to the inventory record may be the result of a breakdown or weakness in the system, errors in recording information, or irregularities by employees. Management should review adjustments to inventory records to properly safeguard assets.
- D. We noted some computer equipment purchased with federal funds for the Medicaid Fraud Control Unit (MFCU) is being used by AGO employees in other sections. It appears likely that other types of furniture and equipment purchased with these funds is also not being used by MFCU employees. Office records indicate that federal funds were used to purchase furniture and equipment for twenty-three MFCU positions. However, this unit has never been fully staffed, and there have never been more than nineteen employees in this unit.

According to the federal program regulations, equipment purchased with funds pursuant to this program should not be used for any purpose other than investigating and prosecuting Medicaid fraud. Therefore, the office should ensure that only MFCU employees use equipment purchased with these federal funds.

**WE RECOMMEND** the AGO:

- A. Conduct an annual physical inventory of general fixed assets and reconcile the physical inventory to the fixed asset records.
- B. Ensure an individual independent of the record keeping function performs the physical inventory.
- C. Ensure the adjustments to the fixed asset records are reviewed and approved by management.
- D. Ensure the equipment purchased with federal funds for the MFCU is not used for any purpose other than investigating and prosecuting Medicaid fraud.

**AUDITEE'S RESPONSE**

*The AGO will immediately implement the recommendation to perform a physical inventory on an annual basis. Additionally, the AGO will ensure a separation of duties between persons performing the inventory and employees reconciling the physical inventory records including appropriate management level personnel to approve adjustments, if any, to the records.*

*Furniture and equipment purchased with federal funds provided to the Medicaid Fraud Control Unit have been assigned to office personnel consistent with federal regulations (see 45 C.F.R. Section 92.32) or, in some limited instances, to prevent the assets from setting idle.*

## **AUDITOR'S COMMENT**

- 5.D. The federal regulation the AGO refers to in its response allows equipment to be replaced which is no longer needed for a program. However, it appears at least some of the equipment items in question were never used by employees of the MFCU, nor were they needed by that unit based on its actual staffing levels. Considering the restrictions placed on the applicable federal funds, the AGO should ensure any future equipment purchases from these funds are made at a level consistent with the actual needs of the MFCU and that the items are used only by personnel of that unit.

|                         |
|-------------------------|
| <b>6. Bank Accounts</b> |
|-------------------------|

The AGO has established several checking accounts outside the state treasury. The Merchandising Practices Restitution Account was established several years ago to receive any restitution awarded by the courts for the violation of state merchandising practices laws. Payments from this account provide restitution to parties affected by the violations. During fiscal year 1999, the office established five additional checking accounts outside the state treasury to receive funds related to multi-state consumer fraud cases. Our review of these bank accounts disclosed the following concerns:

- A. Some of the monies deposited into the Multi-State Consumer Fraud Accounts appear to be state funds. For example, during fiscal year 1999, the AGO received \$54,000 to create an educational program related to consumer rights and responsibilities regarding bankruptcy, and \$158,333 for smoking cessation programs. As of June 30, 1999, no disbursements had been made from these two accounts.

It appears the AGO does not have statutory authority to maintain state funds outside the state treasury. Article IV, Section 15, of the Missouri Constitution and Section 30.170, RSMo 1994, require the state treasurer to be the custodian of all state funds and receive and disburse such funds.

As a result, any state monies being maintained by the AGO should be turned over to the State Treasurer's office (STO). If the AGO believes it is necessary to maintain these monies outside the state treasury, legislative authority should be sought.

- B. The AGO does not have a formal written depository contract with the bank where the accounts are maintained. A depository contract should be prepared to formally establish this banking agreement and to clarify the services to be received. The contract provisions might include, but not be limited to, costs of the checking accounts, types of accounts available, interest to be paid, and the pledging of sufficient and acceptable collateral securities.

Depository agreements help ensure banking services to be provided are adequately documented and also ensure any monies over which the AGO is responsible are adequately protected.

**WE RECOMMEND** the AGO:

- A. Review the monies currently being held by the AGO outside the state treasury and take action to turn any state monies over to the STO, unless legislative authority is obtained allowing these monies to be maintained outside the state treasury.
- B. Enter into a written depository agreement with the bank where the office's accounts are maintained.

**AUDITEE'S RESPONSE**

- A. *As the Auditor points out, funds that are held for reimbursement to particular individuals or groups, such as those held in the Merchandising Practices Restitution Account, are the property of those individuals and are not state funds. Turning those funds over to the state treasury before attempting to refund them to individual consumers would be an unconstitutional government taking of private money.*

*The Auditor questions whether two deposits were state funds or private funds. The first deposit questioned by the Auditor has been determined to be money directed to a specific group of recipients pursuant to a court order in a multi-state case. While we understand the confusion, the AGO has determined that those funds must be used in accordance with the court order directing them to a specific group of individuals.*

*The second deposit was being held in escrow by the AGO until a determination could be made as to whether these were individual funds or money belonging to the state. As the Auditor points out, no disbursements have been made from that fund. The AGO has determined that money to be state funds and will remit the entire amount to the state treasury.*

- B. *The AGO will implement the recommendation to establish a formal written depository contract with banking institutions in the event an account must be established outside of the state treasury. Whenever possible the AGO will enter into depository contracts for existing accounts.*

This report is intended for the information of the management of the Office of Attorney General and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations



OFFICE OF ATTORNEY GENERAL  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Office of Attorney General on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the office should consider implementing these recommendations.

1. Contracted Professional Services

- A. Formal written contracts were rarely used for contracted legal and other professional services. If there was an agreement it usually consisted of a letter, and the letters did not always address all pertinent issues. In addition, some payments were for charges which were not in accordance with the letters and supporting documentation in some instances was not in accordance the AGO's billing policies and procedures manual.
- B. The AGO did not maintain documentation supporting why contract attorneys were hired for particular cases or the method of selecting such attorneys.
- C. The AGO did not have procedures to track the costs per case.

Recommendation:

The AGO:

- A. Ensure all legal and professional services are supported by written agreements signed by both parties. In addition, invoices should be reviewed for compliance with the written agreements and office policies. Payments should also be in accordance with the agreements and office policies.
- B. Document the rationale for hiring contract attorneys and the method of selecting the attorney for the applicable case.
- C. Develop a system which accumulates costs per case.

Status:

Not implemented. See MAR No. 1.

2. Case and Cost Management

- A. Both the AGO and the Department of Labor and Industrial Relations-Division of Workers' Compensation (DWC) maintained computer databases for Second Injury Fund (SIF) cases. These two databases were not integrated, and data was duplicated between the two systems. In addition, the AGO system did not provide reliable information about when a case was closed. In December 1994, the AGO requested on-line access to DWC claims information; however, the DWC had not taken action concerning this request.
- B. There was little evidence the AGO utilized the SIF databases to monitor the related case activity.
- C. State law did not allow the AGO to utilize a medical doctor of its choice to examine claimants.
- D.1. The AGO utilized various court-related services to defend the SIF. The AGO did not have written agreements identifying the service to be provided and the compensation. In addition, the criteria for the selection of vendors was not documented.
- 2. Some invoices did not contain adequate detail.

Recommendation:

The AGO:

- A. Continue to work to consolidate its SIF database with the DWC.
- B. Develop performance measures for monitoring the SIF. These measures could include caseload by attorney; trends in payouts and filings with projections for the future; and tracking open cases versus actionable cases to determine backload status.
- C. Promote legislation to allow the office to have medical doctors of its choice examine claimants.
- D. Ensure services are supported by written agreements, signed by both parties. In addition, invoices should be reviewed for compliance with the written agreement or contract terms. The criteria for the vendor selection should be documented.

Status:

- A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. It appears performance measures as recommended in the prior audit have not been established; however, the AGO is working on improving its database to

include information such as depositions and reports by doctors and other expert witnesses. The office is also working with DWC to track activity on a monthly basis. Although not repeated in the current MAR, our recommendation remains as stated above.

- C. Not implemented. The AGO has not been successful in persuading the General Assembly to pass legislation allowing it to have medical doctors of its choice examine claimants. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Not implemented. See MAR No. 1.

3. Personnel Records and Policies

- A. The AGO did not require salaried employees to maintain records of actual hours worked. While attorneys prepared time sheets identifying work performed in predetermined increments, these records did not indicate the case name(s) and/or case number(s) worked on.
- B. A written personnel policy was not maintained. In addition, the office did not have written job descriptions for its employees.
- C. Some employees were allowed to accumulate annual leave in excess of the established limit.

Recommendation:

The AGO:

- A. Require all employees to maintain time sheets of actual hours worked and leave taken, and submit them to their supervisor and the fiscal office for review and approval. The AGO should implement a timekeeping system that supports hours worked and work performed, and use this data to monitor performance.
- B. Adopt a written personnel policy and job descriptions.
- C. Adhere to leave policies applied to other state employees.

Status:

A&B. Not implemented. See MAR No. 3.

- C. During the current audit, we noted no accumulated annual leave balances above the established limit.

4. Accounting Controls and Procedures

- A. Restitution payments assessed by the courts for violations of merchandising practices laws were received by the assistant attorneys general who established the payment plans and established the receivable amounts. The fiscal office was not notified of restitutions due until the first payment was received.
- B. The AGO's procedures for monitoring restitution receivable were inadequate.
- C. Some receipts are not deposited on a timely basis.

Recommendation:

The AGO:

- A. Establish procedures whereby all monies are initially received by the fiscal office rather than assistant attorneys general. The fiscal office should then notify the appropriate assistant attorney general of the receipt.
- B. Maintain a restitution control account summarizing amounts receivable and perform periodic reconciliations between the control account and the detail records.
- C. Make deposits daily or when receipts on hand exceed \$100.

Status:

A&B. Not implemented. See MAR No. 2.

C. Implemented.

5. Expenditure Policies and Procedures

The AGO did not always ensure supporting documentation related to expense and equipment charges was adequate, properly authorized, and reviewed for reasonableness and propriety. In addition, expense claims did not always include documentation required by the Office of Administration (OA) travel regulations.

Recommendation:

The AGO ensure adequate supporting documentation is obtained and is in compliance with OA travel regulations, if applicable. All disbursements should be authorized by an appropriate party and reviewed for reasonableness and propriety.

Status:

Partially implemented. We noted improvement in the level of supporting documentation for disbursements; however, we still noted some instances where supporting documentation was not adequate. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Vehicle Usage

- A. It appears some pool vehicles were not fully utilized. The AGO had not conducted a usage study to determine the number of vehicles needed, nor were procedures adequate to ensure state-owned vehicles were used instead of reimbursing employees for use of personal vehicles.
- B. Some vehicle usage logs were missing and many of the logs failed to indicate the purpose of the trip.

Recommendation:

The AGO:

- A. Perform a usage study to determine the optimum number of vehicles for the various offices. In addition, the AGO should establish a policy requiring the use of state-owned vehicles whenever possible.
- B. Ensure all appropriate information is recorded on the usage logs. The AGO should periodically review the usage log files to ensure vehicles are used only for official state business.

Status:

- A. Not implemented. A usage study was not performed as recommended and the number of state-owned vehicle under the control of the AGO was not reduced compared to the prior audit. However, we noted improvement in the utilization of vehicles. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. We saw some improvement in the retention of the vehicle usage logs and the recording of usage information; however, the trip mileage was not always recorded. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Tort Victims' Compensation Fund

Receipts for the Tort Victims' Compensation Fund from 1988 through 1995 were only \$30,576 and it was questionable whether any significant amounts would be received. In addition, there was no statutory mechanism for disbursing the monies in this fund.

Recommendation:

The AGO evaluate the potential for significant collections of punitive damages. If significant collections appear unlikely, the AGO should support legislation to abolish the fund.

Status:

The Tort Victims' Compensation Fund was not abolished; however, significant collections were received and deposited into this fund in fiscal years 1999 and 1998. There is still no mechanism for disbursing funds. Although not repeated in the current MAR, the AGO should continue to support legislation to either establish a mechanism for disbursing the monies in this fund or to abolish the fund.

8. Court Costs Fund

State law established this fund as a revolving fund, indicating the legislature's intent that the fund be self-sustaining. However, the majority of expenditures from the Court Costs Fund did not meet the legislative restrictions on the use of the fund and the fund has relied primarily on annual transfers from the state's General Revenue Fund for revenues.

Recommendation:

The AGO seek legislation to abolish this fund and pay any court costs from a General Revenue Fund appropriation.

Status:

Not implemented. No legislative change has been made to abolish this fund and we again noted expenditures which do not appear to meet the legislative restrictions of this fund. The AGO limited such disbursements to those for court reporting services. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Health Spa Registration

The AGO did not have procedures to ensure health spas were registered and bonded as required by state law.

Recommendation:

The AGO develop procedures to ensure health spas are registered and bonded as required by state law.

Status:

Not implemented. It appears no significant procedural changes were made related to the AGO's effort to monitor this area and it appears some problems may still exist. Although not repeated in the current MAR, our recommendation remains as stated above.

## STATISTICAL SECTION



History, Organization, and  
Statistical Information

## OFFICE OF ATTORNEY GENERAL HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of Attorney General was created in 1806, when Missouri was still a territory. The Missouri Constitution of 1820 provided for an appointed attorney general. It remained an appointed position until 1865, when a new constitution provided for an attorney general elected by the people.

The Attorney General's office is located in Jefferson City. There are branch offices in Kansas City, St. Louis, Springfield, and Cape Girardeau.

The office is organized into seven divisions: Litigation, Criminal Appeals, Consumer Protection, Governmental Affairs, Labor, Environmental Protection, and Public Safety. Each division is headed by a chief counsel who is responsible for the operations of the division.

Litigation Division: This division is responsible for representing all state agencies, officers and employees in civil litigation matters in state and federal courts. Cases include damage claims that implicate the Legal Expense Fund, construction and contract cases, civil rights cases, malpractice claims, class actions, personnel matters, and constitutional law issues. The attorneys in this division also advise the other divisions in matters involving litigation.

Criminal Appeals Division: This division represents the state in felony criminal cases appealed to the Missouri Supreme Court or the Missouri Court of Appeals, or reviewed by the U.S. Supreme Court.

Consumer Protection Division: This division handles fraud investigations and litigation. Attorneys in this division represent Missouri consumers as a group in cases of consumer fraud, securities fraud, and antitrust matters. Also, these attorneys are active in discovering businesses that commit merchandising practices fraud in connection with the sale and advertising of products or services. This division includes an investigative staff that assists attorneys in investigations involving violations of the state's Merchandising Practices Act.

Governmental Affairs Division: This division represents state elected officials, state departments and agencies in administrative hearings and state and federal court cases. Clients include the governor, lieutenant governor, secretary of state, state auditor, state treasurer, Office of Administration, and various state departments. Attorneys also represent licensing boards, such as Healing Arts and Accountancy, and state regulatory agencies, such as the Lottery Commission. In addition, the division provides day-to-day advice to state clients and represents the public in regulatory actions before the Public Service Commission, and handles civil actions to force compliance with the terms of charitable trusts and disciplinary actions against licensed professionals. The division also includes the financial services unit, which represents state agencies in collections and bankruptcies.

Labor Division: This division provides general counsel and litigation services for the Missouri Department of Labor and Industrial Relations and its officers and agencies. The division also represents the state in prevailing wage disputes, crime victims' claims, and workers' compensation cases of state employees,

including claims involving the Second Injury Fund.

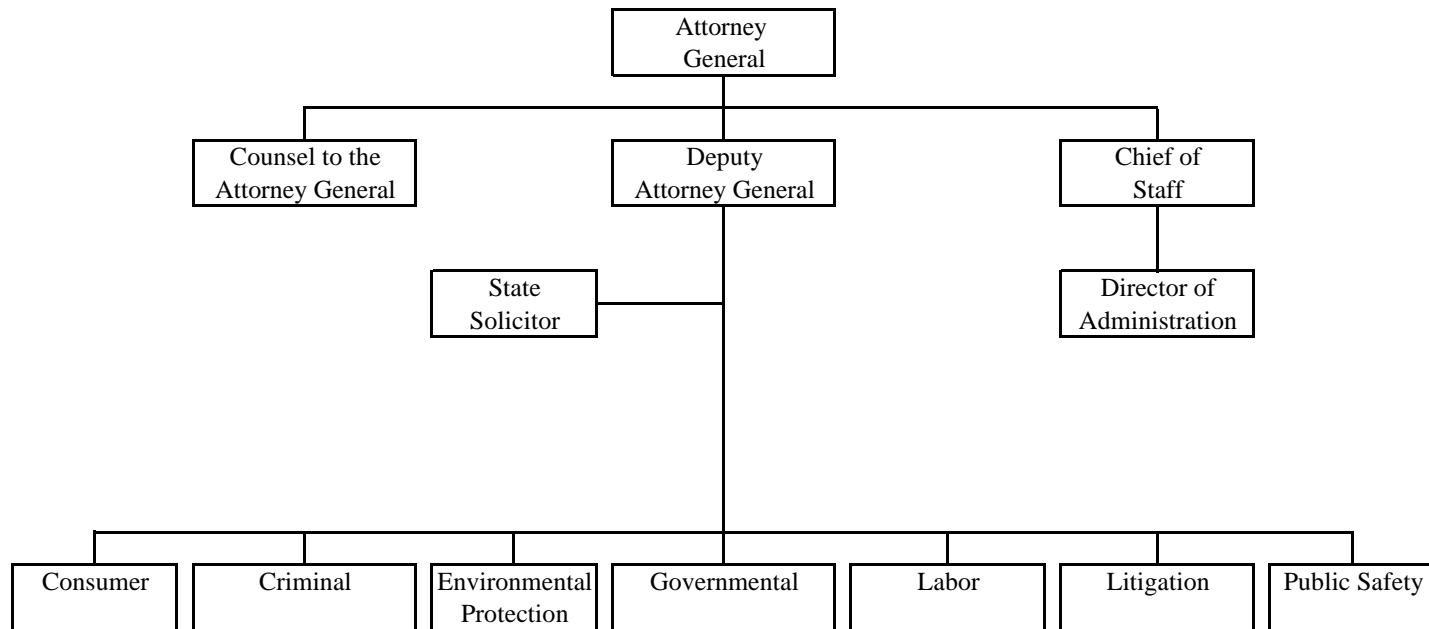
Environmental Protection Division: This division represents the Department of Natural Resources (DNR), including its constituent boards and commissions that regulate the use of Missouri's air, land and waters. Enforcement litigation is filed primarily in state courts to seek preliminary and permanent injunctive relief to assure compliance with state environment laws. The division also pursues civil penalties and recovers DNR response costs and natural resource damages.

Public Safety Division: The Public Safety Division handles criminal prosecutions at the trial level. The Special Prosecution Unit assists local prosecuting attorneys in serious or difficult trials, including homicide cases and grand jury proceedings. The attorneys work closely with local prosecutors to help keep them informed of developments in criminal law, and handle extraditions and detainer actions. The Meth Prosecution Unit specializes in handling criminal cases involving the manufacture, sale or possession of methamphetamine. The Workers' Compensation Fraud Unit prosecutes fraud or misconduct involving workers' compensation, and the Medicaid Fraud Control Unit prosecutes cases involving fraud of the state Medicaid program by health professionals, or abuse or neglect of Medicaid recipients by caregivers. The Public Corruption Unit investigates allegations of misconduct by public officials. In addition, attorneys in the division also enforce the new sexual violent predator law and serve as legal counsel for the Department of Public Safety, Highway Patrol, Water Patrol, and other state law enforcement agencies, and represent those agencies in all civil litigation in which they are a party.

On January 11, 1993, Jeremiah W. (Jay) Nixon was inaugurated as the state's fortieth Attorney General. He was reelected in November 1996, and his present term will expire in January 2001.

At June 30, 1999, the Office of Attorney General employed approximately 300 full-time and 9 part-time employees. An organization chart follows:

OFFICE OF ATTORNEY GENERAL  
ORGANIZATION CHART  
JUNE 30, 1999



\* \* \* \* \*



MISSOURI GAMING COMMISSION

THREE YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-52  
June 27, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of an audit conducted by our office of the Missouri Gaming Commission.**

Our audit has identified circumstances that raise questions about the state's "loss limit" per excursion. Our questions about the "loss limit" were raised when we observed the entrances to one of the boats for a gaming excursion and noted some individuals were allowed to enter the gaming excursion carrying containers of gambling tokens. Individuals entering a gaming excursion are given a "scrip" or electronic card which allows an individual to buy chips or tokens up to \$500 per gaming excursion, the buy in limit.

**Allowing individuals with a \$500 scrip or electronic card to also bring tokens onto a gaming excursion appears to have the effect of raising the buy in limit to \$500 plus the amount of the tokens or chips carried onto the boat, which appears to be a violation of the state's \$500 loss or buy in limit.**

The State Auditor's Office recommends the Missouri Gaming Commission discontinue the practice of allowing individuals to enter a gaming excursion with tokens and chips from previous gaming excursions to improve enforcement of the \$500 loss limit. In addition, we recommend the Missouri Gaming Commission request the legislature provide additional guidance regarding how the \$500 loss limit should be interpreted and enforced.

As part of our review of the Missouri Gaming Commission, we visited five of the boat operations to review procedures. A review of the gaming device (slot machines) inventory listing was performed along with testing the computer chips in several slot machines. Our review noted the following areas in need of improvement.

- For four of the boats visited, we noted several slot machines where the serial number of the slot machine per the gaming device inventory listing did not agree to the actual serial number on the slot machine. In addition, we noted on one boat an instance where the Missouri Gaming Commission property tag number per the gaming device inventory listing did not agree to the actual property tag number on the slot machine. Complete and accurate gaming device inventory listings are necessary to ensure only properly tested machines are on the gaming floor.

(over)

YELLOW SHEET

- When we were testing the computer chips in the slot machines, we noted one instance where the main computer processing board was not properly sealed to the slot machine with evidence tape. State regulations require evidence tape to be affixed by an authorized commission agent and must include the date, signature, and identification number of the agent. The Missouri Gaming Commission should ensure the processing board and computer chips are properly sealed into the slot machine to reduce the risks of tampering with the computer chips. These computer chips control the game payout percentage.

The Missouri Gaming Commission licenses companies that supply the gaming boat operators with equipment and equipment maintenance services and the licensure fees are paid by the company receiving the license. Our review noted the following needs improvement:

- Investigations for supplier licenses are not completed on a timely basis. The Missouri Gaming Commission will issue a temporary supplier license if preliminary background investigations have been successfully completed and the supplier is licensed in another state. Applications for supplier licenses have been accepted since 1993 and the Missouri Gaming Commission has issued twelve permanent supplier licenses. However, there are still nine suppliers that hold temporary supplier licenses whose application dates ranged from November 1993 to July 1996. This appears to be an excessive amount of time for a supplier to be under review.

# MISSOURI GAMING COMMISSION

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## FINANCIAL SECTION

## State Auditor's Reports



] **CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Missouri Gaming Commission  
and  
C.E. (Mel) Fisher, Executive Director  
Missouri Gaming Commission

We have audited the accompanying special-purpose financial statements of the various funds of the Missouri Gaming Commission as of and for the years ended June 30, 1999, 1998, and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the Gaming Commission Fund, Gaming Commission Bingo Fund, and Missouri Breeders Fund, and the appropriations and expenditures of the various funds of the Missouri Gaming Commission and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the Missouri Gaming Commission.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Gaming Commission Fund, Gaming Commission Bingo Fund, and Missouri

Breeders Fund, and the appropriations and expenditures of the various funds of the Missouri Gaming Commission as of and for the years ended June 30, 1999, 1998, and 1997, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 10, 1999, on our consideration of the commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the commission's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

September 10, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Blatttel, CPA     |
| In-Charge Auditor:  | Randy Gordon, CPA      |
| Audit Staff:        | Bobby Showers          |
|                     | Alana Flint            |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor  
and  
Missouri Gaming Commission  
and  
C.E. (Mel) Fisher, Executive Director  
Missouri Gaming Commission

We have audited the special-purpose financial statements of the various funds of the Missouri Gaming Commission as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated September 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Missouri Gaming Commission are free of material misstatement, we performed tests of the commission's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Missouri Gaming Commission, we considered the commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions

involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Missouri Gaming Commission and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

September 10, 1999 (fieldwork completion date)

## Financial Statements



Exhibit A-1

MISSOURI GAMING COMMISSION  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1999

|  | Gaming<br>Commission<br>Fund | Gaming<br>Commission<br>Bingo<br>Fund | Missouri<br>Breeders<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------|---------------------------------------|------------------------------|-------------------------------|
| RECEIPTS   |                              |                                       |                              |                               |
| Admissions   | \$ 40,694,429                | 0                                     | 0                            | 40,694,429                    |
| Licenses, Penalties, and Fees  | 2,639,534                    | 87,566                                | 0                            | 2,727,100                     |
| Reimbursement Payments   | 7,787,748                    | 0                                     | 0                            | 7,787,748                     |
| Interest   | 2,514,756                    | 5,657                                 | 4,119                        | 2,524,532                     |
| Other  | 4,427                        | 0                                     | 0                            | 4,427                         |
| Total Receipts   | 53,640,894                   | 93,223                                | 4,119                        | 53,738,236                    |
| DISBURSEMENTS  | 12,278,730                   | 44,779                                | 1,500                        | 12,325,009                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  | 41,362,164                   | 48,444                                | 2,619                        | 41,413,227                    |
| OTHER FINANCING (USES)   |                              |                                       |                              |                               |
| Appropriations exercised by other<br>state agencies (Note 3)                 | (1,945,719)                  | (14,977)                              | (172)                        | (1,960,868)                   |
| Transfers to Veterans' Commission Capital<br>Improvement Trust Fund (Note 4) | (38,905,493)                 | 0                                     | 0                            | (38,905,493)                  |
| Transfers to Missouri National Guard<br>Trust Fund (Note 4)                  | (3,000,000)                  | 0                                     | 0                            | (3,000,000)                   |
| Transfers to Missouri College<br>Guarantee Fund (Note 4)                     | (3,000,000)                  | 0                                     | 0                            | (3,000,000)                   |
| Transfers to Early Childhood Development<br>Education and Care Fund (Note 4) | (25,500,000)                 | 0                                     | 0                            | (25,500,000)                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS<br>AND OTHER (USES)                      | (30,989,048)                 | 33,467                                | 2,447                        | (30,953,134)                  |
| CASH AND INVESTMENTS, JULY 1   | 38,885,373                   | 56,337                                | 71,791                       | 39,013,501                    |
| CASH AND INVESTMENTS, JUNE 30  | \$ 7,896,325                 | 89,804                                | 74,238                       | 8,060,367                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MISSOURI GAMING COMMISSION  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1998

|  | Gaming<br>Commission<br>Fund | Gaming<br>Commission<br>Bingo<br>Fund | Missouri<br>Breeders<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------|---------------------------------------|------------------------------|-------------------------------|
| RECEIPTS   |                              |                                       |                              |                               |
| Admissions   | \$ 39,513,350                | 0                                     | 0                            | 39,513,350                    |
| Licenses, Penalties, and Fees  | 2,888,663                    | 103,758                               | 0                            | 2,992,421                     |
| Reimbursement Payments   | 5,978,844                    | 0                                     | 0                            | 5,978,844                     |
| Interest   | 2,498,118                    | 9,319                                 | 3,976                        | 2,511,413                     |
| Other  | 517,382                      | 0                                     | 0                            | 517,382                       |
| Total Receipts   | 51,396,357                   | 113,077                               | 3,976                        | 51,513,410                    |
| DISBURSEMENTS  | 13,176,031                   | 56,694                                | 4,000                        | 13,236,725                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  | 38,220,326                   | 56,383                                | (24)                         | 38,276,685                    |
| OTHER FINANCING (USES)   |                              |                                       |                              |                               |
| Transfer to the General Revenue<br>Fund-State (Note 5)                       | 0                            | (121,788)                             | 0                            | (121,788)                     |
| Appropriations exercised by other<br>state agencies (Note 3)                 | (1,406,259)                  | (17,434)                              | (212)                        | (1,423,905)                   |
| Transfers to Veterans' Commission Capital<br>Improvement Trust Fund (Note 4) | (53,876,013)                 | 0                                     | 0                            | (53,876,013)                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS<br>AND OTHER (USES)                      | (17,061,946)                 | (82,839)                              | (236)                        | (17,145,021)                  |
| CASH AND INVESTMENTS, JULY 1   | 55,947,319                   | 139,176                               | 72,027                       | 56,158,522                    |
| CASH AND INVESTMENTS, JUNE 30  | \$ 38,885,373                | 56,337                                | 71,791                       | 39,013,501                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

MISSOURI GAMING COMMISSION  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1997

|  | Gaming<br>Commission<br>Fund | Gaming<br>Commission<br>Bingo<br>Fund | Missouri<br>Breeders<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------|---------------------------------------|------------------------------|-------------------------------|
| RECEIPTS   |                              |                                       |                              |                               |
| Admissions   | \$ 31,906,858                | 0                                     | 0                            | 31,906,858                    |
| Licenses, Penalties, and Fees                                | 3,195,900                    | 120,821                               | 0                            | 3,316,721                     |
| Reimbursement Payments                                       | 5,456,038                    | 0                                     | 0                            | 5,456,038                     |
| Interest   | 1,717,827                    | 6,440                                 | 3,732                        | 1,727,999                     |
| Other  | 468,946                      | 0                                     | 0                            | 468,946                       |
| Total Receipts   | <u>42,745,569</u>            | <u>127,261</u>                        | <u>3,732</u>                 | <u>42,876,562</u>             |
| DISBURSEMENTS  | <u>10,489,459</u>            | <u>89,112</u>                         | <u>0</u>                     | <u>10,578,571</u>             |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                          | 32,256,110                   | 38,149                                | 3,732                        | 32,297,991                    |
| OTHER FINANCING (USES)                                       |                              |                                       |                              |                               |
| Appropriations exercised by other<br>state agencies (Note 3) | <u>(1,321,031)</u>           | <u>(8,211)</u>                        | <u>0</u>                     | <u>(1,329,242)</u>            |
| RECEIPTS OVER (UNDER) DISBURSEMENTS<br>AND OTHER (USES)      | 30,935,079                   | 29,938                                | 3,732                        | 30,968,749                    |
| CASH AND INVESTMENTS, JULY 1                                 | <u>25,012,240</u>            | <u>109,238</u>                        | <u>68,295</u>                | <u>25,189,773</u>             |
| CASH AND INVESTMENTS, JUNE 30                                | <u>\$ 55,947,319</u>         | <u>139,176</u>                        | <u>72,027</u>                | <u>56,158,522</u>             |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

MISSOURI GAMING COMMISSION  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|   | Year Ended June 30, |              |                 |                |              |                 |                |              |                 |
|---|---------------------|--------------|-----------------|----------------|--------------|-----------------|----------------|--------------|-----------------|
|   | 1999                |              |                 | 1998           |              |                 | 1997           |              |                 |
|   | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND - STATE  |                     |              |                 |                |              |                 |                |              |                 |
| Personal Service  | \$                  | 0            | 0               | 0              | 0            | 0               | 501,192        | 409,239      | 91,953          |
| Expense and Equipment   |                     | 0            | 0               | 0              | 0            | 0               | 95,432         | 69,983       | 25,449          |
| Fringe benefits, including retirement contributions for members of the Highways and Transportation Employees' and Highway Patrol Retirement System, and insurance premiums for State Highway Patrol employees assigned to work under the direction of the Gaming Commission - Personal Service Benefits |                     | 0            | 0               | 0              | 0            | 0               | 102,683        | 83,882       | 18,801          |
| Fringe benefits, including retirement contributions for members of the Highways and Transportation Employees' and Highway Patrol Retirement System, and insurance premiums for State Highway Patrol employees assigned to work under the direction of the Gaming Commission - Expense and Equipment     |                     | 0            | 0               | 0              | 0            | 0               | 18,620         | 13,490       | 5,130           |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment  |                     | 0            | 0               | 0              | 0            | 0               | 35,000         | 33,950       | 1,050           |
| Expense and Equipment   |                     | 0            | 0               | 0              | 0            | 0               | 8,830          | 8,565        | 265             |
| Total General Revenue Fund - State  |                     | 0            | 0               | 0              | 0            | 0               | 761,757        | 619,109      | 142,648         |

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## Exhibit B

MISSOURI GAMING COMMISSION  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|   | Year Ended June 30, |              |                 |                |              |                 |                |              |                 |
|---|---------------------|--------------|-----------------|----------------|--------------|-----------------|----------------|--------------|-----------------|
|   | 1999                |              |                 | 1998           |              |                 | 1997           |              |                 |
|   | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| GAMING COMMISSION FUND  |                     |              |                 |                |              |                 |                |              |                 |
| Fringe benefits, including retirement contributions for members of the Highways and Transportation Employees' and Highway Patrol Retirement System, and insurance premiums for State Highway Patrol employees assigned to work under the direction of the Gaming Commission - Personal Service Benefits | 2,985,217           | 1,602,000    | 1,383,217       | 2,782,480      | 1,995,813    | 786,667         | 2,442,902      | 1,807,131    | 635,771         |
| Fringe benefits, including retirement contributions for members of the Highways and Transportation Employees' and Highway Patrol Retirement System, and insurance premiums for State Highway Patrol employees assigned to work under the direction of the Gaming Commission - Expense and Equipment     | 482,609             | 304,182      | 178,427         | 482,609        | 316,306      | 166,303         | 430,001        | 288,261      | 141,740         |
| Refunding any overpayment or erroneous payment of any amount that is credited to the Gaming Commission Fund   | 100,000             | 18,732       | 81,268          | 600,000        | 539,256      | 60,744          | 369,000        | 231          | 368,769         |
| Personal Service  | 10,255,323          | 7,219,125    | 3,036,198       | 10,071,637     | 7,187,628    | 2,884,009       | 7,823,674      | 5,952,790    | 1,870,884       |
| Expense and Equipment   | 2,089,700           | 1,510,874    | 578,826         | 2,836,604      | 2,202,988    | 633,616         | 1,683,496      | 1,601,497    | 81,999          |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment  | 284,306             | 283,213      | 1,093           | 274,574        | 273,481      | 1,093           | 206,146        | 206,091      | 55              |

Exhibit B

MISSOURI GAMING COMMISSION  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 | 1997           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| Division of Gaming - Expense and Equipment   | 0                   | 0            | 0               | 0              | 0            | 0               | 143,635        | 84,307       | 59,328          |
| Office Contract Services - Expense and Equipment   | 47,500              | 47,500       | 0               | 0              | 0            | 0               | 0              | 0            | 0               |
| Total Gaming Commission Fund   | 16,244,655          | 10,985,626   | 5,259,029       | 17,047,904     | 12,515,472   | 4,532,432       | 13,098,854     | 9,940,308    | 3,158,546       |
| GAMING COMMISSION BINGO FUND   |                     |              |                 |                |              |                 |                |              |                 |
| Expense and Equipment  | 44,783              | 44,779       | 4               | 44,783         | 44,783       | 0               | 44,783         | 44,099       | 684             |
| Refunding any overpayment or erroneous payment of any amount received for bingo taxes and fees | 5,000               | 0            | 5,000           | 11,000         | 10,211       | 789             | 5,000          | 0            | 5,000           |
| Division of Gaming and the Division of Bingo - Expense and Equipment                           | 0                   | 0            | 0               | 0              | 0            | 0               | 5,000          | 5,000        | 0               |
| Total Gaming Commission Bingo Fund   | 49,783              | 44,779       | 5,004           | 55,783         | 54,994       | 789             | 54,783         | 49,099       | 5,684           |
| MISSOURI BREEDERS FUND   |                     |              |                 |                |              |                 |                |              |                 |
| Breeder incentive payments   | 10,463              | 1,500        | 8,963           | 10,463         | 4,000        | 6,463           | 10,463         | 0            | 10,463          |
| Total Missouri Breeders Fund   | 10,463              | 1,500        | 8,963           | 10,463         | 4,000        | 6,463           | 10,463         | 0            | 10,463          |
| Total All Funds  | \$ 16,304,901       | 11,031,905   | 5,272,996       | 17,114,150     | 12,574,466   | 4,539,684       | 13,925,857     | 10,608,516   | 3,317,341       |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Supplementary Data

## Schedule 1

## MISSOURI GAMING COMMISSION

## COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|                                       |    | Year Ended June 30, |                   |                   |                  |                  |
|---------------------------------------|----|---------------------|-------------------|-------------------|------------------|------------------|
|                                       |    | 1999                | 1998              | 1997              | 1996             | 1995             |
| Personal service                      | \$ | 8,821,126           | 9,183,442         | 8,253,042         | 5,849,422        | 4,213,079        |
| Refunds                               |    | 20,232              | 553,468           | 231               | 1,496            | 64,868           |
| Travel and vehicle expense            |    | 285,474             | 261,063           | 235,088           | 184,649          | 198,821          |
| Office and communication:             |    |                     |                   |                   |                  |                  |
| Expense                               |    | 211,645             | 211,108           | 214,797           | 187,127          | 197,455          |
| Equipment purchase                    |    | 29,288              | 45,721            | 100,353           | 122,567          | 112,799          |
| Institution and physical plant:       |    |                     |                   |                   |                  |                  |
| Expense                               |    | 404,891             | 392,690           | 356,215           | 240,078          | 211,717          |
| Equipment purchase                    |    | 11,613              | 15,942            | 155,136           | 13,128           | 49,300           |
| Data processing expense and equipment |    | 245,931             | 577,990           | 141,668           | 135,290          | 193,801          |
| Professional services                 |    | 652,404             | 890,062           | 834,098           | 614,712          | 347,662          |
| Other expense                         |    | 349,301             | 442,980           | 317,888           | 258,494          | 317,906          |
| Total Expenditures                    | \$ | <u>11,031,905</u>   | <u>12,574,466</u> | <u>10,608,516</u> | <u>7,606,963</u> | <u>5,907,408</u> |

The accompanying Notes to the Supplementary Data are an integral part of this statement.



Schedule 2

MISSOURI GAMING COMMISSION  
COMPARATIVE STATEMENT OF CHANGES IN GENERAL FIXED ASSETS (Note 7)

|                        |                            |
|------------------------|----------------------------|
| BALANCE, JUNE 30, 1996 | \$ 625,248                 |
| Additions              | 123,744                    |
| Dispositions           | <u>0</u>                   |
| BALANCE, JUNE 30, 1997 | 748,992                    |
| Additions              | 428,337                    |
| Dispositions           | <u>(50,506)</u>            |
| BALANCE, JUNE 30, 1998 | 1,126,823                  |
| Additions              | 109,550                    |
| Dispositions           | <u>(24,750)</u>            |
| BALANCE, JUNE 30, 1999 | <u><u>\$ 1,211,623</u></u> |

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Schedule 3

MISSOURI GAMING COMMISSION  
COMPARATIVE STATEMENT OF GAMING RECEIPTS AND DISTRIBUTIONS

|                                    |    | Year Ended June 30, |                    |                    |                    |                   |                  |
|------------------------------------|----|---------------------|--------------------|--------------------|--------------------|-------------------|------------------|
|                                    |    | 1999                | 1998               | 1997               | 1996               | 1995              | 1994             |
| <u>Receipts</u>                    |    |                     |                    |                    |                    |                   |                  |
| Gaming Proceeds                    | \$ | 178,610,232         | 160,025,256        | 129,610,752        | 106,494,309        | 61,909,052        | 1,032,479        |
| Admissions                         |    | 81,388,018          | 79,027,303         | 63,817,399         | 44,597,666         | 25,183,325        | 539,234          |
| Bingo Taxes                        |    | 3,927,639           | 4,008,145          | 4,314,178          | 4,400,745          | 5,995,866         | N/A              |
| Licenses, Penalties, and Fees      |    | 2,727,100           | 2,992,421          | 3,316,721          | 2,727,271          | 2,625,582         | 2,784,617        |
| Reimbursement Payments             |    | 7,787,748           | 5,978,844          | 5,456,038          | 4,302,031          | 1,853,126         | 0                |
| Interest                           |    | 3,187,691           | 3,071,046          | 2,173,975          | 1,305,050          | 570,596           | 30,751           |
| Other                              |    | 4,515               | 517,382            | 468,946            | 336,678            | 944,569           | 3,003,648        |
| Total                              | \$ | <u>277,632,943</u>  | <u>255,620,397</u> | <u>209,158,009</u> | <u>164,163,750</u> | <u>99,082,116</u> | <u>7,390,729</u> |
| <u>Distributions (Note 8)</u>      |    |                     |                    |                    |                    |                   |                  |
| Gaming Commission Fund (Note 9)    | \$ | 53,640,474          | 51,396,659         | 42,747,410         | 30,441,783         | 18,139,642        | 6,088,272        |
| Gaming Proceeds for Education Fund |    | 160,749,209         | 144,022,730        | 116,649,677        | 95,844,878         | 55,718,147        | 929,232          |
| Home Dock Cities                   |    | 58,733,523          | 55,699,780         | 45,014,350         | 33,065,885         | 18,831,919        | 373,225          |
| Gaming Commission Bingo Fund       |    | 93,223              | 113,077            | 127,261            | 127,026            | 138,704           | N/A              |
| Bingo Proceeds for Education Fund  |    | 4,412,395           | 4,384,175          | 4,615,579          | 4,684,178          | 6,253,704         | N/A              |
| Missouri Breeders Fund             |    | 4,119               | 3,976              | 3,732              | N/A                | N/A               | N/A              |
| Total                              | \$ | <u>277,632,943</u>  | <u>255,620,397</u> | <u>209,158,009</u> | <u>164,163,750</u> | <u>99,082,116</u> | <u>7,390,729</u> |

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Notes to the Financial Statements and Supplementary Data

MISSOURI GAMING COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements presents only selected data for each fund of the Missouri Gaming Commission.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Gaming Commission Fund, Gaming Commission Bingo Fund, and Missouri Breeders Fund. Appropriations from these funds are expended by or for the commission and other state agencies (See Note 3) for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the commission's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the commission and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized

when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The commission administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Gaming Commission Fund: As provided by Section 313.835, RSMo 1994, this fund receives license fees, penalties, administrative fees, reimbursements for services provided, and admission fees authorized under Sections 313.800 to 313.850, RSMo 1994. Appropriations from this fund authorize disbursements for administrative costs incurred by the Missouri Gaming Commission. In addition, appropriations of up to \$500,000 per year may be used to provide matching funds to cities and counties that have demonstrated a need for funding community neighborhood organization programs for the homeless and to deter gang-related violence and crimes.

Gaming Commission Bingo Fund: As provided by Section 313.008, RSMo 1994, this fund receives license fees, penalties, and administrative fees authorized under Section 313.005 to 313.085, RSMo 1994. Appropriations from this fund authorize disbursements for administrative costs incurred by the Missouri Gaming Commission relating to the regulation of bingo operations.

Missouri Breeders Fund: As provided by Section 313.720, RSMo Cumulative Supp. 1999, this fund receives registration fees, gifts or bequests, and such funds as the General Assembly authorized under Section 313.720. Appropriations from this fund authorize disbursements for administrative costs incurred by the Missouri Gaming Commission and incentives for breeders and owners of Missouri bred horses.

D. Employee Fringe Benefits

Missouri State Highway Patrol employees assigned to the Missouri Gaming Commission and paid from the Gaming Commission Fund are covered by the Highway Employee's and Highway Patrol Retirement System (HEHPRS) (a noncontributory plan) and the social security system and may participate in the Missouri Highway and Transportation Department and Missouri State Highway Patrol's medical benefit and life insurance plan and the state's deferred compensation and cafeteria plans. All other commission employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and the social security system and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS or HEHPRS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash and Investments

The balances of the Gaming Commission Fund, Gaming Commission Bingo Fund, and Missouri Breeders Fund are pooled with other state funds and invested by the state treasurer.

3. Appropriations Exercised by Other State Agencies

Various state agencies receive direct appropriations from the Gaming Commission Fund, Gaming Commission Bingo Fund, and Missouri Breeders Fund to pay costs incurred for the purposes of those funds. These appropriations were exercised by the following agencies:

| Agency  | Year Ended June 30, |           |           |
|---|---------------------|-----------|-----------|
|   | 1999                | 1998      | 1997      |
| Gaming Commission Fund:                                     |                     |           |           |
| Attorney General's Office                                   | \$ 81,308           | 69,248    | 60,717    |
| Department of Public Safety - Missouri State Highway Patrol | 1,097,185           | 615,371   | 732,268   |
| State Auditor's Office                                      | 13,394              | 16,732    | 36,462    |
| Department of Social Services - Division of Youth Services  | 487,974             | 437,431   | 491,584   |
| Office of Administration                                    | 265,858             | 267,477   | 0         |
| Total Gaming Commission Fund                                | \$ 1,945,719        | 1,406,259 | 1,321,031 |
| Gaming Commission Bingo Fund:                               |                     |           |           |
| Department of Public Safety - Missouri State Highway Patrol | \$ 9,106            | 9,484     | 8,211     |
| Office of Administration                                    | 5,871               | 7,950     | 0         |
| Total Gaming Commission Bingo Fund                          | \$ 14,977           | 17,434    | 8,211     |
| Missouri Breeders Fund:                                     |                     |           |           |
| Office of Administration                                    | \$ 172              | 212       | 0         |
| Total Missouri Breeders Fund                                | \$ 172              | 212       | 0         |

4. Transfers of Gaming Commission Fund Remaining Net Proceeds

Prior to fiscal year 1999, the remaining net proceeds in the Gaming Commission Fund were transferred to the Veterans= Commission Capital Improvement Trust Fund, except that the first \$500,000 of these proceeds were appropriated to the Department of Social Services, Division of Youth Services, to provide matching funds to cities and counties that had demonstrated a need for funding community neighborhood organization programs for the homeless and to deter gang-related violence and crimes.

Beginning with fiscal year 1999, the remaining net proceeds of \$3,000,000 are transferred each to the Veterans= Commission Capital Improvement Trust Fund, Missouri National Guard Trust Fund, and Missouri College Guarantee Fund. After these transfers, any remaining net proceeds, subject to appropriation, are transferred to the Early Childhood Development Education and Care Fund, except that the first \$500,000 which is appropriated to the Department of Social Services, Division of Youth Services, to provide matching funds to cities and counties that have demonstrated a need for funding community neighborhood organization programs for the homeless and to deter gang-related violence and crimes.

The transfer made to the Veterans' Commission Capital Improvement Trust Fund in fiscal year 1999 included \$35,905,493 of remaining net proceeds collected during fiscal year 1998 and therefore, distributed pursuant to the laws effective for fiscal year 1998 collections. The other \$3,000,000 was pursuant to the laws applicable to fiscal year 1999 collections.

The transfers presented in the financial statements were made pursuant to the provisions in Section 313.835, RSMo Cumulative Supp. 1999.

5. Transfers to the General Revenue Fund - State

During fiscal year 1998, \$121,788 was transferred from the Gaming Commission Bingo Fund to the General Revenue Fund - State as required by Section 33.080, RSMo 1994 representing the unexpended balance in the Gaming Commission Bingo Fund.

6. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit B as follows:

| Year Ended June 30,         |                        |                       |                        |
|-----------------------------|------------------------|-----------------------|------------------------|
| 1999                        |                        |                       |                        |
| Gaming                      |                        |                       |                        |
|                             | Gaming Commission Fund | Commission Bingo Fund | Missouri Breeders Fund |
| DISBURSEMENTS PER EXHIBIT A | \$ 12,278,730          | 44,779                | 1,500                  |
| Fringe benefits             | (995,493)              | 0                     | 0                      |
| Lapsed period expenditures: |                        |                       |                        |
| 1999                        | 471,129                | 0                     | 0                      |
| 1998                        | (723,161)              | 0                     | 0                      |
| Accounts payable, June 30:  |                        |                       |                        |
| 1999                        | 2,247                  | 0                     | 0                      |
| 1998                        | (47,826)               | 0                     | 0                      |
| EXPENDITURES PER EXHIBIT B  | \$ 10,985,626          | 44,779                | 1,500                  |

| Year Ended June 30,         |                        |                       |                        |
|-----------------------------|------------------------|-----------------------|------------------------|
| 1998                        |                        |                       |                        |
| Gaming                      |                        |                       |                        |
|                             | Gaming Commission Fund | Commission Bingo Fund | Missouri Breeders Fund |
| DISBURSEMENTS PER EXHIBIT A | \$ 13,176,031          | 56,694                | 4,000                  |
| Fringe benefits             | (899,684)              | 0                     | 0                      |
| Lapsed period expenditures: |                        |                       |                        |
| 1998                        | 723,161                | 0                     | 0                      |
| 1997                        | (524,410)              | (746)                 | 0                      |
| Accounts payable, June 30:  |                        |                       |                        |
| 1998                        | 47,826                 | 0                     | 0                      |
| 1997                        | (7,452)                | (954)                 | 0                      |
| EXPENDITURES PER EXHIBIT B  | \$ 12,515,472          | 54,994                | 4,000                  |



| Year Ended June 30,         |               |            |          |
|-----------------------------|---------------|------------|----------|
| 1997                        |               |            |          |
| Gaming                      |               |            |          |
|                             | Gaming        | Commission | Missouri |
|                             | Commission    | Bingo      | Breeders |
|                             | Fund          | Fund       | Fund     |
| DISBURSEMENTS PER EXHIBIT A | \$ 10,489,459 | 89,112     | 0        |
| Fringe benefits             | (705,583)     | 0          | 0        |
| Lapsed period expenditures: |               |            |          |
| 1997                        | 524,410       | 746        | 0        |
| 1996                        | (358,925)     | (41,713)   | 0        |
| Accounts payable, June 30:  |               |            |          |
| 1997                        | 7,452         | 954        | 0        |
| 1996                        | (16,505)      | 0          | 0        |
| EXPENDITURES PER EXHIBIT B  | \$ 9,940,308  | 49,099     | 0        |

Notes to the Supplementary Data:

7. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated. The commission's general fixed assets are equipment and furniture.

8. Distributions

Distributions represent distributions of receipts for the fiscal year, a portion of which is disbursed after the end of the fiscal year.

9. Reconciliation of Gaming Commission Fund Receipts to Distributions to the Gaming Commission Fund

Receipts on Exhibit A reconcile to distributions on Schedule 3 as follows:

|   | Year Ended June 30,  |                   |                   |
|---|----------------------|-------------------|-------------------|
|   | 1999                 | 1998              | 1997              |
| GAMING COMMISSION FUND RECEIPTS PER EXHIBIT A | \$ 53,640,894        | 51,396,357        | 42,745,569        |
| Interest Receivable, June 30:                 |                      |                   |                   |
| 1999  | 2,378                |                   |                   |
| 1998  | (2,798)              | 2,798             |                   |
| 1997  |                      | (2,496)           | 2,496             |
| 1996  |                      |                   | (655)             |
| DISTRIBUTIONS TO THE GAMING COMMISSION FUND   |                      |                   |                   |
| PER SCHEDULE 3                                | \$ <u>53,640,474</u> | <u>51,396,659</u> | <u>42,747,410</u> |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

MISSOURI GAMING COMMISSION  
SUMMARY OF FINDINGS

1. Auditing and Monitoring Procedures (pages 29-32)

The Missouri Gaming Commission (MGC) did not adequately monitor the Daily Tax Remittals. Credit claim forms are not resolved on a timely basis. The MGC's compliance auditors did not document its review of licensees to ensure minimum internal control standard variations and deviations were corrected.

2. License Billings (pages 32-34)

Billings were not prepared and sent on a timely basis for several different types of licenses. The numerical sequence of licenses could not be verified.

3. Supplier Licensing (pages 34-35)

The MGC did not bill a supplier for licensing renewal and suppliers investigations are not completed on a timely basis.

4. Boat Visits (pages 35-36)

Some MGC property tags are on a removable portion of the slot machine. Some serial numbers on the gaming device inventory listing were inaccurate and one slot machine was not properly sealed.

5. \$500 Loss Limit (pages 36-38)

The statutes as currently written do not define what constitutes a \$500 loss. Because of this lack of guidance or clarity in the law, the MGC has chosen to enforce a \$500 buy in limit. Allowing patrons to bring tokens and chips onto a gambling excursion appears to be a violation of the \$500 loss or buy in limit.

MISSOURI GAMING COMMISSION  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Missouri Gaming Commission as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated September 10, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the commission's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |   |
|-----------|---|
| <b>1.</b> | <b>Auditing and Monitoring Procedures</b> |
|-----------|---|

The gaming boat operators are required to submit a Daily Tax Remittal form which includes information regarding the adjusted gross receipts (AGR) and admissions to the Missouri Gaming Commission (MGC) for daily gaming operations. The Daily Tax Remittal is used to determine the gaming and admissions taxes. The MGC compliance audit section is responsible for monitoring Daily Tax Remittals and gaming boat operators' gaming tax accounts to ensure the proper amount of gaming and admissions taxes are paid. Our review noted the following areas in need of improvement:

- A. The MGC did not adequately monitor the admissions information on the Daily Tax Remittals resulting in a \$109,474 overpayment of admission taxes for a gaming boat operator. The gaming boat operator had overstated admissions for approximately a year and a half due to problems with the computerized ticketing system. The computerized ticketing system was indicating a higher admissions total than the turnstile readings total. For example, during the days of July 1 through July 6, 1996 the computerized ticketing system indicated 2,743 more admissions than the turnstiles readings. While the MGC reviews the admission tickets sold total and turnstiles total shown on the Daily Tax Remittal and ensures the admission tax is paid based on the higher of the two totals, the MGC did not investigate the large differences being reported between tickets sold and the turnstiles total. The MGC is refunding admission taxes to the gaming boat operator for overpayment of admission taxes.

It appears that an adequate review of the admissions numbers reported on the Daily Tax Remittals should have detected a problem with the computerized ticketing system and prompted an investigation into the problem to resolve the admissions problem and to ensure the correct amount of admission taxes was being paid.

- B. The MGC did not adequately monitor Daily Tax Remittals to ensure gaming boat operators applied credit adjustments of \$40,191 for gaming taxes after the gaming boat operator incurred a negative AGR on a gaming day. A negative AGR occurs when gaming boat operators pay out more in winnings than was received. The gaming boat operators are allowed a credit to gaming taxes owed within the same gaming week for the negative AGR as an offset against a positive AGR. If the credit is not taken in this time period, the gaming boat operator must file a Claim for Refund or Credit Form (credit claim form) with the MGC to be allowed to apply the credit, in accordance with 11 CSR 45-11.110. The credit claim form process (as discussed in C. below) requires additional time and work by the MGC and the Attorney General before the credit can be allowed.

We noted three instances where a gaming boat operator failed to apply for a negative AGR credit against gaming taxes owed within the gaming week and also neglected to file a credit claim form. In addition, we noted three instances where the gaming boat operator did file a credit claim form and is waiting on approval to apply the credit. For one of these instances where a credit claim form had been filed, the credit claim form had been misplaced and the credit amount was not included in the gaming boat operator's final close-out computation until we brought this to the attention of the MGC.

Ensuring the negative AGR credit is applied within the gaming week when possible would be more efficient for the MGC and the gaming boat operators.

- C. Currently, credit claim forms are each reviewed by a hearing officer at the MGC. The MGC's position on the credit claim forms is presented by the Attorney General's office to the hearing officer. As of September 9, 1999, approximately 100 credit claim forms from various gaming boat operators were held by the MGC. The total value of these credit claim forms to the gaming boat operators is approximately \$507,000. Some of these credit claim forms have been on file at the MGC since December 1996. Many of the credit claim forms are due to gaming tax computation errors. Allowing credit claim forms to accumulate and not be resolved on a timely basis appears to be an unreasonable burden on the gaming boat operators and causes the MGC to devote a significant amount of resources to monitor these issues.
- D. The MGC's compliance auditors could not provide documentation that adequate follow up audit procedures were performed to ensure corrective action was taken by licensees in response to minimum internal control standard (MICS) variations or deviations noted in the independent certified public accountant audits. In addition, the MGC did not require one licensee to have a quarterly MICS audit. Instead, the MICS audit for the licensee was performed annually. MGC regulation 11 CSR 45-8.060 requires each licensee to be audited quarterly by an independent certified public accountant.

The MICS was established by the MGC to ensure procedures are adequate for the handling of cash due to the high volume of cash handled by a gaming boat operator and to ensure adjusted gross receipts are properly recorded. To ensure the licensees are adhering to the MICS established by the MGC, the MGC's compliance auditors should follow up on the variations or deviations noted in the independent certified public accountant audit reports and document these follow up reviews.

**WE RECOMMEND** the MGC:

- A. Properly monitor admissions information to ensure admission taxes paid are reasonable.
- B. Properly monitor negative AGR to ensure gaming boat operators are adjusting a subsequent day's AGR for the negative AGR amount to prevent overpayment of gaming taxes and to help avoid the credit claim form process.
- C. Process credit claim forms on a timely basis. In addition, we recommend the MGC work with the Attorney General's office to resolve credit claims forms in a timely manner.
- D.1. Ensure all licensees have a quarterly MICS audit.
- 2. Require its compliance auditors to perform and document follow up procedures for the minimum internal control standards variations or deviations noted in the independent certified public accountant audit reports of licensees to ensure corrective actions are taken.

**AUDITEE'S RESPONSE**

- A. *Agree. It should be noted the responsibility for paying the proper amount of taxes lies with the licensees. The state's interests are protected in that the admission tax is based on the higher of the admission tickets total or the turnstiles total.*

*The Commission, however, has taken the following steps to ensure the licensees compute and pay the proper tax:*

- 1. *Assigned specific staff to the Daily Tax Remittal review process.*
- 2. *Implemented standardized automated worksheets which calculate the figures on the Daily Tax Remittals.*
- B. *Agree. Again, it is the licensee's responsibility to monitor and identify instances where a credit adjustment relating to a negative AGR day is appropriate. The dedicated staff as mentioned above will now permit the Commission to monitor the negative AGR on a daily basis and assist the licensees in paying the proper tax.*



C. *Agree. The Commission began referring credit claims to the Attorney General in 1999. The need for an adjudicative process was informally suggested during a previous audit. Due to the large number of credit claims submitted by licensees and the need to establish a more formal process, the present procedure was implemented. The present process is open to public scrutiny, before an independent hearing officer and with a written record. The Commission has increased the number of hearing officers and assigned a specific staff person to process claims. It should be noted that a number of claims were delayed pending litigation before the Missouri Supreme Court, which was eventually decided in the MGC's favor.*

D.1.  
& 2. *Agree.*

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| <b>2. License Billings</b> |
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The MGC licenses gaming boat employees who are employed in gaming related activities and these licensure fees are paid by the gaming boat operator. The MGC has made some improvements in the procedures regarding the billing of licensing fees since our last report.

A. As part of our review we determined billings were not prepared and sent on a timely basis. Our review noted the following areas in need of improvement:

! For seventeen of the fifty-six (30%) Level I occupational (gambling boats) licenses reviewed, billings were not prepared and sent on a timely basis. Six of these licenses were in fiscal year 1997, nine in fiscal year 1998, and two in fiscal year 1999. These Level I billings were sent out approximately two months to one year after the employee's license date.

! For six of the forty-seven (13%) Level II occupational (gambling boats) licenses reviewed, billings were not prepared and sent on a timely basis. These Level II billings were sent out approximately two to eight months after the employee's license date. The untimely billings were for application fees and the initial prorated portion of license fees. Four of the six untimely billings were made in the last year of the audit period.

! For twelve of the thirty-eight Level II occupational (suppliers) licenses reviewed, billings were not prepared and sent out timely. Five of these licenses were in fiscal year 1997, four in fiscal year 1998, and three in fiscal year 1999. These Level II supplier license billings were sent out approximately five weeks to ten months after the supplier's license date. The only fees that are billed to Level II suppliers is the initial prorated portion of their licensing fees.

- B. As part of our review of MGC's licensing system, we attempted to verify the numerical sequence of license numbers assigned for the various types of licenses. Our review noted the following areas in need of improvement:

! In August 1998, the MGC changed the procedure for assigning Level II occupational license numbers. Prior to that time, license numbers were assigned based on the gaming boat operator at which an individual was employed and each gaming boat operator had their own sequence of license numbers. In August 1998, the MGC converted all existing license numbers to a new sequence of license numbers in the Missouri Occupational Licensing Enforcement System (MOLES). Currently, all Level II occupational employees are issued licenses from this sequence. However, during the reassignment of license numbers, we noted 105 license numbers were missing. We selected 10 out of the 105 missing license numbers and requested the MGC to provide documentation regarding those 10 license numbers. The MGC was able to document eight out of ten missing license numbers resulted from an individual being issued another number by mistake, with the old license number being deleted. However, MGC was unable to document what happened to the other two license numbers.

! The MGC issues licenses to all organizations which hold bingo events and these licenses are maintained in the Bingo Organization licensing database. During our test of bingo organization licenses we noted four missing license numbers. Although the MGC indicated four bingo organizations had been issued two license numbers and the MGC had probably deleted the second license number, the MGC had no documentation supporting this explanation.

To adequately monitor license billings and to maximize licensing revenues, the numerical sequence of license numbers issued should be accounted for properly. Documentation should be maintained for voided and missing license numbers. Documentation could include the review performed by the MGC over voided and missing license numbers and the results of the review.

**WE RECOMMEND** the MGC:

- A. Ensure billings for all types of licenses are prepared and sent on a timely basis.
- B. Ensure the completeness of the MOLES and the Bingo Organization licensing database by accounting for the numerical sequence of license numbers issued and maintain documentation of voided and missing license numbers.

**AUDITEE'S RESPONSE**

- A. *Agree. The problem involved in ensuring timely billings has been staffing and information technology programs and support. Additional clerical staff have been hired, and two*

*additional information technology positions have been authorized in the fiscal year 2001 budget. The priority is to design and implement a system to eliminate the problems identified in this audit.*

*To put this issue in perspective, it should be noted that during this audit period the Commission collected revenues in excess of \$4.1 million for the following types of licenses;*

*22,358 Level Two Licenses/riverboats (issued)  
45,123 Level Two Licenses/riverboats (renewed)  
200 Level Two Licenses/suppliers (issued)  
408 Level Two Licenses/suppliers (renewed)  
152 Level One Licenses (issued)  
695 Level One Licenses (renewed)*

*As previously stated, during this audit period, the Commission implemented a new licensing system. MOLES caused a delay in billings due to conversion, however, the Commission did properly collect all revenue due to the state.*

- B. Agree. A system will be implemented in fiscal year 2001 which will provide for automatic on-line documentation of voided and/or missing license numbers. Until the fiscal year 2001 licensing system is implemented, the Commission will ensure that manual documentation is carefully maintained.*

|                              |
|------------------------------|
| <b>3. Supplier Licensing</b> |
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The MGC licenses companies that supply the gaming boat operators with equipment and equipment maintenance services, and the licensure fees are paid by the company receiving the license. Our review noted the following areas in need of improvement:

- A. During our review of supplier licenses, we traced payments made on several licenses per the applicant's database system to revenue transmittal documentation. However, we noted a \$5,000 payment for annual license fees posted to a supplier license did not trace to revenue transmittal documentation and did not appear to have been paid. After we brought this to the attention of the MGC, the MGC billed the supplier for the supplier annual license fees of \$5,000. The MGC notified the supplier that the \$5,000 is due unless the supplier can provide documentation that payment had been made to the MGC. The MGC does not reconcile payments made by suppliers to the applicant's database system. Performing a reconciliation between payments received and payments posted to the applicant's database system would ensure accuracy of the applicant's database system and ensure suppliers have paid their appropriate fees.
- B. Investigations for supplier licenses are not completed on a timely basis. The MGC will issue a temporary supplier license if preliminary background investigations have been successfully completed and the supplier is licensed in another state.

Applications for supplier licenses have been accepted since 1993, and the MGC has issued twelve permanent supplier licenses. However, there are still nine suppliers that hold temporary supplier licenses whose application dates ranged from November 1993 to July 1996. This appears to be an excessive amount of time for a supplier to be under review.

Supplier licenses investigations should be completed on a timely basis to ensure the interests of the public are adequately safeguarded.

Condition B. was also noted in our prior report.

**WE RECOMMEND** the MGC:

- A. Perform a reconciliation of payments received from suppliers to payments posted to the supplier database to ensure suppliers have paid their appropriate fees.
- B. Complete license investigations on the nine temporary suppliers and ensure future supplier investigations are completed on a timely basis.

**AUDITEE'S RESPONSE**

- A. *Agree. The Commission has implemented this recommendation. The annual fee in question on this audit has since been collected.*
- B. *Supplier investigations have been completed by the Commission as timely as possible considering the manpower available to the Commission. Several major unanticipated investigations have delayed the completion of supplier license investigations.*

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| <b>4. Boat Visits</b> |
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As part of our review of the MGC, we visited five of the boat operations to review procedures. A review of the gaming device (slot machines) inventory listing was performed along with testing the computer chips in several slot machines. Our review noted the following areas in need of improvement:

- A. While performing an inventory of slot machines on one boat, we noted the MGC property tag was incorrect for a slot machine. We located the property tag we were looking for on the slot machine next to the slot machine being tested. The MGC property tag had been placed on a removable portion of the slot machine. The MGC should require the MGC property tag be placed on a section of the slot machine that can not be removed to help ensure the accuracy of the gaming device inventory list and to ensure only properly tested machines are on the gaming floor.

- B. For four of the boats visited, we noted several slot machines where the serial number of the slot machine per the gaming device inventory listing did not agree to the actual serial number on the slot machine. In addition, we noted on one boat an instance (excluding item indicated in A. above) where the MGC property tag number per the gaming device inventory listing did not agree to the actual property tag number on the slot machine. Complete and accurate gaming device inventory listings are necessary to ensure only properly tested machines are on the gaming floor.
- C. When we were testing the computer chips in the slot machines, we noted one instance where the motherboard was not properly sealed to the slot machine with evidence tape. 11 CSR 45-5.210 (J) requires evidence tape to be affixed by an authorized commission agent and must include the date, signature, and identification number of the agent. The MGC requires the Missouri State Highway Patrol officers to put evidence tape over the computer chips after being put in the motherboard. Then the motherboard is sealed with security tape when put into the slot machine. The MGC should ensure the motherboard is properly sealed into the slot machine to reduce the risks of tampering with the computer chips.

**WE RECOMMEND** the MGC:

- A. Require the MGC property tag be placed on a part of the slot machine that is not removable.
- B. Ensure serial numbers and property tag numbers are accurately included on the gaming device inventory listings.
- C. Ensure the motherboard is properly sealed into the slot machines.

**AUDITEE'S RESPONSE**

A. *Agree. Procedures have been implemented by the Patrol and Commission Enforcement staff to prevent a reoccurrence.*

B&C. *Agree.*

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| <b>5.</b> | <b>\$500 Loss Limit</b> |
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Section 313.805 (3) RSMo 1994 indicates AThe commission shall regulate the wagering structure for gambling excursions including providing a maximum loss of \$500 per individual player per gambling excursion.@ The statutes as currently written do not define what constitutes a \$500 loss. Because of this lack of guidance or clarity in the law, the MGC has chosen to enforce a \$500 buy in limit. Our review has identified circumstances that raise questions about the state=s \$500 loss or buy in limit per excursion.

The amount that an individual can lose for each excursion is only limited by the amount of winnings during an excursion or consecutive excursions, the amount of tokens or chips an individual is allowed to carry onto a boat at the start of a visit, and the \$500 buy in limit per excursion. Our questions about the Aloss limit<sup>®</sup> were raised when we observed the entrances to one of the boats for a gaming excursion and noted some individuals were allowed to enter the gaming excursion carrying containers of gambling tokens. Individuals entering a gaming excursion are given a Ascrip<sup>®</sup> or electronic card which allows an individual to buy chips or tokens up to \$500 per gaming excursion, the buy in limit. Allowing individuals with a \$500 scrip or electronic card to also bring tokens onto a gaming excursion appears to have the effect of raising the buy in limit to \$500 plus the amount of the tokens or chips carried onto the boat.

The MGC has indicated that to more strictly enforce the \$500 loss limit per gambling excursion, the MGC would have to require all individuals to cash in their tokens or chips at the end of a gambling excursion even if that individual remained on the boat for the next excursion. The MGC believes such a procedure would be difficult to enforce and could have a negative impact on gaming revenues particularly when the boats have large numbers of patrons. The MGC also indicated that although requiring individuals leaving the boats to cash in their tokens or chips would have a lesser detrimental effect, it still would likely reduce the state's gaming revenues.

Allowing individuals to enter a gaming excursion with tokens or chips from previous gaming excursions appears to be a violation of the state's \$500 loss or buy in limit. It appears, at a minimum, the MGC could improve its enforcement of the \$500 loss limit by requiring all patrons to cash in their tokens or chips as they leave the boat without going so far as to require all patrons who remain on the boat for the next excursion to do so.

**WE RECOMMEND** the MGC discontinue the practice of allowing individuals to enter a gaming excursion with tokens or chips from previous gaming excursions to improve enforcement of the \$500 loss limit. In addition, we recommend the MGC request the legislature provide additional guidance regarding how the \$500 loss limit should be interpreted and enforced.

### **AUDITEE'S RESPONSE**

*Disagree. Given the difficulties of enforcing the \$500 loss limit statute as currently written which does not define what constitutes a loss, the Commission selected the present method of enforcement. The MGC views the loss limit as a restriction on a patron's net loss during the total number of gambling excursions they attend. The Auditor's interpretation of the loss limit suggests it is a restriction on the amount a patron can lose in the aggregate, instead of a net loss.*

*The practical implications of these differing views are substantial and could result in a substantial decline of tax revenue and make it extremely difficult for Missouri casinos to operate in the highly competitive environment created by casinos in adjoining states. The MGC considered adopting an*

*enforcement plan in the early days of excursion riverboat gambling similar to that suggested by the Auditor, but rejected it as unworkable.*

*While the Auditor's interpretation of the statute may be correct, it is simply another view of a vague statute that fails to define its most important term. The MGC has chosen to take a practical view of enforcement of this statute which, incidentally has no penalty provisions for violation. The net effect of the Commission's decision has permitted millions of patrons to enjoy the casino experience, provided thousands of jobs and generated substantial revenues.*

*The Auditor's review should serve as an incentive for the legislature to examine the loss limit language and establish a more understandable public policy statement. This examination should occur in conjunction with the recommendation contained in MGC's statutorily mandated fiscal year 1999 annual report, which suggested that the Legislature consider whether the loss limit is achieving its intended public policy objective.*

This report is intended for the information of the management of the Missouri Gaming Commission and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-up on State Auditor's Prior Recommendations



MISSOURI GAMING COMMISSION  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Missouri Gaming Commission on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended June 30, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the commission should consider implementing these recommendations.

1. Payroll

During fiscal years 1995 and 1996, over \$38,000 of Gaming Commission Fund monies were used to pay salaries and fringe benefits for Missouri Gaming Commission (MGC), Division of Gaming employees that performed work for the MGC, Division of Bingo. Prior to August 28, 1996, Section 313.835, RSMo 1994 indicates the sole purpose of the Gaming Commission Fund was to fund the administrative costs of the commission relating to excursion gambling boat operations. Therefore, using these funds to pay fiscal years 1995 and 1996 expenditures of the Division of Bingo appears to have been in violation of state law.

Recommendation:

The MGC:

- A. Ensure the Gaming Division's appropriations from the Gaming Commission Fund are only used for the purposes authorized by state law.
2. Ensure funding changes are authorized by state law before funding changes are made.
3. Reimburse the Gaming Commission Fund for approximately \$38,000 expended for the Bingo Division.

Status:

A&B. Implemented.

- C. Not implemented. The MGC contacted the Office of Budget and Planning regarding the \$38,000 reimbursement but no appropriation for reimbursement was enacted. Although not repeated in the current report, our recommendation remains as stated above.

2. Auditing and Monitoring Procedures

1. The MGC's compliance auditors had not developed procedures to ensure all individuals that sign gaming reports were listed on its licensing system as possessing occupational licenses issued by the commission. In addition, the MGC's database on licenses contained inaccurate information regarding employment status of certain licensees.

2. The MGC's compliance auditors did not provide documentation that adequate follow up audit procedures were performed to ensure corrective action was taken by licensees in response to minimum internal control standard variations or deviations noted in the independent certified public accountant audits of the licensees.
- C. Complete itemized documentation was not obtained from a gaming operator to support a \$20,864 gaming tax credit issued.

Recommendation:

- A.1. Review signatures and license numbers on gaming reports to ensure only licensed individuals participate in gaming operations.
2. Require the licensee's name and number be clearly printed or typed along with the licensee's signature on all gaming reports submitted to the division.
2. Require its compliance auditors to perform and document follow up procedures for the minimum internal control standards variations or deviations noted in the independent certified public accountant audit reports of licensees to ensure corrective actions are taken by the licensees.
3. Obtain complete and detailed documentation to support completely and adequately all approved credits.

Status:

- A.1. Partially implemented. We did not note any instances of an inactive employee signing gaming reports. However, the license number of the employee is not always indicated on the gaming reports. Although not repeated in the current report, our recommendation remains as stated above.
- A.2. Not implemented. The licensee's name and number are not printed or typed on gaming reports submitted to the division. Although not repeated in the current report, our recommendation remains as stated above.
- B. Partially implemented. The MGC indicated the CPA reports are reviewed and procedures modified to address problem areas for the next time the MGC performs an audit on the gaming boat operator. However, there is no documentation supporting this statement. See MAR No. 1.
- C. Implemented.

3. Supplier Licensing and Investigations

1. Although the MGC authorized gaming suppliers to begin operating in Missouri in 1994, the MGC waited until 1996, to bill and collect from suppliers \$235,000 for current and past license fees.

2. Supplier license investigations were not completed on a timely basis.

Recommendation:

The MGC:

1. Bill suppliers licenses on a timely basis.
2. Complete license investigations on a timely basis.

Status:

- A. Partially implemented. The MGC has improved procedures to bill suppliers on a timely basis. However, we noted areas in need of improvement. See MAR No. 2 and 3.
- B. Not implemented. See MAR No. 3.

4. License Billings

Although the MGC's accounting personnel had made numerous license billing adjustments and corrections, our review of Level II occupational license billings detected several uncorrected billing errors.

Recommendation:

The MGC:

1. Perform thorough reviews of license billings prior to mailing the billings.
2. Adjust future license billings to correct billing errors and omissions noted during our audit.
3. Promulgate regulations on a timely basis.

Status:

Implemented.

5. Enforcement Billings

Fringe benefits totaling over \$34,000 for enforcement overtime costs were not billed to the gaming boat operators. Fringe benefits for enforcement overtime costs were billed on only three invoices prepared by the MGC. Furthermore, the MGC had not billed gaming boats for deferred compensation incentive payments for MSHP employees that performed enforcement duties for the MGC.

Recommendation:

The MGC:

- A. Monitor expenditures from the MGC's appropriations and transfers for employee benefits to ensure the expenditures and transfers are proper and reasonable.
- B. Ensure all enforcement and investigation costs attributable to gaming boats are billed to the gaming boat operators.

Status:

Implemented.

6. Transfers to Veterans' Commission Capital Improvement Trust Fund

The transfer of \$7.5 million of the remaining July 1, 1995 balance of the Gaming Commission Fund was not made until March 1996. The remaining July 1, 1996 balance of \$23.5 million was not transferred to the Veterans' Commission Capital Improvement Trust Fund until July 1997. Although the statute did not establish a specific date for these transfers to be made, it certainly appears these transfers could be made in a more timely manner which could also impact planning considerations for the Veterans' Commission.

Recommendation:

The Office of Administration transfer the unencumbered balance of the Gaming Commission Fund to the Veterans' Commission Capital Improvement Trust Fund in a timely manner.

Status:

Implemented.

7. Access to Records

During the initial fieldwork phase of this audit by the State Auditor's Office (SAO), the general counsel of the MGC indicated that access to certain records would not be allowed, although the State Auditor's Office had been permitted full access to all applicable records and areas in the prior audit. The withheld records hindered the effective and efficient completion of the audit of the MGC.

Recommendation:

The MGC in the future promptly provide all records necessary to allow the operations of the commission to be audited in an efficient and effective manner.

Status:

Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

## MISSOURI GAMING COMMISSION HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Gaming Commission was established in 1993 by the Eighty-Seventh General Assembly, as specified by Chapter 313, RSMo.

Section 313.822, RSMo 1994, provides that a tax be imposed on the adjusted gross receipts (the gross receipts from licensed gambling games and devices less the winnings paid to wagerers) at the rate of twenty percent. This section allows the home dock city or county to receive ten percent of the adjusted gross receipts tax and the remainder to be deposited in the state treasury to the credit of the "Gaming Proceeds for Education Fund." Furthermore, Article III, Section 39(d) of the Missouri Constitution requires all state revenues derived from gaming activities be appropriated solely for public institutions of elementary, secondary, and higher education.

Section 313.820, RSMo 1994, provides that an excursion boat licensee shall pay to the commission an admission fee of two dollars for each person embarking on an excursion with a ticket of admission. One dollar shall be paid to the home dock city and county while the other dollar, per Section 313.835, RSMo 1994, shall be deposited in the state treasury to the credit of the "Gaming Commission Fund". This fund is for the purpose of funding the administrative costs of the commission relating to excursion gambling boat operations, subject to appropriation. This fund also includes revenues received by the commission for license fees, penalties, administrative fees, and reimbursement by any excursion gambling boat operators for services provided by the commission.

The commission performs all duties and has all powers and responsibilities conferred and imposed upon it relating to the licensing and regulation of excursion gambling boats and the lawful operation of the game of bingo under Chapter 313, RSMo 1994. Effective August 28, 1996, the Missouri Gaming Commission became responsible for regulating horse racing under Chapter 313, RSMo Cumulative Supp. 1999. Within the commission there is a Division of Gaming and a Division of Bingo. The Executive Director of the Missouri Gaming Commission is hired by the commission. Mr. Tom Irwin served as the Executive Director of the Missouri Gaming Commission from November 15, 1993 through November 14, 1997. Mel Fisher began serving as the Acting Executive Director on November 15, 1997, until being named Executive Director on August 26, 1998.

The Missouri Gaming Commission consists of five members appointed by the governor, with the advice and consent of the Senate. Terms of members are for three years on a staggered basis. No person shall serve as a member more than six years. The chairman is appointed by the governor.

At June 30, 1999, members of the Missouri Gaming Commission were:\*

Julian Seeherman, Chairman  
Lynne Nikolaisen  
Robert Smith  
Lewis Ullery

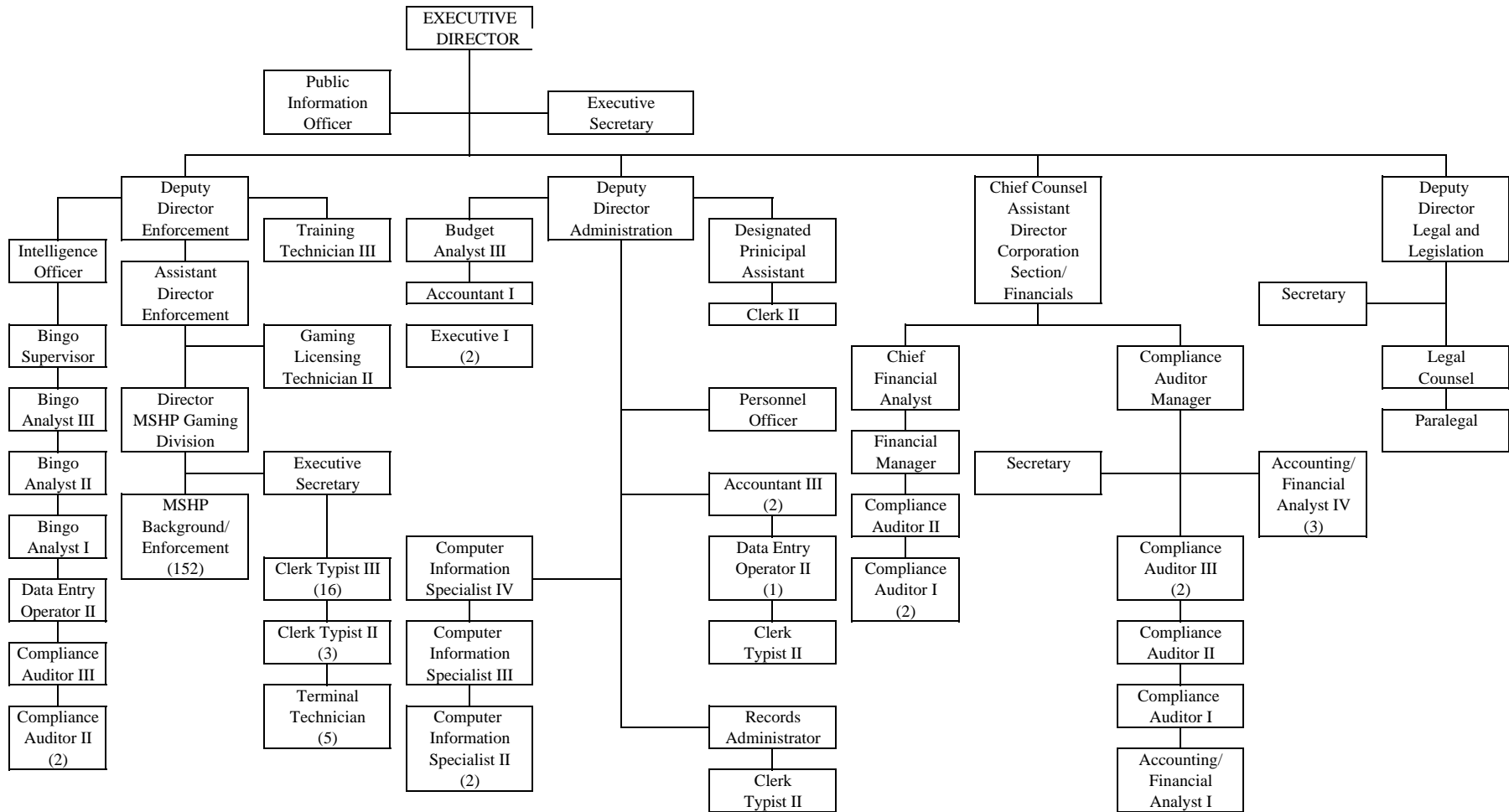
Term Expires  
April 2000  
April 2002  
April 2002  
April 2001

\* At June 30, 1999 there were only four members of the Missouri Gaming Commission and no individual has been appointed to be the fifth member.

At June 30, 1999, the Missouri Gaming Commission had 171 employees. An organization chart follows.



MISSOURI GAMING COMMISSION  
 ORGANIZATION CHART  
 JUNE 30, 1999





NON-TEACHER SCHOOL EMPLOYEE  
RETIREMENT SYSTEM OF MISSOURI

THREE YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-51  
June 26, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following report is our review of the Non-Teacher School Employee Retirement System of Missouri.**

**There were no audit findings regarding this retirement system.**

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The State Auditor is required by state law to review the audits of the Non-Teacher School Employee Retirement System of Missouri. The system's Board of Trustees has contracted with private certified public accounting firms to perform annual financial audits of the retirement system.

The Non-Teacher School Employee Retirement System of Missouri was created October 13, 1965, and is governed by Chapter 169 of the Revised Statutes of Missouri. This system is a mandatory cost-sharing multiple employer retirement system for all public school district employees in Missouri (except the school districts of St. Louis and Kansas City) and community college district employees (except the Community College of St. Louis) who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System. The system also includes non-certificated employees of the Non-Teacher School Employee Retirement System and the Public School Retirement System. A summary of the retirement, death, and disability benefits provided to members is included in our report.

**Copies of this audit are available upon request.**

YELLOW SHEET

NON-TEACHER SCHOOL EMPLOYEE  
RETIREMENT SYSTEM OF MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Board of Trustees  
and  
Joel Walters, Executive Director  
Non-Teacher School Employee Retirement System  
of Missouri  
Jefferson City, Missouri 65102

The State Auditor is required under Section 169.020.22, RSMo Cumulative Supp. 1999, to review the audit of the records and accounts of the Non-Teacher School Employee Retirement System of Missouri. The Board had engaged KPMG, LLP to perform the annual financial audits of the system for the years ended June 30, 1999 and 1998, and Evers and Company, Certified Public Accountants (CPAs), L.L.C., to perform the annual financial audit of the system for the year ended June 30, 1997. We reviewed the reports and substantiating workpapers of the CPA firms. The scope of our review included, but was not necessarily limited to, the period of July 1, 1996 to June 30, 1999. The objectives of this review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
2. Examine certain management practices.

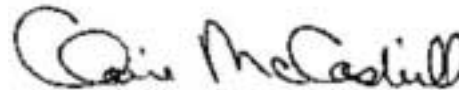
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the system's board minutes, various contracts, and other pertinent policies, and discussed various system procedures with applicable personnel.

As a part of our review, we assessed the system's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we perform additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This background information was obtained from the system's management and was not subjected to the procedures applied in our review of the Non-Teacher School Employee Retirement System of Missouri.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Non-Teacher School Employee Retirement System of Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 10, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA  |
| Audit Manager:      | Douglas J. Porting, CPA |
| In-Charge Auditor:  | Gayle A. Garrison       |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Recommendations



NON-TEACHER SCHOOL EMPLOYEE  
RETIREMENT SYSTEM OF MISSOURI  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S RECOMMENDATIONS

In addition to our review of the reports and substantiating working papers of KPMG, LLP, and Evers and Company, CPAs, L.L.C., we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. Nevertheless, our review disclosed no conditions that represent significant violations.

The period of review for the purpose stated above included, but was not necessarily limited to, the three years ended June 30, 1999.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

# NON-TEACHER SCHOOL EMPLOYEE RETIREMENT SYSTEM OF MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Non-Teacher School Employee Retirement System of Missouri (NTRS) was created October 13, 1965, under an act of the 73<sup>rd</sup> General Assembly, commenced actual operations on November 1, 1965, and is governed by Chapter 169 of the Revised Statutes of Missouri. The NTRS is a mandatory cost-sharing multiple employer retirement system for all public school district employees in Missouri (except the school districts of St. Louis and Kansas City) and community college district employees (except the Community College of St. Louis) who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System (PSRS). The system also includes non-certificated employees of the NTRS and the PSRS. The NTRS is a defined benefit plan providing service retirement, death, and disability benefits to its members.

The responsibility for the operation and administration of the retirement system is vested in the PSRS Board of Trustees, sitting as the governing board for NTRS. The Board consists of three elected PSRS members, one elected NTRS member, and three persons appointed by the Governor. The members from the PSRS and NTRS are elected from the active and retired members of the retirement systems. Two elected trustees are seated each even-numbered calendar year to serve four-year terms. Two governor-appointed trustees are seated in even numbered years that coincide with Presidential elections. The third governor-appointed trustee is seated in even numbered years which do not coincide with Presidential elections. The Board of Trustees as of June 30, 1999, were as follows:

| <u>Name</u>        | <u>Position</u> | <u>Membership</u>     | <u>Term Expires</u> |
|--------------------|-----------------|-----------------------|---------------------|
| Laurel S. Cochenet | Member          | Appointed *           | June 30, 2000       |
| Louetta Floyd      | Member          | Elected (PSRS)        | June 30, 2000       |
| Wayne Wheeler      | Member          | Elected (PSRS)        | June 30, 2000       |
| Veronica Hambacker | Chair           | Elected (PSRS)        | June 30, 2002       |
| Nancy Gaines       | Member          | Elected (NTRS)        | June 30, 2002       |
| William J. Wasson  | Member          | Appointed (Retired) * | June 30, 2002       |
| Lynn Harmon        | Member          | Appointed             | June 30, 2002       |

\* Appointed by the state Board of Education in accordance with superseded Section 169.020.2, RSMo Cumulative Supp. 1997. Upon expiration of these terms, the Governor will appoint the replacement members in accordance with Section 169.020.2, RSMo Cumulative Supp. 1999.

M. Steve Yoakum served as Executive Director to the board until April 1997. Joel Walters was appointed April 16, 1997. The Executive Director is responsible for employment of the retirement office staff, routine operation of the system, and advising the board on all matters pertaining to the system.

The Segal Company, of Englewood, Colorado, served the board as actuarial consultants prior to June 17, 1997. The Board of Trustees appointed Gabriel, Roeder, Smith & Company, of Rolling

Meadows, Illinois, as actuarial consultants on June 17, 1997. As of June 30, 1999, the following investment managers held investments for the NTRS: BlackRock Financial Management, Inc., of New York, New York; NISA Investment Advisors, of St. Louis, Missouri; Sovran Capital Management, of Richmond, Virginia; State Street Global Advisors, of Boston, Massachusetts; Wellington Management Company, of Boston, Massachusetts; Alliance Capital Management, of Minneapolis, Minnesota; Barrow, Hanley, Mewhinny, & Strauss, of Dallas, Texas; Brinson Partners, Inc., of Chicago, Illinois; Dimensional Fund Advisors, of Santa Monica, California; DSI International Management, Inc., of Norwalk, Connecticut; TCW Asset Management Company, of Los Angeles, California; Thomson, Horstmann & Bryant, Inc., of Saddle Brook, New Jersey; Bank of Ireland Asset Management, of Dublin, Ireland; INVESCO Global Asset Management, Inc., of Atlanta, Georgia; and Oechsle International Advisors, of Boston, Massachusetts. State Street Bank and Trust Company, of Boston, Massachusetts serves as the system's master custodian. Strategic Investment Solutions, Inc., of San Francisco, California serves as the system's investment consultant. Thompson Coburn, Attorneys at Law, of St. Louis, Missouri serves as the system's general counsel. KPMG, LLP serves as the fund's independent auditor.

As of June 30, 1999, there were 41,599 active members, 10,057 inactive members, and 12,461 retired members and beneficiaries receiving benefits.

As of June 30, 1999, membership, required contributions, and benefits provided under the NTRS are generally as follows:

#### Eligibility

NTRS membership is automatic, regardless of position, for all persons not covered by the PSRS who are regularly employed for 20 or more hours a week by the public school districts in Missouri (except the St. Louis and the Kansas City school districts), public junior college districts (except the Community College District of St. Louis) in Missouri, and the Board of Trustees of the retirement system. Prior to August 28, 1997, certificated part-time employees whose service would qualify them for membership in the NTRS could elect instead to become members of PSRS. Effective August 28, 1997, part-time certificated employees working twenty or more hours per week automatically become a PSRS member, or have the option of being a member of the NTRS. Members working in covered employment are considered active members and members not working in covered employment are considered inactive members.

#### Employee Contributions

Active members contributed 4.5 percent of gross salary for the year ended June 30, 1999 and 4.3 percent of gross salary for the years ended June 30, 1998 and 1997 to the NTRS. The contributions are deducted and remitted by the employer, and are credited by NTRS to individual member accounts. Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes.

Interest, at a rate set each year by the Board of Trustees, is credited to individual member accounts each June 30 based on the previous June 30 balance. The rate credited on June 30, 1999, 1998, and 1997 was six percent.

Member contributions plus interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic termination of membership. Voluntary withdrawal is available to members who cease covered employment. Automatic termination occurs when a non-vested member is absent from covered employment for five consecutive school years. A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money withdrawn plus interest.

### Employer Participation

The employers served by NTRS withhold members' contributions from salary payments and match those contributions. Employer contributions and investment earnings on those funds are placed by NTRS in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. Employers are responsible for remitting contributions promptly and for furnishing contribution information and new member records to NTRS. Employers also provide needed data when members apply for benefits or refunds of contributions upon termination of employment. Unlike employee contributions noted above, employer contributions are not refunded to the employer upon a member's voluntary withdrawal from the system, termination of service, or death.

### Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements. All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of creditable service and, in the case of early retirement, by an age reduction factor. Final average salary is obtained by dividing the total compensation payable to a member for the highest five consecutive years of service by sixty; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement. Effective August 28, 1997, the board may set a maximum percentage increase in annual compensation from one year to the next in the final average salary period. The board set a twenty percent cap on the increase in annual compensation in the final average salary period effective July 1, 1997 using the 1997-1998 school year as the base period and the 1998-1999 school year as the first year of applicability.

### NORMAL RETIREMENT

Prior to July 1, 1998, a member could retire with benefits calculated under the standard (.0135) formula factor at age sixty with five years of credit, at age fifty-five with twenty-five years of credit, or at any age with thirty years of credit. A special provision in effect until July 1, 1998 allowed members under age fifty-five, with twenty-five, but less than thirty years of credit to retire with benefits calculated under a modified formula factor ranging from .0125 to .0133 (based on years of credit) but with no age reduction factor applied.

Effective July 1, 1998, a member may retire with benefits calculated under the standard (.0145) formula factor at age sixty with five years of credit, at age fifty-five with twenty-

five years of credit, or at any age with thirty years of credit. A special provision in effect until July 1, 2000 allows members under age fifty-five with twenty five, but less than thirty years of credit to retire with benefits calculated under a modified formula factor ranging from .0135 to .0143 (based on years of credit) but with no age reduction factor applied.

#### EARLY RETIREMENT

Prior to July 1, 1998, a member could retire with benefits calculated under the standard (.0135) formula with an age reduction factor applied, at age fifty-five with five years of credit.

Effective July 1, 1998, a member may retire with benefits calculated under the standard (.0145) formula with an age reduction factor applied, at age fifty-five with five years of credit.

#### PAYMENT OPTIONS

A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death.

#### ACCELERATED PAYMENT PLAN

The Accelerated Payment Plan (APP) is an early retirement option for NTRS members. The plan, which became effective February 1, 1999, allows members to accelerate the payment of their benefit until age 62. When the member reaches the minimum Social Security eligibility age of 62, the benefit will be reduced, even if the member does not apply for their Social Security benefit at that time. In most cases, the APP allows a member to maintain a fairly level income throughout retirement. The member is allowed to choose any survivor plan in conjunction with the APP.

#### Cost-of-Living Adjustments

Each year during which the board determines that the cost-of-living index has increased, the retirement allowance of each retired member, who has been retired for more than three years, shall be increased by up to five percent of the benefit payable, effective in the following January. The total of such increases may not exceed 75 percent.

#### Disability Retirement Benefits

Disability retirement benefits are payable to eligible members who because of permanent disability are unable to earn a livelihood in any occupation. The disability retirement benefit is calculated at 90 percent of the normal service retirement benefit.

### Withdrawal Benefit

If a member ceases to be a public school employee, or if the membership is otherwise terminated, he receives his accumulated contributions with interest. If a member ceases to be a public school employee after five or more years of creditable service, the member may elect to leave his contributions in the system and claim a retirement allowance any time after he reaches the minimum age for voluntary retirement.

### Death and Survivor Benefits

When a member dies before retirement, the designated beneficiary becomes eligible for a lump sum refund of the member's contributions and interest. In lieu of a lump sum refund, beneficiaries with an insurable interest and eligible beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Such benefits are payable when the member would have been eligible for early or normal retirement.

### Reciprocity

Vested members in the system who have vested credit in another Missouri system having a reciprocity agreement may transfer such credit to this system. The funds transferred are used to establish additional credit in this system based on actuarial reserve calculations. Likewise, members leaving the system may have funds transferred to another Missouri system under certain conditions. A vested member of any of the Missouri systems may buy credit in the vested system for non-vested services in any of the other Missouri systems, not to exceed the credit in the non-vested system.

### Temporary Early Retirement Window

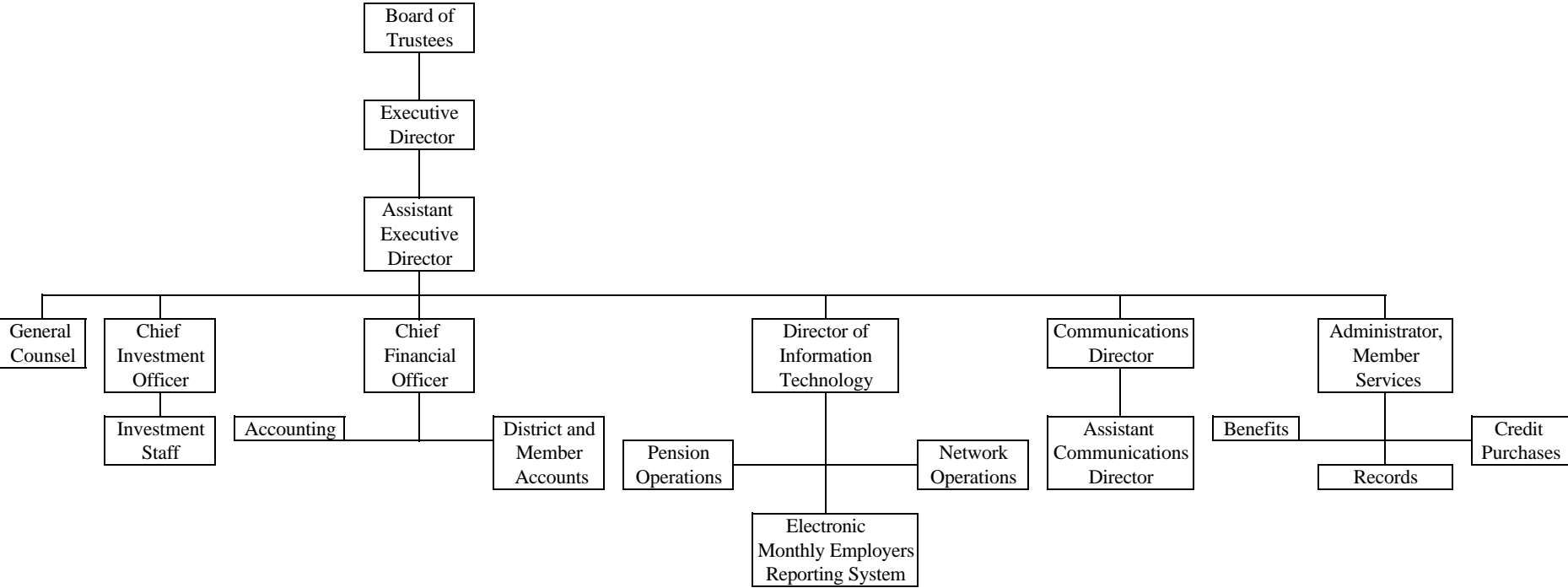
During the two-year period from July 1, 1996 through July 1, 1998, members under age fifty-five with at least twenty-five, but less than thirty years of service had the opportunity to retire under a modified benefit formula, with no benefit reduction because of age. Benefits for those who retired under the modified plan were calculated using the following formula factors in lieu of the standard 1.35 percent factor: for twenty five years of service, 1.25 percent; for twenty-six years, 1.27 percent; for twenty-seven years, 1.29 percent; for twenty-eight years, 1.31 percent; and for twenty-nine years 1.33 percent.

During the two-year period from July 1, 1998 through July 1, 2000, members under age fifty-five with at least twenty-five, but less than thirty years of service will have the opportunity to retire under a modified benefit formula, with no benefit reduction because of age. Benefits for those who retire under the modified plan will be calculated using the following formula factors in lieu of the standard 1.45 percent factor: for twenty five years of service, 1.35 percent; for twenty-six years, 1.37 percent; for twenty-seven years, 1.39 percent; for twenty-eight years, 1.41 percent; and for twenty-nine years 1.43 percent.

An organization chart follows. At June 30, 1999, the NTRS had no employees. On January 1, 1997, all existing NTRS employees were transferred to the PSRS and the PSRS assumed responsibility for all administrative duties related to the operations of the NTRS.



NON-TEACHER SCHOOL EMPLOYEE RETIREMENT SYSTEM OF MISSOURI  
ORGANIZATION CHART  
JUNE 30, 1999



\* \* \* \* \*



PUBLIC SCHOOL RETIREMENT SYSTEM  
OF MISSOURI

THREE YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-50  
June 26, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following report is our review of the Public School Retirement System of Missouri.**

**There were no audit findings regarding this retirement system.**

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The State Auditor is required by state law to review the audits of the Public School Retirement System of Missouri. The system's Board of Trustees has contracted with private certified public accounting firms to perform annual financial audits of the retirement system.

The Public School Retirement System of Missouri was created August 1, 1945, and is governed by Chapter 169 of the Revised Statutes of Missouri. This system is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The system also includes certificated employees of Public School Retirement System, Non-Teacher School Employee Retirement System, Missouri State Teachers Association, Missouri State High School Activities Association, and certain state teachers who elected to remain covered by Public School Retirement System under legislation enacted in 1986, 1987, and 1989. A summary of the retirement, death, and disability benefits provided to members is included in our report.

*Copies of this audit are available upon request.*

YELLOW SHEET

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Board of Trustees  
and  
Joel Walters, Executive Director  
Public School Retirement System of Missouri  
Jefferson City, Missouri 65102

The State Auditor is required under Section 169.020.22, RSMo Cumulative Supp. 1999, to review the audit of the records and accounts of the Public School Retirement System of Missouri. The Board had engaged KPMG, LLP to perform the annual financial audits of the system for the years ended June 30, 1999 and 1998, and Evers and Company, Certified Public Accountants (CPAs), L.L.C. to perform the annual financial audit of the system for the year ended June 30, 1997. We reviewed the reports and substantiating workpapers of the CPA firms. The scope of our review included, but was not necessarily limited to, the period of July 1, 1996 to June 30, 1999. The objectives of this review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
2. Examine certain management practices.

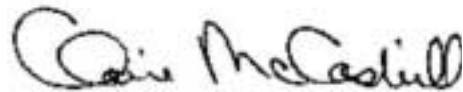
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the system's board minutes, various contracts, and other pertinent policies, and discussed various system procedures with applicable personnel.

As a part of our review, we assessed the system's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention, which would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This background information was obtained from the system's management and was not subjected to the procedures applied in our review of the Public School Retirement System of Missouri.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Public School Retirement System of Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

April 10, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA  |
| Audit Manager:      | Douglas J. Porting, CPA |
| In-Charge Auditor:  | Gayle A. Garrison       |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Recommendations



PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S RECOMMENDATIONS

In addition to our review of the reports and substantiating working papers of KPMG, LLP, and Evers and Company, CPAs, L.L.C., we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions, as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions, which may apply. Nevertheless, our review disclosed no conditions that represent significant violations.

The period of review for the purpose stated above included, but was not necessarily limited to, the three years ended June 30, 1999.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

## PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Public School Retirement System of Missouri (PSRS) was created August 1, 1945, under an act of the 63<sup>rd</sup> General Assembly, commenced actual operations on July 1, 1946, and is governed by Chapter 169 of the Revised Statutes of Missouri. The PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The system also includes certificated employees of PSRS, Non-Teacher School Employee Retirement System (NTRS), Missouri State Teachers Association, Missouri State High School Activities Association, and certain state teachers who elected to remain covered by PSRS under legislation enacted in 1986, 1987, and 1989. The PSRS is a defined benefit plan providing service retirement, death, and disability benefits to its members.

The responsibility for the operation and administration of the retirement system is vested in the PSRS Board of Trustees, consisting of three elected PSRS members, one elected NTRS member, and three persons appointed by the Governor. The members from the PSRS and NTRS are elected from the active and retired members of the retirement systems. Two elected trustees are seated each even-numbered calendar year to serve four-year terms. Two governor-appointed trustees are seated in even numbered years that coincide with Presidential elections. The third governor-appointed trustee is seated in even numbered years which do not coincide with Presidential elections. The Board of Trustees as of June 30, 1999, were as follows:

| <u>Name</u>        | <u>Position</u> | <u>Membership</u>     | <u>Term Expires</u> |
|--------------------|-----------------|-----------------------|---------------------|
| Laurel S. Cochenet | Member          | Appointed *           | June 30, 2000       |
| Louetta Floyd      | Member          | Elected (PSRS)        | June 30, 2000       |
| Wayne Wheeler      | Member          | Elected (PSRS)        | June 30, 2000       |
| Veronica Hambacker | Chair           | Elected (PSRS)        | June 30, 2002       |
| Nancy Gaines       | Member          | Elected (NTRS)        | June 30, 2002       |
| William J. Wasson  | Member          | Appointed (Retired) * | June 30, 2002       |
| Lynn Harmon        | Member          | Appointed             | June 30, 2002       |

\* Appointed by the state Board of Education in accordance with superseded Section 169.020.2, RSMo Cumulative Supp. 1997. Upon expiration of these terms, the Governor will appoint the replacement members in accordance with Section 169.020.2, RSMo Cumulative Supp. 1999.

M. Steve Yoakum served as Executive Director to the board until April 1997. Joel Walters was appointed April 16, 1997. The Executive Director is responsible for employment of the retirement office staff, routine operation of the system, and advising the board on all matters pertaining to the system.

The Segal Company , of Englewood, Colorado, served the board as actuarial consultants prior to June 17, 1997. The Board of Trustees appointed Gabriel, Roeder, Smith & Company, of Rolling Meadows, Illinois, as actuarial consultants on June 17, 1997. As of June 30, 1999, the following investment managers held investments for the PSRS: BlackRock Financial Management, Inc., of New York, New York; NISA Investment Advisors, of St. Louis, Missouri; Sovran Capital Management, of Richmond, Virginia; State Street Global Advisors, of Boston, Massachusetts; Wellington Management Company, of Boston, Massachusetts; Alliance Capital Management, of Minneapolis, Minnesota; Barrow, Hanley, Mewhinny, & Strauss, of Dallas, Texas; Brinson Partners, Inc., of Chicago, Illinois; Dimensional Fund Advisors, of Santa Monica, California; DSI International Management, Inc., of Norwalk, Connecticut; TCW Asset Management Company, of Los Angeles, California; Thomson, Horstmann & Bryant, Inc., of Saddle Brook, New Jersey; Bank of Ireland Asset Management, of Dublin, Ireland; INVESCO Global Asset Management, Inc., of Atlanta, Georgia; and Oechsle International Advisors, of Boston, Massachusetts. State Street Bank and Trust Company, of Boston, Massachusetts serves as the system's master custodian. Strategic Investment Solutions, Inc., of San Francisco, California serves as the system's investment consultant. Thompson Coburn, Attorneys at Law, of St. Louis, Missouri serves as the system's general counsel. KPMG, LLP serves as the fund's independent auditor.

As of June 30, 1999, there were 70,092 active members, 7,277 inactive members, and 25,748 retired members and beneficiaries receiving benefits.

As of June 30, 1999, membership, required contributions, and benefits provided under the PSRS are generally as follows:

#### Eligibility

PSRS membership is automatic, regardless of position, for certificated, full-time employees of public school districts in Missouri (except the St. Louis and the Kansas City school districts), public junior college districts in Missouri, and of PSRS. Prior to August 28, 1997, certificated part-time employees whose service would qualify them for membership in the NTRS could elect instead to become members of PSRS. Effective August 28, 1997, part-time certified employees working twenty or more hours per week automatically become a PSRS member, or have the option of being a member of the NTRS. Members working in covered employment are considered active members and members not working in covered employment are considered inactive members.

#### Employee Contributions

Active members contributed 10.5 percent of gross salary for the years ended June 30, 1999, 1998, and 1997 to the PSRS. The contributions are deducted and remitted by the employer, and are credited by PSRS to individual member accounts. Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes.

Interest, at a rate set each year by the Board of Trustees, is credited to individual member accounts each June 30 based on the previous June 30 balance. The rate credited on June 30, 1999, 1998, and 1997 was six percent.

Member contributions plus interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic termination of membership. Voluntary withdrawal is available to members who cease covered employment. Automatic termination occurs when a non-vested member is absent from covered employment for five consecutive school years. A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money withdrawn plus interest.

### Employer Participation

The employers served by PSRS withhold members' contributions from salary payments and match those contributions. Employer contributions and investment earnings on those funds are placed by PSRS in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. Employers are responsible for remitting contributions promptly and for furnishing contribution information and new member records to PSRS. Employers also provide needed data when members apply for benefits or refunds of contributions upon termination of employment. Unlike employee contributions noted above, employer contributions are not refunded to the employer upon a member's voluntary withdrawal from the system, termination of service, or death.

### Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements. All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of creditable service and, in the case of early retirement, by an age reduction factor. Prior to July 1, 1999, final average salary was obtained by dividing the total compensation payable to a member for the highest five consecutive years of service by sixty. Effective July 1, 1999, final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by thirty-six. The applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement. Effective August 28, 1997, the board may set a maximum percentage increase in annual compensation from one year to the next in the final average salary period. The board set a twenty percent cap on the increase in annual compensation in the final average salary period effective July 1, 1997, using the 1997-1998 school year as the base period and the 1998-1999 school year as the first year of applicability.

### NORMAL RETIREMENT

Prior to July 1, 1998, a member could retire with benefits calculated under the standard (.023) formula factor at age sixty with five years of credit, at age fifty-five with twenty-five years of credit, or at any age with thirty years of credit. A special provision in effect

until July 1, 1998 allowed members under age fifty-five, with twenty-five , but less than thirty years of credit to retire with benefits calculated under a modified formula factor ranging from .020 to .022 (based on years of credit) but with no age reduction factor applied.

Effective July 1, 1998, a member may retire with benefits calculated under the standard (.025) formula factor at age sixty with five years of credit, at any age with thirty years of credit, or when a combination of age and service credit equals eighty. A special provision in effect until July 1, 2000 allows members under age fifty-five with twenty-five, but less than thirty years of credit to retire with benefits calculated under a modified formula factor ranging from .022 to .024 (based on years of credit) but with no age reduction factor applied.

#### EARLY RETIREMENT

Prior to July 1, 1998, a member could retire with benefits calculated under the standard (.023) formula with an age reduction factor applied, at age fifty-five with five years of credit or at any age with twenty-five years of credit.

Effective July 1, 1998, a member may retire with benefits calculated under the standard (.025) formula with an age reduction factor applied, at age fifty-five with five years of credit or at any age with twenty-five years of credit.

#### PAYMENT OPTIONS

A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death.

Certain benefit minimums apply to normal or early retirement with fifteen or more years of credit. The minimums for fifteen but fewer than twenty-five years of credit are reduced if a Joint-and-Survivor or a Term-Certain option is elected and/or if an age factor is applicable because of early retirement. The minimums for twenty-five or more years of credit are reduced only if a Joint-and-Survivor or a Term-Certain option is elected.

#### Cost-of-Living Adjustments

Each year during which the board determines that the cost-of-living index has increased, the retirement allowance of each retired member, who has been retired more than three years, shall be increased by up to five percent of the benefit payable, effective in the following January. The total of such increases may not exceed seventy-five percent.

### Disability Retirement Benefits

Disability retirement benefits are payable to eligible members who because of permanent disability are unable to earn a livelihood in any occupation. In most instances, the disability retirement benefit is calculated at 50 percent of the member's salary for the last full year of creditable service.

### Withdrawal Benefit

If a member ceases to be a public school employee, or if the membership is otherwise terminated, he receives his accumulated contributions with interest. If a member ceases to be a public school employee after five or more years of creditable service, the member may elect to leave his contributions in the system and claim a retirement allowance any time after he reaches the minimum age for voluntary retirement.

### Death and Survivor Benefits

The retirement system provides a death benefit of \$5,000 for beneficiaries of retired members deceased on or after July 1, 1999.

The designated beneficiary of a member who dies before retirement is eligible for a lump sum refund of the member's contributions and interest. If the beneficiary is an eligible dependent and the member dies while in covered employment with at least two years of credit for such service, or while eligible for disability retirement benefits, monthly survivor benefits based on a percentage of the member's salary for the last full year of covered service can be elected instead of the contribution refund.

In lieu of a lump sum refund or monthly survivor benefits, survivors with an insurable interest and eligible beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Such benefits are payable when the member would have been eligible for early or normal retirement.

### Reciprocity

Vested members in the system who have vested credit in another Missouri system having a reciprocity agreement may transfer such credit to this system. The funds transferred are used to establish additional credit in this system based on actuarial reserve calculations. Likewise, members leaving the system may have funds transferred to another Missouri system under certain conditions. A vested member of any of the Missouri systems may buy credit in the vested system for non-vested services in any of the other Missouri systems, not to exceed the credit in the non-vested system.

### Temporary Early Retirement Window

During the two-year period from July 1, 1996 through July 1, 1998, members under age fifty-five with at least twenty-five, but less than thirty years of service had the opportunity to retire under a



modified benefit formula, with no benefit reduction because of age. Benefits for those who retired under the modified plan were calculated using the following formula factors in lieu of the standard 2.3 percent factor: for twenty five years of service, 2.0 percent; for twenty-six years, 2.05 percent; for twenty-seven years, 2.1 percent; for twenty-eight years, 2.15 percent; and for twenty-nine years 2.2 percent.

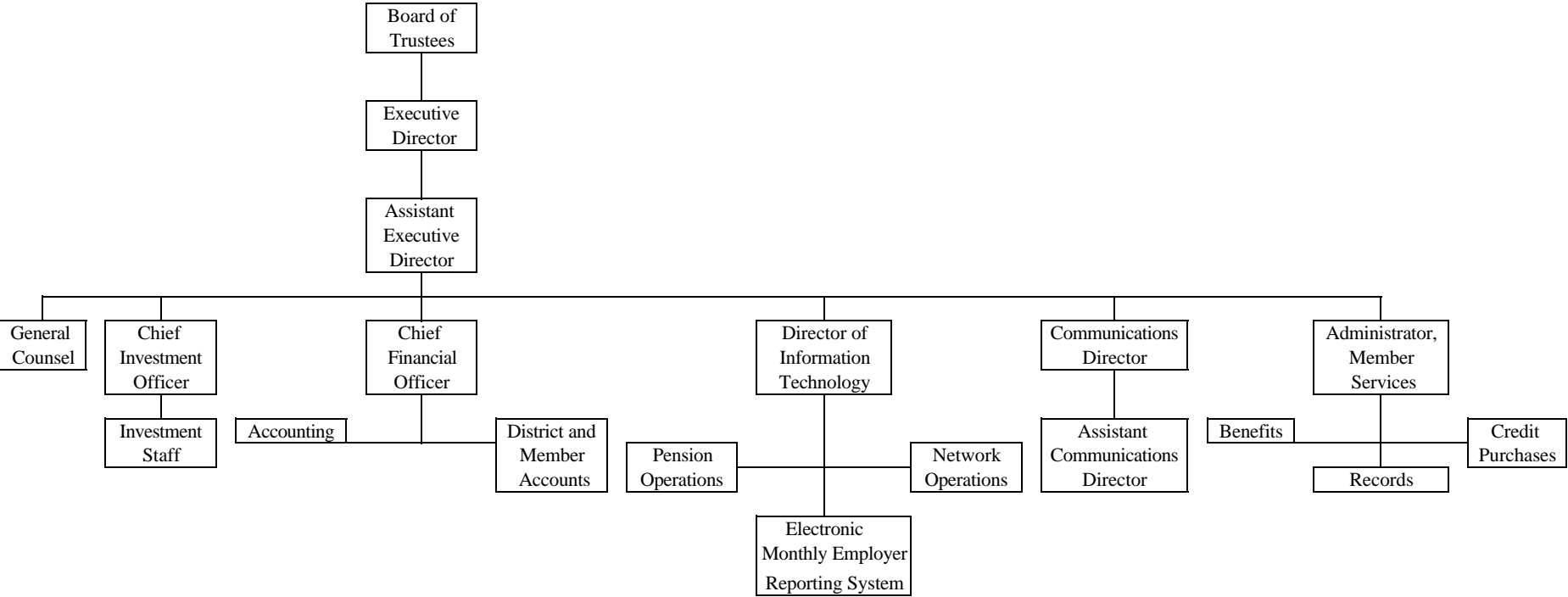
During the two-year period from July 1, 1998 through July 1, 2000, members under age fifty-five with at least twenty-five, but less than thirty years of service will have the opportunity to retire under a modified benefit formula, with no benefit reduction because of age. Benefits for those who retired under the modified plan will be calculated using the following formula factors in lieu of the standard 2.5 percent factor: for twenty five years of service, 2.2 percent; for twenty-six years, 2.25 percent; for twenty-seven years, 2.3 percent; for twenty-eight years, 2.35 percent; and for twenty-nine years 2.4 percent.

#### Minimum Benefit

Present and future retirees with at least fifteen years of creditable service, whose retirement benefits calculated under Normal Retirement - Option 1 Single Life are below certain amounts set by state law, are eligible to instead receive a minimum benefit based on the person's years of service. The minimum benefits established by law are reduced if the retiree elected to receive benefits under an option that actuarially reduced the monthly payment amount such as early retirement age or survivor benefits.

An organization chart follows. At June 30, 1999, the PSRS had 68 employees.

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI  
ORGANIZATION CHART  
JUNE 30, 1999



\* \* \* \* \*



DENT COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-49  
June 21, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Dent, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

---

This audit of Dent County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

- As reported in our prior audit report, the County Clerk has not established procedures to ensure all receipts and disbursements are properly recorded on the county's computerized financial records and included in the County Treasurer's semi-annual settlement totals which are used to prepare county budgets. The cash balances on the budgeted documents are sometimes inaccurate and inconsistent. While the ending cash balance should agree to the County Treasurer's December semi-annual settlement, these amounts often differed.
- Also as noted in our prior report, the County Treasurer has not maintained perpetual cash balances in fund ledgers. The December 31, 1999, bank reconciliation for the general checking account contained numerous errors and the corrected reconciled bank balance exceeded the cash balances on the County Treasurer's semi-annual settlements by more than \$7,000.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

**Copies of the audit are available upon request.**

YELLOW SHEET

DENT COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

To the County Commission  
and  
Officeholders of Dent County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Dent County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

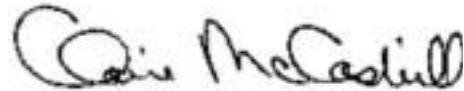
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Dent County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Dent County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Dent County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 24, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | John Blatttel, CPA    |
| In-Charge Auditor:  | Daniel Doerhoff       |
| Audit Staff:        | Jeremy Perkins        |
|                     | Susan Beeler          |
|                     | Alana Flint           |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Dent County, Missouri

We have audited the special-purpose financial statements of various funds of Dent County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Dent County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

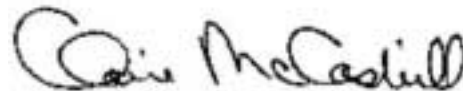
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Dent County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial

reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 99-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Dent County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

DENT COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1999

| Fund  | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                                 | \$ 545,715         | 1,115,604 | 1,075,718     | 585,601              |
| Special Road and Bridge                         | 161,696            | 912,804   | 965,306       | 109,194              |
| Assessment                                      | 5,414              | 126,181   | 114,873       | 16,722               |
| Law Enforcement Training                        | 918                | 4,505     | 2,634         | 2,789                |
| Prosecuting Attorney Training                   | 1,525              | 1,162     | 1,372         | 1,315                |
| Miscellaneous Grant                             | 0                  | 25,974    | 25,942        | 32                   |
| 911 Emergency                                   | 41,803             | 27,729    | 21,105        | 48,427               |
| Senior Citizen Service                          | 5,492              | 54,934    | 48,076        | 12,350               |
| Prosecuting Attorney Bad Check                  | 8,722              | 10,419    | 10,340        | 8,801                |
| Child's Trust                                   | 5,980              | 685       | 0             | 6,665                |
| Recorder's User Fee                             | 5,323              | 8,085     | 6,146         | 7,262                |
| Prosecuting Attorney Special Law<br>Enforcement | 65,516             | 5,883     | 64,742        | 6,657                |
| Law Library                                     | 7,622              | 3,080     | 2,576         | 8,126                |
| Associate Circuit Division Interest             | 2,635              | 535       | 746           | 2,424                |
| Circuit Division Interest                       | 4,817              | 2,115     | 1,136         | 5,796                |
| Health Center                                   | 24,262             | 395,191   | 395,324       | 24,129               |
| Dent County Developmental Disabilities<br>Board | 231,847            | 188,386   | 180,421       | 239,812              |
| Noxious Weed                                    | 132                | 0         | 132           | 0                    |
| Total   | \$ 1,119,419       | 2,883,272 | 2,916,589     | 1,086,102            |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit A-2

DENT COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 1998

| Fund  | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|---|--------------------|-----------|---------------|----------------------|
| General Revenue                                 | \$ 499,191         | 1,048,158 | 1,001,634     | 545,715              |
| Special Road and Bridge                         | 272,898            | 1,008,930 | 1,120,132     | 161,696              |
| Assessment                                      | 5,037              | 118,118   | 117,741       | 5,414                |
| Law Enforcement Training                        | 1,048              | 2,257     | 2,387         | 918                  |
| Prosecuting Attorney Training                   | 1,680              | 1,292     | 1,447         | 1,525                |
| Miscellaneous Grant                             | 1,189              | 13,427    | 14,616        | 0                    |
| 911 Emergency                                   | 35,534             | 26,710    | 20,441        | 41,803               |
| Senior Citizen Service                          | 10,243             | 42,617    | 47,368        | 5,492                |
| Prosecuting Attorney Bad Check                  | 8,092              | 10,696    | 10,066        | 8,722                |
| Child's Trust                                   | 5,493              | 487       | 0             | 5,980                |
| Recorder's User Fee                             | 3,484              | 8,427     | 6,588         | 5,323                |
| Prosecuting Attorney Special Law<br>Enforcement | 39,268             | 57,078    | 30,830        | 65,516               |
| Law Library                                     | 6,910              | 2,878     | 2,166         | 7,622                |
| Associate Circuit Division Interest             | 2,029              | 606       | 0             | 2,635                |
| Circuit Division Interest                       | 3,906              | 4,181     | 3,270         | 4,817                |
| Health Center                                   | 47,846             | 390,368   | 413,952       | 24,262               |
| Dent County Developmental Disabilities<br>Board | 250,166            | 175,296   | 193,615       | 231,847              |
| Noxious Weed                                    | 0                  | 10,000    | 9,868         | 132                  |
| Total   | \$ 1,194,014       | 2,921,526 | 2,996,121     | 1,119,419            |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 GENERAL REVENUE FUND

|                                     | Year Ended December 31, |           |  |           |           |  |
|-------------------------------------|-------------------------|-----------|--|-----------|-----------|--|
|                                     | 1999                    |           |  | 1998      |           |  |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>RECEIPTS</b>                     |                         |           |  |           |           |  |
| Property taxes                      | \$ 54,974               | 51,764    | (3,210)                                | 53,949    | 49,547    | (4,402)                                |
| Sales taxes                         | 594,000                 | 573,689   | (20,311)                               | 592,500   | 517,053   | (75,447)                               |
| Intergovernmental                   | 113,900                 | 104,820   | (9,080)                                | 113,600   | 109,251   | (4,349)                                |
| Charges for services                | 249,950                 | 271,536   | 21,586                                 | 211,525   | 237,008   | 25,483                                 |
| Interest                            | 36,000                  | 28,088    | (7,912)                                | 29,000    | 33,548    | 4,548                                  |
| Other                               | 65,494                  | 49,760    | (15,734)                               | 40,750    | 66,879    | 26,129                                 |
| Transfers in                        | 40,000                  | 35,947    | (4,053)                                | 45,000    | 34,872    | (10,128)                               |
| Total Receipts                      | 1,154,318               | 1,115,604 | (38,714)                               | 1,086,324 | 1,048,158 | (38,166)                               |
| <b>DISBURSEMENTS</b>                |                         |           |  |           |           |  |
| County Commission                   | 82,213                  | 77,641    | 4,572                                  | 67,516    | 66,970    | 546                                    |
| County Clerk                        | 74,938                  | 72,391    | 2,547                                  | 68,863    | 64,283    | 4,580                                  |
| Elections                           | 24,300                  | 16,115    | 8,185                                  | 38,800    | 35,343    | 3,457                                  |
| Buildings and grounds               | 81,002                  | 74,108    | 6,894                                  | 79,442    | 65,569    | 13,873                                 |
| Employee fringe benefits            | 46,500                  | 71,978    | (25,478)                               | 45,500    | 39,948    | 5,552                                  |
| County Treasurer                    | 42,240                  | 41,962    | 278                                    | 37,395    | 34,039    | 3,356                                  |
| County Collector                    | 61,497                  | 58,429    | 3,068                                  | 67,818    | 65,961    | 1,857                                  |
| Ex Officio Recorder of Deeds        | 18,712                  | 18,614    | 98                                     | 18,475    | 17,398    | 1,077                                  |
| Circuit Clerk                       | 14,600                  | 13,921    | 679                                    | 15,038    | 13,800    | 1,238                                  |
| Associate Circuit Court             | 10,716                  | 10,051    | 665                                    | 11,016    | 7,739     | 3,277                                  |
| Court administration                | 11,800                  | 14,068    | (2,268)                                | 9,545     | 6,725     | 2,820                                  |
| Public Administrator                | 23,179                  | 22,474    | 705                                    | 21,339    | 17,884    | 3,455                                  |
| Sheriff                             | 249,873                 | 225,395   | 24,478                                 | 219,589   | 202,942   | 16,647                                 |
| Jail                                | 114,732                 | 119,059   | (4,327)                                | 104,915   | 112,423   | (7,508)                                |
| Prosecuting Attorney                | 94,798                  | 99,216    | (4,418)                                | 92,083    | 91,014    | 1,069                                  |
| Juvenile Officer                    | 50,985                  | 38,749    | 12,236                                 | 54,486    | 54,486    | 0                                      |
| County Coroner                      | 11,231                  | 9,426     | 1,805                                  | 11,909    | 11,909    | 0                                      |
| Court Reporters                     | 1,200                   | 931       | 269                                    | 1,000     | 828       | 172                                    |
| Other General County Government     | 75,745                  | 67,232    | 8,513                                  | 65,843    | 73,048    | (7,205)                                |
| Transfers out                       | 29,410                  | 22,058    | 7,352                                  | 23,179    | 15,795    | 7,384                                  |
| Emergency Fund                      | 34,629                  | 1,900     | 32,729                                 | 32,515    | 3,530     | 28,985                                 |
| Total Disbursements                 | 1,154,300               | 1,075,718 | 78,582                                 | 1,086,266 | 1,001,634 | 84,632                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 18                      | 39,886    | 39,868                                 | 58        | 46,524    | 46,466                                 |
| CASH, JANUARY 1                     | 535,249                 | 545,715   | 10,466                                 | 488,149   | 499,191   | 11,042                                 |
| CASH, DECEMBER 31                   | \$ 535,267              | 585,601   | 50,334                                 | 488,207   | 545,715   | 57,508                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SPECIAL ROAD AND BRIDGE FUND

|                                     | Year Ended December 31, |          |  |           |           |  |
|-------------------------------------|-------------------------|----------|--|-----------|-----------|--|
|                                     | 1999                    |          |  | 1998      |           |  |
|                                     | Budget                  | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |          |  |           |           |  |
| Property taxes                      | \$ 269,275              | 258,299  | (10,976)                               | 258,001   | 249,211   | (8,790)                                |
| Intergovernmental                   | 624,500                 | 599,386  | (25,114)                               | 598,000   | 595,576   | (2,424)                                |
| Interest                            | 20,000                  | 9,119    | (10,881)                               | 25,000    | 19,751    | (5,249)                                |
| Other                               | 117,000                 | 46,000   | (71,000)                               | 171,500   | 144,392   | (27,108)                               |
| Total Receipts                      | 1,030,775               | 912,804  | (117,971)                              | 1,052,501 | 1,008,930 | (43,571)                               |
| DISBURSEMENTS                       |                         |          |  |           |           |  |
| Salaries                            | 294,128                 | 286,878  | 7,250                                  | 273,500   | 267,697   | 5,803                                  |
| Employee fringe benefits            | 61,001                  | 60,678   | 323                                    | 58,423    | 50,931    | 7,492                                  |
| Supplies                            | 74,250                  | 62,553   | 11,697                                 | 76,750    | 72,400    | 4,350                                  |
| Insurance                           | 13,000                  | 18,303   | (5,303)                                | 12,500    | 21,220    | (8,720)                                |
| Road and bridge materials           | 312,296                 | 249,841  | 62,455                                 | 326,500   | 306,566   | 19,934                                 |
| Equipment repairs                   | 35,000                  | 62,084   | (27,084)                               | 38,000    | 34,699    | 3,301                                  |
| Equipment purchases                 | 235,000                 | 218,417  | 16,583                                 | 367,000   | 362,033   | 4,967                                  |
| Other                               | 6,100                   | 6,552    | (452)                                  | 6,600     | 4,586     | 2,014                                  |
| Total Disbursements                 | 1,030,775               | 965,306  | 65,469                                 | 1,159,273 | 1,120,132 | 39,141                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                       | (52,502) | (52,502)                               | (106,772) | (111,202) | (4,430)                                |
| CASH, JANUARY 1                     | 161,754                 | 161,696  | (58)                                   | 272,877   | 272,898   | 21                                     |
| CASH, DECEMBER 31                   | \$ 161,754              | 109,194  | (52,560)                               | 166,105   | 161,696   | (4,409)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit D

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 ASSESSMENT FUND

| Year Ended December 31,             |            |         |  |         |         |  |
|-------------------------------------|------------|---------|--|---------|---------|--|
| 1999                                |            |         | 1998                                   |         |         |  |
|                                     | Budget     | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |            |         |  |         |         |  |
| Intergovernmental                   | \$ 104,204 | 100,641 | (3,563)                                | 98,478  | 98,715  | 237                                    |
| Interest                            | 937        | 1,027   | 90                                     | 1,500   | 937     | (563)                                  |
| Other                               | 2,670      | 2,455   | (215)                                  | 2,700   | 2,671   | (29)                                   |
| Transfers in                        | 29,410     | 22,058  | (7,352)                                | 23,179  | 15,795  | (7,384)                                |
| Total Receipts                      | 137,221    | 126,181 | (11,040)                               | 125,857 | 118,118 | (7,739)                                |
| DISBURSEMENTS                       |            |         |  |         |         |  |
| Assessor                            | 137,722    | 114,873 | 22,849                                 | 128,162 | 117,741 | 10,421                                 |
| Total Disbursements                 | 137,722    | 114,873 | 22,849                                 | 128,162 | 117,741 | 10,421                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (501)      | 11,308  | 11,809                                 | (2,305) | 377     | 2,682                                  |
| CASH, JANUARY 1                     | 5,412      | 5,414   | 2                                      | 5,037   | 5,037   | 0                                      |
| CASH, DECEMBER 31                   | \$ 4,911   | 16,722  | 11,811                                 | 2,732   | 5,414   | 2,682                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW ENFORCEMENT TRAINING FUND

| Year Ended December 31,             |          |        |  |        |        |  |
|-------------------------------------|----------|--------|--|--------|--------|--|
| 1999                                |          |        |  | 1998   |        |  |
|                                     | Budget   | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |        |  |        |        |  |
| Charges for services                | \$ 2,200 | 2,856  | 656                                    | 1,700  | 2,182  | 482                                    |
| Interest                            | 25       | 40     | 15                                     | 40     | 25     | (15)                                   |
| Other                               | 50       | 1,609  | 1,559                                  | 0      | 50     | 50                                     |
| Total Receipts                      | 2,275    | 4,505  | 2,230                                  | 1,740  | 2,257  | 517                                    |
| DISBURSEMENTS                       |          |        |  |        |        |  |
| Sheriff                             | 1,790    | 2,634  | (844)                                  | 1,740  | 2,387  | (647)                                  |
| Total Disbursements                 | 1,790    | 2,634  | (844)                                  | 1,740  | 2,387  | (647)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 485      | 1,871  | 1,386                                  | 0      | (130)  | (130)                                  |
| CASH, JANUARY 1                     | 922      | 918    | (4)                                    | 1,048  | 1,048  | 0                                      |
| CASH, DECEMBER 31                   | \$ 1,407 | 2,789  | 1,382                                  | 1,048  | 918    | (130)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit F

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY TRAINING FUND

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 1,150                   | 1,162  | 12                                     | 918    | 1,149  | 231                                    |
| Other                               |    | 150                     | 0      | (150)                                  | 102    | 143    | 41                                     |
| Total Receipts                      |    | 1,300                   | 1,162  | (138)                                  | 1,020  | 1,292  | 272                                    |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 1,500                   | 1,372  | 128                                    | 1,100  | 1,447  | (347)                                  |
| Total Disbursements                 |    | 1,500                   | 1,372  | 128                                    | 1,100  | 1,447  | (347)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (200)                   | (210)  | (10)                                   | (80)   | (155)  | (75)                                   |
| CASH, JANUARY 1                     |    | 1,526                   | 1,525  | (1)                                    | 1,680  | 1,680  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 1,326                   | 1,315  | (11)                                   | 1,600  | 1,525  | (75)                                   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
MISCELLANEOUS GRANT FUND

| Year Ended December 31,             |        |               |        |         |               |  |
|-------------------------------------|--------|---------------|--------|---------|---------------|--|
| 1999                                |        |               | 1998   |         |               |  |
|                                     |        | Variance      |        |         | Variance      |  |
|                                     |        | Favorable     |        |         | Favorable     |  |
|                                     |        | (Unfavorable) |        |         | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual  |               |  |
| RECEIPTS                            |        |               |        |         |               |  |
| Intergovernmental                   | \$ 0   | 25,974        | 29,000 | 13,427  | (15,573)      |  |
| Total Receipts                      | 0      | 25,974        | 29,000 | 13,427  | (15,573)      |  |
| DISBURSEMENTS                       |        |               |        |         |               |  |
| Grant expense                       | 0      | 25,942        | 29,000 | 13,292  | 15,708        |  |
| Transfers out                       | 0      | 0             | 0      | 1,324   | (1,324)       |  |
| Total Disbursements                 | 0      | 25,942        | 29,000 | 14,616  | 14,384        |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0      | 32            | 0      | (1,189) | (1,189)       |  |
| CASH, JANUARY 1                     | 0      | 0             | 1,189  | 1,189   | 0             |  |
| CASH, DECEMBER 31                   | \$ 0   | 32            | 1,189  | 0       | (1,189)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
911 EMERGENCY FUND

| Year Ended December 31,             |           |               |        |        |               |  |
|-------------------------------------|-----------|---------------|--------|--------|---------------|--|
| 1999                                |           |               | 1998   |        |               |  |
|                                     |           | Variance      |        |        | Variance      |  |
|                                     |           | Favorable     |        |        | Favorable     |  |
|                                     |           | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget    | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |           |               |        |        |               |  |
| Charges for services                | \$ 24,000 | 25,148        | 24,000 | 24,073 | 73            |  |
| Interest                            | 2,700     | 2,581         | 2,450  | 2,637  | 187           |  |
| Total Receipts                      | 26,700    | 27,729        | 26,450 | 26,710 | 260           |  |
| DISBURSEMENTS                       |           |               |        |        |               |  |
| Office expenditures                 | 4,000     | 3,855         | 4,000  | 3,186  | 814           |  |
| Transfers out                       | 17,250    | 17,250        | 16,500 | 17,255 | (755)         |  |
| Total Disbursements                 | 21,250    | 21,105        | 20,500 | 20,441 | 59            |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 5,450     | 6,624         | 5,950  | 6,269  | 319           |  |
| CASH, JANUARY 1                     | 41,804    | 41,803        | 35,534 | 35,534 | 0             |  |
| CASH, DECEMBER 31                   | \$ 47,254 | 48,427        | 41,484 | 41,803 | 319           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit I

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 SENIOR CITIZENS SERVICE FUND

| Year Ended December 31,             |           |        |  |         |         |  |
|-------------------------------------|-----------|--------|--|---------|---------|--|
| 1999                                |           |        | 1998                                   |         |         |  |
|                                     | Budget    | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |        |  |         |         |  |
| Property taxes                      | \$ 41,000 | 48,116 | 7,116                                  | 39,500  | 38,454  | (1,046)                                |
| Interest                            | 550       | 615    | 65                                     | 525     | 545     | 20                                     |
| Intergovernmental                   | 5,360     | 6,203  | 843                                    | 6,070   | 3,618   | (2,452)                                |
| Total Receipts                      | 46,910    | 54,934 | 8,024                                  | 46,095  | 42,617  | (3,478)                                |
| DISBURSEMENTS                       |           |        |  |         |         |  |
| Contractual obligations             | 45,000    | 45,000 | 0                                      | 44,000  | 44,000  | 0                                      |
| Other                               | 5,200     | 3,076  | 2,124                                  | 5,820   | 3,368   | 2,452                                  |
| Total Disbursements                 | 50,200    | 48,076 | 2,124                                  | 49,820  | 47,368  | 2,452                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (3,290)   | 6,858  | 10,148                                 | (3,725) | (4,751) | (1,026)                                |
| CASH, JANUARY 1                     | 5,492     | 5,492  | 0                                      | 10,244  | 10,243  | (1)                                    |
| CASH, DECEMBER 31                   | \$ 2,202  | 12,350 | 10,148                                 | 6,519   | 5,492   | (1,027)                                |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit J

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY BAD CHECK

|                                     |    | Year Ended December 31, |        |  |        |        |  |
|-------------------------------------|----|-------------------------|--------|--|--------|--------|--|
|                                     |    | 1999                    |        |  | 1998   |        |  |
|                                     |    | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |    |                         |        |  |        |        |  |
| Charges for services                | \$ | 11,000                  | 10,119 | (881)                                  | 9,140  | 10,392 | 1,252                                  |
| Interest                            |    | 0                       | 300    | 300                                    | 284    | 304    | 20                                     |
| Total Receipts                      |    | 11,000                  | 10,419 | (581)                                  | 9,424  | 10,696 | 1,272                                  |
| DISBURSEMENTS                       |    |                         |        |  |        |        |  |
| Prosecuting Attorney                |    | 1,750                   | 1,840  | (90)                                   | 0      | 1,641  | (1,641)                                |
| Transfers out                       |    | 8,500                   | 8,500  | 0                                      | 8,425  | 8,425  | 0                                      |
| Total Disbursements                 |    | 10,250                  | 10,340 | (90)                                   | 8,425  | 10,066 | (1,641)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 750                     | 79     | (671)                                  | 999    | 630    | (369)                                  |
| CASH, JANUARY 1                     |    | 8,721                   | 8,722  | 1                                      | 8,092  | 8,092  | 0                                      |
| CASH, DECEMBER 31                   | \$ | 9,471                   | 8,801  | (670)                                  | 9,091  | 8,722  | (369)                                  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CHILD'S TRUST FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 700   | 685           | 660    | 487    | (173)         |  |
| Total Receipts                      | 700      | 685           | 660    | 487    | (173)         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Other                               | 1,500    | 0             | 0      | 0      | 0             |  |
| Total Disbursements                 | 1,500    | 0             | 0      | 0      | 0             |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (800)    | 685           | 660    | 487    | (173)         |  |
| CASH, JANUARY 1                     | 5,980    | 5,980         | 5,280  | 5,493  | 213           |  |
| CASH, DECEMBER 31                   | \$ 5,180 | 6,665         | 5,940  | 5,980  | 40            |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
RECORDER'S USER FEE FUND

| Year Ended December 31,             |          |               |        |        |               |  |
|-------------------------------------|----------|---------------|--------|--------|---------------|--|
| 1999                                |          |               | 1998   |        |               |  |
|                                     |          | Variance      |        |        | Variance      |  |
|                                     |          | Favorable     |        |        | Favorable     |  |
|                                     |          | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |          |               |        |        |               |  |
| Charges for services                | \$ 8,500 | 8,085         | 7,000  | 8,427  | 1,427         |  |
| Total Receipts                      | 8,500    | 8,085         | 7,000  | 8,427  | 1,427         |  |
| DISBURSEMENTS                       |          |               |        |        |               |  |
| Microfilming and equipment          | 2,500    | 2,646         | 0      | 3,720  | (3,720)       |  |
| Transfers out                       | 3,500    | 3,500         | 0      | 2,868  | (2,868)       |  |
| Total Disbursements                 | 6,000    | 6,146         | 0      | 6,588  | (6,588)       |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,500    | 1,939         | 7,000  | 1,839  | (5,161)       |  |
| CASH, JANUARY 1                     | 5,324    | 5,323         | 3,484  | 3,484  | 0             |  |
| CASH, DECEMBER 31                   | \$ 7,824 | 7,262         | 10,484 | 5,323  | (5,161)       |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit M

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 PROSECUTING ATTORNEY SPECIAL LAW ENFORCEMENT FUND

| Year Ended December 31,             |          |          |  |        |        |  |
|-------------------------------------|----------|----------|--|--------|--------|--|
| 1999                                |          |          | 1998                                   |        |        |  |
|                                     | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |          |          |  |        |        |  |
| Intergovernmental                   | \$ 0     | 0        | 0                                      | 0      | 10     | 10                                     |
| Charges for services                | 0        | 3,524    | 3,524                                  | 22,000 | 51,202 | 29,202                                 |
| Interest                            | 0        | 759      | 759                                    | 1,100  | 1,227  | 127                                    |
| Other                               | 8,000    | 1,600    | (6,400)                                | 0      | 4,639  | 4,639                                  |
| Total Receipts                      | 8,000    | 5,883    | (2,117)                                | 23,100 | 57,078 | 33,978                                 |
| DISBURSEMENTS                       |          |          |  |        |        |  |
| Equipment                           | 66,819   | 58,045   | 8,774                                  | 18,100 | 25,830 | (7,730)                                |
| Transfer out                        | 6,697    | 6,697    | 0                                      | 5,000  | 5,000  | 0                                      |
| Total Disbursements                 | 73,516   | 64,742   | 8,774                                  | 23,100 | 30,830 | (7,730)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (65,516) | (58,859) | 6,657                                  | 0      | 26,248 | 26,248                                 |
| CASH, JANUARY 1                     | 65,516   | 65,516   | 0                                      | 39,267 | 39,268 | 1                                      |
| CASH, DECEMBER 31                   | \$ 0     | 6,657    | 6,657                                  | 39,267 | 65,516 | 26,249                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
LAW LIBRARY FUND

| Year Ended December 31,             |    |               |        |         |               |       |
|-------------------------------------|----|---------------|--------|---------|---------------|-------|
| 1999                                |    |               | 1998   |         |               |       |
|                                     |    | Variance      |        |         | Variance      |       |
|                                     |    | Favorable     |        |         | Favorable     |       |
|                                     |    | (Unfavorable) |        |         | (Unfavorable) |       |
| Budget                              |    | Actual        | Budget |         | Actual        |       |
| RECEIPTS                            |    |               |        |         |               |       |
| Charges for services                | \$ | 1,800         | 3,080  | 2,700   | 2,878         | 178   |
| Total Receipts                      |    | 1,800         | 3,080  | 2,700   | 2,878         | 178   |
| DISBURSEMENTS                       |    |               |        |         |               |       |
| Law Library                         |    | 4,000         | 2,576  | 4,000   | 2,166         | 1,834 |
| Total Disbursements                 |    | 4,000         | 2,576  | 4,000   | 2,166         | 1,834 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (2,200)       | 504    | (1,300) | 712           | 2,012 |
| CASH, JANUARY 1                     |    | 6,910         | 7,622  | 6,910   | 6,910         | 0     |
| CASH, DECEMBER 31                   | \$ | 4,710         | 8,126  | 5,610   | 7,622         | 2,012 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
ASSOCIATE CIRCUIT DIVISION INTEREST

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Interest                            | \$ 600   | 535           | 550     | 606    | 56            |  |
| Total Receipts                      | 600      | 535           | 550     | 606    | 56            |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Associate Circuit Division          | 2,000    | 746           | 2,000   | 0      | 2,000         |  |
| Total Disbursements                 | 2,000    | 746           | 2,000   | 0      | 2,000         |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (1,400)  | (211)         | (1,450) | 606    | 2,056         |  |
| CASH, JANUARY 1                     | 2,635    | 2,635         | 2,029   | 2,029  | 0             |  |
| CASH, DECEMBER 31                   | \$ 1,235 | 2,424         | 579     | 2,635  | 2,056         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
CIRCUIT DIVISION INTEREST FUND

| Year Ended December 31,             |          |               |         |        |               |  |
|-------------------------------------|----------|---------------|---------|--------|---------------|--|
| 1999                                |          |               | 1998    |        |               |  |
|                                     |          | Variance      |         |        | Variance      |  |
|                                     |          | Favorable     |         |        | Favorable     |  |
|                                     |          | (Unfavorable) |         |        | (Unfavorable) |  |
|                                     | Budget   | Actual        | Budget  | Actual |               |  |
| RECEIPTS                            |          |               |         |        |               |  |
| Interest                            | \$ 911   | 2,115         | 2,000   | 4,181  | 2,181         |  |
| Total Receipts                      | 911      | 2,115         | 2,000   | 4,181  | 2,181         |  |
| DISBURSEMENTS                       |          |               |         |        |               |  |
| Circuit Clerk                       | 1,000    | 1,136         | 3,200   | 3,270  | (70)          |  |
| Total Disbursements                 | 1,000    | 1,136         | 3,200   | 3,270  | (70)          |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (89)     | 979           | (1,200) | 911    | 2,111         |  |
| CASH, JANUARY 1                     | 4,817    | 4,817         | 3,906   | 3,906  | 0             |  |
| CASH, DECEMBER 31                   | \$ 4,728 | 5,796         | 2,706   | 4,817  | 2,111         |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit Q

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 HEALTH CENTER FUND

| Year Ended December 31,             |           |         |  |         |          |  |
|-------------------------------------|-----------|---------|--|---------|----------|--|
|                                     | 1999      |         |  | 1998    |          |  |
|                                     | Budget    | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |           |         |  |         |          |  |
| Property taxes                      | \$ 98,500 | 100,100 | 1,600                                  | 83,500  | 88,887   | 5,387                                  |
| Intergovernmental                   | 226,599   | 206,731 | (19,868)                               | 239,529 | 216,571  | (22,958)                               |
| Charges for services                | 57,100    | 69,259  | 12,159                                 | 48,950  | 58,515   | 9,565                                  |
| Interest                            | 2,400     | 2,144   | (256)                                  | 3,300   | 2,493    | (807)                                  |
| Other                               | 11,500    | 16,957  | 5,457                                  | 36,852  | 23,902   | (12,950)                               |
| Total Receipts                      | 396,099   | 395,191 | (908)                                  | 412,131 | 390,368  | (21,763)                               |
| DISBURSEMENTS                       |           |         |  |         |          |  |
| Salaries                            | 266,950   | 268,533 | (1,583)                                | 319,199 | 268,368  | 50,831                                 |
| Office expenditures                 | 15,950    | 18,441  | (2,491)                                | 12,260  | 16,553   | (4,293)                                |
| Equipment                           | 4,600     | 6,335   | (1,735)                                | 0       | 4,649    | (4,649)                                |
| Mileage and training                | 12,461    | 11,954  | 507                                    | 7,000   | 14,610   | (7,610)                                |
| Other                               | 96,138    | 90,061  | 6,077                                  | 73,672  | 109,772  | (36,100)                               |
| Total Disbursements                 | 396,099   | 395,324 | 775                                    | 412,131 | 413,952  | (1,821)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0         | (133)   | (133)                                  | 0       | (23,584) | (23,584)                               |
| CASH, JANUARY 1                     | 28,398    | 24,262  | (4,136)                                | 47,846  | 47,846   | 0                                      |
| CASH, DECEMBER 31                   | \$ 28,398 | 24,129  | (4,269)                                | 47,846  | 24,262   | (23,584)                               |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit R

DENT COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
 DENT COUNTY DEVELOPMENTAL DISABILITIES BOARD FUND

|                                     | Year Ended December 31, |         |  |          |          |  |
|-------------------------------------|-------------------------|---------|--|----------|----------|--|
|                                     | 1999                    |         |  | 1998     |          |  |
|                                     | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget   | Actual   | Variance<br>Favorable<br>(Unfavorable) |
| RECEIPTS                            |                         |         |  |          |          |  |
| Property taxes                      | \$ 141,000              | 152,270 | 11,270                                 | 145,000  | 147,680  | 2,680                                  |
| Interest                            | 14,500                  | 13,815  | (685)                                  | 12,000   | 15,682   | 3,682                                  |
| Other                               | 11,580                  | 22,301  | 10,721                                 | 10,780   | 11,934   | 1,154                                  |
| Total Receipts                      | 167,080                 | 188,386 | 21,306                                 | 167,780  | 175,296  | 7,516                                  |
| DISBURSEMENTS                       |                         |         |  |          |          |  |
| Administrative                      | 26,430                  | 19,960  | 6,470                                  | 14,000   | 10,915   | 3,085                                  |
| Capital improvements                | 10,000                  | 5,400   | 4,600                                  | 10,000   | 7,741    | 2,259                                  |
| Insurance                           | 24,500                  | 35,089  | (10,589)                               | 27,000   | 24,015   | 2,985                                  |
| Contract services                   | 147,484                 | 119,972 | 27,512                                 | 166,062  | 150,944  | 15,118                                 |
| Agency support services             | 10,000                  | 0       | 10,000                                 | 0        | 0        | 0                                      |
| Total Disbursements                 | 218,414                 | 180,421 | 37,993                                 | 217,062  | 193,615  | 23,447                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (51,334)                | 7,965   | 59,299                                 | (49,282) | (18,319) | 30,963                                 |
| CASH, JANUARY 1                     | 231,847                 | 231,847 | 0                                      | 250,166  | 250,166  | 0                                      |
| CASH, DECEMBER 31                   | \$ 180,513              | 239,812 | 59,299                                 | 200,884  | 231,847  | 30,963                                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

DENT COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL  
NOXIOUS WEED FUND

| Year Ended December 31,             |        |               |        |        |               |  |
|-------------------------------------|--------|---------------|--------|--------|---------------|--|
| 1999                                |        |               | 1998   |        |               |  |
|                                     |        | Variance      |        |        | Variance      |  |
|                                     |        | Favorable     |        |        | Favorable     |  |
|                                     |        | (Unfavorable) |        |        | (Unfavorable) |  |
|                                     | Budget | Actual        | Budget | Actual |               |  |
| RECEIPTS                            |        |               |        |        |               |  |
| Intergovernmental                   | \$ 0   | 0             | 10,000 | 10,000 | 0             |  |
| Total Receipts                      | 0      | 0             | 10,000 | 10,000 | 0             |  |
| DISBURSEMENTS                       |        |               |        |        |               |  |
| Administration                      | 0      | 0             | 500    | 0      | 500           |  |
| Landowners                          | 132    | 132           | 9,500  | 9,868  | (368)         |  |
| Total Disbursements                 | 132    | 132           | 10,000 | 9,868  | 132           |  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (132)  | (132)         | 0      | 132    | 132           |  |
| CASH, JANUARY 1                     | 132    | 132           | 0      | 0      | 0             |  |
| CASH, DECEMBER 31                   | \$ 0   | 0             | 0      | 132    | 132           |  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

DENT COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Dent County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Developmental Disabilities Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                         | <u>Years Ended December 31,</u> |
|-------------------------------------|---------------------------------|
| Law Enforcement Training Fund       | 1999 and 1998                   |
| Prosecuting Attorney Bad Check Fund | 1999 and 1998                   |
| Recorder's User Fee Fund            | 1999 and 1998                   |
| Circuit Division Interest Fund      | 1999 and 1998                   |
| Miscellaneous Grant Fund            | 1999                            |
| Prosecuting Attorney Training Fund  | 1998                            |

|                                  |      |
|----------------------------------|------|
| Prosecuting Attorney Special Law |      |
| Enforcement Fund                 | 1998 |
| Health Center Fund               | 1998 |

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 1999 and 1998, included all funds presented in the accompanying financial statements, except for the receipts and disbursements of the Health Center Fund and the Dent County Developmental Disabilities Board Fund. The amounts presented in the published financial statements for these two funds were only the amounts the County Treasurer received and remitted to the boards.

## 2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board's and Developmental Disabilities Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Schedule

DENT COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

|              |   |
|--------------|---|
| <b>99-1.</b> | <b>Reconciliation of County Records</b> |
|--------------|---|

The audited reconciled cash balances presented in the financial statements do not agree to the cash balances presented on the County Treasurer's semi-annual settlements or the county's budget documents, and those records do not agree with each other. The County Clerk uses the county's computerized financial records to prepare county budgets, but does not reconcile those records to the County Treasurer's manual fund ledgers and semi-annual settlements. Our review revealed the following areas of concern:

- A. The general checking account includes activity of the General Revenue Fund, the Special Road and Bridge Fund, the Assessment Fund, and the 911 Emergency Fund. A semi-annual settlement was prepared for each fund, however, perpetual cash balances of funds are not maintained in the County Treasurer's fund ledgers. The County Treasurer ran calculator tapes of the receipt and disbursement amounts recorded on his manual fund ledgers every six months to prepare his semi-annual settlements. However, the December 31, 1999 bank reconciliation for the general checking account contained numerous errors and the corrected reconciled bank balance exceeded the cash balances on the County Treasurer's semi-annual settlements by more than \$7,000.

Maintaining perpetual cash balances on fund ledgers would allow the County Treasurer to know how much money should be in each account at all times and would enable the County Treasurer to verify the accuracy of the ending cash balances reported on each semi-annual settlement.

- B. The County Clerk has not established procedures to ensure all receipts and disbursements are properly recorded on the county's computerized financial records and included in the County Treasurer's semi-annual settlement totals which are used to prepare county budgets. As a result, cash balances on the budgeted documents are sometimes inaccurate and inconsistent.

The County Clerk obtains the beginning cash balance of each fund from the County Treasurer's semi-annual settlement for December 31 of the prior year. For each budget, the County Clerk adds the beginning cash balance of the fund to the receipt total from the computerized financial records and subtracts the disbursement total from the computerized financial records to determine the fund's cash balance at December 31. While the cash balance should agree to the County Treasurer's semi-annual settlement amounts, these amounts often differed.



**WE RECOMMEND:**

- A. The County Treasurer maintain perpetual cash balances in fund ledgers and adjust the county's records to correct unidentified differences between cash balances of the County Treasurer's records and the reconciled bank balances.
- B. The County Clerk reconcile the county's computerized financial records with the County Treasurer's receipt and disbursement records on a monthly basis and ensure the totals on the County Treasurer's semi-annual settlements agree to the totals on the county's computerized financial records.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

- A. *The County Treasurer indicated he will implement the recommendation by January 2001. He indicated the county has contacted their computer consultant and it is anticipated this problem will be reviewed and resolved.*
- B. *The County Clerk indicated he will implement the recommendation by January 2001. He indicated he has contacted their computer consultant to review the computer program and the recommendation will be implemented.*

## Follow-Up on Prior Audit Findings

## DENT COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Dent County, Missouri, on a certain finding in our prior audit report issued for the two years ended December 31, 1997. The finding is the one that *Government Auditing Standards* requires to be reported for an audit of financial statements.

### Accounting Controls and Procedures

The cash balances presented on the County Treasurer's semi-annual settlements of the county's budget documents did not agree. The County Clerk did not reconcile the county's computerized records or budgets with the County Treasurer's manual fund ledger's and semi-annual settlements. The County Treasurer had not adjusted for voided checks on a timely basis.

### Recommendation

- A. The County Treasurer maintain perpetual cash balances in fund ledgers, prepare formal bank reconciliations monthly, and adjust the county's receipt records to correct unidentified differences between cash balances per the County Treasurer's records and reconciled bank balances.
- B. The County Clerk reconcile the county's computerized financial records with the County Treasurer's receipt slips, county commission orders, and disbursement records on a monthly basis and ensure the totals on the County Treasurer's semi-annual settlements agree to the totals on the county's computerized financial records.
- C. The County Treasurer ensure voided checks are receipted and the amounts added to the cash balances on a timely basis.

### Status

- A. Partially implemented. Monthly bank reconciliations are now prepared. See Finding Number 99-1.
- B. Not implemented. See Finding Number 99-1.
- C. Implemented.

## SECTION ON OTHER MATTERS

## DENT COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Dent County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 24, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Dent County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1.     Budgets

Actual expenditure amounts exceeded approved budget amounts in some funds for the two years ended December 31, 1999. If there are valid reasons which necessitate excess disbursements, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

2.     Schedule of Expenditures of Federal Awards

The county is required by OMB Circular A-133 to prepare a schedule of expenditures of federal awards (SEFA). The SEFA schedule is used to determine the single audit requirements of the county. The county's SEFA contained numerous errors and omissions for the two years ended December 31, 1999. The SEFA should be accurately prepared to ensure all federal awards are properly reported.

3.     Circuit Clerk Expenditure

We noted a \$286 expenditure from the Circuit Clerk Interest Fund in 1998 by the former Circuit Clerk for the purchase of 1,000 pens. The name of the former Circuit Clerk and his office title was written on each pen. This expenditure does not appear to be a prudent use of county funds. In May 2000 the former Circuit Clerk reimbursed the county the \$286.

This Letter on Other Matters is intended for the information of the management of Dent County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



REVIEW OF THE  
MOUNT VERNON VETERANS=HOME

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-48  
June 21, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following areas of concern were discovered as a result of a review conducted by our office of the Mount Vernon Veterans' Home.**

-----  
*The Mount Vernon Veterans' Home nursing-care facility provides care to Missouri veterans who are unable to support or adequately care for themselves. Residents of the facility are provided room, board, medication, therapy, personal care, and recreational and religious activities. To qualify for admission, applicants must be honorably discharged veterans of the U.S. Armed forces, residents of the state of Missouri for at least thirty days prior to the date of application for admission, and in need of nursing care for a chronic disability of physical ailment.*

*The cost of care is shared by the resident (based on the ability to pay), and the Federal Veterans' Administration, and the State of Missouri. Standards of care are established by the Federal Veterans' Administration, and the home is inspected annually to ensure compliance with these standards.*

The facility conducts background checks prior to hiring its direct-care staff. This includes contacting the Missouri State Highway Patrol, the employee's former employer, and checking the Division of Agings' Employee Disqualification List. Documentation to support the background check with the Missouri State Highway Patrol and the employee's former employer is maintained; however, there is no documentation that the Division of Aging was contacted. Adequate documentation is necessary to ensure that only appropriate employees are hired for all direct-care positions.

In addition, the facility should consider expanding their background checks to include contacting the Department of Mental Health who maintains a listing of persons who have been administratively determined to have abused or neglected a Department of Mental Health client, and the Division of Family Services who maintains the Central Registry of Child Abuse and Neglect which contains information related to instances of actual or alleged child abuse.

The facility receives money from various resources and deposits it into bank accounts such as the Residents' Cash Fund account or the Assistance League Fund account. Money received by the facility on behalf of the residents (e.g., social security, pensions, etc.) is deposited into the Residents' Cash Fund account and is used for residents' monthly payments for room and board. Personal spending money of the residents can also be deposited into this account. Nominal amounts of cash can be obtained from the facility's cashier and deducted from this account. Collections from the vending machines and donations are deposited into the Assistance League Fund account.

This money is used by the Assistance League, a not-for-profit organization, to purchase goods and services for the benefit of all residents. During our review of the facility's procedures for handling transactions from these accounts we noted the following weaknesses:

- Prenumbered receipt slips are not always issued for monies received for the Assistance League Fund.
- The Facility has adopted a policy whereby interest income of the Residents' Cash Fund account is to be expended for the benefit of all residents with the approval of the facility's resident council and administrative personnel. In order for residents to use the Residents' Cash Fund account, they are required to sign a form that states they will not receive interest earned on their monies. Interest is not credited to each individual resident's account. Interest earned on resident funds amounted to \$2,819 and \$3,760 for the years ended June 30, 1999 and 1998, respectively. Donation of interest income by the residents should be voluntary and should not be made a condition of using the Residents' Cash Fund. The accounts of those residents who do not wish to donate their interest income should be credited with the interest earned on their monies.

On June 30, 1999, the Mount Vernon Veterans' Home controlled fixed assets totaling approximately \$557,000. Supervisory approval is not required for any dispositions or adjustments to the fixed asset listing. The lack of adequate procedures on dispositions and adjustments made to the asset balances results in a loss of control over inventory records.

Duties of recording and handling supply inventories are not adequately segregated. Physical counts of inventories are taken by the same employee responsible for the custody and record keeping of these inventories. In addition, no supervisory approval is required for adjustments to the inventory listing.



REVIEW OF THE  
MOUNT VERNON VETERANS= HOME

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
Missouri State Auditor

Honorable Mel Carnahan, Governor  
and  
Gary Kempker, Director  
Department of Public Safety  
and  
Missouri Veterans=Commission  
and  
Don Long, Administrator  
Mount Vernon Veterans=Home  
Mount Vernon, Missouri 65712

We have conducted a special review of the Mount Vernon Veterans=Home. The scope of our review included, but was not necessarily limited to, the two years ended June 30, 1999. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the Mount Vernon Veterans=Home.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the facility=s revenues, expenditures, contracts, rules, regulations, and other pertinent procedures and documents, and interviewed facility personnel.

As part of our review, we assessed the facility=s management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and was not subjected to the procedures applied in the review of the Mount Vernon Veterans Home.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Mount Vernon Veterans Home.



Claire McCaskill  
State Auditor

December 2, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Donna Christian, CPA   |
| In-Charge Auditor:  | April McHaffie, CPA    |
| Audit Staff:        | Amy Fast               |
|                     | Jay Ross               |

## MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF THE  
MOUNT VERNON VETERANS= HOME  
SUMMARY OF FINDINGS

1. Expenditures and Payroll Matters (pages 6-7)

The facility does not have procedures in place to verify the propriety of meal and laundry costs. Time sheets are not always approved by supervisors and new employee background check information is not adequately documented.

2. Residents= Cash and Assistance League Funds (pages 7-9)

Receipt slips are not issued for all monies received. The facility administrator is authorized to sign checks but is not adequately bonded. Interest earned on residents= monies held in the Residents= Cash Fund is not credited to each individual=s account. The facility does not have a written depositary agreement with their bank.

3. Fixed Asset Records and Procedures (page 9)

Supervisory approval is not required for dispositions or adjustments to the fixed asset listing.

4. Inventory Records and Procedures (pages 9-10)

The duties of recording and handling inventories are not adequately segregated. Inventory requisitions are not always documented resulting in inaccurate perpetual inventory records.

REVIEW OF THE  
MOUNT VERNON VETERANS= HOME  
MANAGEMENT ADVISORY REPORT

|           |   |
|-----------|---|
| <b>1.</b> | <b>Expenditures and Payroll Matters</b> |
|-----------|---|

- A. The facility paid approximately \$594,657 and \$606,122 for resident meals and \$187,064 and \$158,773 for laundry service to the Missouri Rehabilitation Center (MRC) during the years ended June 30, 1999 and 1998, respectively. An invoice is received from MRC which indicates the number of meals provided along with an invoice for laundry service that indicates the weight of items laundered. The facility does not have procedures in place to verify the accuracy of the number of meals charged or the weight of the items laundered. Such verification is necessary to ensure charges are accurate and valid.
- B. Although employees do prepare time sheets, they are not always approved by supervisors. Detailed time records approved by each employee=s supervisor are necessary to ensure payments for salaries are accurate. In addition, proper documentation helps ensure compliance with the Fair Labor Standards Act which requires that the employees maintain accurate records of actual time worked and ensures the facility is paying the appropriate compensation.
- C. The facility conducts background checks prior to hiring its direct-care staff. This includes contacting the Missouri State Highway Patrol (MSHP), the employee=s former employer, and checking the Division of Agings= Employee Disqualification List (EDL). Documentation to support the background check with the MSHP and the employee=s former employer is maintained; however, there is no documentation that the Division of Aging was contacted. Adequate documentation is necessary to ensure that only appropriate employees are hired for all direct-care positions.

In addition, the facility should consider expanding their background checks to include contacting the Department of Mental Health (DMH) who maintains a listing of persons who have been administratively determined to have abused or neglected a DMH client, and the Division of Family Services who maintains the Central Registry of Child Abuse and Neglect which contains information relating to instances of actual or alleged child abuse.

**WE RECOMMEND** the facility:

- A. Develop procedures to ensure the validity or propriety of meal and laundry expenditures.
- B. Ensure all time sheets are properly approved by supervisors.

- C. Ensure that all employee background check information is adequately documented, and consider expanding employee background checks to include the Department of Mental Health Employee Disqualification List and the Central Registry of Child Abuse and Neglect.

**AUDITEE'S RESPONSE:**

- A. *The facility is developing and implementing a policy and procedure to insure the meal count and laundry weights are verified by the facility staff at random times throughout the year. The procedure will verify the information provided by the Missouri Rehabilitation Center is accurate prior to processing the monthly bills. This procedure should be in place and fully functioning by October 1, 2000.*
- B. *An electronic timekeeping system has been installed in the facility to use and electronic time cards have been issued to all employees. Procedures are being developed for the supervisors to approve these electronic records. The procedure will be implemented prior to January 1, 2001.*
- C. *The Division of Aging Nurse Aide registry (which references to the division's EDL) is being checked on all employees prior to working at the facility and the Department of Public Safety completes criminal background checks immediately after employment. The Director of Nursing now formally notes in the upper right hand corner of the employee application the date and results of the Nurse Aide registry response. Both of these procedures are in compliance with current Missouri Nursing Home Regulations and RSMo 660.315 - 660.420 and are currently in place and working in this facility.*

|   |
|---|
| <b>2. Residents= Cash and Assistance League Funds</b> |
|---|

The facility receives money from various resources and deposits it into bank accounts such as the Residents= Cash Fund (RCF) account or the Assistance League Fund (ALF) account. Money received by the facility on behalf of the residents (e.g., social security, pensions, etc.) is deposited into the RCF account and is used for residents= monthly payments for room and board. Personal spending money of the residents can also be deposited into this account. Nominal amounts of cash can be obtained from the facility=s cashier and deducted from this account. Collections from the vending machines and donations are deposited into the ALF account. This money is used by the Assistance League, a not-for-profit organization, to purchase goods and services for the benefit of all residents. During our review of the facility=s procedures for handling transactions from these accounts, we noted the following weaknesses:

- A. Prenumbered receipt slips are not always issued for monies received for the ALF. Issuing and accounting for the numerical sequence of prenumbered receipt slips provides assurance that all monies received have been accounted for and properly recorded.



- B. Disbursements are made from ALF by means of checks signed by either the ALF treasurer or the Veterans= Home Administrator. The treasurer is covered by a \$60,000 bond, however, the administrator is not bonded.

To properly safeguard assets, all individuals with the authority to sign checks or who have access to cash should be adequately bonded.

- C. The facility has adopted a policy whereby interest income of the RCF account is to be expended for the benefit of all residents with the approval of the facility's resident council and administrative personnel. In order for residents to use the RCF account, they are required to sign a form that states they will not receive interest earned on their monies. Interest is not credited to each individual residents account. Interest earned on resident funds amounted to \$2,819 and \$3,760 for the years ended June 30, 1999 and 1998, respectively. Donation of interest income by the residents should be voluntary and should not be made a condition of using the RCF. The accounts of those residents who do not wish to donate their interest income should be credited with the interest earned on their monies.
- D. At June 30, 1999, the facility maintained \$565,529 in checking accounts, money market accounts, and certificates of deposit at primarily one bank. The facility does not have a written depositary agreement with this bank.

Written depositary agreements should be established with each depositary bank selected, outlining the services to be provided by the bank, the charges for the services, and the collateral to be pledged to secure the deposits.

**WE RECOMMEND** the facility:

- A. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.
- B. Consider obtaining bond coverage for all individuals who are authorized to sign checks or who have access to cash.
- C. Revise their policy to allow residents to voluntarily donate their interest income to the RCF. The accounts of the residents who choose not to donate their interest should be credited with the interest earned on their accounts.
- D. Written depositary agreements should be obtained from each depositary bank which specifies the services to be provided and any applicable costs for these services.

**AUDITEE'S RESPONSE:**

- A. *Prenumbered printed receipts have been ordered for the Resident's Cash Fund and these receipts will be issued for all cash and checks received into this fund. A copy of each receipt will remain in the bound books for review and reconciliation of this account. This will be implemented not later than January 1, 2001.*

- B. *Surety bond coverage has been obtained for all employees to handle this fund through the State Risk Management Department in the amount of \$2,500,000 for all seven Missouri Veterans Homes. This amount is equal to one and one-half the amount of the total funds handled by employees. This bond will be in place prior to July 1, 2000.*
- C. *The policy is being changed to allow all residents who deposit money into the Resident Cash Fund to receive interest on all amounts over \$50. The facility has ordered new software to facilitate proper calculation of interest to each resident in this fund and will be implemented not later than January 1, 2001.*
- D. *Although bids were solicited and obtained prior to depositing funds of the Assistance League, no formal agreement was obtained. We are in the process of developing this agreement with the current banking institution and should be completed by November 1, 2000.*

|           |   |
|-----------|---|
| <b>3.</b> | <b>Fixed Asset Records and Procedures</b> |
|-----------|---|

At June 30, 1999, the Mount Vernon Veterans= Home controlled fixed assets totaling approximately \$557,000. Supervisory approval is not required for any dispositions or adjustments to the fixed asset listing. The lack of adequate procedures on dispositions and adjustments made to asset balances results in a loss of control over inventory records

**WE RECOMMEND** the facility require supervisory review and approval for all dispositions or adjustments made to fixed asset balances.

**AUDITEE'S RESPONSE:**

*Fixed assets are currently being transferred to the states=automated accounting system (SAM II) and should be completed by December 1, 2000. The facility Administrator currently reviews and approves disposition of all fixed assets and/or adjustments made to the fixed asset balance sheet. New procedures will be developed after reviewing the new reports and procedures for handling fixed assets under this accounting system.*

|           |   |
|-----------|---|
| <b>4.</b> | <b>Inventory Records and Procedures</b> |
|-----------|---|

- A. Duties of recording and handling supply inventories are not adequately segregated. Physical counts of inventories are taken by the same employee responsible for the custody and record keeping of these inventories. In addition, no supervisory approval is required for adjustments to the inventory listing.

Proper internal control requires physical inventories be conducted by persons who do not have record keeping or custodial duties. In addition, to ensure all adjustments to the inventory listing are valid, someone independent of record keeping and custody of inventory should review and approve all adjustments to the inventory listing.

- B. Inventory requisitions are not always adequately documented to indicate applicable changes in the inventory balances, and as a result perpetual inventory records are not always accurate. In our review of inventory items, four of the eleven items reviewed had perpetual inventory balances different from the quantity actually on hand. Accurate inventory records are necessary to properly account for and safeguard the inventories.

**WE RECOMMEND** the facility:

- A. Adequately segregate the duties of record keeping, handling, and performing physical counts of inventory items and require supervisory review and approval of adjustments made to inventory balances.
- B. Maintain complete and accurate inventory records and document requisitions to indicate applicable changes in the inventory balances.

**AUDITEE'S RESPONSE:**

- A. *Duties have been segregated from record keeping to the actual inventory. Two non-involved employees completed the 1999 inventory and the Administrator approved this inventory. The inventory will be completed annually and documented for facility records by two employees who are not involved in purchasing and/or accounting. This will be completed by July 1, 2000.*
- B. *New software has been ordered to assist the purchasing department in maintaining accurate monthly inventories. This will allow for entry and removal of all items in our inventory. This software will be in place and functioning by January 1, 2001.*

This report is intended for the information of the management of the Mount Vernon Veterans=Home and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

## MOUNT VERNON VETERANS' HOME HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Mount Vernon Veterans= Home originated from an executive order by the governor in 1982 authorizing the conversion of one wing of the Missouri Rehabilitation Center to a skilled-nursing care facility. Actual operations began in May 1983.

The Missouri Veterans' Commission operates six homes for veterans of the state. The homes are located in St. James, Mount Vernon, Mexico, Cape Girardeau, St. Louis, and Cameron. A seventh home in Warrensburg is under construction. Members of the Missouri Veterans=Commission, as of June 30, 1999, were:

| <u>Members</u>                    | <u>Term Expires</u> |
|-----------------------------------|---------------------|
| J.N. (Jack) Matthews, Chairman    | November 2, 1999    |
| Carl H. Niewoehner, Vice Chairman | November 2, 2001    |
| Deborah I. Halter                 | November 2, 2000    |
| Reginald L. Bassa                 | November 2, 2000    |

At June 30, 1999, there was one vacancy on the Commission.

The nursing-care facility provides care to Missouri veterans who are unable to support or adequately care for themselves. Residents of the facility are provided room, board, medication, therapy, personal care, and recreational and religious activities. To qualify for admission, applicants must be honorably discharged veterans of the U. S. Armed Forces, residents of the state of Missouri for at least thirty days prior to the date of application for admission, and in need of nursing care for a chronic disability or physical ailment.

The cost of care is shared by the resident (based on the ability to pay), the Federal Veterans=Administration, and the State of Missouri. Standards of care are established by the Federal Veterans=Administration, and the home is inspected annually to ensure compliance with these standards.

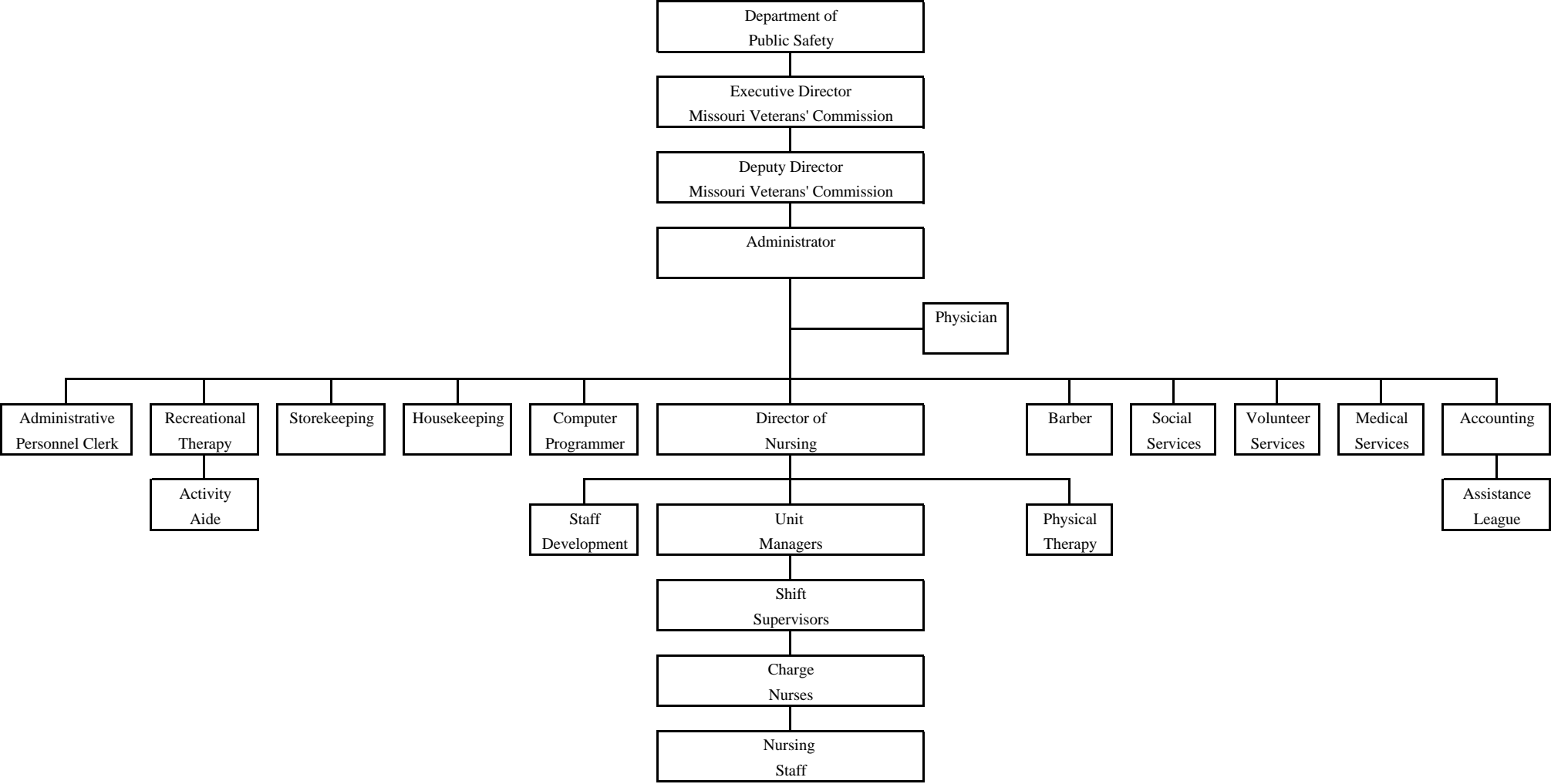
The Mount Vernon Veterans=Home Assistance League, a not-for-profit corporation, was formed to receive donations to be spent for the benefit of all residents of the facility.

At June 30, 1999, the Mount Vernon Veterans' Home had eighty-nine employees. These employees were assigned to various administrative and service sections. Martha Bartelsmeyer served as the Administrator of the facility until her resignation in March 1998. Becky Collette served as Interim Administrator. Don Long became Administrator in April 1998. Statistical data and an organization chart follow:

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS' COMMISSION  
MISSOURI VETERANS' HOME - MOUNT VERNON  
STATISTICAL DATA

|                             | Year Ended June 30, |              |
|-----------------------------|---------------------|--------------|
|                             | 1999                | 1998         |
| RESIDENTS                   | 100                 | 89           |
| OCCUPANCY                   |                     |              |
| Total number of beds        | 103                 | 103          |
| Average daily census        | 96                  | 95           |
| Bed occupancy percentage    | 93%                 | 92%          |
| RESIDENT COST               |                     |              |
| Total resident costs        | \$ 3,199,391        | 3,161,109    |
| Total resident days         | 35,118              | 34,524       |
| Average Daily Resident Cost | \$ <u>91.10</u>     | <u>91.56</u> |

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS' COMMISSION  
MISSOURI VETERANS' HOME - MT. VERNON  
ORGANIZATION CHART  
JUNE 30, 1999





Appendix A

MOUNT VERNON VETERANS' HOME  
COMPARATIVE SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, 1999   |                         |                      | Year Ended June 30, 1998 |                         |                     |
|--|----------------------------|-------------------------|----------------------|--------------------------|-------------------------|---------------------|
|  | Appropriations             | Expenditures            | Lapsed Balances      | Appropriations           | Expenditures            | Lapsed Balances     |
| GENERAL REVENUE FUND - STATE                   | \$                         |                         |                      |                          |                         |                     |
| Personal service                               | 731,805                    | 730,026                 | 1,779                | 715,097                  | 714,050                 | 1,047               |
| Expense and equipment                          | 47,794                     | 47,794                  | 0                    | 51,061                   | 51,060                  | 1                   |
| Total General Revenue Fund - State             | <u>779,599</u>             | <u>777,820</u>          | <u>1,779</u>         | <u>766,158</u>           | <u>765,110</u>          | <u>1,048</u>        |
| MISSOURI VETERANS' HOME FUND                   |                            |                         |                      |                          |                         |                     |
| Personal service                               | 1,116,749                  | 1,094,481               | 22,268               | 1,035,657                | 1,035,473               | 184                 |
| Expense and equipment                          | 1,219,814                  | 1,202,906               | 16,908               | 1,171,337                | 1,169,764               | 1,573               |
| Personal service and/ or expense and equipment | 170,520                    | 117,966                 | 52,554               | 179,880                  | 183,262                 | (3,382)             |
| Total Missouri Veterans' Home Fund             | <u>2,507,083</u>           | <u>2,415,353</u>        | <u>91,730</u>        | <u>2,386,874</u>         | <u>2,388,499</u>        | <u>(1,625)</u>      |
| VETERANS' TRUST FUND                           | 7,500                      | 6,218                   | 1,282                | 7,500                    | 7,500                   | 0                   |
| Total All Funds                                | \$ <u><u>3,294,182</u></u> | <u><u>3,199,391</u></u> | <u><u>94,791</u></u> | <u><u>3,160,532</u></u>  | <u><u>3,161,109</u></u> | <u><u>(577)</u></u> |

Appendix B

MOUNT VERNON VETERANS' HOME

COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

|                                       | Year Ended June 30, |           |
|---------------------------------------|---------------------|-----------|
|                                       | 1999                | 1998      |
| Personal service                      | \$ 1,826,049        | 1,807,583 |
| Travel and vehicle:                   |                     |           |
| Travel                                | 6,106               | 6,161     |
| Other expense                         | 270                 | 1,465     |
| Equipment purchases                   | 0                   | 0         |
| Office and communication:             |                     |           |
| Expense                               | 32,624              | 22,222    |
| Equipment purchases                   | 19,801              | 1,072     |
| Institution and physical plant:       |                     |           |
| Food and food service                 | 625,214             | 640,008   |
| Fuel and utilities                    | 68,106              | 75,704    |
| Drugs and medicine                    | 114,819             | 122,143   |
| Laundry service                       | 187,064             | 158,785   |
| Housekeeping supplies                 | 17,804              | 19,420    |
| Maintenance services                  | 33,641              | 39,716    |
| Medical and laboratory expense        | 120,238             | 137,351   |
| Other expense                         | 4,770               | 1,523     |
| Equipment purchases                   | 3,155               | 11,138    |
| Data processing expense and equipment | 13,335              | 990       |
| Professional services                 | 91,122              | 58,262    |
| Other expense                         | 35,273              | 57,566    |
| Total Expenditures                    | \$ 3,199,391        | 3,161,109 |

Appendix C

MOUNT VERNON VETERANS' HOME  
COMPARATIVE SCHEDULE OF RECEIPTS  
MISSOURI VETERANS' HOME FUND

|                                   |    | Year Ended June 30, |                  |
|-----------------------------------|----|---------------------|------------------|
|                                   |    | 1999                | 1998             |
| Payments from Veterans            | \$ | 1,382,675           | 1,304,712        |
| Veterans' Administration Per Diem |    | 1,432,687           | 1,380,126        |
| Other                             |    | 157                 | 134              |
| Total Receipts                    | \$ | <u>2,815,519</u>    | <u>2,684,972</u> |

Appendix D

MOUNT VERNON VETERANS' HOME  
AUXILIARY FUNDS

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND CASH EQUIVALENTS

|                                     | Year Ended June 30,  |                              |                      |                              |
|-------------------------------------|----------------------|------------------------------|----------------------|------------------------------|
|                                     | 1999                 |                              | 1998                 |                              |
|                                     | Members<br>Cash Fund | Assistance<br>League<br>Fund | Members<br>Cash Fund | Assistance<br>League<br>Fund |
| RECEIPTS                            |                      |                              |                      |                              |
| Sales                               | \$ 0                 | 89                           | 0                    | 194                          |
| Residents' deposits                 | 1,488,790            | 0                            | 1,423,245            | 0                            |
| Interest income                     | 2,819                | 15,457                       | 3,760                | 2,551                        |
| Donations                           | 0                    | 366,504                      | 0                    | 21,645                       |
| Total Receipts                      | <u>1,491,609</u>     | <u>382,050</u>               | <u>1,427,005</u>     | <u>24,390</u>                |
| DISBURSEMENTS                       |                      |                              |                      |                              |
| Resident's withdraws                | 1,500,440            | 0                            | 1,452,362            | 0                            |
| Cost of goods sold                  | 0                    | 110                          | 0                    | 127                          |
| Benefit of residents                | 1,095                | 22,734                       | 3,273                | 37,579                       |
| Total Disbursements                 | <u>1,501,535</u>     | <u>22,844</u>                | <u>1,455,635</u>     | <u>37,706</u>                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -9,926               | 359,206                      | -28,630              | -13,316                      |
| CASH, AND CASH EQUIVALENTS JULY 1   | <u>112,986</u>       | <u>103,799</u>               | <u>141,616</u>       | <u>117,115</u>               |
| CASH, AND CASH EQUIVALENTS JUNE 30  | <u>\$ 103,060</u>    | <u>463,005</u>               | <u>112,986</u>       | <u>103,799</u>               |

\*\*\*\*\*



REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-47  
June 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of a review conducted by our office of the Department of Corrections, Maryville Treatment Center.**

-----  
*The Maryville Treatment Center which opened in December 1996, is located in northwestern Missouri and is a minimum security treatment facility. The facility occupies 11 acres on the site of the former Mount Alverno convent and school. The facility originally opened with 225 inmate beds. Phase two of the facility was completed during May 1998, and the facility now has a capacity of 525 male inmates who have a history of alcohol and drug abuse. Inmates are expected to follow a rigid and demanding schedule of activities to prepare them for a successful and sober transition to the community.*

In July 1997, the Department of Corrections, Division of Offender Rehabilitative Services entered into a contract with Northwest Missouri State University to provide adult basic education and substance abuse treatment to Maryville Treatment Center inmates. Contract expenditures totaled approximately \$1,375,000 and \$1,112,000 for the fiscal years ended June 30, 1999, and 1998, respectively. Several individuals are employed full-time by the university to provide the education and treatment program services. These individuals work out of office space maintained at the Maryville Treatment Center. The university accumulates the program costs and bills the Maryville Treatment Center monthly. We reviewed the contract terms, monthly billings, and supporting documentation, and noted some concerns.

A review of the Maryville Treatment Center business office files pertaining to the university invoices for September 1998 and March 1999 revealed that the treatment center staff is approving significant monthly payments (now exceeding \$100,000/month) without obtaining all appropriate supporting documentation. Such approvals were provided even though discrepancies existed between much of the supporting documentation initially obtained and the itemized expenditure entries. The discrepancies were resolved once we obtained the actual invoices and other documentation from the university. Without careful review procedures in place, inappropriate billings and/or errors could occur and go undetected.

The State Auditor's Office recommends that the Maryville Treatment Center work with the university to obtain and/or review all supporting documentation and resolve any questions or discrepancies prior to approving the university invoices for payment.

(over)

YELLOW SHEET

Since October 1995, the Maryville Treatment Center has utilized the same private vendor to provide and service vending machines at the facility. Commissions paid to the treatment center by the vending company did not comply with their agreement and resulted in an underpayment of \$1,873 from October 1995 through September 1999. Although monthly commission statements provided the necessary details to monitor payments, the errors had not been detected by treatment center staff. Once we brought this to their attention, the vending company was contacted and the treatment center subsequently received \$1,873 in additional commissions in December 1999.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Dora Schriro, Director  
Department of Corrections  
and  
William D. Burgess, III, Superintendent  
Maryville Treatment Center

We have conducted a review of the Department of Corrections, Maryville Treatment Center. The scope of our review included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the treatment center.

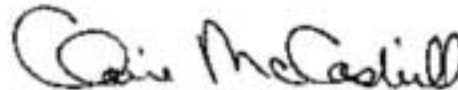
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the treatment center's revenues, expenditures, contracts, applicable legal provisions, rules and regulations, and other pertinent procedures and documents, and interviewed treatment center and other state personnel.

As a part of our review, we assessed the treatment center's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the treatment center's management and the Statewide Accounting for Missouri (SAM) system and was not subjected to the procedures applied in the review of the Department of Corrections, Maryville Treatment Center.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Department of Corrections, Maryville Treatment Center.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 28, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Regina Pruitt, CPA     |
| In-Charge Auditor:  | Steve Marriott, CPA    |
| Audit Staff:        | Renee' Alvarez         |
|                     | Christina Brown        |

## MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
SUMMARY OF FINDINGS

1. Education and Treatment Contract with Northwest Missouri State University (pages 6-7)

The Maryville Treatment Center approves monthly invoices submitted by the university for payment without obtaining or reviewing sufficient supporting documentation.

2. Vending Machine Commissions (pages 7-9)

Commissions paid to the facility by the vending machine company did not comply with their agreement and resulted in an approximate underpayment of \$1,873 from October 1995 through September 1999. In addition, approximately \$170 is due from the personnel club account to the inmate canteen fund as a result of an incorrect allocation of some vending commissions.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S RECOMMENDATIONS

|   |
|---|
| <b>1. Education and Treatment Contract with<br/>Northwest Missouri State University</b> |
|---|

In July 1997, the Department of Corrections (DOC), Division of Offender Rehabilitative Services entered into a contract with Northwest Missouri State University to provide adult basic education and substance abuse treatment to Maryville Treatment Center (MTC) inmates. The original one-year contract contained renewal options for up to four years. The contract services are being provided through an integrated education/treatment correctional community program referred to as treatment, recovery, achievement, integrity, learning, and success (TRAILS). Contract expenditures totaled approximately \$1,375,000 and \$1,112,000 for the fiscal years ended June 30, 1999, and 1998, respectively. There are several individuals employed full-time by the university to provide the TRAILS program services. These individuals work out of office space maintained at the MTC. The university treats the TRAILS program as if it were another department of the university and accumulates the related costs throughout the month. We reviewed the contract terms, monthly billings, and supporting documentation, and noted some concerns.

The contract terms require the university to provide a monthly invoice containing itemized expenditures and appropriate backup documentation. Each month the MTC receives an invoice accompanied by an itemized listing of all program expenses, including a payroll report. No supporting documentation is provided for the non-payroll expense entries such as travel costs (motel, mileage, meals), educational and data processing supplies, postage, telephone, furniture/equipment, publications/books, etc. When the MTC business office receives the university's invoice, one of the employees goes to the TRAILS office (university offices on-site at the MTC) to obtain copies of university purchase orders and/or invoices that are available. For some expenditure items the MTC obtains no documentation to assist in its review and approval process. However, the MTC does not resolve discrepancies between the documentation received and amounts billed or follow-up on those billed items for which no documentation is received. Original invoices, expense reports, and other supporting documentation are filed and retained by the university.

We obtained the MTC business office files pertaining to the university invoices for September 1998 and March 1999, and reviewed the itemized listings of program expenses, payroll report, and other documentation the MTC had obtained. For numerous expense entries, the only support was a university purchase order and we noted many instances where the purchase order did not agree to the amount on the itemized listing. These discrepancies were resolved once we obtained the actual invoice copies from the university. Each month a significant amount is billed for photocopy costs. MTC personnel indicated the university

charges a set fee per copy for copies made at the TRAILS office and at the university copy center. Until October 1999, no reports regarding the copies made and billing calculation were provided to the MTC. As a result of our inquiries, the TRAILS offices recently accumulated copy information from August 1997 to September 1999, and submitted it to the MTC as support for copy costs charged on past billings. No support was available for copies made at the university copy center since such records are only maintained for a short period. During the course of this contract with the university, the MTC has approved payment for photocopy costs totaling approximately \$40,500 without any supporting documentation. While the university's recent report provides support for approximately \$21,800 in photocopy costs for copies made at the TRAILS office, \$18,700 relates to copies apparently made at the university copy center. In addition, each month's billing generally contains an expenditure entry related to supply items purchased at the university store. The TRAILS office prepares a purchase requisition for the necessary supplies and this amount is billed to the MTC. It was necessary to review purchase orders, information regarding items on back order, and actual invoices to determine the amounts billed by the university and approved by the MTC were accurate.

As a result, the MTC is approving significant monthly payments (now exceeding \$100,000/month) without obtaining all appropriate supporting documentation or resolving discrepancies between the supporting documentation that was obtained and the itemized expenditure entries. A careful review of supporting documentation (invoices, expense reports, university copy records, etc) is necessary to substantiate the validity, propriety, and reasonableness of amounts claimed by the university for monthly program expenses. Without such procedures in place, inappropriate billings and/or errors could occur and go undetected.

**WE RECOMMEND** the MTC work with the university to obtain and/or review all supporting documentation and resolve any questions or discrepancies prior to approving the university invoices for payment.

### **AUDITEE'S RESPONSE**

*The Maryville Treatment Center's administration is in agreement that supporting documentation for all TRAILS Program expenditures is necessary prior to approval being granted for payment. Effective beginning with the July 2000 billing, the Maryville Treatment Center's administration will require that billings from Northwest Missouri State University include copies of all purchase orders and their corresponding invoices. Supporting documentation shall be required prior to processing and approving payment by the Maryville Treatment Center.*

|                                       |
|---------------------------------------|
| <b>2. Vending Machine Commissions</b> |
|---------------------------------------|

Since October 1995, the MTC has utilized the same private vendor to provide and service vending machines at the facility. Each month the vendor provides a commissions statement and remits two checks (one payable to the facility's personnel club account and one payable

to the inmate canteen fund) to the MTC. The vending company's February 1997 bid proposal on file at the MTC indicates the vendor is to remit commissions based on a percentage of total gross sales. Vending machine commissions paid to the MTC from October 1995 through September 1999 totaled approximately \$22,552. Our review of the vending arrangement at the MTC and compliance with related departmental policy determined some concerns.

The above mentioned bid proposal indicates that the MTC will receive commissions monthly at a rate of 28.5 percent on total gross sales of all products vended. Both the MTC and vendor personnel indicated the commission percentage has been the same since October 1995. We reviewed commissions from October 1995 through September 1999 and noted that the vendor was not remitting the proper amounts. With the exception of one vending machine for a six month period, commissions were being paid at 28 percent rather than the agreed upon 28.5 percent. It was also noted that the vendor was not paying any commissions on a sandwich machine since its placement in the visitation area in July 1998. After we brought this matter to the MTC's attention, the MTC contacted the vendor and subsequently received \$1,873 in commissions in December 1999. We reviewed the vendor's recalculations for the period October 1995 through September 1999, and it appears the total amount now paid to the MTC for past commission errors is materially correct.

The Department of Corrections Procedure No. D4-4.4, Section III. C. provides that in all institutions the income from vending machines located in areas accessible to both staff and offenders or the public are to be allocated 40 percent to an authorized employee organization or activity and 60 percent to the inmate canteen fund, while all income from vending machines located in institutional areas accessible to employees only may be retained by the authorized employee organization or for an authorized activity. The MTC relies upon the vendor to determine this allocation of commissions between employee and inmate funds. Our review revealed errors in the vendor's allocations. For fifteen months within the period of our review, the commissions from some machines in areas accessible to both staff and offenders or the public (visitation areas) were not designated on the statement by the vendor and the entire commission was paid to the personnel club fund in error, rather than prorated between personnel and inmate funds. As discussed above, while the vendor's total payment to the MTC for past commission errors was corrected in December 1999, a combination of errors in the allocation between employee and inmate funds since January 1997 (when inmate machines were installed) and in the vendor's December 1999 payments for past commission errors, results in approximately \$170 due from the personnel club funds to the inmate canteen fund as of September 1999.

None of the errors noted above had been detected by the MTC business office, although monthly commission statements provided the necessary details to monitor commissions and allocations. In addition to not adequately reviewing the vendor's monthly commission statements, the MTC also has no procedures in place to verify reported sales on which commissions are based. Thorough reviews are necessary to ensure the propriety of commissions received and compliance with bid proposal terms.



**WE RECOMMEND** the MTC establish procedures to verify the reported sales, implement a review procedure that will ensure compliance with contract terms, check the accuracy of commission statements and amounts remitted, and ensure allocations between funds are correct.

**AUDITEE'S RESPONSE**

*Following a review of this finding, the Maryville Treatment Center's administration is in agreement with the State Auditor's recommendation. In March 1997, the Maryville Treatment Center's Business Office accepted a written bid proposal for vending services. Since the audit was conducted at the Maryville Treatment Center, the Business Office has obtained monthly documentation from the vendor. This documentation now enables the Business Office to accurately calculate the 28.5% commission to be distributed to the Employee Personnel Club and Inmate Canteen funds. Presently, Business Office personnel review commission printouts prepared by the vendor to ensure the accuracy of the monies distributed to each of the two funds. On December 22, 1999, the vendor paid \$1,872.90 of the reported approximate \$1,873 underpayment due the Maryville Treatment Center. The \$170 due to the Inmate Canteen fund from the Personnel Club was paid on April 26, 2000.*

This report is intended for the information of the management of the Maryville Treatment Center and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

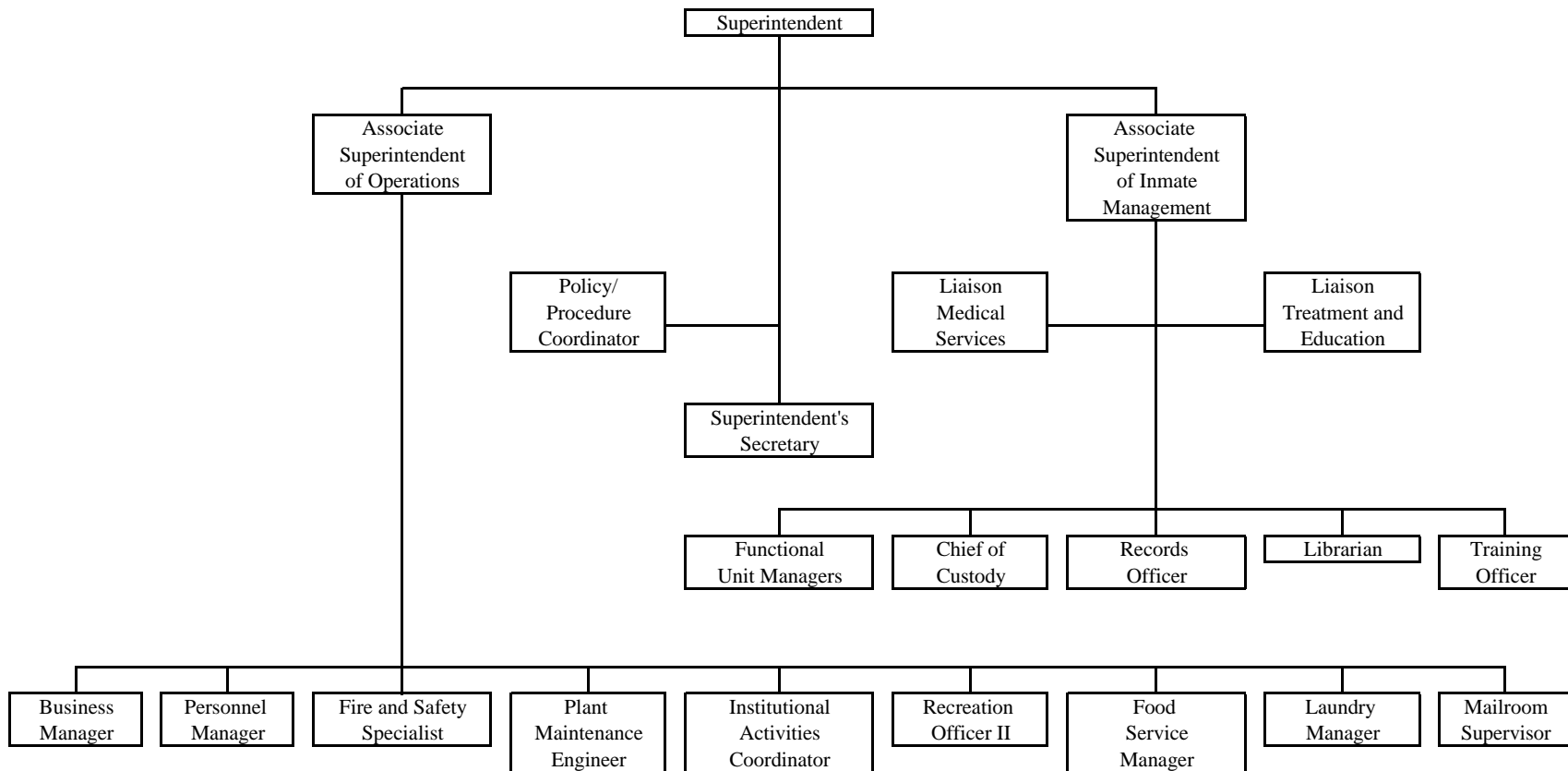
The Maryville Treatment Center (MTC), which opened in December 1996, is located in northwestern Missouri and is a minimum security treatment facility. The facility occupies 11 acres on the site of the former Mount Alverno convent and school. The facility originally opened with 225 inmate beds. Phase two of the facility was completed during May 1998, and the facility now has a capacity of 525 male inmates who have a history of alcohol and drug abuse. Inmates are expected to follow a rigid and demanding schedule of activities to prepare them for a successful and sober transition to the community.

The administration of the MTC consists of one superintendent and two associate superintendents. The associate superintendent of operations is responsible for inmate food services, recreation, institutional activities, facilities maintenance, fire and safety, and laundry, as well as the operation of the business office, mailroom, and personnel office. The associate superintendent of inmate management is responsible for inmate custody and classification and acts as a liaison between the Department of Corrections and Northwest Missouri State University personnel working at the facility.

The Department of Corrections has entered into an inter-agency agreement with the Northwest Missouri State University. Through this agreement the university provides adult basic education and drug and alcohol treatment to the facility's 525 inmates. This treatment program is overseen by an oversight committee which is composed of university personnel from the psychology, sociology, and criminal justice departments, and has received a provisional certification from the Department of Mental Health, Division of Alcohol and Drug Abuse. The adult basic education program is operated in cooperation with the Maryville School District, and is certified by the Department of Elementary and Secondary Education.

The MTC employed approximately 247 employees assigned to various administrative, service, and security functions as of June 30, 1999. Northwest Missouri State University had approximately 37 employees assigned to the education and treatment functions at the facility as of June 30, 1999. William Burgess serves as the facility superintendent. An organization chart follows.

DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
ORGANIZATION CHART  
JUNE 30, 1999



Appendix A

DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES (See Note)

|                              |    | Year Ended June 30, |                  |                    |                  |                  |                    |
|------------------------------|----|---------------------|------------------|--------------------|------------------|------------------|--------------------|
|                              |    | 1999                |                  |                    | 1998             |                  |                    |
|                              |    | Appropriations      | Expenditures     | Lapsed<br>Balances | Appropriations   | Expenditures     | Lapsed<br>Balances |
| GENERAL REVENUE FUND - STATE |    |                     |                  |                    |                  |                  |                    |
| Personal Service             | \$ | 3,988,915           | 3,725,035        | 263,880            | 1,958,062        | 1,919,825        | 38,237             |
| Expense and Equipment        |    | 313,373             | 286,316          | 27,057             | 0                | 0                | 0                  |
| Total General Revenue Fur    | \$ | <u>4,302,288</u>    | <u>4,011,351</u> | <u>290,937</u>     | <u>1,958,062</u> | <u>1,919,825</u> | <u>38,237</u>      |

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the state treasurer as fund custodian and the Office of Administration provide administrative control over the fund resources within the authority prescribed by the General Assembly. This does not represent all expenditures of the facility. Some expenditures relating to individual facilities are charged to department-wide appropriations and not identified by facility (including some purchases of food inventory, computer equipment, and paper products). Expenditures charged to department-wide appropriations that are identified to MTC are noted in Appendix B.

Appendix B

DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS) (See Note)

|   | Year Ended June 30,                             |   |   |   |
|---|---|---|---|---|
|   | 1999  |   | 1998  |   |
|   | Expenditures<br>From Facility<br>Appropriations | Expenditures From<br>Department-wide<br>Appropriations<br>for MTC | Expenditures<br>From Facility<br>Appropriations | Expenditures From<br>Department-wide<br>Appropriations<br>for MTC |
| Salaries for permanent employees            | \$ 3,722,403                                    | 1,790,876   | 1,919,825                                       | 2,006,797   |
| Wages for temporary employees               | 2,632   | 6,125   | 0   | 6,076   |
| Travel and vehicle expense                  | 17,508  | 16,743  | 0   | 21,036  |
| Office expense                              | 9,196   | 33,789  | 0   | 47,132  |
| Office and communication equipment purchase | 0   | 1,393   | 0   | 111,870   |
| Communication expense                       | 11,994  | 9,139   | 0   | 55,006  |
| Institution and physical plant expense      | 212,319   | 106,117   | 0   | 443,009   |
| Institution and physical plant purchase     | 23,292  | 12,029  | 0   | 205,443   |
| Data processing expense and equipment       | 4,319   | 952   | 0   | 859,659   |
| Professional services                       | 5,748   | 1,372,274   | 0   | 1,111,632   |
| Other expense                               | 1,940   | 10,095  | 0   | 34,470  |
| Total Expenditures                          | <u>\$ 4,011,351</u>                             | <u>3,359,532</u>  | <u>1,919,825</u>                                | <u>4,902,130</u>  |

Note: Not included in this schedule are expenditures paid from department-wide appropriations that do not specify amounts by facility.

\* \* \* \* \*



REVIEW OF THE  
HIGHWAY RECIPROCITY COMMISSION

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-46  
June 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following areas of concern were discovered as a result of a review conducted by our office of the Highway Reciprocity Commission.**

---

Under the International Fuel Tax Agreement (IFTA), the Highway Reciprocity Commission (HRC) is responsible for collecting and distributing motor fuel taxes from Missouri based licensees. Under the agreement, each Missouri based over the road carrier is required to hold an IFTA license, file quarterly fuel tax returns, and remit the applicable taxes.

The IFTA agreement states that if the commission exercises its right to require that a bond be posted, the bond should be at least twice the estimated average tax liability. Of the 23 carriers we reviewed which were required to post a bond, eight failed to post a sufficient bond.

As a result of an internal audit, the HRC has established a procedure of completing and filing a reinstatement checklist when reinstating revoked carriers. Although the HRC has established this procedure, we noted that a reinstatement checklist was either not completed at all, or was incomplete for some carriers we reviewed.

Our review of the "IFTA Carriers With A Bond" report revealed that the HRC is holding 27 cash bonds, totaling \$13,500, for accounts that have been closed. Bonds are not automatically refunded when an account is closed. In addition, the HRC is holding bond monies for 36 non-renewed accounts totaling \$18,000.

The HRC mails other jurisdictions a monthly letter notifying the respective jurisdiction of the net amount of fuel taxes due to or from the State of Missouri related to IFTA transactions. Reimbursements received remain in the commission's holding account until the reimbursement documentation has been processed. As of December 1999, reimbursements of approximately \$1 million, dating as far back as March 1998, remained in the holding account.

If the additional registration fees for temporary permits are not received within 20 days of billing, the HRC places the carrier on the Missouri Highway Patrol Bulletin until the fees are paid or for a period of three years. If unpaid for three years these accounts are considered uncollectible, and are written off. The employee responsible for determining which accounts are to be written off is the same employee that bills the carriers and receipts monies.

Concerns were also noted with the edit function of the HRC's computerized receipt system and with the inability of the system to generate a change report.

YELLOW SHEET

REVIEW OF THE  
HIGHWAY RECIPROCITY COMMISSION

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
The Highway Reciprocity Commission  
Jefferson City, Missouri 65109

We have conducted a review of the Highway Reciprocity Commission (HRC). The scope of our review included, but was not necessarily limited to, the three fiscal years ended June 30, 1999. The objectives of this review were to review certain internal control procedures, compliance issues, and management practices to determine the propriety, efficiency and effectiveness of those procedures and practices, and to review selected financial transactions of the HRC.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the agency's revenues, expenditures, agreements and other pertinent records, procedures and documents and interviewed various agency personnel.

As part of our review, we assessed the agency's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain policies and procedures.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Commission's management and was not subjected to the procedures applied in the review of the Highway Reciprocity Commission.



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
The Highway Reciprocity Commission  
Jefferson City, Missouri 65109

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The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Commission's management and was not subjected to the procedures applied in the review of the Highway Reciprocity Commission.

## MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF THE HIGHWAY RECIPROCITY COMMISSION  
SUMMARY OF FINDINGS

1. International Fuel Tax Agreement (pages 6-8)

Some bonds posted by carriers were not sufficient. A reinstatement checklist is not always properly completed when reinstating revoked carriers. The Highway Reciprocity Commission (HRC) is holding cash bonds for accounts that have been closed or not renewed.

2. Fuel Tax Reimbursements and Overpayments (pages 8-10)

A subsidiary accounts receivable ledger is not maintained for reimbursements due from other jurisdictions. Reimbursements received from other jurisdictions are not processed in a timely manner and as of December 14, 1999, reimbursements of approximately \$1 million dating as far back as March 1998 remained in the holding account. Tax overpayments are not applied to past due tax liabilities.

3. International Registration Plan Monies (pages 10-11)

Duties related to accounts receivable are not adequately segregated.

4. Documentation of Receipts (pages 11-12)

Each time receipt information is accessed on the HRC's receipt system, the receipt date is automatically changed. A change report is not generated which reflects changes made to the receipt system.

REVIEW OF THE  
HIGHWAY RECIPROCITY COMMISSION  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S RECOMMENDATIONS

|           |   |
|-----------|---|
| <b>1.</b> | <b>International Fuel Tax Agreement</b> |
|-----------|---|

Under the International Fuel Tax Agreement (IFTA), the Highway Reciprocity Commission (HRC) is responsible for collecting and distributing motor fuel taxes from Missouri based IFTA licensees. Under the IFTA agreement, each Missouri based over the road carrier is required to hold an IFTA license, file quarterly fuel tax returns, and remit the applicable taxes. All IFTA monies received by the HRC, except IFTA bonds, are deposited to the HRC holding bank account maintained by the HRC. IFTA monies due to other jurisdictions are transferred to the IFTA bank account (maintained by the HRC) for distribution and monies due to the state of Missouri are transferred to the state treasury. Refunds to carriers for overpayment of taxes are also paid from the IFTA bank account. IFTA cash bonds filed with the HRC are held in a separate bond bank account maintained by the HRC.

The HRC has the authority to revoke the IFTA license for those licensees that fail to file timely returns or remit the applicable taxes. To reinstate a revoked IFTA license, the carrier is required to file all past due tax returns and remit the applicable taxes and penalties due. The agreement also grants the commission the authority to require that a bond be posted, in order to reinstate a revoked IFTA license. Our review of IFTA transactions and procedures revealed the following concerns:

- A. The IFTA agreement states that if the commission exercises its right to require that a bond be posted, the bond should be at least twice the estimated average tax liability. The HRC requires bonds to be posted.

Of the twenty five accounts we reviewed, twenty three carriers should have posted a bond. Two carriers reviewed received a bond waiver from the HRC. Of the twenty-three carriers required to post a bond, eight failed to post a sufficient bond.

By failing to require sufficient bonds, the HRC increases the risk of not having sufficient funds to cover the future tax liabilities of repeat non-filers. In addition, the HRC is not in compliance with the IFTA agreement.

- B. As a result of an internal audit, the HRC has established a procedure of completing and filing a reinstatement checklist when reinstating revoked carriers. Although the HRC has established this procedure, we noted that for 18 out of 24 carriers reviewed, a reinstatement checklist was either not completed at all, or was incomplete.



By failing to complete the reinstatement checklist, the HRC has less assurance that all the necessary steps are performed when reinstating carriers.

- C. During our review of the “IFTA Carriers With A Bond” report we noted the following.
1. The report revealed that the HRC is holding 27 cash bonds, totaling \$13,500, for accounts that have been closed. Bonds are not automatically refunded when an account is closed. The HRC requires the IFTA licensee to request a refund. There is no documentation these carriers have been notified that a bond is no longer required and that a refund can be requested. In addition, we determined that the HRC is holding bond monies for 36 non-renewed accounts, totaling \$18,000. Of these 36 account holders, only 5 were notified they could request a refund of bond monies.
  2. The report indicated the HRC had “no current fleet data on file” for numerous carriers. We looked at the 1997 report to determine which carriers had no fleet data on file and what their status was (e.g. active, revoked, etc.) prior to July 1, 1996. The 1997 report revealed that current fleet data was unavailable for 92 carriers that had posted a bond. Seventeen of the twenty-five accounts we reviewed, totaling \$8,560, were closed or non-renewed, prior to July 1, 1996. The closing and non-renewal of these accounts dated back as far as 1994. The other 8 accounts were reinstated in 1999 and we were unable to determine their status in 1997.

Continuing to track bonds for carriers who are closed or non-renewed results in an unnecessary administrative burden. Bonds for closed or non-renewed accounts should be applied to any unpaid taxes, the carrier should be notified, and bonds should be refunded.

Conditions A and B were similarly noted in a Department of Revenue Internal Audit dated March 14, 1996.

**WE RECOMMEND** the Highway Reciprocity Commission:

- A. Collect bond amounts in compliance with the International Fuel Tax agreement.
- B. Follow its established procedure of completing a reinstatement checklist when reinstating an IFTA license.
- C. Contact the carriers and refund bonds on closed or non-renewed accounts.

## **AUDITEE'S RESPONSE**

### *The Highway Reciprocity Commission:*

- A. *Agrees with this recommendation, however, "compliance" with the IFTA agreement may not be the correct word. In the June 1998 peer review of Missouri, the IFTA peer review committee indicated no bonding problems since the IFTA agreement states that bonds are optional in the first place. However, HRC will review the policy on bond requirements to ensure future carrier bonds are equal to the carrier's projected outstanding tax liability per the recommendations. This review will be completed by August 1, 2000.*
- B. *Agrees with this recommendation. However, it was not totally implemented internally. HRC will re-evaluate the procedures for completing the reinstatement checklist prior to July 1, 2000.*
- C. *Agrees with this recommendation. This recommendation was implemented as of March 2000.*

|  |
|--|
| <b>2. Fuel Tax Reimbursements and Overpayments</b> |
|--|

Each Missouri IFTA licensee is required to file quarterly fuel tax returns. Completed returns are processed by the Highway Reciprocity Commission (HRC), which involves the HRC's computer system recalculating the taxes due. Taxes collected are deposited in an HRC bank account and then distributed to the various applicable jurisdictions. Our review of fuel tax procedures revealed the following:

- A. Every month, the HRC mails other jurisdictions a letter notifying the respective jurisdiction of the net amount due to or from the State of Missouri related to IFTA transactions. When reimbursements are received from the various jurisdictions the monies are receipted onto the system and deposited in the HRC's holding bank account. When the monies are identified they are transferred to the IFTA account. We noted the following weaknesses in accounting for these monies:
  - 1) A subsidiary accounts receivable ledger is not maintained for reimbursement requests mailed to other jurisdictions. In addition, procedures do not exist to ensure reimbursements are received.

Failure to maintain adequate accounts receivable records increases the likelihood that accounts receivable will not be collected and that loss or misappropriation of monies received will not be detected on a timely basis.

- 2) Reimbursements received from the various jurisdictions are not processed in a timely manner. Reimbursements received appear as unidentified on the Daily Unidentified Miscellaneous Monies Report (report) and remain in the holding account until the reimbursement documentation has been processed. As of December 14, 1999, reimbursements of approximately \$1 million, dating as far back as March 1998, remained in the holding account.

The HRC uses the reimbursement requests to identify the monies on this report. Reimbursement requests, which were in no particular order, were located in a box that had been placed in a storage room. Reimbursement requests totaling approximately \$247,000 were located which agreed to the report, but had not been processed. Letters could not be located for the remaining items on the report. In addition, there were reimbursement letters located in the box totaling approximately \$433,000 which were not included on the report. HRC personnel indicated that some jurisdictions will submit an amount that is reduced by the amount Missouri owes that jurisdiction. As a result, some of the letters may pertain to amounts on the report; however, these cannot be processed due to the jurisdiction submitting an amount that was less than the amount requested.

Failure to timely process monies received results in the monies not being used effectively and increases the risk that loss or misappropriation of funds will not be detected on a timely basis.

- B. The HRC revokes a Missouri carrier's IFTA license and estimates the taxes due when a carrier fails to timely file quarterly tax returns and pay taxes due. If a carrier with a revoked license remits a subsequent quarter's tax return which results in an overpayment, the overpayment is not applied towards the past due estimated tax liability. If the taxpayer has indicated that overpayments are to be refunded, the refund is held by the HRC until the taxpayer files and pays the past due tax liability. However, if the taxpayer does not indicate that overpayments are to be refunded, a credit is applied to the account, which may be used to offset future tax liabilities.

Failure to apply overpayments to past due tax liabilities increases the possibility that past due tax revenues will not be collected. In addition, crediting overpayments to past due liabilities could relieve the administrative burden of continuing to track these amounts.

**WE RECOMMEND** the Highway Reciprocity Commission:

- A.1. Maintain accounts receivable ledgers for all monies due and establish procedures for following up on past due accounts receivable balances.
2. Determine the status of unidentified monies and maintain all documentation so that refund reimbursements can be processed and identified in a timely manner.

- B. Apply overpayments to past due tax liabilities.

**AUDITEE'S RESPONSE**

*The Highway Reciprocity Commission:*

- A.1. *Agrees with this recommendation. An accounts receivable aging ledger was established in January 2000. Member jurisdictions are notified monthly of monies due Missouri from its transmittal. The member jurisdiction transmittals are entered into the ledger. Payments are recorded as received noting the date, amount and check number. If the amount is "netted" on the member jurisdiction transmittal, the amount is also entered into the ledger.*

*Procedures for collection of past due accounts will be re-evaluated prior to September 1, 2000.*

2. *Agrees with this recommendation. All outstanding monies were processed as of February 29, 2000.*

- B. *Agrees with this recommendation. Overpayments are now applied to past due tax liabilities on a monthly basis.*

|  |
|--|
| <b>3. International Registration Plan Monies</b> |
|--|

Under the International Registration Plan (IRP) agreement, the HRC is responsible for collecting and disbursing vehicle registration fees from Missouri based carriers. Fees are computed for each jurisdiction in which the carrier travels by using established fee schedules. The total registration fee is collected by the HRC and deposited to the HRC holding bank account. IRP monies due to other jurisdictions are transferred to the IRP bank account (maintained by the HRC) for distribution. Monies due to the state of Missouri are transferred to the state treasury. The IRP agreement explicitly states that registration renewal applications must be completed and returned to the HRC postmarked no later than October 1 and payment of registration fees must be postmarked no later than December 1.

After the renewal application has been processed, the carrier can incur additional registration fees by adding vehicles to its fleet. When a carrier adds a vehicle to its fleet, a temporary permit for the vehicle may be obtained, which is valid for 45 days. Upon receipt of the required registration documents, the HRC bills the carrier for the additional registration fees. If the additional fees are not received within 20 days of billing, the HRC places the carrier on the Missouri Highway Patrol Bulletin until the fees are paid or for a period of three years.

Each year the HRC reviews the Missouri Highway Patrol Bulletin to determine which carriers have remained on the bulletin for a period of three years. The accounts of those carriers that have

remained unpaid for three years are considered uncollectible, and are written off. The employee responsible for determining which accounts are to be written off is the same employee that bills the carriers and receipts monies.

Proper internal controls over revenues require that the responsibilities of billing, receiving, recording, and writing off uncollectible accounts be properly segregated. By failing to segregate these duties, and properly reviewing and approving the write off of uncollectible accounts, the HRC has ineffective controls over its accounts receivables which increases the risk that the loss or misuse of funds will not be detected in a timely manner.

**WE RECOMMEND** the Highway Reciprocity Commission segregate the duties of billing, receiving, recording, and disbursing monies, as well as the write off of uncollectible accounts.

#### **AUDITEE'S RESPONSE**

*The Highway Reciprocity Commission agrees with this recommendation. Although duties are currently segregated to the extent that budget restraints will allow. Uncollectible accounts will be reviewed by the accounting supervisor prior to being written off.*

|                                     |
|-------------------------------------|
| <b>4. Documentation of Receipts</b> |
|-------------------------------------|

All monies received by the HRC are recorded onto the agency's receipt system. When the monies are recorded, the system automatically assigns the transaction a receipt key number. Built into the receipt system is an edit function which allows information recorded on the receipt system to be changed.

- A. The edit function can be easily accessed by typing in the original assigned receipt key number on the edit function screen. Each time the receipt information is accessed, the system automatically changes the receipt date to the current date.

For proper accountability of monies received, the receipt date recorded on the receipt system should be the date the monies were actually received. Automatically changing the receipt date could make reconciliations more difficult and time consuming, reduces the audit trail for those transactions, and increases the possibility that loss or misappropriation of monies received will not be detected in a timely manner. Changes to the receipt date should be initiated only when necessary and reflected on a change report.

- B. The account clerks receipting the monies have receipt edit function capabilities and when the edit function is accessed, any information on the original receipt can be changed including the carrier's name, the account number, and the amount. A change report is not generated which reflects the changes made. As a result, after a change has been made, there is no record of the information that was previously in the file.

Failure to generate a change report reduces control over the receipt function and increases the possibility that loss or misappropriation of monies received will not be detected in a timely manner.

**WE RECOMMEND** the Highway Reciprocity Commission ensure that change reports are generated and reviewed by someone independent of the receipting function. In addition, the system should be modified so the receipt date is not automatically changed when receipt information is accessed.

**AUDITEE'S RESPONSE**

*The Highway Reciprocity Commission agrees with these recommendations. The legacy computer system currently in use at HRC does not allow for proper tracking of modifications to account information. HRC is currently evaluating a new computer system that would have this tracking function as well as other security features.*

This report is intended for the information of the management of the Highway Reciprocity Commission and other government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information



## HIGHWAY RECIPROCITY COMMISSION HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Highway Reciprocity Commission (HRC) was created in 1958 to negotiate and enter into reciprocal agreements or arrangements with other states, the District of Columbia, territories and possessions of the United States and foreign countries concerning motor vehicle registration fees. From its inception, the Highway Reciprocity Commission became a member of the Uniform Proration Agreement. On November 2, 1959, Missouri was one of the first jurisdictions to join the multi-state agreement. On September 13, 1973, Missouri was one of the original four states initiating the International Registration Plan (IRP) in accordance with Sections 301.273 through 301.279, RSMo. As to those jurisdictions and provinces with whom Missouri has no agreement, Section 301.271, RSMo, provides for a “mirror type” agreement. Beginning in the calendar year 1990, the HRC assumed administrative responsibility for the International Fuel Tax Agreement (IFTA) in accordance with Section 142.617, RSMo.

Currently, the Commission administers two federal mandates; the International Registration Plan (IRP) and the International Fuel Tax Agreement (IFTA).

In accordance with the Omnibus State Reorganization Act of 1974, the HRC was transferred to the Department of Revenue under a Type II transfer. On July 1, 1975, the Department of Revenue’s Division of Administration assumed the responsibility for keeping the Commission’s records on operations, payroll and property control.

The Commission is composed of the Governor, Attorney General, Director of the Missouri Department of Transportation, Director of Revenue, Superintendent of the Missouri State Highway Patrol, and Director of the Division of Motor Carrier and Railroad Safety in the Department of Economic Development, and/or its appointed delegates. The Commission elects a chairperson and other officers that it deems necessary, fixes the time and place of its meetings and determines its own procedures. By statute, the secretary (executive director is the current title) has charge of the office of the commission and its employees and is the custodian of its records.

As of December 1999, the Commission consisted of:

### Members

Mel Carnahan, Governor  
Jay Nixon, Attorney General  
Steve Waters, Director, Motor Carrier  
& Railroad Safety, Department of  
Economic Development  
Weldon Wilhoit, Superintendent  
Missouri State Highway Patrol  
Henry Hungerbeeler, Director  
Department of Transportation  
Quentin Wilson, Chairman, Director of Revenue

### Delegates

Chris Sifford, Governor’s Office  
Mark Long, Assistant Attorney General  
  
Captain Dwight Hartung, MSHP  
Bill Wilson, Administrator, Motor  
Carrier Service, MoDOT

Larry Thomason serves as the Executive Director. As of December 1999, the HRC employed 33 personnel.

## Appendix A

HIGHWAY RECIPROCITY COMMISSION  
STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|                               |    | Year Ended June 30, |              |          |                |              |          |                |              |          |
|-------------------------------|----|---------------------|--------------|----------|----------------|--------------|----------|----------------|--------------|----------|
|                               |    | 1999                |              |          | 1998           |              |          | 1997           |              |          |
|                               |    |                     |              | Lapsed   |                |              | Lapsed   |                |              | Lapsed   |
|                               |    | Appropriations      | Expenditures | Balances | Appropriations | Expenditures | Balances | Appropriations | Expenditures | Balances |
| DEPARTMENT OF REVENUE -       |    |                     |              |          |                |              |          |                |              |          |
| FEDERAL FUND                  |    |                     |              |          |                |              |          |                |              |          |
| Personal Service and/or       |    |                     |              |          |                |              |          |                |              |          |
| Expense and Equipment         | \$ | 50,000              | 3,704        | 46,296   | 79,590         | 27,877       | 51,713   | 79,590         | 79,436       | 154      |
| Total Department of           |    |                     |              |          |                |              |          |                |              |          |
| Revenue - Federal Fund        |    | 50,000              | 3,704        | 46,296   | 79,590         | 27,877       | 51,713   | 79,590         | 79,436       | 154      |
| HIGHWAY DEPARTMENT FUND       |    |                     |              |          |                |              |          |                |              |          |
| Personal Service              |    | 900,655             | 866,490      | 34,165   | 867,298        | 855,967      | 11,331   | 823,359        | 818,304      | 5,055    |
| Expense and Equipment         |    | 341,573             | 338,330      | 3,243    | 341,573        | 311,424      | 30,149   | 329,306        | 324,231      | 5,075    |
| Total Highway Department Fund |    | 1,242,228           | 1,204,820    | 37,408   | 1,208,871      | 1,167,391    | 41,480   | 1,152,665      | 1,142,535    | 10,130   |
| Total All Funds               | \$ | 1,292,228           | 1,208,524    | 83,704   | 1,288,461      | 1,195,268    | 93,193   | 1,232,255      | 1,221,971    | 10,284   |

Appendix B

HIGHWAY RECIPROCITY COMMISSION

COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

|   |    | Year Ended June 30, |                  |                  |                  |                  |
|---|----|---------------------|------------------|------------------|------------------|------------------|
|   |    | 1999                | 1998             | 1997             | 1996             | 1995             |
| Salaries for permanent employees              | \$ | 855,820             | 843,583          | 811,997          | 773,053          | 726,419          |
| Wages for temporary employees                 |    | 10,669              | 12,384           | 6,307            | 4,187            | 778              |
| Travel and vehicle expense                    |    | 11,202              | 11,579           | 15,269           | 15,392           | 19,020           |
| Office expense                                |    | 105,517             | 115,966          | 137,222          | 111,247          | 66,064           |
| Office & communication<br>equipment purchases |    | 9,969               | 3,877            | 18,872           | 49,208           | 11,502           |
| Communication expense                         |    | 17,432              | 17,777           | 11,408           | 10,648           | 10,802           |
| Institution & physical plant expenditure      |    | 21,000              | 26,063           | 27,926           | 7,139            | 4,987            |
| Insitution & physical plant purchase          |    | 0                   | 0                | 0                | 940              | 0                |
| Data processing expense & equipment           |    | 139,660             | 132,001          | 158,281          | 113,517          | 194,480          |
| Professional services                         |    | 0                   | 411              | 1,608            | 6,381            | 4,540            |
| Other expense                                 |    | 37,255              | 31,627           | 33,081           | 10,269           | 13,830           |
| Total Expenditures                            | \$ | <u>1,208,524</u>    | <u>1,195,268</u> | <u>1,221,971</u> | <u>1,101,981</u> | <u>1,052,422</u> |

# Appendix C

## HIGHWAY RECIPROCITY COMMISSION SCHEDULE OF RECEIPTS (TRANSFERRED TO THE STATE TREASURY)

|                           | Year Ended June 30,  |                   |                   |
|---------------------------|----------------------|-------------------|-------------------|
|                           | 1999                 | 1998              | 1997              |
| IRP Fees                  | \$ 66,082,691        | 59,137,210        | 56,857,489        |
| Cab Cards                 | 156,028              | 145,774           | 129,412           |
| Transfer Fees             | 14,606               | 12,034            | 10,036            |
| IRP Penalties             | 274,847              | 282,122           | 226,130           |
| Grade Crossing Safety Fee | 11,281               | 10,885            | 10,075            |
| Duplicate Plates          | 1,387                | 831               | 635               |
| Permits                   | 235,907              | 239,720           | 244,382           |
| Investment Interest       | 447,984              | 419,503           | 187,600           |
| IFTA Tax                  | 1,302,028            | 804,061           | 631,421           |
| IFTA Interest             | 67,961               | 52,054            | 35,620            |
| IFTA Penalty              | 91,756               | 117,995           | 99,165            |
| Other                     | 1,095                | 135               | 188               |
| Total Receipts            | \$ <u>68,687,571</u> | <u>61,222,324</u> | <u>58,432,153</u> |

\* \* \* \* \*



CITY OF MOUNT VERNON, MISSOURI

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-45  
June 15, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Mount Vernon, Missouri.**

---

The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained for \$53,154 for property and liability insurance; \$17,703 for fuel; \$44,482 for water and sewer supplies; and \$4,500 for a backhoe lease. Some board minutes did not contain documentation of the justification for accepting a bid other than the lowest bid or of sole source procurement situations and the city did not solicit proposals for auditing services.

Formal bidding procedures provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business.

The city purchased property for \$187,000 without obtaining an independent appraisal.

The city uses the Electric Fund to help finance other city operations. During the year ended June 30, 1999, the city transferred \$400,000 from the Electric Fund to the city's General Fund. Transfers totaling \$212,150, \$100,000, and \$200,000 were also made during the years ended June 30, 1998, 1997, and 1996, respectively. In addition, \$250,000 has been budgeted as a transfer for the year ended June 30, 2000. Transfers from the Electric Fund to the General Fund have been a regular part of the city's budgeting and funding process for many years. In addition, the taxi driver's salary of \$21,000 plus fringe benefits were paid from the Electric Fund.

The Electric Fund, Water Fund, and Sewer Fund are separate accounting entities designed to account for specific city activities. Utility revenues should be used to fund the operations of the respective utilities only.

The city has not performed periodic formal reviews of the electric, water, and sewer rates. City ordinance requires the water and sewer rates to be set at an amount adequate to generate revenues to cover the costs of operation, maintenance, and replacement of the system; however, there is no documentation to indicate the city periodically reviews water or sewer rates to ensure these costs are adequately covered without generating excess revenues.

(over)

YELLOW SHEET

The city has not consistently enforced the ordinance requiring property owners to share the cost of replacing sidewalks.

Procedures have not been established for the enforcement of the building codes ordinance, and inspections are not adequately documented. The position of Building Inspector has not been established by ordinance.

Improvements are needed in the preparation of city budgets. The city approved expenditures in excess of budgeted amounts. Annual financial reports are not submitted to the State Auditor's office as required by state law.

Accounting duties are not adequately segregated, and receipt slips are not issued for some monies received by the municipal court.



CITY OF MOUNT VERNON, MISSOURI

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**CLAIRE C. McCASKILL**  
Missouri State Auditor

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Mount Vernon  
Mount Vernon, Missouri 65712

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Mount Vernon, Missouri. The city had engaged Compere & Robinette, P.C., Certified Public Accountants, (CPA firm) to perform a financial audit of the city for the year ended June 30, 1999. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

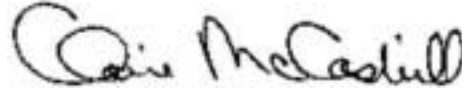
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted auditing standards and included such procedures as we deemed necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Mount Vernon, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 14, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                     |
|---------------------|---------------------|
| Director of Audits: | Karen Laves, CPA    |
| Audit Manager:      | David Holtmann, CPA |
| In-Charge Auditor:  | Holly Gilstrap, CPA |
| Audit Staff:        | Ted Fugitt          |
|                     | Troy Royer          |

## HISTORY AND ORGANIZATION

# CITY OF MOUNT VERNON, MISSOURI HISTORY AND ORGANIZATION

The city of Mount Vernon is located in Lawrence County. The city was incorporated in 1848 as a fourth-class city. The population of the city in 1990 was 3,791.

The city government consists of a mayor and eight-member board of aldermen. The eight board members are elected for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1999, were:

| <u>Elected Officials</u>                       | <u>Term Expires</u> | <u>Actual Compensation for the Year Ended June 30, 1999</u> | <u>Bond Amount</u> |
|--|---------------------|---|--------------------|
| Neal S. Underwood, Mayor (1)                   | April 2000          | \$ 4,000  | \$                 |
| Darrel Baldwin, Alderman (2)                   | April 2000          | 700   |                    |
| Anna Ford, Alderwoman (2)                      | April 2000          | 700   |                    |
| Rex Reese, Alderman (3)                        | April 2000          | 750   |                    |
| David Thomas, Alderman (4)                     | April 2000          | 450   |                    |
| Derick Barnes, Alderman (5)                    | April 2001          | 600   |                    |
| Bruce Conway, Alderman                         | April 2001          | 250   |                    |
| B. Thomas Cox, Alderman                        | April 2001          | 400   |                    |
| Della Mieswinkel, Alderwoman                   | April 2001          | 250   |                    |
| W. F. Turk, Police Chief/<br>City Marshall (2) | April 2000          | 33,000  |                    |
| <u>Other Principal Officials</u>               |                     |   |                    |
| Jack Swearingen, City Administrator (6)        |                     | 48,646  |                    |
| Mary H. Walker, City Clerk                     |                     | 36,000  | 5,000              |
| Lance D. Welch, City Treasurer                 |                     | 15,000  | 300,000            |
| Lois Baker, Collector of Revenue               |                     | 26,400  | 5,000              |
| Andrew Hager, City Attorney                    |                     | 10,800  |                    |
| Melvin Owens, Fire Chief (7)                   |                     | 36,150  |                    |

- (1) Replaced William Weber who resigned in October 1998. Neal resigned in August 1999 and was replaced by Robert Walster. Robert was reelected in April 2000.
- (2) Reelected in April 2000.
- (3) Norman Jones was elected in April 2000 to replace Rex Reese.
- (4) Replaced Steve Barnes who resigned in October 1998. Dave Eden was elected in April 2000.

- (5) Resigned in August 1999 and was replaced by Robert Steffke. William Weber was elected in April 2000 to complete the last year of the term.
- (6) Retired in October 1999 and was replaced by Charles R. Walker.
- (7) Melvin Owens also worked for the Water Department. Compensation includes \$31,890 for duties related to the Water Department. Appointed temporary full-time Fire Chief in December 1999.

Assessed valuation and tax rate information for 1999 are as follows:

|                     |                     |
|---------------------|---------------------|
| ASSESSED VALUATION  |                     |
| Real estate *       | \$23,346,170        |
| Personal property * | <u>13,344,050</u>   |
| Total               | <u>\$36,690,220</u> |

\* The city does not levy property taxes.

The city had the following sales taxes; rates are per \$1 of retail sales:

|                      | <u>Rate</u> | <u>Expiration</u><br><u>Date</u> |
|----------------------|-------------|----------------------------------|
| General              | .01         | None                             |
| Capital improvements | .005        | None                             |

## MANAGEMENT ADVISORY REPORT

CITY OF MOUNT VERNON, MISSOURI  
SUMMARY OF FINDINGS

1. Expenditures (pages 9-12)

The city does not have a formal bidding policy. The city purchased property for \$187,000 without obtaining an independent appraisal. During 1995, the city paid more than \$19,000 to a construction company owned by an alderman's father. The board does not adequately review and document approval of disbursements and interfund transfers. Some expenditures did not represent a prudent use of public funds.

2. City Utilities (pages 12-14)

Electric Fund revenues have been used to support general city operations. The city has not performed periodic formal reviews of the electric, water, and sewer rates.

3. Controls and Procedures (pages 14-16)

Accounting duties are not adequately segregated. Improvement is needed in controls over receipts. Board minutes are not signed by the City Clerk and the Mayor.

4. Sidewalk Replacement Program (page 16)

The city has not consistently enforced the ordinance requiring property owners to share the cost of replacing sidewalks.

5. Taxi Service (page 17)

The taxi service has not been established by ordinance and is heavily subsidized by the Electric and General Funds.

6. Building Code (pages 17-18)

Procedures have not been established for the enforcement of the building codes ordinance, and inspections are not adequately documented. The position of Building Inspector has not been established by ordinance.

7. City Contracts (pages 18-19)

The city does not solicit proposals for their depository banking services, and the city does not have an agreement with its depository bank. In addition, the city does not have a current contract with the City Attorney, and invoices for legal services are not sufficiently detailed.



8. Budgets and Financial Reporting (pages 19-21)

Improvements are needed in the preparation of city budgets. The city approved expenditures in excess of budgeted amounts. Annual financial reports are not submitted to the State Auditor's office as required by state law.

9. City Property Records (pages 21-22)

The city does not maintain complete records to account for all property owned by the city.

10. Municipal Division (pages 22-23)

Accounting duties are not adequately segregated, and receipt slips are not issued for some monies received.

CITY OF MOUNT VERNON, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                     |
|-----------|---------------------|
| <b>1.</b> | <b>Expenditures</b> |
|-----------|---------------------|

A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis:

1. Although it appears the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained for \$53,154 for property and liability insurance; \$17,703 for fuel; \$44,482 for water and sewer supplies; and \$4,500 for a backhoe lease. Some board minutes did not contain documentation of the justification for accepting a bid other than the lowest bid or of sole source procurement situations and the city did not solicit proposals for auditing services.
2. In October 1999, the city purchased a computer from the new city administrator for \$1,500. Bids were not solicited for the purchase. Section 105.454, RSMo 1999 Supp., prohibits financial transactions between a city and an officer or employee of that city that involve more than \$500 per transaction or \$1,500 per year, unless there has been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received.

Formal bidding procedures provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons noted why the bid was selected. The bidding policy should also address procedures for opening sealed bids.

- B. In January 1998, the city purchased 22.1 acres of land for the site of the future Missouri Veterans Home for \$187,850. The city purchased the property without obtaining an independent appraisal. As a result, there is less assurance the price paid for the property was reasonable or represented the fair value of the property.
- C. During 1995, the city paid \$19,413, for excavating work enlarging a lake, to a construction company owned by former Alderman Rob Miller's father. Bids could not be located at city hall and board minutes contained no documentation of discussions concerning this transaction. Former Alderman Rob Miller provided bid documentation to the State Auditor's Office related to the project.

City officials should avoid any type of involvement in city decisions that relate to themselves or businesses which their families have an interest in. Discussions and decisions concerning transactions where a potential conflict of interest exists should be completely documented and retained by the city to provide assurance that no city official or relative has profited improperly.

- D. The City Clerk provides the board monthly listings of bills to be paid. Although board minutes make a general reference that the listing of bills is approved for payment, the listings are not signed or initialed by the board members and retained with the official board minutes. In addition, the listings do not indicate from which funds payments are made and do not include some routine monthly payments. Invoices are retained in monthly files, but these invoices are not reviewed by the board members.

To adequately document the board's review and approval of all disbursements, complete listings of bills should be signed or initialed by the board members to denote their approval and retained with the official minutes. The listings should indicate the funds from which individual payments are made. In addition, supporting documentation should be reviewed by the board members before payment is made to ensure all disbursements represent valid operating costs of the city.

- E. The Treasurer periodically transfers capital improvement sales tax monies from the Special Sales Tax Fund to various other funds to reimburse those funds for capital asset purchases. There is no documentation to indicate the board reviews these transactions.

All interfund transfers should be reviewed by the board, and approval should be adequately documented.

- F. Some expenditures did not represent a prudent use of public funds. Expenditures related to employee Christmas parties totaled \$579 in December 1998 and \$700 in December 1999. The city also paid \$774 each of those years for Christmas hams for employees, Planning and Zoning board members, and volunteer firemen. In addition, the city incurred expenditures totaling \$763 in October 1999 for a retirement gift and luncheon for the former city administrator.

The city's residents have placed a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The above expenses do not appear to represent a necessary and prudent use of public funds.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected and procedures for opening sealed bids. In addition, the board should

refrain from entering into transactions with city officials or related parties unless such transactions are properly bid and adequately documented in board minutes.

- B. Obtain an independent appraisal for any property being considered for purchase.
- C. Avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. Such matters and transactions should be completely documented and retained in city records so the public has assurance that no city official has benefited improperly.
- D. Ensure listings of bills include all disbursements and indicate from which funds payments are made. Approval should be adequately documented by retaining a signed copy of the listing of bills with the board minutes. In addition, the board should review all invoices.
- E. Review and adequately document approval of all interfund transfers.
- F. Ensure expenditures are a prudent use of public funds.

**AUDITEE'S RESPONSE:**

- A.1. *The city has no formal written policy. The City Administrator is preparing a bid policy and procedure for board consideration.*
- 2. *No policy was in effect. The City Administrator requires access to a computer. The administrator reimbursed the city when the statutory requirement was brought to his attention. He had used his personal computer since his date of hiring, without charge, and agreed to continue to do so until equipment is available. The city's computer consultant plans to submit a proposal in June, estimated at \$1,500, plus the cost of a monitor, printer and software.*
- B. *This recommendation will be incorporated into the above referenced purchasing and procurement policy.*
- C. *Former board members advise this was the only bid received and that Board Member Rob Miller abstained from voting on the matter to avoid conflict. The recommendation is so noted.*
- D. *This recommendation has been adopted by the City Clerk and was formally approved by the board at its May 9 meeting. A cut-off date for the receipt of invoice submittals, and the review and signature by the City Clerk, City Administrator (or his designee), and representatives of the board on a three months alternating basis has been adopted. The approved list will then be prepared and disseminated in the monthly board agenda packet on the Friday prior to the monthly meeting for further review by the Mayor and board prior to the meeting.*

- E. *The recommendation is so noted. Interfund transfers hereafter require board approval.*
- F. *A nominal token of appreciation is a common practice among municipalities at Christmas time. This practice builds morale and camaraderie among employees and is considered a prudent and appropriate use of public funds. The recommendation is so noted.*

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| <b>2. City Utilities</b> |
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- A. The city uses the Electric Fund to help finance other city operations. During the year ended June 30, 1999, the city transferred \$400,000 from the Electric Fund to the city's General Fund. Transfers totaling \$212,150, \$100,000, and \$200,000 were also made during the years ended June 30, 1998, 1997, and 1996, respectively. In addition, \$250,000 has been budgeted as a transfer for the year ended June 30, 2000. Transfers from the Electric Fund to the General Fund have been a regular part of the city's budgeting and funding process for many years. In addition, the taxi driver's salary of \$21,000 plus fringe benefits were paid from the Electric Fund.

The Electric Fund, Water Fund, and Sewer Fund are separate accounting entities designed to account for specific city activities. Utility revenues should be used to fund the operations of the respective utilities only. Rates for electric, water, and sewer services should be set to cover the costs of producing and delivering services, repaying bonds, and repairing and replacing equipment. These services should not generate profits to fund other services provided by the city. Funding for the general city operations should not come from utility user fees.

The existing utility rate structure has allowed the city to, in effect, levy an additional tax without a vote of the citizens. Property taxes, sales taxes and other fees can be established or increased; but, these require a vote of the citizens. It appears the city has established a higher than necessary electric rate structure in lieu of increasing general revenues or reducing services provided by the city.

It is prudent to set rates in excess of immediate operating needs to fund future costs of replacing and repairing infrastructure. However, any surpluses should stay in the related fund instead of being transferred to fund general city operations.

- B. The city has not performed periodic formal reviews of the electric, water, and sewer rates. City ordinance requires the water and sewer rates to be set at an amount adequate to generate revenues to cover the costs of operation, maintenance, and replacement of the system; however, there is no documentation to indicate the city periodically reviews water or sewer rates to ensure these costs are adequately covered without generating excess revenues. During the year ended June 30, 1999, the Electric and Water Funds generated net incomes of

\$587,491 and \$84,404, respectively, while the Sewer Fund incurred a net loss of \$306,474.

Electric, water, and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as providing documentation to customers of the rationale behind the rates.

**WE RECOMMEND** the Board of Aldermen discontinue subsidizing general city operations with utility funds and perform periodic reviews of the costs to maintain utility services, and establish rates to ensure revenues are adequate to operate, maintain and replace the utilities. In addition, a statement of the costs to maintain funding of the service should be prepared, as required by state law, before enacting any rate increase.

**AUDITEES RESPONSE:**

- A. *The State Auditor's opinion is so noted (see legal opinion provided by the city's attorney, below). The City Administrator responded that he traditionally requires a true accounting of all receipts and expenditures by separate utility funds so that he can have a handle on operations at all times.*
- B. *The City Administrator has solicited proposals for engineering services and at its May 9 meeting the board approved the continuation of general engineering services by Turner Consulting of Baxter Springs, KS, a second general engineering firm of Archer Total Project Management of Springfield, MO and Finley Engineering of Lamar, MO for electrical engineering services. Proposals for needs assessments and rate studies will be sought for each of the municipal utilities. Statements of costs required to maintain adequate funding for each of the utilities will be prepared in accordance with statute prior to the adoption of any rate increase.*

*The City Attorney provided the following opinion for Part A:*

- A. *It is my opinion that the contract for electrical services with Empire District Electric Company, the transfer from the Electric Fund to the General Fund, and the use from the General Fund for expenditures is legal. I do not find any Missouri Constitutional provision, any State statute, or any court case that prohibit this activity.*

*The City of Mount Vernon, Missouri has been purchasing electrical services from Empire District Electric Company under contract since on or before August 19, 1959. The contract has been renewed, from time to time, with the latest renewal*

*under Ordinance No. 7.36 wherein the City contracted with Empire District Electric Company for electrical service for a period of twenty (20) years from and after March 8, 1988.*

*The City has, from time to time, transferred funds from the Electric Fund to the General Fund and thereafter made expenditures from the General Fund. The Missouri Appellate Courts have consistently held that municipal charges are not taxes; and, therefore, levying utility charges and raising utility would not be prohibited by the "Hancock Amendment". Moreover, Section 67.050, RSMo., specifically provides that "during the budget year, any political subdivision may transfer any unencumbered balance or portion thereof from the expenditure authorization of one department, office, commission, or other classification, to another, subject to such limitations as may be provided by law or charter.*

### **AUDITOR'S COMMENT:**

The Board of Aldermen, as elected representatives, has the responsibility to submit tax increases to a vote of the people.

The net result of the city's current practice is that the citizens of Mount Vernon are paying higher than necessary utility rates to subsidize general city operations. The rate structure includes hidden taxes. As noted above, the city transferred \$400,000 from the Electric Fund to the General Fund during the year ended June 30, 1999 (approximately 13 percent of the Electric Fund's revenue). The \$400,000 transfer represents approximately 24 percent of the General Fund's operating funds for the year ended June 30, 1999. While it is common for municipal governments to provide for a gross receipts tax on utility operations, it does not appear reasonable to expect the utilities to provide a major source of funding for the general city operations.

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| <b>3. Controls and Procedures</b> |
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- A. Accounting duties are not adequately segregated. The Treasurer prepares deposits, records transactions, has the authority to sign checks (only one signature is required), and reconciles bank statements. A similar weakness was noted with DARE monies. One officer is responsible for receiving, recording, depositing, preparing and signing checks, and reconciling bank statements for the DARE Account. In both of these situations, no supervisory or independent reviews are performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating cash custody and record-keeping functions. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review

of the reconciliations between receipts and deposits, and an independent review of bank statements and bank reconciliations.

B. The following problems were noted related to receipts:

1. Monies are not deposited in a timely manner. Deposits (excluding utility deposits) are only made approximately once or twice per week. Golf course monies were sometimes held several months before being deposited.
2. Monies are not deposited intact. The City Collector occasionally cashes personal checks for employees or other individuals from utility receipts.
3. Checks and money orders are not restrictively endorsed immediately upon receipt. The endorsement is applied by the Treasurer when the deposit is prepared.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

C. Board minutes prepared by the City Clerk are not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

**WE RECOMMEND** the Board of Aldermen:

- A. Adequately segregate duties. If duties cannot be adequately segregated, at a minimum, there should be an independent review of the reconciliations between receipts and deposits and an independent review of bank statements and bank reconciliations.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100, and restrictively endorse checks and money orders immediately upon receipt.
- C. Ensure board minutes are signed by the City Clerk as preparer and by the Mayor to attest to their completeness and accuracy.

**AUDITEE'S RESPONSE:**

- A. *The process for segregating cash custody and record keeping is being amended to improve internal controls, along with an independent review of each category mentioned in the auditor's report. The board approved a recommendation by the Administrator that requires two signatures on all drafts, including provisions for the office of Mayor to serve*



*as first alternate and the City Administrator to serve as second alternate. Presently, the Mayor serves as an officer of a local bank but has never involved himself in financial matters of the city since his appointment. Because of the Mayor's local bank affiliation, the Administrator will serve as the alternate signatory as long as this affiliation exists.*

- B. Receipts in excess of \$100 are now deposited daily. All monies are otherwise locked in the city vault at the close of the day's business. The city collector no longer cashes personal drafts. Checks and money orders are being restrictively endorsed immediately upon receipt as recommended and the treasurer endorses the document when the deposit is prepared.*
- C. There was a period of time in which the board minutes were not signed by the Mayor and City Clerk. The City Clerk has resumed the practice of having documents appropriately executed before they are filed as a permanent record document.*

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| <b>4. Sidewalk Replacement Program</b> |
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In August 1998, the board authorized the replacement of sidewalks beginning around the town square and extending from the square to the elementary school and the new high school as funds permit. The board adopted an ordinance, as provided for by Sections 88.804 and 88.806, RSMo 1994, requiring property owners to pay one half the costs of replacing the sidewalks. The ordinance provided for payments to be made on an installment basis and for liens to be filed against any properties for which the special assessment was not paid.

As of February 14, 2000, the city had billed 28 property owners a total of \$30,186 for sidewalk replacements. Nine of those property owners have not made any payments and have not requested an installment plan. The city has not taken any action to collect the unpaid assessments which were dated between April 1999 and September 1999 and total \$8,627. To ensure the equitable treatment of all citizens, the board should consistently enforce city ordinances. Unpaid assessments should be followed up and any exceptions should be approved by the board and properly documented.

**WE RECOMMEND** the Board of Aldermen ensure the consistent enforcement of city ordinances and follow up on the unpaid assessments.

**AUDITEE'S RESPONSE:**

*Business owners expressed concerns regarding cracks that led to payments being held in abeyance until the situation was investigated. After the Winter period of freeze and thaw, it was determined that the cracks were superficial rather than structural. Second notices were sent out and collections are now being pursued.*

**5.****Taxi Service**

The city provides a taxi service which city officials indicate is intended primarily for the use of the elderly and disabled. The city charges 25 cents per person for a one-way trip, regardless of the distance. The taxi service has not been established by ordinance.

During the year ended June 30, 1999, revenues generated by the taxi service totaled only \$3,327 while operating expenses totaled \$26,102. This resulted in a \$22,775 operating loss which was subsidized by the Electric Fund, as discussed in MAR No. 2, and the General Fund. The operating loss is due largely to the minimal fees charged. In December 1999, the board reviewed the financial condition of the taxi service and voted to continue to charge only 25 cents per ride.

If the board considers this a desirable city-provided service, an ordinance should be adopted defining the rates and users. The board should continue to monitor the financial condition of the taxi service to ensure providing this service is in the best interest of the citizens.

**WE RECOMMEND** the Board of Aldermen continue to monitor the financial condition of the taxi service. If this is considered a desirable city-provided service, the board should adopt an ordinance defining the rates and users.

**AUDITEE'S RESPONSE:**

*The city taxi service continues to be provided as a public mandate as was evidenced by two lengthy discussions at board meetings in recent months. This service was established formally by ordinance adopted May 9, 2000 in accordance with the recommendation that both the use and a rate structure be defined.*

**6.****Building Code**

- A. The city passed a building code ordinance in 1969 establishing minimum building standards (foundation and structural) for the city and granting inspection authority to the City Building Inspector. However, procedures have not been established for the enforcement of the building codes. The Public Works Director stated that foundation and structural inspections are not performed. The city has also established minimum standards related to electrical, plumbing, and sewer work. The Public Works Director indicated inspections are performed to ensure compliance with these standards. However, no documentation is maintained of the inspections performed.

The city should review the building codes ordinances. If it is the city's desire to maintain these minimum building standards, procedures should be established for enforcement and documentation.

- B. Although the building codes ordinance refers to the position of Building Inspector, this position has not been established by ordinance. Currently, the Director of Public Works oversees building inspections. The city should establish the duties, compensation, and qualifications for the position of Building Inspector by ordinance.

**WE RECOMMEND** the Board of Aldermen:

- A. Review the building code and establish procedures for enforcement and documentation.
- B. Establish the position of Building Inspector by ordinance.

**AUDITEE'S RESPONSE:**

- A. *A complete revision of the zoning ordinance and subdivision regulations, including a building code update were intended to follow the completion of the Comprehensive Plan. To expedite this process, the Administrator is seeking proposals for presentation to the Board of Aldermen at its June 13 meeting.*
- B. *During the zoning code revision process the city will determine the need to create by ordinance a part-time or full-time Building Inspector, or a combined position of Building Inspector/Code Enforcement Officer, complete with duties, qualifications, and responsibilities.*

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| <b>7. City Contracts</b> |
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- A. While it appears bids are solicited for the investment of some of the city's excess funds, the city does not periodically solicit bids for its depositary banking services. The current Mayor serves on the board of the city's depositary bank. In addition, the city does not have a written agreement with its depositary bank.

To ensure the city is receiving competitive banking services and to avoid an actual or apparent conflict of interest, the city should periodically seek depositary banking proposals from area banks. A written depositary contract helps both the bank and the city understand and comply with the requirements of any banking arrangement.

- B. The city annually appoints a local attorney to serve as City Attorney. The same attorney has served in this position since 1974. At that time, the city entered into a written agreement with the attorney, defining the services to be rendered and compensation to be paid for legal services. The original contract has not been updated, and invoices are not sufficiently detailed to allow the city to determine the hourly rates billed by the attorney.

The city should enter into a current written agreement with the City Attorney and should require invoices to be sufficiently detailed.

Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

**WE RECOMMEND** the Board of Aldermen:

- A. Periodically seek proposals or competitively bid the city's depository banking services and enter into a written agreement with the depository bank.
- B. Enter into a current contract with the City Attorney and require invoices for legal services to be sufficiently detailed.

**AUDITEE'S RESPONSE:**

- A. *The City Administrator has been assembling information from various sources for depository banking services and proposes to solicit competitive proposals in the near future for such services, including municipal investments. A written agreement for a minimum period of three years is being considered. The city's mayor has, since assuming public office, excused himself from all involvement with municipal finance. This function is overseen by the city administrator and clerk with assistance from the treasurer and oversight by an independent audit firm.*
- B. *The city is pursuing a contract for legal services and now requires detailed invoices for services rendered. The city also requires a detailed itemization from its consulting engineer and for other professional services. The City Administrator is currently preparing bid specifications for comprehensive general liability and workers compensation insurance needs that will be advertised for competitive bid by May 17. If the possibility of lower group health insurance premiums presents itself in light of the city's loss experience, the city will consider competitive bid solicitation for this insurance coverage likewise.*

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| <b>8. Budgets and Financial Reporting</b> |
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- A. The budgets prepared by the city for the years ended June 30, 2000 and 1999, did not comply with state law or were otherwise insufficient as follows:

1. Although the board minutes make general references that the annual budgets were adopted, the budgets are not retained with the official minutes and are not signed by the board to denote approval.
2. Budgets were not prepared for the DARE and Community Development Block Grants (CDBG) funds. Section 67.010, RSMo 1994, indicates the annual budget shall present a complete financial plan for the city.
3. The budgets did not reflect beginning and projected ending fund balances and did not include budget messages or general budget summaries, describing the important features of the budget and major changes from the preceding years.

Sections 67.010 through 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A complete budget should include appropriate revenue and expenditure estimations by classification, and include beginning and estimated ending fund balances. To adequately document the board's approval, budgets should be signed or initialed by the board and retained with the official minutes.

- B. During the two years ended June 30, 1999 and 1998, expenditures of the General Fund exceeded budgeted amounts by \$105,812 and \$484,311, respectively. The city failed to adequately budget grant expenditures, land purchase, and capital expenditures.

Section 67.040, RSMo 1994, indicates a political subdivision shall not increase the total amount authorized for expenditure from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures. A similar comment was made by the city's auditor during their annual audit.

- C. The city recently submitted its annual financial reports to the State Auditor's Office for the first time since 1988. Section 105.145, RSMo 1994, requires political subdivisions to file a financial report with the State Auditor's Office annually.

**WE RECOMMEND** the Board of Aldermen:

- A. Sign or initial budgets and retain them with the official minutes. In addition, the board should ensure annual budgets include all relevant information required by state law.

- B. Periodically compare year-to-date expenditures with budgeted amounts to monitor the city finances and to ensure expenditures do not exceed budgeted amounts.
- C. Submit annual financial reports to the State Auditor's Office as required by state law.

**AUDITEE'S RESPONSE:**

- A. *The next fiscal budget will be prepared in accordance with statute by the City Administrator in accordance with generally accepted accounting practices, held open for public comment prior to adoption, executed and retained with the official minutes record of the city.*
- B. *The city has adopted the preparation of bimonthly financial reports for the purposes of monitoring income and expenses. With the adoption of the FY 2000-2001 budget, the city hopes to have in place a year-to-date report to further ensure that expenditures do not exceed budgeted amounts. The city concurs with the recommendation to document by resolution any need to increase budgeted expenditures subsequent to the adoption of the annual budget.*
- C. *The city began the submittal of its annual financial reports to the Office of State Auditor in 1999 and intends to continue this practice annually.*

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| <b>9. City Property Records</b> |
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The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

**WE RECOMMEND** the Board of Aldermen establish property records for general fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

**AUDITEE'S RESPONSE:**

*The city proposes to establish a property records system for all general fixed assets after the beginning of the 2000-2001 fiscal year and maintain a running inventory as recommended. Much of this information is found in insurance documentation, is now being updated in preparation of specifications for bid solicitation and admittedly needs to be more easily accessible and kept current.*

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| <b>10. Municipal Division</b> |
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- A. Accounting duties are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel provide independent reviews of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, depositing, and transmitting court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between receipts, deposits, and transmittals and an independent review of bank statements and bank reconciliations.

- B. Receipt slips are not issued for some monies received. For example, the Court Clerk does not issue receipt slips to the county sheriff's department for cash bonds turned over to the court. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received.

Similar conditions were also noted in our prior audit report of the municipal court.

**WE AGAIN RECOMMEND** the city of Mount Vernon Municipal Division:

- A. Adequately segregate the accounting duties of the Court Clerk to the extent possible. At a minimum, there should be a documented independent review of the reconciliations between receipts and deposits and of bank statements and bank reconciliations.
- B. Issue prenumbered receipt slips for all monies received.

**AUDITEE'S RESPONSE:**

- A. *The city proposes a documented independent review of the reconciliations between receipts, deposits, transmittals and an independent review of bank statements and bank reconciliations by the city treasurer.*
- B. *The clerk has instituted the practice of issuing numbered receipts for all monies received.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*





CITY OF OLYMPIAN VILLAGE, MISSOURI

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-44  
June 8, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Olympian Village, Missouri.**

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Inadequate oversight and monitoring by the Board of Aldermen, inadequate records and procedures, significant employee turnover, accounting errors, and improper uses of restricted monies have all contributed to a serious financial situation for the city.

The city does not have written agreements with companies or individuals providing services and does not have formal written bidding policies and procedures. Supporting documentation was not maintained for numerous disbursements. The board minutes do not specifically reflect approval of monthly expenditures and the board and Mayor generally do not review and approve individual invoices for payment.

Various payments for audit services, sewer work, police supplies, insurance, car repairs, legal services, pole barn construction, and a new sludge bed had no invoice or other documentation to support the payments. Payments reviewed totaling approximately \$71,000, had no invoice maintained by the city. In addition, other invoices were not adequately detailed to support the work performed.

As of December 31, 1999, state withholding taxes totaling \$2,832 for the two quarters ended September 30, 1999 still had not been paid and federal withholding taxes totaling approximately \$43,300 for the period January 1998 through November 1999 were owed to the IRS. Approximately 82% of these monies is due from the General and Police Funds, 16% from the Road Fund, and 2% from the Sewer Fund.

The city did not prepare or retain budgets for fiscal years 2000 and 1999. The city did not submit annual financial reports for the fiscal years ended June 30, 1999 and 1998, to the State Auditor's Office and semi-annual financial statements were not prepared and published or posted.

The city installed a sewer system and sewage treatment plant in 1983, which was funded through federal and state grants and the issuance of sewer system revenue bonds. The final payment on the revenue bonds was made in the Spring of 1998. Our review noted the following concerns:

- The city does not have a current repair and replacement plan for the sewer system and treatment plant and has not estimated related future costs.
- The total cash balance of the various sewer funds has decreased from approximately \$132,000 at July 1, 1996 to approximately \$4,500 at June 30, 1999.
- Of the \$132,000 balance at July 1, 1996, approximately \$122,000 represented monies set aside in repair and replacement accounts. As of June 30, 1999, only \$1,116 remained in the repair and replacement accounts. These monies which were set aside for long-term repair and replacement needs were apparently used to also fund normal sewer system operating costs and sewer bond payments, as well as a road bond payment.

(over)

YELLOW SHEET

- The City Collector prepares sewer billings, collects related receipts, and maintains sewer subsidiary accounts receivable records. These duties should be segregated to allow for a system of checks and balances. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the Collector's records.

The city has not formally established a policy regarding public access to city records. A formal policy regarding access to and copies of city records would establish reasonable guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records.

In 1998, a public hearing was not held prior to establishing the property tax rates and an ordinance was not prepared to document the approved tax rates to be levied. State law requires a public hearing be held on proposed rates of tax prior to the board's approval of the rate.

The city receives federal financial assistance from the U.S. Department of Justice under the COPS Universal Hiring program to hire law enforcement officers. In April 1997, the city received a grant award of \$254,347 to hire five full-time officers. Under the grant provisions, the city is required to provide 25 percent of the cost of employing the officers until the grant expires in April 2001. The city began hiring officers in October 1997.

Documentation to support the calculation of amounts claimed on monthly reimbursement requests was not maintained and the city claimed more costs than allowable. For program expenses from October 1997 through December 1999, the city requested and received \$214,291 in grant reimbursements. However, based on the grant budget, payroll records, and documented fringe benefits, the federal share of allowable salary and fringe benefit expenditures was only approximately \$150,265 for that period.

The city should request reimbursement for only actual, allowable expenses incurred, less the required amount of matching funds, and should ensure adequate documentation is retained to support amounts claimed. The Board of Aldermen should contact the federal grantor agency to resolve these issues.

The city has not established a complete financial accounting system. The City Clerk, the Mayor, and the Collector have access to monies, but are not bonded and the City Clerk also serves as the City Treasurer. The Board of Aldermen has not established a formal policy on vacation leave, sick leave, and compensatory time and time records are not adequately reviewed or maintained. The city does not perform bank reconciliations and the city's accounting records had numerous errors and lacked detailed information.

A formal maintenance plan for city streets has not been prepared. The city spent \$147,000 of its road bond proceeds in September 1997 to pave several city streets. In October 1999, the city also spent \$120,000 of capital improvement sales tax money allocated to it by Jefferson County to pave additional streets. This paving work was performed without a master plan for future street work in the city and a public hearing was not held to obtain input from city residents. In addition, the city had no documented reasons for choosing these streets rather than other streets in the city which are in poor condition.

The city does not maintain fixed asset records or take an annual physical inventory of all city-owned property.

The city failed to deposit \$39,505 in property tax receipts into the Road Bond Debt Service Fund. The city has not developed a policy regarding allowable uses of the parks property tax and has used the money for items other than funding parks.

The Court Clerk's duties are not adequately segregated, court receipts are not deposited to the city's general bank account on a timely basis, and the Court Clerk does not perform bank reconciliations on the Judicial Education Fund and the Bond accounts. Checks and money orders are not restrictively endorsed until the deposit is prepared. Neither the police department nor the court maintains adequate records to account for all traffic tickets and summonses issued by the police department.

CITY OF OLYMPIAN VILLAGE, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Board of Aldermen  
City of Olympian Village  
DeSoto, Missouri 63020

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Olympian Village, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

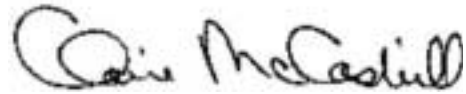
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Olympian Village, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 15, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                           |
|---------------------|---------------------------|
| Director of Audits: | Karen Laves, CPA          |
| Audit Manager:      | Douglas J. Porting, CPA   |
| Audit Staff:        | Jerry Lamprecht, Jr., CPA |

## HISTORY AND ORGANIZATION

# CITY OF OLYMPIAN VILLAGE, MISSOURI

## HISTORY AND ORGANIZATION

The city of Olympian Village is located in Jefferson County. The city was incorporated in 1965 as a fourth-class city. The population of the city in 1990 was 752.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1999, were:

| <u>Elected Officials</u>                 | <u>Term Expires</u> | <u>Actual Compensation for the Year Ended June 30, 1999</u> |
|--|---------------------|---|
| Darrel Marler, Mayor (1)                 | April, 2000         | \$ 0  |
| Don Cage, Alderman (2)                   | April, 2000         | 0   |
| Doug Routh, Alderman (3)                 | April, 2000         | 0   |
| Buford Cook, Alderman                    | April, 2001         | 0   |
| Ron Heim, Alderman (4)                   | April, 2001         | 0   |
| <u>Other Principal Officials</u>         |                     |   |
| Rae Jean Pitts, City Clerk/Treasurer (5) |                     | \$ 3,285  |
| Rebecca Bullock, Collector (6)           |                     | 0   |
| William Johnson, Municipal Judge         |                     | 1,100   |
| Evelyn Haithcoat, Court Clerk            |                     | 3,200   |
| John Lasater, Prosecuting Attorney       |                     | 600   |
| Robert Burcham, City Attorney            |                     | 210   |
| Mark Naucke, Police Lieutenant           |                     | 23,341  |

- (1) Darrell Marler resigned as mayor in December 1999 and was replaced by Doug Routh. Doug Routh resigned in March 2000 and was replaced by Ron Heim until the April 2000 election, at which time he resumed his aldermanic duties. Raymond Paul was elected Mayor in April 2000.
- (2) Dan Turner was elected in April 2000 to fill the seat formerly held by Don Cage.
- (3) Doug Routh was appointed to replace Darrel Marler as mayor in December 1999 and served until his resignation in March 2000. In April 2000, he was re-elected to his former aldermanic seat.



- (4) Ron Heim was appointed to replace Ken Reese in June 1999.
- (5) Jennifer Smetzer replaced Janice Finochiaro in November 1998. Rae Jean Pitts replaced Jennifer Smetzer in March 1999. Julie Turner replaced Rae Jean Pitts in December 1999.
- (6) Rebecca Bullock resigned as Collector in February 2000 and was replaced by Donna Trent.

The city employed approximately eight full and part-time employees at June 30, 1999. In January 2000, the city disbanded the police department, reducing the number of employees to three.

Assessed valuation and tax rate information for the tax year 1998 is as follows:

ASSESSED VALUATION

|                   |                            |
|-------------------|----------------------------|
| Real estate       | \$ 1,998,354               |
| Personal property | <u>826,181</u>             |
| Total             | \$ <u><u>2,824,535</u></u> |

TAX RATES PER \$100 ASSESSED VALUATION

|                        |                    |
|------------------------|--------------------|
| General                | \$ .25             |
| Roads                  | .13                |
| Road Bond Debt Service | 1.50               |
| Parks and Building     | <u>.13</u>         |
| Total                  | <u><u>2.01</u></u> |

## MANAGEMENT ADVISORY REPORT

CITY OF OLYMPIAN VILLAGE, MISSOURI  
SUMMARY OF FINDINGS

1. Financial Oversight and Monitoring (pages 9-10)

The Board of Aldermen has not provided adequate oversight and monitoring of city operations. Records and procedures are inadequate, employee turnover has been significant, accounting errors and improper uses of restricted monies have occurred and the city is in a serious financial situation.

2. Expenditures (pages 10-12)

The city does not have written agreements with companies or individuals providing services and does not have formal written bidding policies and procedures. Supporting documentation was not maintained for numerous disbursements. The board minutes do not specifically reflect approval of monthly expenditures and the board and Mayor generally do not review and approve individual invoices for payment. Federal and state payroll taxes were not paid on a timely basis and some taxes totaling \$46,132 have not been paid.

3. Budgets and Financial Reports (pages 13-14)

The city did not prepare or retain budgets for fiscal years 2000 and 1999. The city did not submit annual financial reports for the fiscal years ended June 30, 1999 and 1998, to the State Auditor's Office and semi-annual financial statements were not prepared and published or posted.

4. Sewer Operations (pages 14-16)

The city has not updated its sewer system repair and replacement plan, has not estimated related future costs, and has not maintained adequate funding in its repair and replacement accounts. The total cash balance of the sewer funds has decreased significantly in the last three years and restricted sewer monies have been used to pay expenses of other funds. The City Collector's duties are not properly segregated or independently reviewed and the city does not reconcile the sewer accounts monthly.

5. Minutes, Meetings, and Ordinances (pages 16-18)

The board minutes are not signed to indicate approval. The board does not always post notices of meetings and adequate meeting records are not maintained. The city does not have a formal written policy regarding public access to city records. The board did not hold a public hearing on the proposed property tax rate for 1998, and did not prepare or approve an ordinance establishing the approved tax levies as required by state law. Salaries of city officials and employees were not set by ordinance. Various city records were missing.

6. Community Oriented Policing Services (COPS) Grant (pages 19-20)

Documentation to support the calculation of amounts claimed on monthly reimbursement requests was not maintained and during the period of October 1997 through December 1999, the city over claimed approximately \$64,026 from the COPS grant. The city incorrectly reported disbursements from the COPS program on the quarterly financial status reports filed with the federal government.

7. Accounting Controls, Records, and Procedures (pages 20-22)

The city has not established a complete financial accounting system. The City Clerk, the Mayor, and the Collector have access to monies, but are not bonded and the City Clerk also serves as the City Treasurer. The Board of Aldermen has not established a formal policy on vacation leave, sick leave, and compensatory time and time records are not adequately reviewed or maintained. The city does not perform bank reconciliations and the city's accounting records have numerous errors and lack detailed information.

8. Street Maintenance Plan (pages 22-23)

The city does not have a formal maintenance plan for city streets.

9. Property Records (pages 23-24)

The city does not maintain fixed asset records or take an annual physical inventory of all city-owned property.

10. Restricted Property Tax Revenue (pages 24-25)

The city failed to deposit \$39,505 in property tax receipts into the Road Bond Debt Service Fund. The city has not developed a policy regarding allowable uses of the parks property tax and has used the money for items other than funding parks.

11. Municipal Court Division (pages 25-28)

The Court Clerk's duties are not adequately segregated, court receipts are not deposited to the city's general bank account on a timely basis, and the Court Clerk does not perform bank reconciliations on the Judicial Education Fund and the Bond accounts. Checks and money orders are not restrictively endorsed until the deposit is prepared. The Court Clerk's petty cash fund is not maintained on an imprest basis. Bond receipts are not deposited to the court's bank account on a timely basis, bond receipt slips are hand numbered when issued and monthly listings of open items (liabilities) are not regularly prepared and reconciled. Neither the police department nor the court maintains adequate records to account for all traffic tickets and summonses issued by the police department.

CITY OF OLYMPIAN VILLAGE, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |   |
|-----------|---|
| <b>1.</b> | <b>Financial Oversight and Monitoring</b> |
|-----------|---|

Inadequate oversight and monitoring by the Board of Aldermen, inadequate records and procedures, significant employee turnover, accounting errors, and improper uses of restricted monies have all contributed to a serious financial situation for the city.

Due to inadequate cash balances in some funds throughout the last two years, the city has at times paid bills from whichever funds had money available. As noted elsewhere in this report, the city has used restricted park tax monies and restricted sewer monies for payment of expenditures of the General, Police, Road, and Road Bond Debt Service Funds. A significant amount of money is due to the state and federal governments for unpaid payroll taxes and excess reimbursements claimed on the city's COPS grant; and monies are owed to the Road Bond Debt Service Fund from the General Fund, Parks and Building Fund, and Road Fund due to an error in depositing property tax receipts in fiscal year 1998. Correcting these issues will further strain the various operating funds of the city.

Inadequate records and procedures, some of which were similarly noted in our prior report dated March 18, 1991, have inhibited the board's ability to effectively monitor and manage the city and have resulted in or contributed to the problems noted above. These weaknesses included the absence of budgets and other financial reports, the lack of bank reconciliations, numerous errors and inadequate detail in accounting records, the lack of supporting documentation for numerous disbursements, and inadequate segregation of accounting duties or review of work performed.

The Board of Aldermen should review disbursements, reducing discretionary spending as much as possible, and ensure adequate revenues exist to fund the necessary core city services. These plans should be formalized in a detailed annual budget. In addition, the board should ensure adequate accounting records and an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to frequently monitor budgeted and actual activity. The specific recommendations contained in the following MARs, if implemented, will help establish these records, controls, and procedures. The weaknesses noted throughout our report must be corrected to achieve the required level of accountability, to more effectively use the city's resources, and to reestablish the public's confidence in its city government.

**WE RECOMMEND** the Board of Alderman review the current financial condition of the city's funds and consider the various alternatives of reducing disbursements and/or increasing receipts. In addition, the board should ensure adequate budgets and financial records are prepared and maintained in the future, and adequate controls and procedures are in place to properly oversee city operations.

## **AUDITEE'S RESPONSE**

*We agree. We have already begun reviewing the financial condition and will continue to do so.*

|                        |
|------------------------|
| <b>2. Expenditures</b> |
|------------------------|

- A. The city does not have formal written agreements with several companies or individuals providing services. The following disbursements were made without written contracts:

|                      |          |
|----------------------|----------|
| Sewer operator       | \$22,537 |
| Sewer repair service | 11,673   |
| Dispatch service     | 1,990    |
| Municipal judge      | 1,100    |
| City attorney        | 210      |
| City prosecutor      | 1,550    |
| Accounting services  | 7,938    |
| Legal services       | 9,868    |

The Mayor stated that the city had signed an agreement with the sewer operator for the fiscal year ended June 30, 1999 but the documentation could not be located. The city pays the sewer operator a monthly fee to operate the sewer plant and a separate grinder pump overhaul fee for each grinder pump he overhauls. The city has initiated a contract with the sewer operator for fiscal year 2000.

Section 432.070, RSMo 1994, requires political subdivisions' contracts be in writing. Formal written agreements are necessary to document each party's duties and responsibilities.

- B. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained for the following expenditures:

|                               |           |
|-------------------------------|-----------|
| Grinder pump station/supplies | \$ 10,706 |
| Diesel parts and service      | 8,376     |
| Road shed construction        | 14,954    |
| Fence for road shed           | 5,915     |
| Sewer plant mixer - rebuild   | 3,600     |
| Paving streets                | 266,700   |
| Backhoe                       | 17,400    |

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected.

- C. Supporting documentation was not maintained for numerous disbursements made by the city. Various payments for audit services, sewer work, police supplies, insurance, car repairs, legal services, pole barn construction, and a new sludge bed had no invoice or other documentation to support the payments. Payments reviewed totaling approximately \$71,000, had no invoice maintained by the city. In addition, other invoices were not adequately detailed to support the work performed.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. The city should require detailed invoices for all services which include the number of hours worked by day, the work performed, and the hourly rate charged.

- D. Although there is an occasional reference to a specific expenditure being approved for payment, the board minutes usually only make a general reference that expenditures are approved for payment. The board and the Mayor generally do not review and approve individual invoices for payment and a supplementary listing of all disbursements is not prepared to accompany the minutes. In addition, there is no independent reconciliation of the invoices and actual checks written.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made to ensure all disbursements represent valid operating costs of the city.

- E. The city failed to remit required payroll taxes timely and failed to pay some months entirely. The city uses a local Certified Public Accountant (CPA) to calculate payroll and the related payroll taxes. The CPA notifies the city of the amounts of payroll taxes from each fund to remit to the Internal Revenue Service (IRS) and Missouri Department of Revenue (DOR). The CPA also prepares and submits the quarterly withholding reports to the IRS and DOR.

The city's normal policy is to deposit federal payroll taxes with a local bank monthly for transmission to the IRS and to remit state payroll taxes directly to the DOR quarterly. For the period January 1998 through November 1999, numerous payments of taxes were paid late or not paid at all. Payments of quarterly taxes to the DOR were made ten weeks to six months after the quarter to which the payments related, or not at all. In addition, payments of federal taxes were sporadic and were made for only eleven of the twenty-three months in that period.

As of December 31, 1999, state withholding taxes totaling \$2,832 for the two quarters ended September 30, 1999 still had not been paid and federal withholding taxes totaling approximately \$43,300 for the period January 1998 through November 1999 were owed to the IRS. Approximately 82% of these monies is due from the General and Police Funds, 16% from the Road Fund, and 2% from the Sewer Fund.

Good business practices, and federal and state regulations, require the city to make timely deposits of tax withholdings to avoid unnecessary penalties and interest.

Conditions A, B, and C were also noted in our prior report.

**WE RECOMMEND** the Board of Aldermen:

- A. Enter into written agreements for all services.
- B. Establish a formal bidding policy regarding the procurement of goods and services. Such a policy should require that competitive bids be solicited through advertising for any purchases over an established amount and that quotation bids be solicited for purchases over a lesser amount. In addition, complete documentation of the bidding process should be maintained, including bid specifications and bid forms, all bids received, and documentation of the justification for selecting and rejecting bids.
- C. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods or services received.
- D. Approve all invoices prior to payment and ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.
- E. Ensure the required payroll tax deposits are made in a timely manner.

**AUDITEE'S RESPONSE**

- A. *We agree and will try to implement this recommendation for currently contracted services within two months.*



*B. We agree and have already begun working on a bid policy. We will ensure that bid documentation is retained.*

*C&D. We agree and will implement immediately.*

*E. We agree and have already begun paying back taxes to the IRS and DOR.*

|   |
|---|
| <b>3. Budgets and Financial Reports</b> |
|---|

- A. The city did not prepare a budget for the fiscal year ended June 30, 1999. In addition, while board minutes indicate a budget was adopted for the fiscal year ended June 30, 2000, the city could not locate a copy of the budget. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The failure to prepare budgets has been a significant contributing factor to many of the city's problems.

Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about the city's operations and current finances. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

This condition was also noted in our prior report.

- B. The city did not submit annual financial reports for the fiscal years ended June 30, 1999, and 1998, to the State Auditor's office pursuant to Section 105.145, RSMo 1994. The city should take care to ensure the annual reports required by state law are submitted to the State Auditor's office.
- C. The city has not published semi-annual financial statements as required by state law. The city published financial statements for the three months ended September 30, 1998 on April 1, 1999. The city has not published any other financial statements for the 1999 and 1998 fiscal years.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. Complete and accurate financial statements are necessary to keep the citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo 1994, states the City Treasurer cannot legally disburse funds until the financial statement is published.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare and adopt annual budgets as required by state law.
- B. Ensure that annual financial reports are filed with the State Auditor's office.
- C. Ensure semi-annual financial statements are published or posted in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *We agree and will prepare a budget for the next fiscal year starting July 1, 2000.*
- B. *We agree and will comply for the next fiscal year.*
- C. *We agree and have now published financial statements for the six months ended December 31, 1999.*

|                            |
|----------------------------|
| <b>4. Sewer Operations</b> |
|----------------------------|

The city installed a sewer system and sewage treatment plant in 1983, which was funded through federal and state grants and the issuance of sewer system revenue bonds. The final payment on the revenue bonds was made in the Spring of 1998. Our review noted the following concerns:

- A. The city does not have a current repair and replacement plan for the sewer system and treatment plant and has not estimated related future costs.

As required by the initial grants and revenue bond covenants, in 1983 the city adopted ordinance No. 123. That ordinance required the establishment of several specific restricted accounts for the operation, maintenance, repair and replacement of the system and for the payment of bond principal and interest. The ordinance also established the methodology for annually establishing the monthly user fees and the required contributions to the above accounts based on a 20 year repair and replacement schedule, which was also part of the ordinance and which was to be updated as needed. Sewer user fees have remained unchanged for many years.

During the past two years the city has spent a significant amount of money set aside for replacement and repair, to replace a sludge bed and repair a sewer plant mixer and numerous grinder pumps. The city does not know whether significant additional repairs will be needed in the next few years. As of June 30, 1999 the city had used most of its repair and replacement monies and had virtually no funds set aside for such future costs. In addition, with the city's current financial condition, it is unclear when the city will be able to repay the Sewer Fund for general and road expenses paid from these restricted monies (see Part B. below).

The city needs to update its repair and replacement plan and ensure adequate funding is set aside to carry out the plan, including possibly raising fees or planning for an additional bond issue. An updated repair and replacement plan, with anticipated timetables and estimated costs, would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate adequacy of funding and the progress made in the repair and replacement of sewer system components throughout the year.

- B. The total cash balance of the various sewer funds has decreased from approximately \$132,000 at July 1, 1996 to approximately \$4,500 at June 30, 1999.

During fiscal years 1997 and 1998, sewer expenses (including bond principal and interest payments) exceeded receipts by approximately \$22,000 and \$55,000, respectively, and sewer expenses for both 1999 and 1998 were significantly higher than in 1997. In addition, during fiscal year 1999, approximately \$49,000 of restricted sewer monies, including proceeds of a \$29,000 certificate of deposit, were transferred to the General Fund and Road Fund to pay operating expenses and debt service on a general obligation road bond. Also, some expenses of other funds were paid directly out of the restricted sewer accounts.

Of the \$132,000 balance at July 1, 1996, approximately \$122,000 represented monies set aside in repair and replacement accounts. As of June 30, 1999, only \$1,116 remained in the repair and replacement accounts. These monies which were set aside for long-term repair and replacement needs, as noted in part A, were apparently used to also fund normal sewer system operating costs and sewer bond payments, as well as the road bond payment noted above.

The Board of Aldermen should ensure that restricted sewer monies are spent only on their intended purpose. The board needs to repay the sewer funds for any monies used to pay the expenses of other funds or which were inappropriately transferred to other funds. The board needs to set sewer rates at a level to ensure monthly receipts are sufficient to pay required current operating costs, as well as any amounts needed for future repairs as identified in the repair and replacement plan discussed in part A above.

- C.1. The City Collector prepares sewer billings, collects related receipts, and maintains sewer subsidiary accounts receivable records. These duties should be segregated to allow for a system of checks and balances. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the Collector's records.
- 2. The city does not reconcile beginning accounts receivable plus monthly billings, less total utility payments and adjustments, to the ending accounts receivable. The individual customer account balances could then be totaled and agreed to the ending accounts receivable balance. This would help to ensure all amounts have been properly recorded to individual customer account records and that delinquent balances are accurate.

Conditions similar to C.1. and 2. were noted in our prior report.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare a repair and replacement plan for the city sewer system and periodically update the plan. The board should review the progress made in the repair and replacement of sewer system components to make appropriate decisions on future projects and to ensure adequate funding exists to carry out the plan.
- B. Repay the sewer funds for any sewer monies spent for unrelated purposes. The board should review and set rates to provide an adequate level of funding to operate, maintain, and repair the system.
- C.1. Segregate the duties of the City Collector and/or establish a periodic review of the Collector's accounting records by an independent person.
- 2. Require the City Collector to maintain records documenting beginning accounts receivable, plus billings, less payments and adjustments, and ending accounts receivable and periodically reconcile the individual customer accounts receivable balances to the ending accounts receivable balance.

**AUDITEE'S RESPONSE**

- A. *We agree; however, this will be a major project that cannot be performed immediately.*
- B. *We agree and will develop a plan to implement this recommendation in the future.*
- C. *We agree and will look into adopting a plan to address these issues at our next meeting.*

- A. The board minutes are prepared by the City Clerk; however, they are not signed by the Mayor, the Clerk, or any of the board members.

The board minutes should be signed by the Clerk, and the Mayor, or a designated member of the board, to provide an independent attestation that the minutes are a complete and correct record of the matters discussed and actions taken during the board meetings.

- B. The city holds its regular meetings on the third Monday of each month. However, notices of the date and time of the board meetings and agendas were not published or publicly posted as required by law.

Section 610.020, RSMo 1994, requires all public governmental bodies to give advance notice of their meetings. This notice is to include the time, date, and place of the meeting, as well as the tentative agenda. The notice is required to be posted at the principal office of the city or the building in which the meeting is to be held.

- C. The board meeting minutes did not always include sufficient detail of matters discussed, actions taken, and votes recorded. For example, in September, 1998, an individual was suspended with pay from the police force, but the minutes did not include any documentation of this action. In addition, minutes could not be located for January 1999.

Section 610.020, RSMo, requires minutes of meetings be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes of the board's meetings are necessary to retain a record of the business conducted and to provide an official record of board actions and decisions. If a scheduled meeting is not held, minutes of the next regular meeting should so indicate.

- D. The city has not formally established a policy regarding public access to city records. A formal policy regarding access to and copies of city records would establish reasonable guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo 1994, lists requirements of making city records available to the public.

- E. In 1998, a public hearing was not held prior to establishing the property tax rates and an ordinance was not prepared to document the approved tax rates to be levied. Section 67.110, RSMo 1994, requires a public hearing be held on proposed rates of tax prior to the board's approval of the rate. Also, Section 94.210, RSMo 1994, states the Board of Aldermen shall fix the annual rate of tax levy by ordinance for each tax year.

- F. Salaries of city officials and employees are set during open board meetings, but are not set by ordinance.

Section 79.270, RSMo, requires the Board of Aldermen to fix the salaries of all city officials and employees by ordinance.

This concern was noted in our prior report.

- G. Various city records were missing, including ordinances, invoices, bank statements, canceled checks, bids, and bond covenants.

Retention of city records is essential to establishing accountability for city financial activity and in demonstrating compliance with state law. Effective control of records requires all documents and records be safeguarded against loss due to fire or theft, be accessible to the appropriate city officials/employees, and upon reasonable request, be accessible to the public.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure all board minutes are properly signed to attest to their accuracy.
- B. Ensure notices of the board meetings are posted in accordance with state law.
- C. Ensure complete and accurate minutes of the board's meetings are maintained, all significant discussions, actions taken, and information required by state law are included, and canceled meetings are noted.
- D. Establish formal written policies and procedures regarding public access to and/or copies of city records.
- E. Hold a public hearing on proposed property tax rates as required by state law and establish the annual tax rates by ordinance.
- F. Fix the salaries of all city officials and employees by ordinance.
- G. Ensure all records of the city are properly retained and available for review.

**AUDITEE'S RESPONSE**

- A. *We agree and have already implemented this recommendation.*
- B. *We agree and have already begun posting notices of the meetings. We will implement posting the agendas for the future.*

*C&G. We agree and will implement immediately.*

*D. We agree and will devise a plan to address this as soon as possible.*

*E. We agree and will implement the recommendation when setting the next tax rates.*

*F. We agree and will devise a plan to address this recommendation in the future.*

|   |
|---|
| <b>6. Community Oriented Policing Services (COPS) Grant</b> |
|---|

The city receives federal financial assistance from the U.S. Department of Justice under the COPS Universal Hiring program to hire law enforcement officers. In April 1997, the city received a grant award of \$254,347 to hire five full-time officers. Under the grant provisions, the city is required to provide 25 percent of the cost of employing the officers until the grant expires in April 2001. The city began hiring officers in October 1997.

- A. Documentation to support the calculation of amounts claimed on monthly reimbursement requests was not maintained and the city claimed more costs than allowable. For program expenses from October 1997 through December 1999, the city requested and received \$214,291 in grant reimbursements. However, based on the grant budget, payroll records, and documented fringe benefits, the federal share of allowable salary and fringe benefit expenditures was only approximately \$150,265 for that period. This amount does not include some approved fringe benefit categories for which the city could not document expenditures. Therefore, it appears the city owes approximately \$64,026 to the Department of Justice for excess reimbursements received through December 1999.

Without documentation to identify the amounts claimed on the monthly reimbursement requests, it is not clear how the expenditures claimed were calculated. Part of the excess appears to be a result of police officers being paid salaries greater than those approved in the grant agreement. Any salary or fringe benefits in excess of that approved in the grant agreement must be paid entirely by the city. In addition, as noted at MAR No. 7, the city did not always maintain timesheets or other records to support salary amounts paid.

The city should request reimbursement for only actual, allowable expenses incurred, less the required amount of matching funds, and should ensure adequate documentation is retained to support amounts claimed. The Board of Aldermen should contact the federal grantor agency to resolve these issues.

- B. The grant requires the city to submit quarterly reports identifying the monies spent and how much was paid with local funds. The city incorrectly reported expenditures on these reports and the reports did not always agree to expenditures shown on the monthly reimbursement requests. According to the Mayor, he prepared the quarterly reports by calculating and reporting qualified police salaries and benefits; however, he indicated he did not retain documentation of his calculations. The city should prepare accurate quarterly reports of qualified expenses as required by the grant agreement and retain applicable supporting documentation.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure reimbursement is requested for only allowable actual expenditures per the COPS budget. The city should recalculate and correct prior reimbursement claims and repay any excess reimbursements received.
- B. Prepare accurate quarterly financial reports for the COPS grant and retain documentation to support the reported expenditures.

**AUDITEE'S RESPONSE**

- A. *We agree. We have suspended this grant indefinitely. We have contacted the federal program administrator regarding these grant monies.*
- B. *We agree with this recommendation and will retain appropriate documentation for any future grants.*

|  |
|--|
| <b>7. Accounting Controls, Records, and Procedures</b> |
|--|

- A. The city has not established a complete financial accounting system. An income report is prepared by the City Collector for the various monies received and the City Clerk records deposits, checks issued and cash balances in various check registers. But receipts and disbursements are not classified and monthly summary reports are not prepared of receipt and disbursement categories.

Summaries showing revenue sources and expenditure types should be prepared for each fund on a monthly basis and should be used for comparison to budgeted amounts and overall review of city operations.

Complete, organized, and timely accounting records are necessary to provide accurate and timely financial information to city officials upon which effective management decisions may be made.



- B. The city has one person that serves as the City Clerk and the City Treasurer. The duties of this official include maintaining disbursement records, preparing and signing checks, and receiving bank statements.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible.

Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

This condition was also noted in our prior report.

- C. The City Clerk, the Mayor, and a designated alderman are authorized to sign checks. Although dual signatures are required on each check, they are not bonded. The City Collector receive city funds; however she is also not bonded. Failure to properly bond individuals who have access to funds exposes the city to risk of loss.

- D.1. The city has not established a formal policy for vacation, sick leave, and compensatory time. The Mayor had been unofficially tracking leave balances at the rate of two hours earned per week for vacation leave and one hour per week for sick leave, less any leave taken. However, the Mayor's records for leave taken were not supported by timesheets prepared by employees.

A written leave policy for all employees is necessary to properly compensate for leave earned and taken, to ensure equitable treatment among employees, and to prevent potential misunderstandings.

2. Time records are not adequately reviewed or maintained. Time records were informally kept by city employees, but were not submitted to the Mayor or the board for review and approval. In addition, when asked, the city could not locate the October 1998 time records. To ensure the propriety of salary expenditures and leave taken and earned, adequate time records, signed by employees and reviewed and approved by supervisors, should be maintained.

- E. The city does not perform periodic bank account reconciliations. The city relied upon its accounting firm to perform bank account reconciliations on a three month cycle; however the accounting firm had not performed such reconciliations since December 31, 1998.

We performed bank reconciliations as of June 30, 1999 and noted numerous errors and omissions made in recording transactions to the city's check registers. The city incorrectly recorded several deposits to the wrong account and did not record some deposits at all.

In addition, the city failed to record in the check registers many bank charges as well as many checks issued. The entries for some checks did not reflect adequately detailed information such as the payee, check number, check date, and/or purpose. Because of bookkeeping errors, the city overdrew its account and incurred bank charges totaling \$509.

The city should take more care to ensure transactions are recorded completely and accurately. Monthly bank account reconciliations should be prepared to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support conclusions and any corrections made to facilitate independent reviews.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure that a complete financial accounting system is established including summaries documenting monthly revenue sources and expenditure types. This information should be used to compare to budget estimates and monitor city operations.
- B. Provide for an adequate segregation of duties. If this is not possible, at a minimum, procedures for adequate independent review of accounting records should be established.
- C. Consider obtaining bond coverage for all individuals handling city monies.
- D.1. Establish a written policy and centralized records regarding vacation, sick leave, and compensatory time.
  - 2. Require all employees to complete a time sheet. Time sheets should be submitted to a supervisor for approval, and maintained on file.
- E. Ensure monthly bank reconciliations are performed and any differences resolved.

**AUDITEE'S RESPONSE**

- A. *We agree and will devise a plan to implement this in the future.*
- B. *We agree and will establish oversight as soon as possible.*
- C&E. *We agree and have already implemented these recommendations.*

- D.1. *We agree and will devise a plan to address these issues.*
2. *We agree and will implement a formal time activity sheet immediately.*

|                                   |
|-----------------------------------|
| <b>8. Street Maintenance Plan</b> |
|-----------------------------------|

A formal maintenance plan for city streets has not been prepared. The city spent \$147,000 of its road bond proceeds in September 1997 to pave several city streets. In October 1999, the city also spent \$120,000 of capital improvement sales tax money allocated to it by Jefferson County to pave additional streets. This paving work was performed without a master plan for future street work in the city and a public hearing was not held to obtain input from city residents. In addition, the city had no documented reasons for choosing these streets rather than other streets in the city which are in poor condition.

A maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input for the plan from city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the fiscal year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

**AUDITEE'S RESPONSE**

*We agree and will research a master road plan for consideration with the next budget for the fiscal year beginning on July 1, 2000.*

|                            |
|----------------------------|
| <b>9. Property Records</b> |
|----------------------------|

The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition,

the city has not prepared and maintained permanent, detailed property records for the sewer system. Also, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the sewer system, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare them to the detailed records.

This concern was noted in our prior report.

**WE RECOMMEND** the Board of Aldermen establish property records for general fixed assets and the fixed assets of the sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

#### **AUDITEE'S RESPONSE**

*We agree and have already asked our city employees to establish such records.*

**10.**

#### **Restricted Property Tax Revenue**

- A. In 1997, the board began levying a tax for the Road Bond Debt Service Fund. The city also levies taxes for the General Fund, Parks and Building Fund, and Road Fund. Until July 1998, the city did not allocate any of the property tax receipts to the Road Bond Debt Service Fund.

Property tax receipts totaling \$39,505 were collected for the Road Bond Debt Service Fund, but deposited as follows:

| Fund                    | Amount           |
|-------------------------|------------------|
| General Fund            | \$ 19,355        |
| Parks and Building Fund | 10,075           |
| Road Fund               | 10,075           |
| Total                   | \$ <u>39,505</u> |

Road Bond Debt Service Fund tax receipts are restricted for use in servicing the debt of bonds the city has issued. Because \$30,405 of the debt service payments were made from the Road Fund, the General Fund and Parks and Building Fund need to repay the Road Fund and Road Bond Debt Service Fund. Property tax receipts were deposited in the proper funds beginning in July 1998.

- B. The city received \$3,555 and \$3,424 in park property tax receipts during the fiscal years ended June 30, 1999 and 1998, respectively. While it appears this special purpose tax has been levied by the city for a number of years, the city does not have a copy of an original ballot, an ordinance, or a formal policy defining the allowable uses of these monies.

The monies generated by this tax have been used by the city for expenditures unrelated to parks. In addition, the city does not appear to have any developed park property. According to the city's financial statements, in fiscal year 1998 the city spent \$6,008 in park tax revenues for police wages, payroll taxes, legal and accounting services, insurance, and city hall operating expenses and transferred an additional \$8,062 to the General Fund. There were no expenditures during fiscal year 1999. Sections 90.010 and 90.500, RSMo 1994 both allow the city to establish a property tax for the establishment and maintenance of public parks. While it is unclear under which authorizing section of state law this property tax was established, the property taxes are restricted to be used to establish and maintain public parks.

The city should develop a policy regarding the type of allowable expenses to be paid from this fund and ensure the policy is in compliance with state law. In addition, the \$14,070 spent for or transferred to, the General Fund should be returned to the Park Fund and used for the purpose levied.

**WE RECOMMEND** the Board of Aldermen:

- A. Transfer \$19,355 to the Road Fund from the General Fund and transfer \$9,100 to the Road Bond Debt Service Fund and \$975 to the Road Fund from the Parks and Building Fund.

- B. Develop a policy to ensure any restricted revenues are used only for the purposes intended and in compliance with state law. The city should transfer \$14,070 to the Park Fund from the General Fund.

**AUDITEE'S RESPONSE**

- A. *We agree and will devise a plan to repay these amounts; however, we cannot commit to a timetable for repayment.*
- B. *We agree and will adopt a policy as soon as possible to ensure the money is paid back.*

|                                     |
|-------------------------------------|
| <b>11. Municipal Court Division</b> |
|-------------------------------------|

- A. The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving monies from that of recording receipts and depositing court monies. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the Court Clerk's accounting records.
- B. Fine and court cost receipts are not deposited into the city's bank account on a timely basis. Deposits are made approximately once a month and average in excess of \$4,000. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- C. No bank reconciliations are performed on the two bank accounts (Judicial Education Fund and Bond) in the custody of the Court Clerk.

Monthly reconciliations should be prepared to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support any corrections made and to facilitate independent reviews.

- D. Checks and money orders are not restrictively endorsed until the deposit is prepared. To reduce the potential for loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- E. The Court Clerk maintains a petty cash fund for small expenditures such as postage. The petty cash fund is not maintained on an imprest basis, but is replenished in varying amounts by the city whenever it gets low. The amount replenished is not based on amounts spent

from the fund. As a result, the fund balance changes each time the fund is replenished and accountability is more difficult to maintain.

F. During our review, we noted the following concerns relating to bonds:

- 1) Bond receipts are not deposited to the court's bank account on a timely basis. Our review noted instances where bond receipts in excess of \$100 were held over one month before being deposited. To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- 2) Prenumbered receipt slips are not issued for bond monies. The receipt slips issued are not specifically printed for the court and are hand numbered prior to use. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received, reconciled to the composition of monies received and deposited, and the numerical sequence accounted for properly.
- 3) Monthly listings of open items (liabilities) are not prepared and reconciled to the balance of the bond account.

To ensure that receipts and disbursements are properly handled and monies held in trust by the municipal court division are sufficient to meet liabilities, open-items listings should be prepared monthly and reconciled to the cash balance.

G. Neither the police department nor the court accounts for the numerical sequence or the ultimate disposition of traffic tickets and summonses issued. The Court Clerk logs the tickets and summonses as she receives them from the police department, however, she does not review for missing tickets and summonses. Accounting for the numerical sequence of the tickets and summonses would ensure all tickets and summonses issued were properly submitted to the court for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket and summonses should also be maintained to ensure all tickets and summonses have been accounted for properly.

Conditions similar to parts A, B, D, F.1., and G. were also noted in our prior audit report on the municipal division.

**WE RECOMMEND** the Municipal Division:

- A. Properly segregate duties between available employees and/or establish a periodic review of municipal division records by an independent person.
- B. Deposit monies daily or when accumulated receipts exceed \$100.

- C. Perform monthly bank reconciliations.
- D. Restrictively endorse checks and money orders immediately upon receipt.
- E. Maintain the petty cash fund on an imprest basis.
- F.1. Ensure bond receipts are deposited daily or when accumulated receipts exceed \$100.
  - 2. Issue prenumbered receipt slips for all monies collected, account for their numerical sequence, and reconcile the composition of monies collected and deposited to the receipt slips.
  - 3. Prepare and retain a monthly open-items listing and reconcile this listing to the bond account.
- G. Work with the police department to account for the numerical sequence of traffic tickets and summonses issued.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded as follows:*

- A. *The City Clerk already checks ledger receipts on money taken in at the court, as well as before and after court. The City Prosecutor has agreed to make periodic reviews of municipal records.*
- B. *The Court Clerk will now make deposits at least once a week if money collected exceeds \$100.*
- C. *The Court Clerk will now make monthly reconciliations of the Court bank accounts.*
- D. *Checks received by the Court are now immediately endorsed by the Court Clerk, and the Court Clerk will continue to do so.*
- E. *Petty cash has now been set at a flat amount and any money disbursed by the Court Clerk has receipts for any said disbursement. The Court Clerk will reimburse back to the established petty cash level when needed.*
- F.1. *Bonds will be deposited within 3 days of the receipt date on the envelope.*
  - 2. *The Court Clerk has now purchased, and in the future will purchase only, prenumbered receipt books for bond monies collected.*



3. *The Court Clerk now has an open-items listing on the bonds received. The Court Clerk will reconcile the bond account with the open bonds.*
- G. *The Court Clerk will request in writing, from the Police Chief, an accounting of any tickets that are missing out of sequence.*

This report is intended for the information of the management of city of Olympian Village and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



TWENTY-FIRST JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-43  
June 6, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

The following audit report presents our findings and recommendations for certain municipal divisions of the Twenty-First Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

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| <b>City of Charlack</b>    | <i>page 21-23</i>  |
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| <b>City of Overland</b>    | <i>page 25-26</i>  |
| <b>City of Velda City</b>  | <i>pages 26-29</i> |
| <b>City of Vinita Park</b> | <i>pages 29-32</i> |

YELLOW SHEET

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge  
and  
Municipal Judges  
Twenty-First Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-First Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

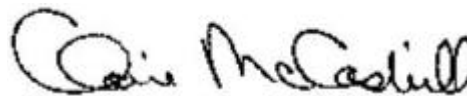
Internal controls and accounting records of the city of Velda City Municipal Division were inadequate. The municipal division did not adequately account for bond monies held in trust. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1999 and 1998.



In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 24, 2000, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                          |
|---------------------|--------------------------|
| Director of Audits: | Karen Laves, CPA         |
| Audit Manager:      | Douglas J. Porting, CPA  |
| In-Charge Auditor:  | Debra S. Lewis, CPA      |
| Audit Staff:        | Jennifer Redenbaugh, CPA |
|                     | Tirennia C. Miller       |
|                     | Terrance Sneed           |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
and  
Municipal Judges  
Twenty-First Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated February 24, 2000. That report expressed a qualified opinion on the special-purpose financial statements of the city of Velda City Municipal Division for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Twenty-First Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

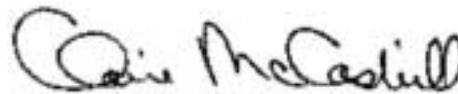
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Twenty-First Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide

assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

## Financial Statements

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | Village of Bel-Nor (Note 4) |         |
|-------------------------------------|-----------------------------|---------|
|                                     | Year Ended June 30,         |         |
|                                     | 1999                        | 1998    |
| RECEIPTS                            |                             |         |
| Fines, costs, bonds, and other      | \$ 123,214                  | 119,425 |
| Total Receipts                      | 123,214                     | 119,425 |
| DISBURSEMENTS                       |                             |         |
| City treasury                       | 114,806                     | 114,507 |
| State of Missouri (Note 3)          | 0                           | 0       |
| Refunds and others                  | 2,555                       | 3,363   |
| Total Disbursements                 | 117,361                     | 117,870 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 5,853                       | 1,555   |
| CASH, JULY 1                        | 6,278                       | 4,723   |
| CASH, JUNE 30                       | \$ 12,131                   | 6,278   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Charlack    |         |
|-------------------------------------|----|---------------------|---------|
|                                     |    | Year Ended June 30, |         |
|                                     |    | 1999                | 1998    |
| RECEIPTS                            |    |                     |         |
| Fines, costs, bonds, and other      | \$ | 270,039             | 248,573 |
| Total Receipts                      |    | 270,039             | 248,573 |
| DISBURSEMENTS                       |    |                     |         |
| City treasury                       |    | 263,404             | 234,635 |
| State of Missouri (Note 3)          |    | 0                   | 0       |
| Refunds and others                  |    | 5,641               | 3,641   |
| Total Disbursements                 |    | 269,045             | 238,276 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 994                 | 10,297  |
| CASH, JULY 1                        |    | 30,325              | 20,028  |
| CASH, JUNE 30                       | \$ | 31,319              | 30,325  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Normandy    |         |
|-------------------------------------|---------------------|---------|
|                                     | Year Ended June 30, |         |
|                                     | 1999                | 1998    |
| RECEIPTS                            |                     |         |
| Fines, costs, bonds, and other      | \$ 171,304          | 163,451 |
| Total Receipts                      | 171,304             | 163,451 |
| DISBURSEMENTS                       |                     |         |
| City treasury                       | 172,610             | 153,811 |
| State of Missouri (Note 3)          | 0                   | 0       |
| Refunds and others                  | 2,930               | 3,178   |
| Total Disbursements                 | 175,540             | 156,989 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -4,236              | 6,462   |
| CASH, JULY 1                        | 14,066              | 7,604   |
| CASH, JUNE 30                       | \$ 9,830            | 14,066  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Overland<br>Year Ended June 30, |                      |
|-------------------------------------|---|----------------------|
|                                     | 1999                                    | 1998                 |
| RECEIPTS                            |   |                      |
| Fines, costs, bonds, and other      | \$ 393,993                              | 434,844              |
| Total Receipts                      | <u>393,993</u>                          | <u>434,844</u>       |
| DISBURSEMENTS                       |   |                      |
| City treasury                       | 348,327                                 | 401,713              |
| State of Missouri (Note 3)          | 0                                       | 0                    |
| Refunds and others                  | <u>40,794</u>                           | <u>52,325</u>        |
| Total Disbursements                 | <u>389,121</u>                          | <u>454,038</u>       |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 4,872                                   | -19,194              |
| CASH, JULY 1                        | <u>38,088</u>                           | <u>57,282</u>        |
| CASH, JUNE 30                       | <u>\$ <u>42,960</u></u>                 | <u><u>38,088</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Velda City<br>Year Ended June 30, |                |
|-------------------------------------|---|----------------|
|                                     | 1999                                      | 1998           |
| RECEIPTS                            |   |                |
| Fines, costs, bonds, and other      | \$ 210,829                                | 177,381        |
| Total Receipts                      | <u>210,829</u>                            | <u>177,381</u> |
| DISBURSEMENTS                       |   |                |
| City treasury                       | 253,028                                   | 141,909        |
| State of Missouri (Note 3)          | 0   | 0              |
| Refunds and others                  | <u>14,928</u>                             | <u>10,339</u>  |
| Total Disbursements                 | <u>267,956</u>                            | <u>152,248</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | <u>-57,127</u>                            | <u>25,133</u>  |
| CASH, JULY 1                        | <u>99,457</u>                             | <u>74,324</u>  |
| CASH, JUNE 30                       | <u>\$ 42,330</u>                          | <u>99,457</u>  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Vinita Park |         |
|-------------------------------------|----|---------------------|---------|
|                                     |    | Year Ended June 30, |         |
|                                     |    | 1999                | 1998    |
| RECEIPTS                            |    |                     |         |
| Fines, costs, bonds, and other      | \$ | 279,913             | 233,647 |
| Total Receipts                      |    | 279,913             | 233,647 |
| DISBURSEMENTS                       |    |                     |         |
| City treasury                       |    | 277,488             | 220,563 |
| State of Missouri (Note 3)          |    | 0                   | 0       |
| Refunds and others                  |    | 3,545               | 2,599   |
| Total Disbursements                 |    | 281,033             | 223,162 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | -1,120              | 10,485  |
| CASH, JULY 1                        |    | 35,515              | 25,030  |
| CASH, JUNE 30                       | \$ | 34,395              | 35,515  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by six municipal divisions of the Twenty-First Judicial Circuit of the state of Missouri. The remaining municipal divisions of the Twenty-First Judicial Circuit are reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. The divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At June 30, 1999 and 1998, all bank account balances reported for the municipal divisions of the Twenty-First Judicial Circuit were entirely covered by federal depositary insurance.

However, because of significantly higher bank balances at certain times during the year ended June 30, 1999, uninsured and uncollateralized balances existed at those times although not at year end for the city of Velda City Municipal Division.

To protect the safety of deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the surcharges for the Crime Victims' Compensation and Services to Victims Funds, and the Peace Officer Standards and Training Commission Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions. Amounts remitted by the cities to the state are not included in the financial statements.

4. Village of Bel-Nor

The village of Bellerive Acres contracts with the village of Bel-Nor Municipal Division to collect all monies for its court. The receipts and disbursements of the village of Bellerive Acres Municipal Division are included in the village of Bel-Nor Municipal Division's financial statements.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated February 24, 2000. That report expressed a qualified opinion on the special-purpose financial statements of the city of Velda City Municipal Division for the applicable fiscal periods.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal divisions' special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |  |
|-----------|--|
| <b>1.</b> | <b>Village of Bel-Nor Municipal Division</b> |
|-----------|--|

- A. The municipal division has not implemented procedures to follow up on bonds held for more than one year. An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the village treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Sections 447.500 through 447.595, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.

- B. Monies collected for fine and court cost receipts are not deposited on a timely basis. Deposits are generally made once a week and average in excess of \$1,200. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

This condition was noted in our prior report.

- C. The duties of receiving, recording, depositing, and disbursing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. The village's accounting service prepares the monthly bank reconciliation for the bond account. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum,



there should be a documented independent comparison of receipt slips issued to amounts deposited.

This condition was noted in our prior report.

- D. The municipal division does not file a monthly report with the village of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare monthly reports of all cases heard in court, including fines and court costs collected, to be verified by the Court Clerk or Municipal Judge and filed with the Village Clerk.
- E. The municipal division did not always forward records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Three of nineteen applicable items reviewed were not sent to the MSHP as required. Section 302.225, RSMo Cum. Supp. 1999, requires records of “any pleas or findings of guilty” on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

**WE RECOMMEND** the village of Bel-Nor Municipal Division:

- A. Follow up on all bonds held for more than one year and dispose of bonds in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Establish a documented review of municipal division records by an independent person.
- D. Prepare monthly reports of court actions and file these with the village in accordance with state law.
- E. Forward all records of convictions on traffic offenses to the MSHP within ten days as required by state law.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded as follows:*

- A. *Since the time of the auditor’s visit, the Court Clerk has followed up on bonds held for more than a year by requesting the form from the State Treasurer’s Office in an attempt to dispose of said monies. A review has now been made of bonds posted by persons who failed to make the required court appearance and these have been turned over to the village treasury. The Court Clerk will review outstanding bonds monthly for those not disbursed.*

- B. *In an attempt to see that the deposits are made in a more timely manner, the Court Clerk will monitor receipts more frequently to determine if there are monies in excess of \$100.*
- C. *The receipt numbers of fines and court costs collected are now agreed and balanced to an income report showing the receipt numbers and amounts collected. There is also now a monthly bond deposit report which shows the receipt number with the date received, deposit date and amount posted. We will speak with the city about having an independent person to spot check income and receipts.*
- D. *The Court Clerk will immediately begin filing with the village an income report of the amounts of fines and court costs collected, along with the usual docket of all cases heard in court which will be verified by the Municipal Judge and filed with the Village Clerk.*
- E. *The Court Clerk does try to forward all convictions on traffic violations to the MSHP. The Court Clerk will now check weekly for convictions which need to be forwarded to MSHP.*

|           |  |
|-----------|--|
| <b>2.</b> | <b>City of Charlack Municipal Division</b> |
|-----------|--|

- A. Monthly listings of bond open items (liabilities) are not prepared. The municipal division did not maintain a bond ledger prior to 1997. Open items identified from the bond ledger at June 30, 1999 totaled \$3,507 less than the balance in the bond account. However, bonds prior to 1997 were not in the bond ledger and thus any open bonds prior to 1997 have not been included in that total. A monthly listing of open items is necessary to ensure proper accountability over open cases and to ensure monies held in trust by the city are sufficient to meet liabilities.

An attempt should be made to identify and determine the proper disposition of these excess monies. For those bonds which remain unclaimed, Section 447.595, RSMo 1994, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

This condition was noted in our prior report.

- B. Monies collected are not deposited intact on a timely basis. Deposits are generally made once a week and average in excess of \$3,000. In addition, personal checks are sometimes cashed for the Court Clerk from official court receipts. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

This condition was noted in our prior report.

- C. The municipal division accepts cash, checks, and money orders for the payment of fines and court costs. While receipt slips issued by the court indicate the method of payment received, no reconciliation is performed between the composition of receipt slips issued by the court and deposits. To ensure receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of monies deposited.

A similar condition was noted in our prior report.

- D. The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

This condition was noted in our prior report.

- E. Neither the police department nor the municipal division account for all traffic tickets and summonses issued and their ultimate disposition. The Court Clerk prepares a monthly log of traffic tickets and summonses issued; however, no one reviews this information for missing numbers. Without a proper accounting of the numerical sequence and dispositions of traffic tickets and summonses issued, the police department and the municipal division cannot be assured all traffic tickets and summonses issued were properly submitted to the municipal division for processing, voided, or not prosecuted. A record of the ultimate disposition of each item should also be maintained to ensure all traffic tickets and summonses have been accounted for properly.

This condition was noted in our prior report.

- F. During our review, we noted the following concerns with the collection of fees:

- 1) Law Enforcement Training (LET) fees are not assessed on non-moving violations. Section 590.140, RSMo Cum. Supp. 1999, requires these fees be charged on all violations except for dismissed cases.

A similar condition was noted in our prior report.

- 2) Peace Officer Standards and Training Commission (POSTC) fees were not assessed or collected. Section 590.140, RSMo Cum. Supp. 1999, requires these fees to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court.

**WE RECOMMEND** the city of Charlack Municipal Division:

- A. Prepare monthly listings of open items and reconcile the listing to monies held in trust. The municipal division should attempt to identify to whom the \$3,507 belongs, and disburse the funds appropriately. If this cannot be determined, the unidentified bond monies should be turned over to the state's Unclaimed Property Section in accordance with state law.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100. In addition, the court should discontinue cashing personal checks with official receipts.
- C. Reconcile the composition of receipt slips issued to the composition of deposits.
- D. Establish a documented periodic review of municipal division records by an independent person.
- E. Work with the police department to ensure the numerical sequence and ultimate disposition of all traffic tickets and summonses issued are accounted for properly.
- F. Assess and collect LET and POSTC fees in accordance with state law.

**AUDITEE'S RESPONSE**

*The Court Clerk responded as follows:*

- A. *This recommendation will be implemented for June 2000.*
- B. *This recommendation will not be fully implemented. I do not have time to deposit more often. However, I will cease cashing personal checks.*
- C. *This recommendation will be implemented immediately.*
- D. *This recommendation will be discussed with the city.*
- E. *I prepare the monthly report of tickets issued, but it is the police department's responsibility to follow up on missing tickets.*
- F. *These recommendations have now been implemented.*

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| <b>3. City of Normandy Municipal Division</b> |
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- A. The police department accepts cash for bonds. The Court Clerk does not issue receipt slips for bond monies transmitted from the police department. To document the monies have been transmitted, a receipt slip should be issued for each transmittal of bond monies.
- B. Monies collected are not deposited/transmitted intact on a timely basis. Transmittals of fine and court cost monies are generally made one to two times a week and average in excess of \$2,000, and deposits of bond monies are generally made once a week and average in excess of \$650. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits/transmittals should be made intact daily or when accumulated receipts exceed \$100.

This condition was noted in our prior report.

- C. The duties of receiving, recording, depositing/transmitting and disbursing fines, court costs, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. The City Treasurer reviews the bank reconciliation prepared by the Court Clerk. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited/transmitted.

This condition was noted in our prior report.

- D. Between February 1997 and September 1999, the city of Normandy overpaid the Kathy J. Weinman Shelter approximately \$1,362 in domestic violence fees. The report provided to the city by the court, which is used to compute the domestic violence fee to be disbursed, incorrectly included this fee each time a payment was made rather than once per case. Thus, if partial payments were made on a case, more fees for domestic violence were reported than actually collected. The city should contact the shelter to make arrangements to adjust future domestic violence payments for the amount overpaid. Other court costs and fees were calculated correctly.
- E. Neither the police department nor the municipal division account for all tickets issued and their ultimate disposition. The Court Clerk prepares a monthly log of tickets issued; however, no one reviews this information for missing ticket numbers. Without a proper accounting of the numerical sequence and dispositions of tickets issued, the police department and the municipal division cannot be assured all tickets issued were properly submitted to the municipal division for processing, voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

- F. The municipal division did not always forward records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Nine of twenty-seven applicable items reviewed were not sent to the MSHP as required. Section 302.225, RSMo Cum. Supp. 1999, requires records of “any pleas or findings of guilty” on traffic violations under laws of the state, county, or municipal ordinances to be forwarded to the MSHP within ten days of the conviction date.

**WE RECOMMEND** the city of Normandy Municipal Division:

- A. Issue prenumbered receipt slips to the police department for all bond monies received from the police department.
- B. Transmit/deposit receipts intact daily or when accumulated receipts exceed \$100.
- C. Establish a documented periodic review of municipal division records by an independent person.
- D. Correct the reports of domestic violence fees, notify the city of the errors, and ensure that the city contacts the shelter to make arrangements to adjust future domestic violence payments for the overpayment of \$1,362.
- E. Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.
- F. Forward all records of convictions on traffic offenses to the MSHP within ten days as required by state law.

**AUDITEE'S RESPONSE**

*The Court Clerk responded as follows:*

- A. *I have now begun initialing and dating the initial bond receipt slips upon removing the bonds from the bond lockbox.*
- B. *Unfortunately, I do not have the time to make a daily deposit without slighting other duties just as important.*
- C. *I have implemented a program where the Finance Director checks my amount of cash and checks received against my receipt book and verifies this with the deposit. This procedure was started in January 2000.*

- D. *I have sent letters to our City Attorney in regards to this error, to which he recommended that we wait for the conclusion of the audit. Upon conclusion of the audit, we will take action to recoup the funds.*
- E. *We have been unable to do a proper accounting of the tickets due to a lack of manpower. If additional staff becomes available, this will be corrected.*
- F. *This procedure has been corrected as of the February 2000 court date.*

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| <b>4. City of Overland Municipal Division</b> |
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- A. The municipal division accepts cash, checks, and money orders for fines and court costs. Prenumbered receipt slips issued by the court do not always indicate the method of payment received. In addition, no one accounts for the numerical sequence of receipt slips issued. To ensure receipts are transmitted intact, the method of payment received should be indicated on the receipt slips. The numerical sequence of receipt slips issued should be accounted for properly and the composition of receipt slips issued should be reconciled to the composition of monies transmitted.

This condition was noted in our prior report.

- B. The Prosecuting Attorney does not initial or sign the case file to document his approval of an amendment of a ticket. To ensure the proper disposition of all cases has been entered in the court records, the Prosecuting Attorney should sign all amended case files.

**WE RECOMMEND** the city of Overland Municipal Division:

- A. Record the method of payment on all receipt slips issued and ensure someone at the city accounts for the numerical sequence of receipt slips issued, reconciles the composition of receipts to the composition of monies transmitted, and documents the composition on the receipt slip prepared by the city.
- B. Require the Prosecuting Attorney's signature on amended cases.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Assistant Court Clerk responded as follows:*

*A&B. These recommendations have now been implemented.*

A. During our review, we noted the following concerns relating to bonds:

- 1) The Court Clerk does not maintain a complete bond ledger and does not prepare monthly listings of open items (liabilities). Numerous bond receipts and disbursements were not recorded on the bond ledger. On June 30, 1999, the reconciled cash balance of the bond account was \$40,420.

A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. A monthly listing of open items is necessary to ensure monies held in trust by the municipal court division are sufficient to meet liabilities. In addition, a review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Sections 447.500 through 447.595, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.

This condition was noted in our prior report.

- 2) Formal bank reconciliations are not prepared for the city's bond account and a checkbook balance is not maintained. To ensure all differences between the bank and book balances are noted in a timely manner, formal bank reconciliations should be performed monthly and a balance should be maintained in the checkbook register.
- 3) The amounts remitted to the city from the bond account could not be identified by defendant. The Court Clerk prepares a Treasurer's warrant which lists the bonds to be forfeited or applied; however, copies of these warrants could not be located. To adequately account for all monies turned over to the city, appropriate detail should be retained to support that amount.

B. The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. In addition, the composition of receipt slips issued is not reconciled to the composition of monies deposited. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.



This condition was noted in our prior report.

- C. Neither the police department nor the municipal division account for all tickets issued and their ultimate disposition. The Court Clerk records the tickets issued on a computer; however, no one reviews this information for missing ticket numbers. Without a proper accounting of the numerical sequence and dispositions of tickets issued, the police department and the municipal division cannot be assured all tickets issued were properly submitted to the municipal division for processing, voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.
- D. Crime Victims Compensation (CVC) and Post Officer Standards and Training Commission (POSTC) fees were not distributed to the state between July 1997 and December 1998. The Court Clerk indicated that she had calculated the amount of fees owed to the state each month; however, the City Treasurer did not issue a check for such fees. Copies of the fee reports were not maintained for these months; thus, the amount due to the state could not be readily determined.

In addition, our prior report noted the city had not distributed any of the CVC funds to the state Department of Revenue (DOR) from September 1996 to June 1997. As a result, \$11,000 was due from the city to the DOR for CVC fees collected during that period. Currently, this amount still has not been paid to the DOR.

Section 595.045, RSMo Cum. Supp. 1999, requires CVC fees to be distributed at least monthly to the state. POSTC fees should also be disbursed monthly to the state.

- E. The municipal division did not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Twenty of twenty-two applicable items reviewed were not sent to the MSHP as required. Section 302.225, RSMo 1994, requires records of “any pleas or findings of guilty” on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

**WE RECOMMEND** the city of Velda City Municipal Division:

- A.1. Maintain a bond ledger and prepare monthly listings of open items and reconcile the listing to the balance in the bank account. In addition, the municipal court division should forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants who have a bond due back to them and remit the bond amount. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law.

2. Request the city perform and document monthly bank reconciliations for the bond account. In addition, a balance should be maintained in the checkbook.
  3. Maintain documentation to support disbursements of bonds forfeited and applied.
- B. Establish a documented periodic review of municipal division records by an independent person, including a reconciliation of the composition of receipt slips issued to the composition of monies deposited.
  - C. Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.
  - D. Ensure CVC and POSTC fees collected are remitted to the state in accordance with state law. In addition, the municipal division should determine the amount of unremitted fees due to the state and make the appropriate payment.
  - E. Ensure all records of convictions on traffic offenses are forwarded to the MSHP as required by state law.

### **AUDITEE'S RESPONSE**

*The Court Clerk responded as follows:*

- A. *I am now going to enter each bond into the computer when received, including the defendant's name and surety name if there is one. When the checks are issued, they will have the defendant's name or surety's name. When reconciled at the end of the month, the balance will show what is actually in the bank account up-to-date. The Treasurer and I will make sure that the bank account and checkbook balance. There will also now be a bond ledger with the defendant and surety name, address, amount of bond, date received, date released, court date, check number, and a balance. I will also keep a copy of the listing of bonds to be applied and forfeited. These changes will be implemented immediately.*
- B. *The City Treasurer has started, and will continue, to reconcile the receipts to the deposit slip on an occasional basis.*
- C. *The Police Department and I have agreed on a new system to keep up with the tickets. The Chief of Police will initial off on a list of issued tickets that has all the tickets that are assigned to each officer. The list will indicate the date the ticket was turned in. The tickets' sequence is twenty-five and this will show any missing tickets.*
- D. *Records are going to be pulled to show what is owed and this amount will be paid. We will address this immediately.*

- E. *The computer was updated to REJIS and every transaction will be sent online to MSHP. This has already been implemented.*

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| <b>6. City of Vinita Park Municipal Court</b> |
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A. During our review, we noted the following concerns with bonds:

- 1) Monthly listings of open items (liabilities) are not reconciled to the available cash balance. At June 30, 1999, the open items listing totaled \$1,536 less than the balance of bonds in the bond account. We noted the following errors in preparation of this reconciliation:

- \* The Court Clerk disbursed \$500 more to the city than shown on the monthly report of bonds forfeited and applied for December 1997.
- \* The Court Clerk failed to disburse \$2,711 to the city shown on the monthly report of bonds forfeited and applied for February 1998.
- \* The Court Clerk disbursed \$875 in bonds during the audit period which were not removed from the open items list.

After adjustment for the above errors, the open items listing totaled \$200 less than the balance in the bond account. The Court Clerk should disburse monies to the city and make adjustments to her open items listing to correct the errors noted above. In addition, the \$200 difference should be investigated and the excess funds disbursed appropriately.

Monthly listings of open items should be reconciled to monies held in trust by the city to ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities.

This condition was noted in our prior report.

- 2) Bonds forfeited or applied to fines and court costs are not remitted to the city on a timely basis. The Court Clerk prepares a monthly report of bonds to be forfeited or applied to fines and court costs. Although the Court Clerk prepared a report for every month, only five disbursements were made to the city from January 1, 1998 to June 30, 1999.

This condition was noted in our prior report.

- 3) The municipal division has not implemented procedures to follow up on bonds held for over one year. As of June 30, 1999, the balance of the city's bond escrow account included bond receipts totaling approximately \$1,900 which have been held in excess of one year.

An attempt should be made to determine the proper disposition of these monies. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Sections 447.500 through 447.595, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.

- 4) The municipal division accepts cash, checks, and money orders for bonds, and the police department accepts cash and money orders for bonds. Receipt slips issued by the police department do not indicate the method of payments received. In addition, no one accounts for the numerical sequence of the receipt slips issued by the court and no reconciliation is performed between the composition of receipt slips issued by the court and police department, and monies transmitted to the city or the municipal division.

To ensure receipts are transmitted intact, the method of payment received should be indicated on the receipt slips and the numerical sequence of receipt slips should be accounted for properly. Furthermore, the composition of receipt slips issued should be reconciled to the composition of monies transmitted.

This condition was noted in our prior report.

- B. Monies collected are not transmitted on a timely basis. Transmittals are generally made once a week and average in excess of \$1,900. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made intact daily or when accumulated receipts exceed \$100.

This condition was also noted in our prior report.

**WE RECOMMEND** the city of Vinita Park Municipal Division:

- A.1. Reconcile monthly listings of open items to monies held in trust by the city. In addition, the \$200 difference should be investigated and the excess funds disbursed appropriately.
2. Disburse bonds forfeited and applied to the city monthly as required by state law.

3. Follow-up on all bonds held for more than one year and dispose of bonds in accordance with state law. Procedures should be established to routinely follow up on cash bonds remaining on hand over a period of time.
  4. Record the method of payment on all receipt slips issued and ensure someone at the city accounts for the numerical sequence of receipt slips issued and reconciles the composition of receipt slips to the composition of monies transmitted.
- B. Transmit receipts daily or when accumulated receipts exceed \$100.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded as follows:*

- A.1. *This was taken care of when the auditors were here. We will disburse any extra monies after all information is entered into our new computer system.*
2. *The bonds are now remitted on a timely basis and we will ensure they are remitted monthly in the future. This was not done during the time period noted due to problems with the reconciliation and the computer. Reconciliations were done in bulk and the checks were being turned over for three or four months at a time trying to catch up.*
  3. *Bonds held over one year's time are due to the clientele we have in our court. Defendants pay on a case for a long period of time during which they keep their bond in effect, whether it takes two months or two years. We will continue to monitor old bonds.*
  4. *The Court Clerk marks the receipt if payment is by check and notes the check number on the receipt. This may sometimes be overlooked, but we try to remember. However, we do not mark when it is a money order but will start to do this. Also, the Police Department will be marking receipt numbers on envelopes so they are receipted by the court in the correct order. We will also discuss the issue of an independent reconciliation with the city.*
- B. *We agree with this recommendation and will discuss with the city about depositing more than once a week.*

This report is intended for the information of the management of the various municipal divisions of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Twenty-First Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our reports issued on the Twenty-First Judicial Circuit Municipal Divisions issued for the years ended June 30, 1995, 1994, and 1993, and our report on the city of Velda City for the year ended June 30, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

1. Village of Bel-Nor Municipal Division

- A.1. A separate bond account was not maintained. All bond monies were deposited into the General Revenue Account for the village, and the village did not keep track of the balance of bond money held.
- 2. The Court Clerk did not maintain a bond ledger and did not prepare a monthly listing of open items (liabilities).
- B. Receipts of fines and court costs were not deposited on a timely basis.
- C. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

Recommendation:

- A.1. Maintain a separate bank account for the deposit of bond monies.
- 2. Maintain a bond ledger, prepare a monthly listing of open items, and reconcile these listings to monies held in trust.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

Status:

A.1.  
& 2. Implemented.

B&C. Not implemented. See MAR No. 1.

2. City of Charlack Municipal Division

A.1. Fines and court costs collected by the police department, totaling \$548, were not receipted by the Court Clerk or transmitted to the City Clerk for deposit.

2. Checks and money orders were not restrictively endorsed until deposits were prepared.

3. Receipts were not transmitted intact on a timely basis.

4. Receipt slips issued by the municipal division did not always indicate the method of payments received. In addition, the composition of the receipt slips issued was not reconciled to the composition of transmittals.

5. The Court Clerk did not issue receipt slips to the police department for fine and cost monies transmitted from the police department.

B.1. The police department receipt log did not indicate the method of payment received.

2. Some monies received by the police department were not posted to the receipt log.

C.1. Monthly listings of bond open items (liabilities) were not prepared after March 1995.

2. The Court Clerk did not prepare formal bank reconciliations for the municipal division's bond bank account.

3. Bond receipts were not deposited on a timely basis.

4. The balance in the municipal division's bond account included bond receipts totaling \$877 which had been held in excess of one year.

5. The duties of receiving, recording, and depositing bond monies collected by the municipal division were not adequately segregated.

D. Neither the police department nor the municipal division maintained adequate records to account for city summonses issued.

E.1. The \$5 ILC fee was not collected on alcohol-related offenses.



2. CVC fees were collected on all violations, including nonmoving traffic violations. LET fees were collected on dismissed cases.
- F. Four of sixty-three case files (6 percent) selected for review could not be located.

Recommendation:

- A.1. Along with the city, review the situation and take necessary actions to obtain restitution of at least \$548.
  2. Restrictively endorse checks and money orders immediately upon receipt.
  3. Transmit all receipts intact to the City Clerk daily or whenever accumulated receipts exceed \$100.
  4. Indicate the method of payment on all receipt slips issued and reconcile total cash, checks, and money orders received to transmittals to the city.
  5. Issue prenumbered receipt slips to the police department for all fine and cost monies received from the police department.
- B. Request the police department to issue prenumbered receipt slips for all monies received and account for their numerical sequence. The receipt slips should indicate the method of payment and should be reconciled by an independent person to monies deposited or transmitted.
- C.1. Prepare monthly listings of open items and reconcile these listings to monies held in trust.
2. Perform monthly bank reconciliations.
  3. Deposit bond receipts daily or when accumulated receipts exceed \$100.
  4. Review all cases with open bonds to determine whether the bonds should be forfeited, applied or refunded. Any bonds in which the defendant cannot be located, should be disbursed to the state's Unclaimed Property Section in accordance with state law.
  5. Adequately segregate the duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- D. Work with the police department to ensure records are maintained to account for the numerical sequence of all city summonses issued.
- E.1. Assess the ILC fee in accordance with state law.

2. Assess and remit the CVC and LET fees in accordance with state law.
- F. Retain all case records in accordance with Supreme Court Administrative Rule 8.

Status:

A.1. Implemented. The former Court Clerk was ordered to pay restitution.

A.2.,

B., C.2.,

E.1.,

& F. Implemented.

A.3.,

C.1.,

C.3.,

C.5.,

& D. Not implemented. See MAR No. 2.

A.4. Partially implemented. The Court Clerk indicates the method of payment on receipt slips issued; however, no one reconciles the composition of receipt slips issued to the composition of transmittals. See MAR No. 2.

A.5. Partially implemented. The Court Clerk does not issue a prenumbered receipt slip to the police department; however, she does initial their receipt slip to indicate her receipt of the monies.

C.4. Partially implemented. The Court Clerk disbursed some monies to the Unclaimed Property Section as recommended; however, there are additional monies which need to be disbursed. While not repeated in the current MAR, the municipal division should consider fully implementing this recommendation.

E.2. Partially implemented. The Court Clerk assesses and collects CVC in accordance with state law; however, additional problems were noted with the LET fee. See MAR No. 2.

3. City of Normandy Municipal Division

A.1. The duties of receiving, recording, and transmitting monies collected by the municipal division were not adequately segregated.

2. Receipts were not transmitted to the city on a timely basis.

3. Checks and money orders were not restrictively endorsed immediately upon receipt.

- B.1. The \$5 ILC fee was not collected on alcohol-related offenses.
- 2. The CVC and LET fees were not collected on city ordinance violations.

Recommendation:

- A.1. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
  - 2. Transmit receipts intact daily or when accumulated receipts exceed \$100.
  - 3. Restrictively endorse all checks and money orders immediately upon receipt.
- B.1. Assess the ILC fee in accordance with state law.
  - 2. Assess and remit CVC and LET fees in accordance with state law.

Status:

- A.1.&
- A.2. Not implemented. See MAR No. 3.
- A.3.,
- & B. Implemented.

4. City of Overland Municipal Division

- A. Receipt slips issued by the court did not always indicate the method of payments received.
- B. Neither the police department nor the court accounted for the numerical sequence of traffic tickets or non-traffic summonses issued.
- C. The Municipal Judge did not sign the docket after dispositions were recorded.

Recommendation:

- A. Record the method of payment on all receipt slips issued and ensure someone at the city reconciles the composition of receipt slips issued to the composition of monies transmitted and documents the composition on the receipt slip prepared by the city.
- B. Work with police department to account for the numerical sequence of traffic tickets and non-traffic summonses issued and investigate any gaps in the numerical sequence.

- C. Require the judge's signature on the court dockets.

Status:

- A. Not implemented. See MAR No. 4.

B&C. Implemented.

5. City of Vinita Park Municipal Division

- A.1. Monthly listings of open items (liabilities) were not always prepared. The total of the list of open bonds was \$9,909 less than the balance of bonds in the bank account.
- 2. Bonds forfeited or applied to fines and court costs were not transferred from the bond account to the city general revenue account on a timely basis.
- 3. Receipt slips issued by the Court Clerk for bonds did not indicate the method of payments received.
- B. Receipts were not transmitted to the city on a timely basis.
- C. Checks and money orders were not restrictively endorsed until the bank deposits were prepared.
- D. The City Treasurer did not disburse CVC monies to the state on a timely basis and had not disbursed some fees at all.
- E. The Municipal Judge did not sign the docket after dispositions were recorded.
- F. The Municipal Judge had not issued a court order to formally establish the TVB.
- G. The court did not file with the city a monthly report of all cases heard in court.

Recommendation:

- A.1. Prepare monthly listings of open items and reconcile this listing to the balance in the bank account. In addition, the \$9,909 difference should be investigated and the excess funds disbursed appropriately.
- 2. Request the City Treasurer to make timely transfers from the bond account to the general revenue account.

3. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips to the composition of monies transmitted to the city.
- B. Transmit receipts to the city daily or when accumulated receipts exceed \$100.
- C. Restrictively endorse all checks and money orders immediately upon receipt.
- D. Request the City Treasurer properly remit CVC fees to the state in accordance with state law.
- E. Require the judge's signature on the court dockets.
- F. Issue a court order to formally establish the TVB.
- G. Prepare monthly reports of court actions and file these with the city in accordance with state law.

Status:

- A.1. Partially implemented. The Court Clerk prepares a monthly open items listing; however she does not reconcile the listing to the balance in the bank account. See MAR No. 6.
- A.2.,  
& B. Not implemented. See MAR No. 6.
- A.3. Partially implemented. The municipal division indicates the method of payment on all receipt slips; however, the composition of receipt slips is not reconciled to the composition of monies transmitted to the city. See MAR No. 6.
- C-G. Implemented.

## CITY OF VELDA CITY

Municipal Court

- A.1. The municipal division did not periodically reconcile the police department's records of bonds collected with monies turned over to the municipal court division. In a few instances the bond amount on the police department receipt slip did not agree to the municipal division's records.
2. The Court Clerk did not maintain a complete bond ledger and did not prepare monthly listings of open items (liabilities). The balance included bond receipts totaling \$13,356 which had been held in excess of one year.

3. Bond monies collected by the police department were not transmitted to the municipal division on a timely basis.
- B.1. Receipt slips issued by the municipal court division were not reconciled to the deposits.
  2. Checks and money orders were not restrictively endorsed immediately upon receipt.
  3. The duties of receiving, recording, and depositing bond, fine, and court cost monies collected by the municipal division were not adequately segregated.
  4. Receipts of fines and court costs were not deposited intact. Personal checks were frequently cashed for the former Mayor from municipal division receipts.
- C. The municipal division did not report cases paid through the Traffic Violation Bureau (TVB) on the court docket.
- D. The Municipal Judge did not sign the court docket after case dispositions were recorded.
- E. Court case records were not always filed in an organized manner. Fifty-one case files requested for review could not be located by the Court Clerk.
- F. The TVB schedule did not include all offenses that may be paid prior to the court date and the corresponding fine amount.

Recommendation:

- A.1. Reconcile bond monies received by the police department to the municipal court division's records.
  2. Maintain a bond ledger and prepare monthly listings of open items and reconcile the listing to the balance in the bank account. In addition, the municipal court division should forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants who have a bond due back to them and remit the bond amount. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law.
  3. Ensure bond receipts are transmitted to the court intact daily or when accumulated receipts exceed \$100.
- B.1. Reconcile the amount and composition of monies received per receipt slips issued to monies deposited to the bank.
  2. Restrictively endorse all checks and money orders immediately upon receipt.

3. Adequately segregate the duties between available employees and/or establish a documented periodic review of receipt records by an independent person.
  4. Deposit all monies received intact.
- C. Include all cases on the court docket as required by state law.
  - D. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.
  - E. Retain all municipal court division records in accordance with Supreme Court Administrative Rule 8.
  - F. Establish a schedule of all offenses and the related fines and court costs which may be collected at the TVB.

Status:

A.1.,  
 A.3.,  
 B.2.,  
 B.4.,  
 C., E.,  
 & F. Implemented.

A.2.,  
 B.1.,  
 & B.3. Not implemented. See MAR No. 5.

- D. Partially implemented. The Municipal Judge reviews and signs the trial docket; however, he does not review or sign the final court docket. While not repeated in the current MAR, the municipal division should consider fully implementing this recommendation.

## STATISTICAL SECTION



History, Organization, and  
Statistical Information

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organization

The Twenty-First Judicial Circuit is composed of St. Louis County. The Honorable Robert S. Cohen serves as Presiding Judge. This report includes six of the eighty-four municipal divisions within the Twenty-First Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 entitled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. Village of Bel-Nor

Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The Village Clerk receives payments of fines, costs, and bonds when the Court Clerk is not present. The Court Clerk and the police department collect bond monies. The police department places bond monies in a locked box. The Court Clerk retrieves these monies from the locked box daily. Fines, court costs, and bond monies collected are deposited by the Court Clerk into the village treasury approximately weekly. Bond monies are held in the village treasury pending disposition. Court is held once a month. A TVB receives payments of fines and court costs at times other than during court. As indicated in Note 4 to the Financial Statements, village of Bel-Nor Municipal Division personnel also handle municipal court activity for the village of Bellerive Acres. In doing so, they perform the same functions as noted above.

Personnel

Municipal Judge  
Court Clerk

Sean O'Hagen  
Diana Krosnicki

### Caseload Information

|                          | <u>Year Ended June 30,</u> |             |
|--------------------------|----------------------------|-------------|
|                          | <u>1999</u>                | <u>1998</u> |
| Number of tickets issued | 2,407                      | 1,887       |

## 2. City of Charlack

### Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The City Clerk receives payments of fines, costs, and bonds when the Court Clerk is not present. The Court Clerk and the police department collect bond monies. The police department places bond monies in a locked box. The Court Clerk retrieves these monies from the locked box daily. Fines, court costs, and bond monies collected are deposited by the Court Clerk into the city treasury approximately weekly. Bond monies are held in the city treasury pending disposition. Court is held twice a month. A TVB receives payments of fines and court costs at times other than during court.

### Personnel

|                 |                   |
|-----------------|-------------------|
| Municipal Judge | Joseph A. Lott    |
| Court Clerk     | Stephanie Haywood |

### Caseload Information

|                          | <u>Year Ended June 30,</u> |             |
|--------------------------|----------------------------|-------------|
|                          | <u>1999</u>                | <u>1998</u> |
| Number of tickets issued | 3,996                      | 4,988       |

## 3. City of Normandy

### Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The Court Clerk and the police department collect bond monies. The police department places bond monies in a locked box. The Court Clerk retrieves these monies from the locked box daily. Fines and court costs collected are transmitted by the Court Clerk approximately twice a week to the finance officer for deposit into the city treasury. Bond monies are deposited approximately weekly by the Court Clerk into a municipal division account pending disposition. Court is held once a month. A TVB receives payments of fines and court costs at times other than during court.

### Personnel

Municipal Judge  
Court Clerk

Victor Thompson  
Alix Kirtland

Caseload Information

|                          | <u>Year Ended June 30,</u> |             |
|--------------------------|----------------------------|-------------|
|                          | <u>1999</u>                | <u>1998</u> |
| Number of tickets issued | 2,992                      | 2,829       |

4. City of Overland

Organization

The Court Clerk, Assistant Court Clerk, and other clerks are responsible for recording transactions as well as handling collections. The police department collects bond monies and places these monies in a locked safe. The Court Clerk retrieves bond monies from the locked safe daily. Fines, court costs, and bond monies collected are transmitted by the Court Clerk to the city cashier's office for deposit into the city treasury daily. Bond monies are held in the city treasury pending disposition. Court is held five times a month. A TVB receives payments of fines and court costs at times other than during court.

Personnel

|                       |                  |
|-----------------------|------------------|
| Municipal Judge       | Frank Vatterott  |
| Municipal Judge       | Charles Billings |
| Municipal Judge       | Mason Klippel    |
| Court Clerk           | Donna Johnson    |
| Assistant Court Clerk | Jan Wesche       |
| Clerk Typist          | Samantha Rhyneer |
| Clerk Typist          | Tracy McKinley   |

Caseload Information

|                          | <u>Year Ended June 30,</u> |             |
|--------------------------|----------------------------|-------------|
|                          | <u>1999</u>                | <u>1998</u> |
| Number of tickets issued | 6,723                      | 7,611       |

5. City of Velda City

Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The City Clerk receives payments of fines, costs, and bonds when the Court Clerk is not present. The Court Clerk and the police department collect bond monies. The police department places bond monies in a locked box. The Chief of Police retrieves bond monies from the locked box daily and

transmits these monies to the Court Clerk. Fines, court costs, and bond monies collected are deposited by the Court Clerk into the city treasury daily. Bond monies are held in the city treasury pending disposition. Court is held twice a month. A TVB receives payments of fines and costs at times other than during court.

#### Personnel

|                 |                 |
|-----------------|-----------------|
| Municipal Judge | Charles Kirksey |
| Court Clerk     | Peggy Stringer  |

#### Caseload Information

|                            |                            |             |
|----------------------------|----------------------------|-------------|
|                            | <u>Year Ended June 30,</u> |             |
|                            | <u>1999</u>                | <u>1998</u> |
| Number of tickets assigned | 4,697                      | 4,447       |

### 6. City of Vinita Park

#### Organization

The Court Clerk and Assistant Court Clerk are responsible for recording transactions as well as handling collections. Both clerks and the police department collect bond monies. The police department places bond monies in a safe. The Court Clerk retrieves bond monies from the safe daily. Fines, court costs, and bond monies collected are transmitted by the Court Clerk to the finance director for deposit into the city treasury approximately weekly. Bond monies are held in the city's bond account pending disposition. Court is held twice a month. A TVB receives payments of fines and court costs at times other than during court.

#### Personnel

|                       |                  |
|-----------------------|------------------|
| Municipal Judge       | Daniel Chartrand |
| Court Clerk           | Heather Smith    |
| Assistant Court Clerk | Denise Bosse     |

#### Caseload Information

|                       |                            |             |
|-----------------------|----------------------------|-------------|
|                       | <u>Year Ended June 30,</u> |             |
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 6,285                      | 5,081       |

\* \* \* \* \*



CITY OF CLARK, MISSOURI

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-42  
June 6, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Clark, Missouri.**

---

Former Mayor Clark was elected in April 1998 to serve a two year term, but she resigned in June 1998. At that time, Alderman Roberts was appointed mayor and Jason Baillargeon was appointed to fill the alderman position. These positions were not place on the April 1999 ballot.

According to state law, if a vacancy occurs in an elective office, the mayor and the board of aldermen are required to appoint a successor who serves until the next regular municipal election, which would have been April 1999. The winning candidate at that election then serves the remainder of the unexpired term, in this instance, until April 2000. The board of aldermen should ensure that any future vacant offices are filled in compliance with state law.

In addition, the Collector's official salary for the term beginning April 2000 was increased after the filing date. Voting the salary increase after the filing date to run for office has expired, gives the appearance of preferential treatment. The city should amend any elected officials salary and benefits prior to the last filing date for election to provide the most current information for those contemplating running for office; however, the salary and benefit increase should not take effect until the new term begins as required by state law.

The Board of Aldermen held several closed meetings during 1998 and 1999; however, minutes of these meetings were not prepared. Although minutes are not specifically required by law, minutes constitute the record of proceedings of the board. Failure to maintain minutes results in an inadequate record of city transactions, proceedings, and decisions. In addition, minutes help show that the closed discussions or business related to the specific reason announced for closing the meeting pursuant to Missouri's Sunshine Law.

A tentative agenda is prepared and posted for each board meeting; however, the agenda is usually in a standard form and does not disclose any specific information to be discussed for the upcoming meeting. To adequately inform the residents of the business to be discussed during the board meeting and to ensure compliance with the Sunshine Law, the tentative agenda should summarize the topics to be discussed during the meeting.

(over)

YELLOW SHEET

The city has a standard document request form regarding public access to city records, but the form does not provide citizens with a name and address where requests should be sent.

The city provides water, sewer and trash services to approximately 135 customers. Water meters are read around the twenty-fifth of the month and customers are billed on the first day of the next month. Payments are due by the fifteenth of the month.

In October 1998 the board approved an increase in water rates. According to city officials, the increase was to provide an increase in employees' salary and to maintain a surplus to repair the waterlines. However, the board did not prepare a statement of costs to maintain the water system as required when increasing the rates. Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately.

The City Clerk also serves as the City Treasurer contrary to an Attorney General Opinion. Money was deposited to and disbursed from the wrong funds. Deposits are not made on a timely basis and a detailed record of monies received is not maintained. The city does not have a formal bidding policy, and does not adequately document its review and approval of expenditures.

Budgets did not include some information required by state law and budgets were not periodically compared to actual revenues and expenditures. As a result, actual expenditures exceeded budgeted amounts. In addition, the city did not publish financial statements or submit annual financial reports to the State Auditor's office on a timely basis.



CITY OF CLARK, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
And  
Members of the Board of Aldermen  
City of Clark  
Clark, Missouri 65243

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Clark, Missouri. The city had engaged William E. Wooldridge, Jr., Certified Public Accountant (CPA), to perform a financial audit of the city for the year ended June 30, 1999. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

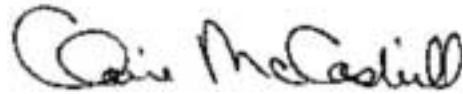
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Clark, Missouri

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

February 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Karen Laves, CPA      |
| Audit Manager:      | John Luetkemeyer, CPA |
| In-Charge Auditor:  | Nicole Brackman       |

## HISTORY AND ORGANIZATION

# CITY OF CLARK, MISSOURI HISTORY AND ORGANIZATION

The city of Clark is located in Randolph County. The city was incorporated in 1928 as a fourth-class city. The population of the city in 1990 was 257.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1999 were:

| <u>Elected Officials</u>                        | <u>Term Expires</u> | <u>Actual Compensation for The Year Ended June 30, 1999</u> |
|---|---------------------|---|
| Donnie Roberts, Mayor (1)                       | April, 2000         | \$ 0  |
| Randy Richards, Alderman (2)                    | April, 2000         | 0   |
| Homer Colley, Alderman                          | April, 2001         | 0   |
| Pam Barnes, Alderwoman                          | April, 2001         | 0   |
| Jason Baillergeon, Alderman (3)                 | April, 2000         | 0   |
| Sadie Roberts, Collector (4)                    | April, 2000         | 2,040   |
| <u>Other Principal Officials</u>                |                     |   |
| Mark Hibbs, Financial Advisor (5)               |                     | 4,500   |
| Lori Clark, City Clerk (6)                      |                     | 675   |
| Louis Beckfield, Waterworks/Waste Water Manager |                     | 7,185   |
| Mark Richards, Police Officer (7)               |                     | 3,240   |

The elected officials, appointed officials, and the employees are covered by a \$300,000 public official liability bond for each wrongful act.

- (1) Don Palmer was elected in April 2000, but resigned April 25, 2000. A replacement has not yet been named.
- (2) James Reed was elected in April 2000.
- (3) Resigned in January, 2000. This position is currently vacant.
- (4) Reelected in April 2000.
- (5) Mark Hibbs was appointed City Clerk in August 1999 to replace Lori Clark who resigned.
- (6) Lori Clark was appointed City Clerk in August, 1998 after Mike Bargar resigned.

(7) Resigned in February, 2000. A replacement has not yet been made.

Assessed valuation and tax rate information are as follows:

ASSESSED VALUATION

|                      | <u>1999</u>        | <u>1998</u>      |
|----------------------|--------------------|------------------|
| Real estate          | \$ 710,376         | 684,758          |
| Personal Property    | <u>411,443</u>     | <u>363,743</u>   |
| Total Assessed Value | <u>\$1,121,819</u> | <u>1,048,501</u> |

TAX RATE PER \$100 ASSESSED VALUATION

|         |        |      |
|---------|--------|------|
| General | \$1.00 | 1.00 |
|---------|--------|------|

## MANAGEMENT ADVISORY REPORT

CITY OF CLARK, MISSOURI  
SUMMARY OF FINDINGS

1. City Transactions (pages 9-10)

The City Clerk also serves as the City Treasurer contrary to an Attorney General Opinion. Money was deposited to and disbursed from the wrong funds. Deposits are not made on a timely basis and a detailed record of monies received is not maintained. The city does not have a formal bidding policy, and does not adequately document its review and approval of expenditures.

2. City Utilities (pages 11-12)

The City did not prepare a statement of costs when it increased water rates. Utility accounts receivables are not balanced with billings and collections on a monthly basis. The listing of refundable water deposits is not totaled and reconciled to total water deposits.

3. Budgets and Financial Reporting (pages 12-14)

Budgets did not include some information required by state law and budgets were not periodically compared to actual revenues and expenditures. As a result, actual expenditures exceeded budgeted amounts. In addition, the city did not publish financial statements or submit annual financial reports to the State Auditor's office on a timely basis.

4. Ordinances, Board Minutes, and Records (pages 14-16)

The city ordinances are not complete and up-to-date. The city does not have ordinances to establish compensation and duties of elected officials and to document the approved tax levy for each year. Board minutes were not always signed and there were no minutes prepared for closed meetings. The tentative agenda does not disclose the specific information to be discussed for the upcoming meeting. The city's standard document request form does not include the name and address of the custodian of records.

5. City Property (pages 16-17)

The city does not prepare and maintain permanent, detailed property records for city assets and does not maintain and review complete vehicle logs.

6. Elected Officials' Compensation and Appointments (pages 17-18)

Vacant elective offices were not filled in accordance with state law. In addition, the Collector's official salary for the term beginning in April 2000 was increased after the filing date.



7. Traffic Violations (page 18)

The numerical sequence of traffic tickets was not properly accounted for.

CITY OF CLARK, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                          |
|-----------|--------------------------|
| <b>1.</b> | <b>City Transactions</b> |
|-----------|--------------------------|

- A. Presently, the City Clerk also serves as the City Treasurer. In August, 1999, the financial advisor who was doing the duties of a City Treasurer took over the duties of the City Clerk. His duties include recording receipts, preparing checks, recording disbursements, reconciling bank accounts, and preparing the board minutes. The board reviews the disbursements once a month and signs the checks.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices by the same person at the same time would be incompatible.

- B. Money was deposited in and disbursed from the wrong fund. In 1994, the prior collector pled guilty to felony stealing and paid restitution of \$5,707 to the City. This money was placed in the street fund. Since the money that was stolen was water billings and additional salary payments from the general fund, this money should have been deposited to those funds. We also noted two receipts totaling \$153 and \$167 which were placed in the water fund, but should have been placed in the general and street funds, respectively. In addition, we noted three disbursements totaling approximately \$1,000 that were disbursed from the general fund in error. Since these disbursements were for water supplies and the waterworks manager's salary, it appears these disbursements should have been made from the water fund.
- C. Deposits are made only two or three times a month. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100.

In addition, a detailed record of monies received by day (with details such as date of payment, method of payment, payor, amount, and type of receipt) is not maintained and reconciled to monies deposited. A detailed record of monies received is necessary to ensure all receipts are accounted for properly and deposited.

- D. Although the city had few large purchases during the last few years, the City does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis.

Formal bidding procedures provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with

the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, be sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- E. The board does not adequately document its review and approval of expenditures made by the city. Board minutes indicate each month that the Board reviewed the bills to be paid. However, the invoices are not signed or initialed by the board and a supplementary listing of all disbursements approved for payment by the board is not kept with the minutes.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed, or initialed by the board to denote its approval, and retained with the official minutes.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate, documented independent review of the record keeping functions should be established.
- B. Ensure that all deposits and disbursements are made to/from the proper fund, and make appropriate transfers.
- C. Ensure monies are deposited daily or when accumulated receipts exceed \$100. Detailed receipt records should be maintained and reconciled to bank deposits.
- D. Establish formal bidding policies and procedures, including documentation of requirements regarding the bids or quotes received and justification for the bid selected.
- E. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.

**AUDITEE'S RESPONSE**

A,B.

D&E. *We will attempt to implement these recommendations before July 1, 2000.*

C. *Since there is no bank within city limits, daily deposits may not be feasible at this time. We will begin depositing at least twice weekly.*

The city provides water, sewer and trash services to approximately 135 customers. Water meters are read around the twenty-fifth of the month and customers are billed on the first day of the next month. Payments are due by the fifteenth of the month.

- A. In October 1998 the board approved an increase in water rates. According to city officials, the increase was to provide an increase in employees' salary and to maintain a surplus to repair the waterlines. However, the board did not prepare a statement of costs to maintain the water system as required when increasing the rates. Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as providing documentation to customers of the rationale behind the rates.

- B. The water and sewer accounts receivable ledger is not balanced monthly. Month-end water and sewer account receivable balances are not reconciled to the beginning accounts receivable balance, billings, collections and other adjustments for that month. A reconciliation of receivable with billings, collections and other adjustments should be performed or reviewed by someone independent of the water and sewer accounting system every month to ensure all amounts have been accounted for appropriately.

The lack of reconciliations represents a weakness in the internal controls of the water and sewer billing and collection system. Reconciliations are needed to help ensure accuracy of the billing, collection, and reconciliation processes.

- C. City residents are required to pay a refundable deposit for water service. The City Collector maintains a listing of deposits received, disbursed, and remaining balances by water customer, however, this listing does not have a grand total. In addition, the water deposits are placed in the water fund and are not accounted for separately. Periodic reconciliations of the water deposits to the control account are necessary to ensure all funds are accounted for and that funds held in trust are sufficient to meet liabilities.

**WE RECOMMEND** the Board of Aldermen:

- A. Perform and document periodic reviews of the costs to maintain utility services, and establish rates to ensure the costs of operation, maintenance, and replacement of the city's water and sewer system are covered.
- B. Ensure beginning and ending accounts receivable balances are reconciled on a monthly basis using the billing, collections, and billing adjustments during that month. Any differences which cannot be accounted for should be immediately investigated.
- C. Ensure the listing of water deposits received, disbursed, and balances is reconciled to the control account of water deposits held on a periodic basis.

**AUDITEE'S RESPONSE**

- A. *We prepared a statement of costs to support the rate increase but did not realize this statement needed to be retained.*

*B&C. We will attempt to implement these recommendations before July 1, 2000.*

|   |
|---|
| <b>3. Budgets and Financial Reporting</b> |
|---|

- A. The budgets for the years ended June 30, 2000, 1999, and 1998 do not include a budget message or general budget summaries describing the important features of the budgets and major changes from the preceding years. They also do not include a statement of estimated or actual revenues and expenditures for the two preceding budget years, or the beginning and estimated ending available resources. In addition, the Board of Aldermen does not periodically compare actual revenues and expenditures to the budgeted amounts. The board receives a monthly report of actual receipts and disbursements which includes year-to-date totals; however, this report does not include a comparison to amounts budgeted.

Section 67.010, RSMo 1994, requires each political subdivision of the state to prepare an annual budget with a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years. Prior year comparisons of actual revenues and expenditures need to be included to help ensure accurate amounts are budgeted. A budget should include appropriate revenue and expenditure estimations by classification, and include the beginning available resources and reasonable estimates of the ending available resources. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

- B. The city approved expenditures in excess of the budgeted amounts for the general fund in the amounts of \$3,148 and \$2,185 for the years ended June 30, 1999 and 1998, respectively.

Section 67.040, RSMo 1994, indicates a political subdivision shall not increase the total amount authorized for expenditures from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures. The board should ensure any budget amendments are properly authorized and adequately documented.

- C. The city has not published financial statements. Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.
- D. Section 105.145, RSMo 1994, requires the city to file a financial report with the State Auditor's office annually. The financial report is to be filed within four months after the end of the city's fiscal year or six months after the end of the fiscal year if an audit report prepared by a certified public accountant (CPA) is filed. However, the 1998 CPA audit report was not filed until November 16, 1999.

The city should ensure the annual financial reports required to be filed with the State Auditor's office pursuant to Section 105.145, RSMo 1994, are done on a timely basis.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law. We also recommend the board periodically compare actual revenues and expenditures with budgeted amounts to help monitor city finances and ensure actual expenditures do not exceed budgeted amounts.
- B. Ensure actual expenditures do not exceed budgeted amounts. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.
- C. Publish semiannual financial statements as required by state law.
- D. File annual financial reports with the State Auditor's office as required by state law.

## **AUDITEE'S RESPONSE**

*We plan to implement these recommendations before our next fiscal year.*

|  |
|--|
| <b>4. Ordinances, Board Minutes, and Records</b> |
|--|

A. Our review of the city ordinances disclosed the following concerns:

1. The city's ordinances are not complete and up-to-date. It appears some of the city's ordinances are missing while others are old and outdated. For example, ordinances 101 through 104 are missing and ordinance 1141B relates to an out-dated contract. In addition, ordinance 1132A relates to a contract that requires the city to pay \$75 for each dog the city brings to the Humane Society. The owner is then supposed to pay the city \$100 and get a receipt to pick up their dog from the Humane Society. However, according to the city, most owners will go straight to the Humane Society, pay the fee and pick up their dog. Also in one instance, the city received \$50 (instead of \$100) from an owner and had paid \$147 to the Humane Society for animal control expenses for nine dogs.
2. The city has not adopted ordinances to establish the compensation and duties of the city's elected officials and the City Clerk. Sections 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials and employees to be set by ordinance.
3. The city has not prepared ordinances to document the approved tax levy for each year. Section 94.210, RSMo 1994, requires the board of aldermen to fix the annual rate of tax levy by ordinance for each tax year.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete, well organized, and up-to-date manner. Such items as duties and compensation of city officials and the annual tax levy should be set forth in the ordinances to give the taxpayers information on how the city is to be governed.

- B. Board minutes are prepared by the City Clerk, but are not always signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- C. The Board of Aldermen held several closed meetings during 1998 and 1999; however, minutes of these meetings were not prepared.

Although minutes are not specifically required by law, minutes constitute the record of proceedings of the board. Failure to maintain minutes results in an inadequate record of city transactions, proceedings, and decisions. In addition, minutes help show that the closed discussions or business related to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo 1994.

- D. A tentative agenda is prepared and posted for each board meeting; however, the agenda is usually in a standard form and does not disclose any specific information to be discussed for the upcoming meeting.

To adequately inform the residents of the business to be discussed during the board meeting and to ensure compliance with the Sunshine Law, the tentative agenda should summarize the topics to be discussed during the meeting.

- E. The city has a standard document request form regarding public access to city records, but the form does not provide citizens with a name and address where requests should be sent.

Section 610.023, RSMo Cumulative Supp. 1999 indicates that each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records and established guidelines for making city records available to the public. To ensure compliance with state law, the city's policy should indicate the location of city records, the persons responsible for maintaining each record, and detailed instructions for citizens to request access to public records and how the city will handle these requests.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.
- B. Ensure the board minutes are signed by the Mayor and the City Clerk to attest to their completeness and accuracy.
- C. Ensure minutes are maintained to document the matters discussed in the closed meetings.
- D. Require the tentative agenda to summarize the topics to be discussed during the board meeting.
- E. Include the name and address of the custodian of records on the standard document request form.



## **AUDITEE'S RESPONSE**

A. *We will attempt to implement this recommendation but believe this will take some time to complete.*

B-E. *We will attempt to implement these recommendations before July 1, 2000.*

|                         |
|-------------------------|
| <b>5. City Property</b> |
|-------------------------|

- A. The city had not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city had not prepared and maintained permanent, detailed property records for the water and sewer system. Also, annual physical inventories are not performed. At our request, the City did prepare an inventory list for general fixed assets including the water and sewer system.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the water and sewer system, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

- B. The city has one patrol car and one tractor. The police officer began keeping a gasoline log and a daily activity log for the patrol car in July 1999. However, the board did not review these logs and there were no reconciliations to actual gasoline purchases. The logs were incomplete, and some of the daily activity logs were missing. A usage log is not maintained for the tractor.

Logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded, the vehicles are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

**WE RECOMMEND** the Board of Aldermen:

- A. Maintain property records for general fixed assets and the fixed assets of the water and sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.
- B. Maintain complete and accurate mileage, usage, and maintenance logs for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

**AUDITEE'S RESPONSE**

*We will attempt to implement these recommendations before July 1, 2000.*

|  |
|--|
| <b>6. Elected Officials' Compensation and Appointments</b> |
|--|

- A. Former Mayor Clark was elected in April 1998 to serve a two year term, but she resigned in June 1998. At that time, Alderman Roberts was appointed mayor and Jason Baillargeon was appointed to fill the alderman position. These positions were not placed on the April 1999 ballot.

According to Section 79.280, RSMo Cumulative Supp. 1999, if a vacancy occurs in an elective office, the mayor and the board of aldermen are required to appoint a successor who serves until the next regular municipal election, which would have been April 1999. The winning candidate at that election then serves the remainder of the unexpired term, in this instance, until April 2000.

The board of aldermen should ensure that any future vacant offices are filled in compliance with state law.

- B. On March 10, 2000, the Board of Aldermen voted to raise the salary of the Collector from \$170 to \$250 monthly. The Collector position was up for election in April 2000, and the last filing date for this election was January 18, 2000. The current Collector was the only one who filed for this position. This increase in salary could have influenced additional citizens to run for this position.

Voting the salary increase after the filing date to run for office has expired, gives the appearance of preferential treatment. The city should amend any elected officials salary and benefits prior to the last filing date for election to provide the most current information for those contemplating running for office; however, the salary and benefit increase should not take effect until the new term begins as required by Section 79.270, RSMo 1994.

**WE RECOMMEND** the Board of Aldermen

- A. Ensure vacant elective offices are filled in compliance with state law.
- B. Set any salaries and benefits for elected officials prior to the last filing date for that office.

**AUDITEE'S RESPONSE**

*We will implement these recommendations immediately.*

|                              |
|------------------------------|
| <b>7. Traffic Violations</b> |
|------------------------------|

The City of Clark issues traffic tickets, and the court cases for the city are heard at the Randolph County Courthouse by the Associate Circuit Judge. The Randolph County Associate Court receives the payment of fines and court costs and then remits the fines to the City of Clark.

The City does not maintain adequate records to account for all traffic tickets issued by the police department. Specifically, the numerical sequence of tickets issued is not accounted for and compared to the listings of cases disposed of by the Associate Court.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the city cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, this listing should be compared to the monthly listing of cases disposed of by the Associate Court to ensure all tickets have been accounted for properly.

**WE RECOMMEND** the Board of Aldermen ensure records are maintained to account for the numerical sequence and ultimate disposition of traffic tickets.

**AUDITEE'S RESPONSE**

*We will comply with this recommendation if we employ a police officer again in the future.*

\* \* \* \* \*



SPECIAL REVIEW OF THE  
CITY OF BELLFLOWER, MISSOURI

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-41  
June 5, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

**The following problems were discovered as a result of a special review conducted by our office of the City of Bellflower, Missouri in response to the request of the Governor.**

-----

From January 1998 through February 2000, more than \$11,000 was misappropriated from the city. Some water, sewer and trash receipts, water meter and sewer deposits, and various miscellaneous receipts which had been turned over to the city treasurer, were not deposited in the bank accounts. Amounts shown on the monthly financial reports reflected more receipts than were deposited, and a larger cash balance than was in the bank account. In addition, various bank records and copies of deposit slips were missing. This helped to conceal the cash shortage.

Nancy Fischer, who served as city treasurer since January 1998, resigned in February 2000.

The city clerk collects most city receipts, except for court monies, and transmits them to the city treasurer. A receipt slip is prepared by the city clerk and signed by the city treasurer which documents the amount of cash and checks turned over and the type of collections (utility payments, property taxes, water meter and sewer deposits, etc). The city treasurer then prepares a deposit slip and deposits the monies into the various bank accounts.

From January 1, 1998, through February 29, 2000, receipt slips showed monies totaling \$11,187 were turned over to the city treasurer, but were not deposited.

The former city treasurer has found and/or repaid \$1,142 of these undeposited monies to the Missouri State Highway Patrol during the course of its investigation. These monies are currently held by the Missouri State Highway Patrol. In addition, the city found a money order for \$147 at city hall which has subsequently been deposited. As a result, a net amount of \$9,898 is still missing.

Monthly financial reports prepared by the treasurer reflected more receipts than were deposited and a larger cash balance than was in the bank account. In addition, various bank records and copies of deposit slips are missing. This helped to conceal the cash shortage.

(over)

YELLOW SHEET

The shortage was undetected for a length of time due to several internal controls weaknesses, including inadequate segregation of duties and lack of independent review, as discussed later in this report.

Information gathered during our review has been turned over to the Missouri State Highway Patrol.

Accounting duties were not adequately segregated. The city treasurer made deposits, prepared and signed the checks, reconciled the bank statements and prepared the monthly reports. There was no reconciliation between the monies turned over to the treasurer and the amounts deposited, or warrants approved by the board and the actual payments. In addition, there was not an independent review of the bank reconciliations, or monthly financial reports.

SPECIAL REVIEW OF THE  
CITY OF BELLFLOWER, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan  
Governor of Missouri  
and  
The Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Bellflower  
Bellflower, MO 63333

By his authority under Section 26.060, RSMo, Governor Carnahan requested the State Auditor's Office perform a review of the City of Bellflower, Missouri. In response to this request, the Missouri State Auditor's Office conducted a review of the city. The objectives of this review were to:

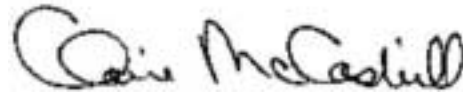
1. Investigate suspected irregularities in the handling and depositing of various city receipts.
2. Determine the amount of funds misappropriated from the city.
3. Review and evaluate certain controls and procedures regarding collection of and accounting for various city receipts.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard we reviewed the financial records and procedures of the city and interviewed personnel of the city.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.



The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the city of Bellflower.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is cursive and fluid, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

May 12, 2000 (fieldwork completion date)

The following auditor participated in the preparation of this report:

Director of Audits: Karen Laves, CPA

## EXECUTIVE SUMMARY

SPECIAL REVIEW OF THE  
CITY OF BELLFLOWER, MISSOURI  
EXECUTIVE SUMMARY

From January 1998 through February 2000, more than \$11,000 was misappropriated from the city. Some water, sewer and trash receipts, water meter and sewer deposits, and various miscellaneous receipts which had been turned over to the city Treasurer, were not deposited in the bank accounts. Amounts shown on the monthly financial reports reflected more receipts than were deposited, and a larger cash balance than was in the bank account. In addition, various bank records and copies of deposit slips were missing. This helped to conceal the cash shortage.

Nancy Fischer, who served as city Treasurer since January 1998, resigned in February 2000.

## MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF THE  
CITY OF BELLFLOWER, MISSOURI  
MANAGEMENT ADVISORY REPORT

The Missouri State Highway Patrol contacted the State Auditor's Office on February 28, 2000, concerning possible irregularities regarding city financial records. Based on this contact, the State Auditor's Office performed a preliminary review of certain records of the city of Bellflower. Based on the results of this preliminary review, Governor Mel Carnahan, by his authority under Section 26.060, RSMo, requested in March 2000 the State Auditor's Office perform a special review of the city of Bellflower, Missouri. Following are our comments regarding the city's policies and procedures.

|           |                              |
|-----------|------------------------------|
| <b>1.</b> | <b>Missing Cash Receipts</b> |
|-----------|------------------------------|

The city clerk collects most city receipts, except for court monies, and transmits them to the city treasurer. A receipt slip is prepared by the city clerk and signed by the city treasurer which documents the amount of cash and checks turned over and the type of collections (utility payments, property taxes, water meter and sewer deposits, etc). The city treasurer then prepares a deposit slip and deposits the monies into the various bank accounts.

From January 1, 1998, through February 29, 2000, receipt slips showed monies totaling \$11,187 were turned over to the city treasurer, but were not deposited as shown below:

|                                    |                 |
|------------------------------------|-----------------|
| Year ended December 31, 1998       | \$5,470         |
| Year ended December 31, 1999       | 5,207           |
| Two months ended February 29, 2000 | <u>510</u>      |
| Total Undeposited Monies           | <u>\$11,187</u> |

The former city treasurer has found and/or repaid \$1,142 of these undeposited monies to the Missouri State Highway Patrol during the course of its investigation. These monies are currently held by the Missouri State Highway Patrol. In addition, the city found a money order for \$147 at city hall which has subsequently been deposited. As a result, a net amount of \$9,898 is still missing.

Monthly financial reports prepared by the treasurer reflected more receipts than were deposited and a larger cash balance than was in the bank account. In addition, various bank records and copies of deposit slips are missing. This helped to conceal the cash shortage.

The shortage was undetected for a length of time due to several internal control weaknesses, including inadequate segregation of duties and lack of independent review, as discussed later in this report.

Information gathered during our review has been turned over to the Missouri State Highway Patrol.

**WE RECOMMEND** the city continue to work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.

**AUDITEE'S RESPONSE:**

*We initially found irregularities in several funds and contacted the Missouri State Highway Patrol. We will continue to work with law enforcement until the matter is fully resolved.*

|  |
|--|
| <b>2. Accounting Controls and Procedures</b> |
|--|

- A. Accounting duties were not adequately segregated. The city treasurer made deposits, prepared and signed the checks, reconciled the bank statements and prepared the monthly reports. There was no reconciliation between the monies turned over to the treasurer and the amounts deposited, or warrants approved by the board and the actual payments. In addition, there was not an independent review of the bank reconciliations, or monthly financial reports.

To ensure monies are properly recorded and handled, the duties of depositing and disbursing monies need to be segregated from reconciling the accounts and preparing monthly financial reports. At a minimum, there should be a reconciliation of receipts to deposits, and approved warrants to checks, as well as an independent review of bank reconciliations and monthly reports.

- B. The city maintains twelve bank accounts. Except for separate accounts for the Water and Sewer Bond Reserve accounts, it appears many accounts could be consolidated. In addition to the time required to reconcile this number of accounts, an increased number of checks are written and deposits are made. Currently, a large number of checks are written to transfer monies and allocate expenditures among the various funds. Depositing procedures are also complicated when a single check is written for payment into various funds.

Consolidating bank accounts would help simplify the city's records and reduce the number of accounts that must be monitored and controlled. Accordingly, the time required to reconcile accounts, write checks and make deposits would be reduced.

- C. Financial statements were not published or submitted to the State Auditor's office, as required by state law, for 1998 or 1999. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements. Section 105.145 RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's office.



STATE OF MISSOURI

SINGLE AUDIT

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-40  
May 26, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The State Auditor's Office has completed an audit of the federal grant programs administered by the State of Missouri. The state is required by the federal Single Audit Act and the U.S. Office of Management and Budget, Circular A-133 to have this audit conducted each year for the benefit of the federal agencies that provide federal grant funds to the state agencies. Federal grant funds expended by state agencies totaled \$5.02 billion during the year ended June 30, 1999. The Single Audit noted problems in several different areas related to federal grant funding. In total, the audit questioned the use of \$1,739,510 because the state did not comply with federal requirements. The federal government's share of the questioned costs was \$1,218,147. The following findings are especially noteworthy.**

---

- The Department of Social Services is responsible for determining if payments to service providers are in accordance with state regulations and the state's Medicaid plan. During fiscal year 1999, total expenditures (state and federal share) for inpatient and outpatient hospital services were approximately \$1 billion. The department has not completed reviews of hospital cost reports in a timely manner, which limits the state's ability to make timely rate policy decisions under the federal Medicaid program. Although there are about 150 hospitals in the state that receive Medicaid funding, the Department of Social Services had only performed 18 final cost report settlements during the year ended June 30, 1999.
- The audit noted various problems in the eligibility of recipients of Food Stamps, Temporary Assistance for Needy Families (TANF), and Medicaid as follows:

To help support and encourage clients to obtain employment, the Department of Social Services, Division of Family Services (DFS) has available a day care vendor program that pays part or all of the cost of child care. Under this program, persons wishing to provide day care to Division of Family Services clients are able to register with the Division of Family Services and become eligible to receive direct, state payment for part or all day care provided to children of clients. One of our audit concerns was whether Division of Family Services adequately considered the income it paid to day care vendors who were themselves clients receiving Food Stamp and/or Temporary Assistance for Needy Families benefits when reviewing the vendors eligibility for these benefits. We matched benefit and day care vendor payments and found some recipients had not properly reported their income from providing child day care services and may have received Food Stamp and Temporary Assistance for Needy Families benefits that they were not eligible to receive.

(over)

YELLOW SHEET



Some recipients of state retirement system payments did not properly report their income and received Food Stamp and Temporary Assistance for Needy Families benefits that they may not have been eligible to receive.

Although federal regulations do not allow individuals to receive benefits in more than one state at the same time, the audit noted some recipients who were receiving benefits in Missouri and Kansas at the same time.

Some inmates were incorrectly receiving benefits, which is not allowed by federal regulation and state law.

Some recipients had not correctly reported the value of their automobiles and, as a result, had received benefits they were not entitled to.

Medicaid benefits were paid on behalf of some recipients after they had died.

The Department of Social Services is suppose to have a case file for each recipient of benefits. However, the department's local offices could not locate 23 case files we requested during our audit. Most of these missing files related to the St. Louis City and St. Louis County offices.

Some children received benefits after they became too old under federal regulations to qualify for benefits.

- The Department of Social Services (DSS), through the Division of Aging (DA), provides eligible clients with in-home personal care services. The department's in-home vendor contracts, as well as state law, prohibits vendors from employing persons listed on the Division of Aging Employee Disqualification Listing (EDL). We matched persons on the division's Employee Disqualification Listing to 1998 employment records of in-home health care providers and noted nine instances in which a person on the disqualification listing was providing these services to the elderly under contract with the Department of Social Services.

STATE OF MISSOURI  
SINGLE AUDIT

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SINGLE AUDIT

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## INTRODUCTORY SECTION



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

LETTER OF TRANSMITTAL

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly

I am pleased to submit the report on the Single Audit of the state of Missouri, covering the fiscal year ended June 30, 1999.

The United States Congress passed the Single Audit Act of 1996 to establish new requirements for audits of states, local governments and non-profit organizations with respect to federal award programs. The Office of Management and Budget (OMB) revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to prescribe policies, procedures, and guidelines to implement the new Single Audit Act.

The Single Audit conducted by my office meets the requirements of the Single Audit Act of 1996 and covers expenditures of federal awards totaling \$5.02 billion by the state during the year.

The following charts and graphs provide summary information related to the expenditure of federal awards for the state of Missouri.

A handwritten signature in cursive script that reads "Claire McCaskill".

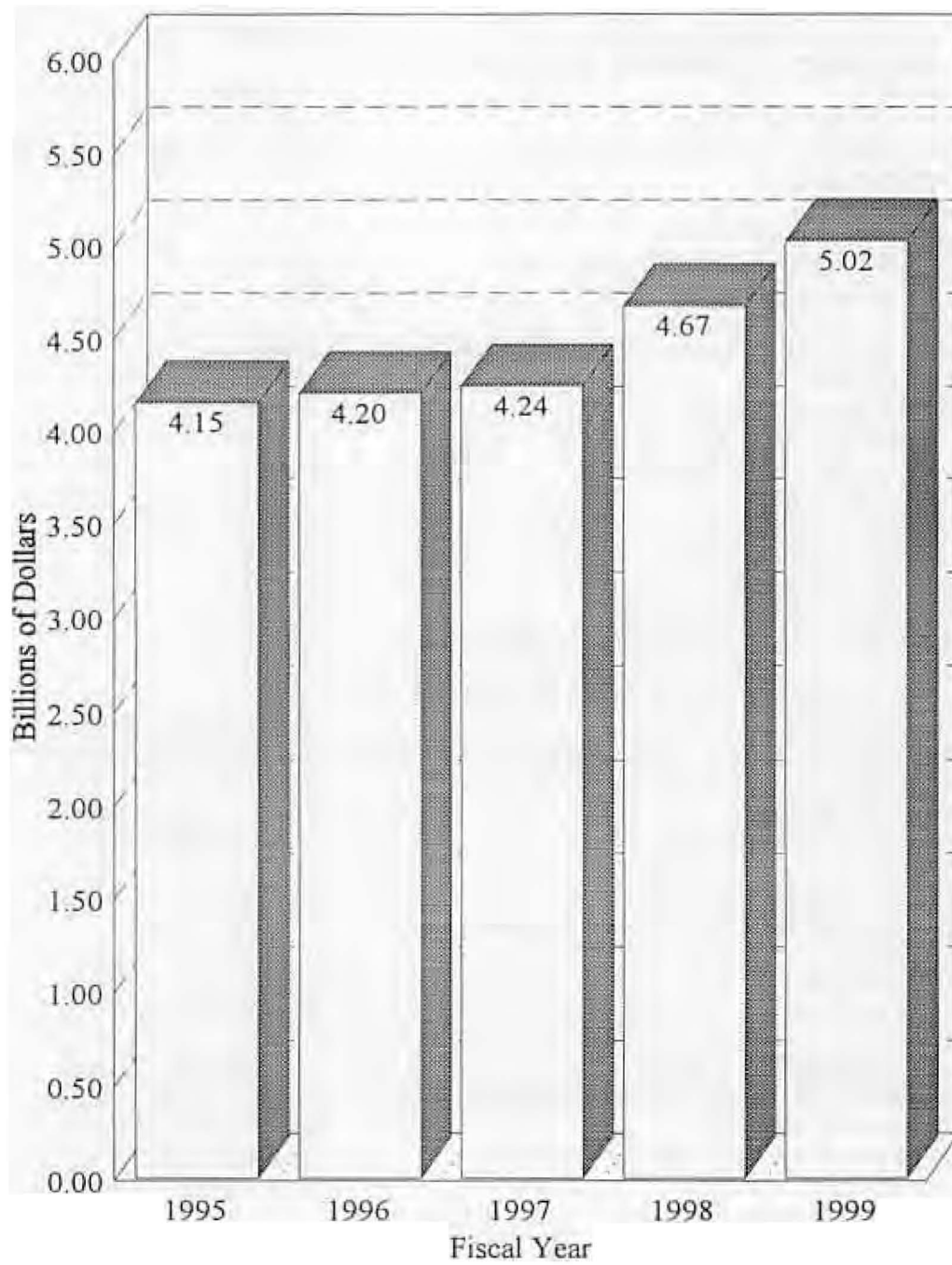
Claire McCaskill  
State Auditor

STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1999

| CFDA<br>Number | Federal Program Name  | Federal Grantor Agency          | Federal Awards<br>Expended |
|----------------|---|---------------------------------|----------------------------|
| 10.550         | Food Distribution   | Agriculture                     | \$ 15,556,696              |
|                | Food Stamp Cluster:   |                                 |                            |
| 10.551         | Food Stamps   | Agriculture                     | 346,495,125                |
| 10.561         | State Administrative Matching Grants for Food Stamp Program   | Agriculture                     | 38,327,832                 |
|                | Child Nutrition Cluster:  |                                 |                            |
| 10.553         | School Breakfast Program  | Agriculture                     | 24,519,300                 |
| 10.555         | National School Lunch Program   | Agriculture                     | 91,144,419                 |
| 10.556         | Special Milk Program for Children   | Agriculture                     | 362,852                    |
| 10.559         | Summer Food Service Program for Children  | Agriculture                     | 4,029,369                  |
| 10.557         | Special Supplemental Nutrition Program for Women, Infants,<br>and Children                                | Agriculture                     | 66,709,283                 |
| 10.558         | Child and Adult Care Food Program   | Agriculture                     | 29,719,464                 |
| 14.228         | Community Development Block Grants/State's Program  | Housing and Urban Development   | 30,809,249                 |
|                | Employment Service Cluster:   |                                 |                            |
| 17.207         | Employment Service  | Labor                           | 16,347,100                 |
| 17.801         | Disabled Veterans' Outreach Program   | Labor                           | 1,444,887                  |
| 17.804         | Local Veterans' Employment Representative Program   | Labor                           | 1,668,754                  |
| 17.225         | Unemployment Insurance  | Labor                           | 339,899,801                |
|                | Job Training Partnership Act Cluster:   |                                 |                            |
| 17.246         | Employment and Training Assistance - Dislocated Workers   | Labor                           | 12,197,238                 |
| 17.250         | Job Training Partnership Act  | Labor                           | 28,380,204                 |
| 20.205         | Highway Planning and Construction   | Transportation                  | 451,001,557                |
| 66.458         | Capitalization Grants for State Revolving Funds   | Environmental Protection Agency | 39,677,616                 |
| 84.010         | Title I Grants to Local Educational Agencies  | Education                       | 127,643,105                |
|                | Special Education Cluster:  |                                 |                            |
| 84.027         | Special Education - Grants to States  | Education                       | 72,650,270                 |
| 84.173         | Special Education - Preschool Grants  | Education                       | 5,776,796                  |
| 84.032         | Federal Family Education Loans  | Education                       | 61,924,862                 |
| 84.048         | Vocational Education - Basic Grants to States   | Education                       | 21,223,185                 |
| 84.126         | Rehabilitation Services - Vocational Rehabilitation Grants to States                                      | Education                       | 52,804,427                 |
|                | Aging Cluster:  |                                 |                            |
| 93.044         | Special Programs For The Aging - Title III, Part B - Grants For<br>Supportive Services and Senior Centers | Health and Human Services       | 6,324,084                  |
| 93.045         | Special Programs For The Aging - Title III, Part C - Nutrition Services                                   | Health and Human Services       | 10,203,100                 |
| 93.558         | Temporary Assistance for Needy Families   | Health and Human Services       | 210,039,964                |
| 93.563         | Child Support Enforcement   | Health and Human Services       | 48,803,288                 |
| 93.568         | Low-Income Home Energy Assistance   | Health and Human Services       | 27,235,693                 |
|                | Child Care Cluster:   |                                 |                            |
| 93.575         | Child Care and Development Block Grant  | Health and Human Services       | 10,328,924                 |
| 93.596         | Child Care Mandatory and Matching Funds of the Child Care and<br>Development Fund                         | Health and Human Services       | 43,454,906                 |
| 93.658         | Foster Care - Title IV-E  | Health and Human Services       | 71,072,899                 |
| 93.667         | Social Services Block Grant   | Health and Human Services       | 37,753,251                 |
|                | Medicaid Cluster:   |                                 |                            |
| 93.775         | State Medicaid Fraud Control Units  | Health and Human Services       | 611,854                    |
| 93.777         | State Survey and Certification of Health Care Providers and Suppliers                                     | Health and Human Services       | 9,296,543                  |
| 93.778         | Medical Assistance Program  | Health and Human Services       | 2,229,819,353              |
| 93.959         | Block Grant for Prevention and Treatment of Substance Abuse   | Health and Human Services       | 17,935,160                 |
| 96.001         | Social Security - Disability Insurance  | Social Security Administration  | 33,944,443                 |
|                | Total Type A Programs (expenditures greater than \$14 million)  |                                 | 4,637,136,853              |
|                | Total Type B Programs (expenditures less than \$14 million)   |                                 | 383,430,484                |
|                | Total Expenditures of Federal Awards  |                                 | \$ <u>5,020,567,337</u>    |

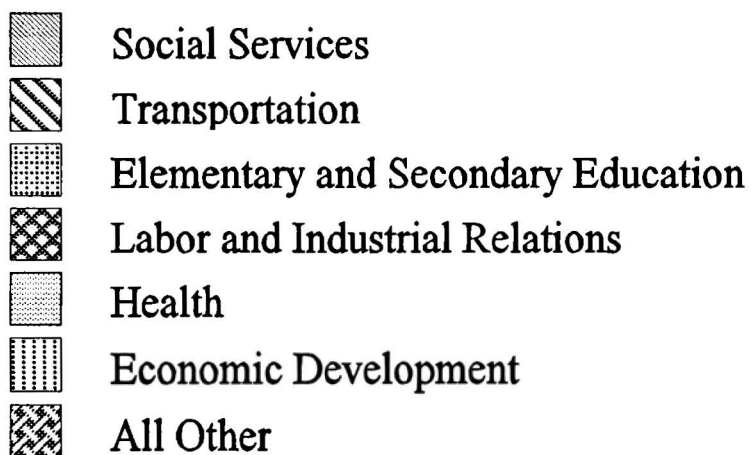
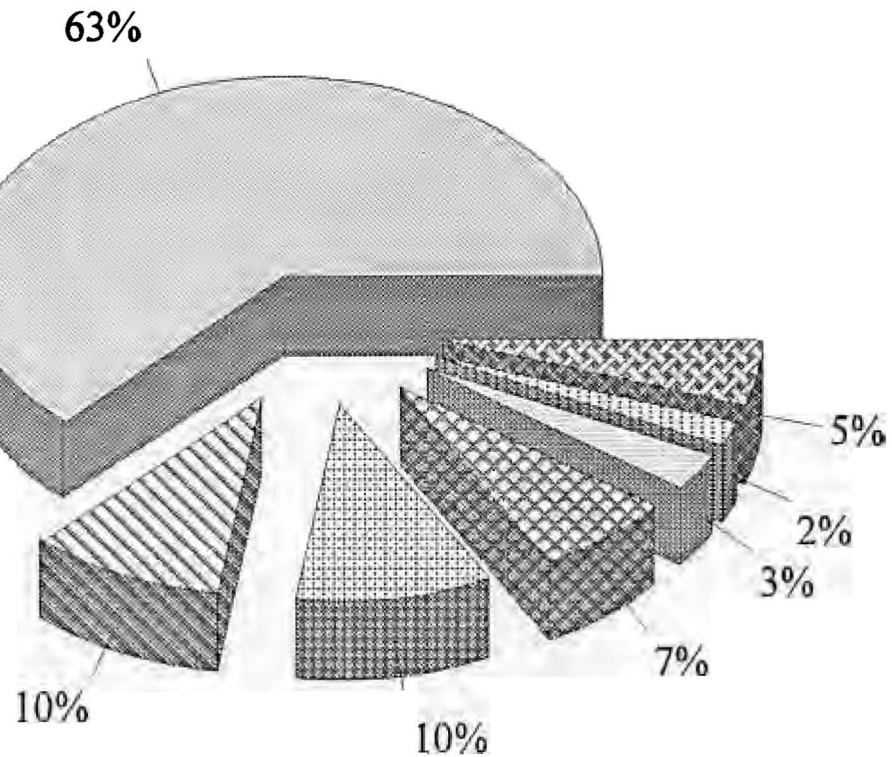
## STATE OF MISSOURI

### TOTAL EXPENDITURES OF FEDERAL AWARDS FIVE YEAR COMPARISON



STATE OF MISSOURI

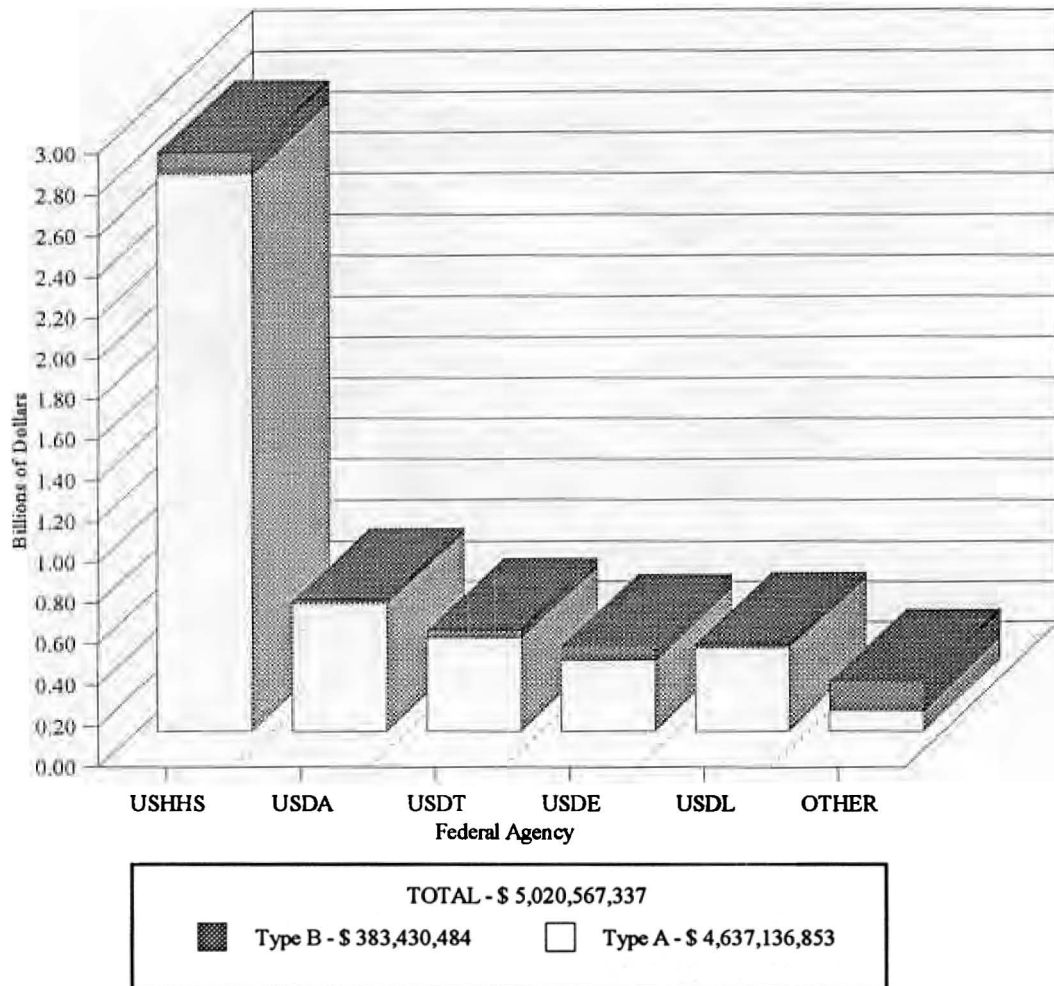
EXPENDITURES OF FEDERAL AWARDS BY STATE DEPARTMENT  
YEAR ENDED JUNE 30, 1999





## STATE OF MISSOURI

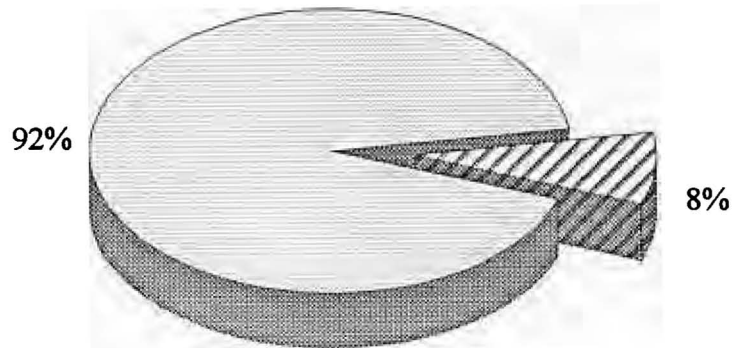
### EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT YEAR ENDED JUNE 30, 1999



|       |   |
|-------|---|
| USHHS | United States Department of Health and Human Services |
| USDA  | United States Department of Agriculture               |
| USDT  | United States Department of Transportation            |
| USDE  | United States Department of Education                 |
| USDL  | United States Department of Labor                     |
| OTHER | Other United States Departments                       |

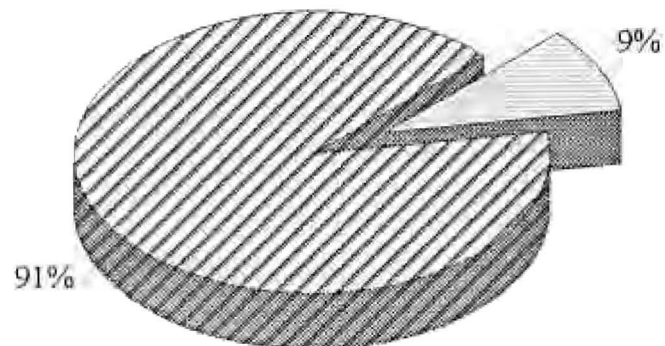
## STATE OF MISSOURI

### TYPE A vs TYPE B EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 1999



TOTAL - \$ 5,020,567,337

 Type A - \$ 4,637,136,853       Type B - \$ 383,430,484



TOTAL NUMBER OF PROGRAMS - 288

 Type A Programs - 26       Type B Programs - 262

## STATE AUDITOR'S REPORTS



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly

We have audited the general purpose financial statements of the state of Missouri as of and for the year ended June 30, 1999, and have issued our report thereon dated December 23, 1999. We did not audit the financial statements of the Missouri Department of Transportation, which statements constitute 2 percent and 7 percent, respectively, of the assets and revenues of the special revenue funds; 59 percent and 98 percent, respectively, of the assets and revenues of the capital projects funds; 18 percent of the general fixed asset account group; and 7 percent of the long-term debt account group. We did not audit the financial statements of the Missouri State Lottery, which statements constitute 48 percent and 94 percent, respectively, of the assets and revenues of the enterprise funds. We did not audit the financial statements of the Missouri Consolidated Health Care Plan, Missouri State Employees' Insurance Plan, and the Missouri Department of Transportation Self Insurance Plan, which statements constitute 44 percent and 55 percent, respectively, of the assets and operating revenues of the internal service funds. We did not audit the financial statements of the Missouri State Employees' Deferred Compensation Plan, which statements constitute 50 percent and 28 percent, respectively, of the assets and revenues of the expendable trust funds. We did not audit the financial statements of the pension trust funds, which statements constitute 80 percent of the assets of the agency and trust funds. We did not audit the financial statements of the colleges and universities and the component units, which statements constitute 28 percent of the assets for all fund types and account groups. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to these amounts, is based on the reports of the other auditors. Our report expressed a qualified opinion on the general purpose financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Compliance

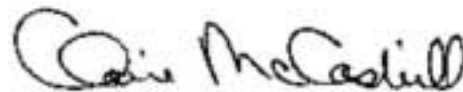
As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal controls over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements. Our reports of these conditions do not modify our report dated December 23, 1999, on the general purpose financial statements.

This report is intended for the information of the management of the state of Missouri and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

December 23, 1999 (fieldwork completion date)



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL  
OVER COMPLIANCE, AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The state's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the state's compliance with those requirements.

In our opinion, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. However, the results of our audit procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 99-2 to 99-15.

### Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-2 and 99-4 to 99-15.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 99-12 to be a material weaknesses.

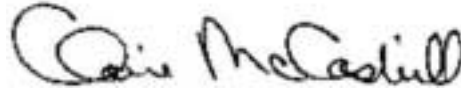
### Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the state of Missouri as of and for the year ended June 30, 1999, and have issued our report thereon dated December 23, 1999. That report expressed a qualified opinion on the general purpose financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. The state of Missouri has excluded federal award expenditures of public universities from the accompanying Schedule of Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general purpose

financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the state's management, federal awarding agencies and pass-through entities, and other applicable government officials. However this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

January 21, 2000 (fieldwork completion date)



**SUPPLEMENTARY SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1999

| CFDA Number   | Federal Grantor Agency - Program  | Federal Awards<br>Expended | Amount Provided<br>to Subrecipients |
|---|---|----------------------------|-------------------------------------|
| U. S. Office of National Drug Control Policy            |   |                            |                                     |
| 07.PMWP549  | HIDTA-HP Enforcement  | \$ 243,554                 | 219,428                             |
| 07.PMWP550  | HIDTA-Lab Enhancement   | 187,014                    | 14,773                              |
| 07.PMWP551  | HIDTA-Task Forces   | 595,207                    | 582,720                             |
| 07.PMWP552  | HIDTA-SAUSA   | 261,372                    | 261,372                             |
| 07.PMWP579  | HIDTA-Demand Reduction  | 38,796                     | 38,796                              |
| Total U. S. Office of National Drug Control Policy      |   | 1,325,943                  | 1,117,089                           |
| U. S. Department of Agriculture                         |   |                            |                                     |
| 10.0196-CCS-018   | Natural Heritage Database Digitalization  | 4,292                      | 0                                   |
| 10.0197-CCS-033   | Challenge Cost Share - Bat Survey   | 3,178                      | 0                                   |
| 10.025  | Plant and Animal Disease, Pest Control, and Animal Care                           | 55,772                     | 0                                   |
| 10.064  | Forestry Incentives Program   | 2,500                      | 0                                   |
| 10.069  | Conservation Reserve Program  | 18,853                     | 0                                   |
| 10.250  | Agricultural and Rural Economic Research  | 54,200                     | 0                                   |
| 10.550  | Food Distribution   | 15,556,696                 | 14,780,223                          |
| 10.551  | Food Stamps   | 346,495,125                | 0                                   |
| 10.553  | School Breakfast Program  | 24,519,300                 | 24,021,146                          |
| 10.555  | National School Lunch Program   | 91,144,419                 | 90,449,367                          |
| 10.556  | Special Milk Program for Children   | 362,852                    | 362,852                             |
| 10.557  | Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)  | 66,709,283                 | 12,012,797                          |
| 10.558  | Child and Adult Care Food Program   | 29,719,464                 | 29,295,353                          |
| 10.559  | Summer Food Service Program for Children  | 4,029,369                  | 3,976,765                           |
| 10.560  | State Administrative Expenses for Child Nutrition                                 | 1,860,740                  | 0                                   |
| 10.561  | State Administrative Matching Grants for Food Stamp Program                       | 38,327,832                 | 82,753                              |
| 10.564  | Nutrition Education and Training Program  | 30,015                     | 0                                   |
| 10.568  | Emergency Food Assistance Program (Administrative Costs)                          | 925,455                    | 857,756                             |
| 10.569  | Emergency Food Assistance Program (Food Commodities)                              | 5,992,426                  | 5,992,426                           |
| 10.570  | Nutrition Program for the Elderly   | 5,596,278                  | 5,596,278                           |
| 10.572  | WIC Farmers' Market Nutrition Program   | 130,191                    | 118,335                             |
| 10.574  | Team Nutrition Grants   | 43,848                     | 0                                   |
| 10.664  | Cooperative Forestry Assistance   | 867,708                    | 0                                   |
| 10.665  | Schools and Roads - Grants to States  | 2,159,292                  | 2,159,292                           |
| 10.7464247001   | Soil & Water - National Resources Conservation Services Agreement                 | 76,748                     | 76,748                              |
| 10.901  | Resource Conservation and Development   | 4,847                      | 4,836                               |
| 10.902  | Soil and Water Conservation   | 274,177                    | 0                                   |
| 10.904  | Watershed Protection and Flood Prevention   | 58,000                     | 0                                   |
| Total U. S. Department of Agriculture                   |   | 635,022,860                | 189,786,927                         |
| U. S. Department of Defense                             |   |                            |                                     |
| 12.106  | Flood Control Projects  | 591,879                    | 0                                   |
| 12.112  | Payments to States in Lieu of Real Estate Taxes                                   | 743,509                    | 743,509                             |
| 12.113  | State Memorandum of Agreement Program for the Reimbursement of Technical Services | 594,172                    | 0                                   |
| 12.401  | National Guard Military Operations and Maintenance Projects                       | 13,332,347                 | 0                                   |
| 12.AAG  | Drug Interdiction & Counter Drug Activities (Note 4)                              | 195,098                    | 195,098                             |
| 12.DACW41-96-H-001                                      | Fire Suppression on Truman Reservoir  | 10,903                     | 0                                   |
| 12.GR9611-96-01   | Fort Leonard Wood   | 3,000                      | 3,000                               |
| Total U. S. Department of Defense                       |   | 15,470,908                 | 941,607                             |
| U. S. Department of Housing and Urban Development       |   |                            |                                     |
| 14.228  | Community Development Block Grants/State's Program                                | 30,809,249                 | 29,972,653                          |
| 14.231  | Emergency Shelter Grants Program  | 1,160,668                  | 1,160,668                           |
| 14.238  | Shelter Plus Care   | 3,462,400                  | 3,462,080                           |
| 14.241  | Housing Opportunities for Persons with AIDS                                       | 334,588                    | 334,588                             |
| 14.401  | Fair Housing Assistance Program - State and Local                                 | 172,649                    | 0                                   |
| 14.900  | Lead-Based Paint Hazard Control in Privately-Owned Housing                        | 502,843                    | 502,843                             |
| Total U. S. Department of Housing and Urban Development |   | 36,442,397                 | 35,432,832                          |
| U. S. Department of the Interior                        |   |                            |                                     |
| 15.250  | Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining  | 388,267                    | 0                                   |
| 15.252  | Abandoned Mine Land Reclamation Program   | 2,138,192                  | 0                                   |
| 15.605  | Sport Fish Restoration  | 8,048,843                  | 0                                   |
| 15.611  | Wildlife Restoration  | 3,744,871                  | 0                                   |
| 15.615  | Cooperative Endangered Species Conservation Fund                                  | 53,942                     | 0                                   |
| 15.617  | Wildlife Conservation and Appreciation  | 13,994                     | 0                                   |
| 15.808  | U.S. Geological Survey - Research and Data Acquisition                            | 470,885                    | 0                                   |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1999

| CFDA Number                            | Federal Grantor Agency - Program  | Federal Awards<br>Expended | Amount Provided<br>to Subrecipients |
|--|---|----------------------------|-------------------------------------|
| 15.904                                 | Historic Preservation Fund Grants-In-Aid  | 767,215                    | 162,451                             |
| 15.916                                 | Outdoor Recreation - Acquisition, Development and Planning                                    | 230,737                    | 135,085                             |
| 15.976                                 | Migratory Bird Banding and Data Analysis  | 5,632                      | 0                                   |
| 15.FFB                                 | Webless Migratory Game Bird Research Program  | 42,187                     | 0                                   |
| 15.FFC                                 | North American Wetlands Conservation Act  | 31,636                     | 0                                   |
| 15.MO9703000                           | Joint Geohydrologic Investigations  | 30,000                     | 30,000                              |
| Total U. S. Department of the Interior |   | 15,966,401                 | 327,536                             |
| U. S. Department of Justice            |   |                            |                                     |
| 16.523                                 | Juvenile Accountability Incentive Block   | 21,073                     | 21,073                              |
| 16.540                                 | Juvenile Justice and Delinquency Prevention - Allocation to States                            | 1,399,915                  | 1,371,568                           |
| 16.541                                 | Juvenile Justice and Delinquency Prevention - Special Emphasis                                | 207,345                    | 173,501                             |
| 16.546                                 | Delinquency and Youth Violence  | 247,816                    | 247,816                             |
| 16.554                                 | National Criminal History Improvement Program   | 630,719                    | 233,102                             |
| 16.555                                 | National Sex Offender Registry Assistance   | 264,790                    | 0                                   |
| 16.560                                 | Justice Research, Development, and Evaluation Project Grants                                  | 224,079                    | 16,829                              |
| 16.572                                 | State Criminal Alien Assistance Program   | 32,848                     | 0                                   |
| 16.575                                 | Crime Victim Assistance   | 3,581,732                  | 3,574,362                           |
| 16.576                                 | Crime Victim Compensation   | 586,102                    | 0                                   |
| 16.579                                 | Byrne Formula Grant Program   | 8,124,006                  | 8,047,671                           |
| 16.580                                 | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 235,692                    | 0                                   |
| 16.586                                 | Violent Offender Incarceration and Truth in Sentencing Incentive Grants                       | 1,793,652                  | 0                                   |
| 16.588                                 | Violence Against Women Formula Grants   | 2,033,316                  | 2,033,316                           |
| 16.592                                 | Local Law Enforcement Block Grants Program  | 575,315                    | 575,315                             |
| 16.593                                 | Residential Substance Abuse Treatment for State Prisoners                                     | 447,335                    | 447,335                             |
| 16.598                                 | State Identification Systems Grant Program  | 288,245                    | 0                                   |
| 16.610                                 | Mid-States Organized Crime Information Center - Technology Grant                              | 4,702,315                  | 4,702,315                           |
| 16.710                                 | Public Safety Partnership and Community Policing Grants                                       | 1,890,197                  | 0                                   |
| 16.99CK-WX-0014                        | COPS Technolgy Program  | 288,219                    | 0                                   |
| 16.MO0261100                           | Equitable Sharing of Seized and Forfeited Property  | 21,933                     | 0                                   |
| 16.MOMHP0006                           | Equitable Sharing of Seized and Forfeited Property  | 619,012                    | 0                                   |
| 16.PRWK0043                            | Problem Solving Partnership   | 95,139                     | 0                                   |
| 16.SCMOE121                            | Organized Crime Drug Enforcement Task Force   | 27,623                     | 0                                   |
| 16                                     | Marijuana Eradication Program   | 567,364                    | 0                                   |
| Total U. S. Department of Justice      |   | 28,905,782                 | 21,444,203                          |
| U. S. Department of Labor              |   |                            |                                     |
| 17.002                                 | Labor Force Statistics  | 1,066,748                  | 0                                   |
| 17.005                                 | Compensation and Working Conditions Data  | 147,298                    | 0                                   |
| 17.203                                 | Labor Certification for Alien Workers   | 110,589                    | 0                                   |
| 17.207                                 | Employment Service  | 16,347,100                 | 329,269                             |
| 17.225                                 | Unemployment Insurance (Note 3)   | 339,899,801                | 0                                   |
| 17.235                                 | Senior Community Service Employment Program   | 2,037,541                  | 2,006,978                           |
| 17.245                                 | Trade Adjustment Assistance - Workers   | 4,522,149                  | 389,221                             |
| 17.246                                 | Employment and Training Assistance - Dislocated Workers                                       | 12,197,238                 | 12,684,686                          |
| 17.249                                 | Employment Services and Job Training - Pilot and Demonstration Programs                       | 142,186                    | 59,000                              |
| 17.250                                 | Job Training Partnership Act  | 28,380,204                 | 28,368,783                          |
| 17.253                                 | Welfare-to-Work Grants to States and Localities   | 8,385,451                  | 6,863,990                           |
| 17.504                                 | Consultation Agreements   | 731,463                    | 0                                   |
| 17.600                                 | Mine Health and Safety Grants   | 260,277                    | 0                                   |
| 17.801                                 | Disabled Veterans' Outreach Program   | 1,444,887                  | 0                                   |
| 17.804                                 | Local Veterans' Employment Representative Program   | 1,668,754                  | 0                                   |
| 17.E9483928                            | State Occupational Information Coordinating Committee   | 337,415                    | 0                                   |
| Total U. S. Department of Labor        |   | 417,679,101                | 50,701,927                          |
| U. S. Department of Transportation     |   |                            |                                     |
| 20.005                                 | Boating Safety Financial Assistance   | 1,173,643                  | 0                                   |
| 20.106                                 | Airport Improvement Program   | 10,284,094                 | 10,182,823                          |
| 20.205                                 | Highway Planning and Construction   | 451,001,557                | 49,556,462                          |
| 20.218                                 | Motor Carrier Safety Assistance Program   | 59,274                     | 14,237                              |
| 20.308                                 | Local Rail Freight Assistance   | 168,707                    | 168,707                             |
| 20.500                                 | Federal Transit Capital Improvement Grants  | 9,389,670                  | 9,389,670                           |
| 20.505                                 | Federal Transit Technical Studies Grants  | 745,760                    | 639,449                             |
| 20.507                                 | Federal Transit Capital and Operating Assistance Formula Grants                               | 4,089,390                  | 4,089,390                           |
| 20.509                                 | Public Transportation for Nonurbanized Areas  | 4,201,319                  | 3,902,656                           |
| 20.513                                 | Capital Assistance Program for Elderly Persons and Persons with Disabilities                  | 1,158,530                  | 1,096,156                           |
| 20.600                                 | State and Community Highway Safety  | 3,436,285                  | 3,025,593                           |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1999

| CFDA Number  | Federal Grantor Agency - Program  | Federal Awards<br>Expended | Amount Provided<br>to Subrecipients |
|--|---|----------------------------|-------------------------------------|
| 20.601   | Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants                      | 473,202                    | 473,202                             |
| 20.700   | Pipeline Safety   | 239,229                    | 0                                   |
| 20.C99-01-MO-1   | Airport Master Record Program   | 11,925                     | 0                                   |
| 20.DTNH22-96   | Crash Outcome Data Evaluation System  | 48,262                     | 0                                   |
| 20.EMW1998CA0174   | National Performance of Dams Program  | 1,415                      | 0                                   |
| 20.NRTP-96(001)  | National Recreational Trails Fund   | 75,834                     | 50,730                              |
| Total U. S. Department of Transportation                       |   | 486,558,096                | 82,589,075                          |
| U. S. Department of the Treasury                               |   |                            |                                     |
| 21.MO0261100   | Equitable Sharing of Seized and Forfeited Property  | 21,933                     | 0                                   |
| 21.MOMHP0006   | Equitable Sharing of Seized and Forfeited Property  | 21,980                     | 0                                   |
| 21.SCMOW099  | IRS Joint Operations  | 2,795                      | 0                                   |
| Total U. S. Department of the Treasury                         |   | 46,708                     | 0                                   |
| U. S. Equal Employment Opportunity Commission                  |   |                            |                                     |
| 30.002   | Employment Discrimination - State and Local Fair Employment Practices Agency Contracts    | 290,796                    | 0                                   |
| Total U. S. Equal Employment Opportunity Commission            |   | 290,796                    | 0                                   |
| U. S. General Services Administration                          |   |                            |                                     |
| 39.003   | Donation of Federal Surplus Personal Property (Note 4)                                    | 2,870,136                  | 2,363,184                           |
| Total U. S. General Services Administration                    |   | 2,870,136                  | 2,363,184                           |
| U. S. National Foundation on the Arts and the Humanities       |   |                            |                                     |
| 45.025   | Promotion of the Arts - Partnership Agreements  | 553,125                    | 210,656                             |
| 45.310   | State Library Program   | 839,055                    | 516,680                             |
| Total U. S. National Foundation on the Arts and the Humanities |   | 1,392,180                  | 727,336                             |
| U. S. Veterans Administration                                  |   |                            |                                     |
| 64.005   | Grants to States for Construction of State Home Facilities                                | 7,320,919                  | 0                                   |
| 64.015   | Veterans State Nursing Home Care  | 10,480,750                 | 0                                   |
| 64.203   | State Cemetery Grants   | 1,251,956                  | 0                                   |
| 64.V101223B  | Veterans Educational Assistance   | 389,367                    | 0                                   |
| Total U. S. Veterans Administration                            |   | 19,442,992                 | 0                                   |
| U. S. Environmental Protection Agency                          |   |                            |                                     |
| 66.032   | State Indoor Radon Grants   | 31,051                     | 28,299                              |
| 66.1434HQ97AG01801   | Quaterney Faulting in Benton Hills  | 367                        | 0                                   |
| 66.433   | State Underground Water Source Protection   | 197,332                    | 0                                   |
| 66.454   | Water Quality Management Planning   | 456,921                    | 90,558                              |
| 66.458   | Capitalization Grants for State Revolving Funds   | 39,677,616                 | 38,424,742                          |
| 66.460   | Nonpoint Source Implementation Grants   | 1,775,671                  | 610,932                             |
| 66.461   | Wetlands Protection - Development Grants  | 348,995                    | 53,489                              |
| 66.463   | National Pollutant Discharge Elimination Systems Related State Program Grants             | 838                        | 0                                   |
| 66.600   | Environmental Protection Consolidated Grants - Program Support                            | 2,536,660                  | 1,348,481                           |
| 66.605   | Performance Partnership Grants  | 8,960,865                  | 481,729                             |
| 66.606   | Surveys, Studies, Investigations and Special Purpose Grants                               | 1,210,007                  | 89,529                              |
| 66.608   | One Stop Reporting Program  | 186,426                    | 0                                   |
| 66.700   | Consolidated Pesticide Enforcement Cooperative Agreements                                 | 446,267                    | 0                                   |
| 66.701   | Toxic Substances Compliance Monitoring Cooperative Agreements                             | 336,187                    | 66,214                              |
| 66.707   | TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals         | 433,241                    | 40,535                              |
| 66.708   | Pollution Prevention Grants Program   | 89,715                     | 0                                   |
| 66.802   | Superfund State Site - Specific Cooperative Agreements                                    | 2,082,837                  | 37                                  |
| 66.804   | State Underground Storage Tanks Program   | 83,593                     | 0                                   |
| 66.805   | Leaking Underground Storage Tank Trust Fund Program                                       | 1,106,831                  | 0                                   |
| 66.810   | CEPP Technical Assistance Grants Program  | 63,719                     | 0                                   |
| 66.951   | Environmental Education Grants  | 5,000                      | 0                                   |
| 66.DOO7696010  | Solid Waste Management Program - Resource Conservation Recovery Act 4008 Flood Activities | 71,410                     | 0                                   |
| 66.MM99751801  | Technical Assistance Program - Environmental Management Institute                         | 18,632                     | 0                                   |
| 66.SPX   | Stormwater/Sludge Project   | 81,685                     | 65,110                              |
| 66.X99723901   | Air Pollution Control Program - Central States Air Resources Agency's Program             | 43,745                     | 15,720                              |
| Total U. S. Environmental Protection Agency                    |   | 60,245,611                 | 41,315,375                          |
| U. S. Department of Energy                                     |   |                            |                                     |
| 81.041   | State Energy Conservation   | 595,155                    | 3,451                               |
| 81.042   | Weatherization Assistance for Low-Income Persons  | 3,056,110                  | 2,797,119                           |
| 81.052   | Energy Conservation for Institutional Buildings   | 543,055                    | 119,207                             |
| 81.092   | Weldon Springs Site Remedial Action Project   | 386,985                    | 0                                   |
| 81.997   | Petroleum Violation Escrow Funds - Oil Overcharge   | 1,217,862                  | 835,259                             |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1999

| CFDA Number | Federal Grantor Agency - Program   | Federal Awards<br>Expended | Amount Provided<br>to Subrecipients |
|-------------|--|----------------------------|-------------------------------------|
| 81.TV94076V | Tennessee Valley Authority Contracts   | 2,810                      | 0                                   |
|             | Total U. S. Department of Energy   | 5,801,977                  | 3,755,036                           |
|             | U. S. Federal Emergency Management Agency  |                            |                                     |
| 83.011      | Hazardous Materials Training Program for Implementation of the Superfund<br>Amendment and Reauthorization Act (SARA) of 1986 | 88,367                     | 0                                   |
| 83.105      | Community Assistance Program - State Support Services Element  | 153,264                    | 0                                   |
| 83.505      | State Disaster Preparedness Grants   | 24,543                     | 0                                   |
| 83.521      | Earthquake Hazards Reduction Grants  | 25,000                     | 0                                   |
| 83.534      | Emergency Management - State and Local Assistance  | 2,281,828                  | 533,530                             |
| 83.535      | Mitigation Assistance  | 83,948                     | 0                                   |
| 83.541      | Disaster Unemployment Assistance   | 46,042                     | 0                                   |
| 83.544      | Public Assistance Grants   | 11,986,444                 | 11,736,361                          |
| 83.548      | Hazard Mitigation Grant  | 784,621                    | 666,516                             |
| 83.551      | Disaster Resistance Community Grant  | 26,120                     | 0                                   |
|             | Total U. S. Federal Emergency Management Agency  | 15,500,177                 | 12,936,407                          |
|             | U. S. Department of Education  |                            |                                     |
| 84.002      | Adult Education - State Grant Program  | 6,180,639                  | 5,816,411                           |
| 84.010      | Title I Grants to Local Educational Agencies   | 127,643,105                | 127,305,136                         |
| 84.011      | Migrant Education - Basic State Grant Program  | 1,323,172                  | 1,323,172                           |
| 84.013      | Title I Program for Neglected and Delinquent Children  | 636,615                    | 636,615                             |
| 84.025      | Services for Children with Deaf - Blindness  | 121,935                    | 121,935                             |
| 84.027      | Special Education - Grants to States   | 72,650,270                 | 69,898,233                          |
| 84.029      | Special Education - Personnel Development and Parent Training  | 122,092                    | 117,913                             |
| 84.032      | Federal Family Education Loans   | 61,924,862                 | 0                                   |
| 84.034      | Public Library Services  | 957,525                    | 778,599                             |
| 84.035      | Interlibrary Cooperation and Resource Sharing  | 195,566                    | 56,951                              |
| 84.041      | Impact Aid   | 354                        | 28                                  |
| 84.048      | Vocational Education - Basic Grants to States  | 21,223,185                 | 19,759,467                          |
| 84.069      | State Student Incentive Grants   | 502,168                    | 0                                   |
| 84.126      | Rehabilitation Services - Vocational Rehabilitation Grants to States   | 52,804,427                 | 777,291                             |
| 84.154      | Public Library Construction and Technology Enhancement   | 68,437                     | 68,437                              |
| 84.158      | Secondary Education and Transitional Services for Youth with Disabilities  | 426,057                    | 411,822                             |
| 84.162      | Immigrant Education  | 428,077                    | 423,558                             |
| 84.169      | Independent Living - State Grants  | 297,184                    | 208,062                             |
| 84.173      | Special Education - Preschool Grants   | 5,776,796                  | 5,600,285                           |
| 84.177      | Rehabilitation Services - Independent Living Services for Older<br>Individuals who are Blind                                 | 336,495                    | 0                                   |
| 84.181      | Special Education - Grants for Infants and Families with Disabilities  | 5,846,993                  | 1,482,938                           |
| 84.185      | Byrd Honors Scholarships   | 698,970                    | 0                                   |
| 84.186      | Safe and Drug-Free Schools and Communities - State Grants  | 8,068,649                  | 7,503,532                           |
| 84.187      | Supported Employment Services for Individuals with Severe Disabilities   | 778,942                    | 0                                   |
| 84.194      | Bilingual Education Support Services   | 99,929                     | 51,508                              |
| 84.196      | Education for Homeless Children and Youth  | 450,550                    | 447,198                             |
| 84.213      | Even Start - State Educational Agencies  | 1,672,412                  | 1,667,360                           |
| 84.215      | Fund for the Improvement of Education  | 1,011,430                  | 892,737                             |
| 84.216      | Capital Expenses   | 19,725                     | 19,725                              |
| 84.224      | Assistive Technology   | 666,709                    | 0                                   |
| 84.243      | Tech-Prep Education  | 2,280,326                  | 2,280,326                           |
| 84.265      | Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training   | 108,091                    | 0                                   |
| 84.276      | Goals 2000 - State and Local Education Systemic Improvement Grants   | 7,212,785                  | 4,120,883                           |
| 84.278      | School To Work State Implementation Grants   | 7,322,467                  | 7,126,337                           |
| 84.281      | Eisenhower Professional Development State Grants   | 5,874,495                  | 4,522,604                           |
| 84.282      | Charter Schools  | 367                        | 0                                   |
| 84.298      | Innovative Education Program Strategies  | 6,004,349                  | 4,949,944                           |
| 84.314      | Even Start-Statewide Family Literacy Program   | 51,130                     | 51,130                              |
| 84.318      | Technology Literacy Challenge Fund Grants  | 7,808,162                  | 7,643,827                           |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1999

| CFDA Number                                   | Federal Grantor Agency - Program  | Federal Awards<br>Expended | Amount Provided<br>to Subrecipients |
|---|---|----------------------------|-------------------------------------|
| 84.331  | Workplace and Community Transition Training for Incarcerated Youth<br>Offenders Program   | 155,775                    | 0                                   |
| 84.332  | Comprehensive School Reform Demonstration   | 617,836                    | 539,704                             |
| 84.RN94-13-6026                               | National Cooperative System Program   | 40,593                     | 0                                   |
| Total U. S. Department of Education           |   | 410,409,646                | 276,603,668                         |
| U. S. Department of Health and Human Services |   |                            |                                     |
| 93.041  | Special Programs for the Aging - Title VII, Chapter 3 - Programs for<br>Prevention of Elder Abuse, Neglect, and Exploitation                                | 87,036                     | 82,684                              |
| 93.042  | Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care<br>Ombudsman Services for Older Individuals  | 154,484                    | 146,760                             |
| 93.043  | Special Programs for the Aging - Title III, Part F - Disease Prevention and<br>Health Promotion Services  | 329,117                    | 312,661                             |
| 93.044  | Special Programs for the Aging - Title III, Part B - Grants for Supportive<br>Services and Senior Centers   | 6,324,084                  | 6,007,880                           |
| 93.045  | Special Programs for the Aging - Title III, Part C - Nutrition Services   | 10,203,100                 | 9,692,945                           |
| 93.046  | Special Programs for the Aging - Title III, Part D - In-Home Services for<br>Frail Older Individuals  | 189,148                    | 179,691                             |
| 93.048  | Special Programs for the Aging - Title IV - Training, Research and<br>Discretionary Projects and Programs   | 99,524                     | 0                                   |
| 93.05-9805-MO                                 | Operation Restore Trust   | 44,948                     | 0                                   |
| 93.05-9905-MO                                 | Operation Restore Trust   | 79,135                     | 0                                   |
| 93.101  | Grants for Residential Treatment Programs for Pregnant and Postpartum Women   | 400,383                    | 308,415                             |
| 93.110  | Maternal and Child Health Federal Consolidated Programs   | 182,815                    | 4,605                               |
| 93.116  | Project Grants and Cooperative Agreements for Tuberculosis Control Programs   | 692,780                    | 164,132                             |
| 93.119  | Grants for Technical Assistance Activities Related to the Block Grant for<br>Community Mental Health Services - Technical Assistance Centers for Evaluation | 55,227                     | 0                                   |
| 93.125  | Mental Health Planning and Demonstration Projects   | 1,403,022                  | 1,222,348                           |
| 93.130  | Primary Care Services - Resource Coordination and Development Primary Care<br>Offices   | 176,599                    | 69,067                              |
| 93.135  | Centers for Research and Demonstration for Health Promotion and Disease<br>Prevention   | 309,435                    | 4,359                               |
| 93.136  | Injury Prevention and Control Research and State and Community Based Programs   | 29,579                     | 0                                   |
| 93.150  | Projects for Assistance in Transition from Homelessness   | 298,351                    | 286,489                             |
| 93.161  | Health Program for Toxic Substances and Disease Registry  | 381,535                    | 143,506                             |
| 93.165  | Grants for State Loan Repayment   | 23,922                     | 23,922                              |
| 93.194  | Community Prevention Coalitions Demonstration Grant   | 326,735                    | 0                                   |
| 93.196  | Cooperative Agreements for Drug Abuse Treatment Improvement Projects<br>in Target Cities  | 950,485                    | 809,895                             |
| 93.197  | Childhood Lead Poisoning Prevention Program   | 519,305                    | 384,344                             |
| 93.223-97-4424                                | Mammography Inspections   | 54,078                     | 74                                  |
| 93.223-98-4424                                | Mammography Inspections   | 98,273                     | 0                                   |
| 93.223-98-4828                                | Tobacco Investigations  | 308,439                    | 60,184                              |
| 93.230  | Consolidated Knowledge Development and Application Program  | 60,044                     | 55,050                              |
| 93.234  | Traumatic Brain Injury  | 205,417                    | 175,399                             |
| 93.235  | Abstinence Education  | 395,853                    | 395,853                             |
| 93.238  | Cooperative Agreements for State Treatment Outcomes and Performance Pilot<br>Studies Enhancement  | 21,023                     | 0                                   |
| 93.239  | Follow-up of Individuals Leaving TANF   | 250,000                    | 0                                   |
| 93.262  | Occupational Safety and Health Research Grants  | 36,317                     | 0                                   |
| 93.268  | Immunization Grants (Note 4)  | 11,628,505                 | 7,178,527                           |
| 93.270-95-0031                                | State Demand and Needs Assessment Studies: Alcohol and Drugs  | 213,801                    | 192,304                             |
| 93.270-96-0009                                | Outcome Pilot Studies   | 76,398                     | 39,203                              |
| 93.283  | Centers for Disease Control and Prevention - Investigations and Technical<br>Assistance   | 1,341,326                  | 113,905                             |
| 93.283-95-0026                                | Uniform Alcohol and Drug Abuse Grant  | 99,487                     | 74,723                              |
| 93.393  | Cancer Cause and Prevention Research  | 1,142,811                  | 697,354                             |
| 93.556  | Family Preservation and Support Services  | 5,431,901                  | 6,846,162                           |
| 93.558  | Temporary Assistance for Needy Families   | 210,039,964                | 1,676,722                           |
| 93.563  | Child Support Enforcement   | 48,803,288                 | 8,635,717                           |
| 93.566  | Refugee and Entrant Assistance - State Administered Programs  | 4,037,461                  | 47,789                              |
| 93.568  | Low-Income Home Energy Assistance   | 27,235,693                 | 6,277,994                           |
| 93.569  | Community Services Block Grant  | 12,867,814                 | 12,612,242                          |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1999

| CFDA Number  | Federal Grantor Agency - Program  | Federal Awards<br>Expended | Amount Provided<br>to Subrecipients |
|--|---|----------------------------|-------------------------------------|
| 93.571   | Community Services Block Grant Discretionary Awards - Community Food and Nutrition  | 62,709                     | 0                                   |
| 93.575   | Child Care and Development Block Grant  | 10,328,924                 | 4,251,781                           |
| 93.584   | Refugee and Entrant Assistance - Targeted Assistance  | 631,473                    | 0                                   |
| 93.585   | Empowerment Zones Program   | 1,624,617                  | 1,624,617                           |
| 93.586   | State Court Improvement Program   | 192,527                    | 0                                   |
| 93.590   | Community-Based Family Resource and Support Grants  | 812,121                    | 812,121                             |
| 93.596   | Child Care Mandatory and Matching Funds of the Child Care and Development Fund  | 43,454,906                 | 301,168                             |
| 93.597   | Grants to States for Access and Visitation Programs   | 153,360                    | 0                                   |
| 93.630   | Developmental Disabilities Basic Support and Advocacy Grant   | 1,429,572                  | 850,378                             |
| 93.643   | Children's Justice Grants to States   | 156,022                    | 0                                   |
| 93.645   | Child Welfare Services - State Grants   | 6,065,722                  | 0                                   |
| 93.658   | Foster Care - Title IV-E  | 71,072,899                 | 0                                   |
| 93.659   | Adoption Assistance   | 10,374,810                 | 0                                   |
| 93.667   | Social Services Block Grant   | 37,753,251                 | 3,755,988                           |
| 93.669   | Child Abuse and Neglect State Grants  | 298,439                    | 0                                   |
| 93.671   | Family Violence Prevention and Services   | 1,104,684                  | 0                                   |
| 93.674   | Independent Living  | 1,242,352                  | 0                                   |
| 93.775   | State Medicaid Fraud Control Units  | 611,854                    | 611,854                             |
| 93.777   | State Survey and Certification of Health Care Providers and Suppliers   | 9,296,543                  | 324                                 |
| 93.778   | Medical Assistance Program  | 2,229,819,353              | 258,949                             |
| 93.779   | Health Care Financing Research, Demonstrations and Evaluations  | 231,726                    | 0                                   |
| 93.865   | Center for Research for Mothers and Children  | 192,982                    | 190,487                             |
| 93.913   | Grants to States for Operation of Offices of Rural Health   | 29,632                     | 0                                   |
| 93.917   | HIV Care Formula Grants   | 6,675,115                  | 6,675,115                           |
| 93.919   | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs                                | 2,606,056                  | 1,362,026                           |
| 93.928   | Special Projects of National Significance   | 55,471                     | 17,164                              |
| 93.938   | Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 129,906                    | 79,853                              |
| 93.940   | HIV Prevention Activities - Health Department Based   | 3,256,156                  | 1,946,386                           |
| 93.944   | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance   | 741,889                    | 267,621                             |
| 93.945   | Assistance Program for Chronic Disease Prevention and Control   | 79,937                     | 19,590                              |
| 93.958   | Block Grant for Community Mental Health Services  | 4,886,100                  | 4,542,834                           |
| 93.959   | Block Grant for Prevention and Treatment of Substance Abuse   | 17,935,160                 | 13,636,869                          |
| 93.977   | Preventive Health Services - Sexually Transmitted Diseases Control Grants   | 1,557,213                  | 481,580                             |
| 93.987   | Health Programs for Refugees  | 55,523                     | 50,900                              |
| 93.988   | Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems                                 | 230,505                    | 26,332                              |
| 93.991   | Preventive Health and Health Services Block Grant   | 4,713,309                  | 1,916,718                           |
| 93.994   | Maternal and Child Health Services Block Grant to the States  | 12,774,238                 | 7,087,096                           |
| Total U. S. Department of Health and Human Services        |   | 2,830,245,698              | 115,690,656                         |
| U. S. Corporation for National and Community Service       |   |                            |                                     |
| 94.003   | State Commissions   | 97,953                     | 0                                   |
| 94.004   | Learn and Serve America - School and Community Based Programs   | 428,387                    | 360,282                             |
| 94.006   | AmeriCorps  | 2,200,671                  | 2,200,671                           |
| 94.007   | Planning and Program Development Grants   | 36,857                     | 36,857                              |
| 94.009   | Training and Technical Assistance   | 128,206                    | 0                                   |
| Total U. S. Corporation for National and Community Service |   | 2,892,074                  | 2,597,810                           |
| U. S. Social Security Administration                       |   |                            |                                     |
| 96.001   | Social Security - Disability Insurance  | 33,944,443                 | 0                                   |
| Total U. S. Social Security Administration                 |   | 33,944,443                 | 0                                   |
| U. S. State Justice Institute                              |   |                            |                                     |
| SJI-98-E-051   | Curriculum Adaptation Grant-Sanctions   | 1,250                      | 0                                   |
| SJI-98-E-207   | Curriculum Adaptation Grant-Reasonable  | 14,849                     | 0                                   |
| SJI-98-N-216   | Juvenile Office Lotus Notes Communication   | 43,051                     | 0                                   |
| SJI-99-N-005   | Stenomask Voice Recognition   | 54,261                     | 0                                   |
| Total U. S. State Justice Institute                        |   | 113,411                    | 0                                   |
| Total Expenditures of Federal Awards                       |   | \$ 5,020,567,337           | 838,330,668                         |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

STATE OF MISSOURI  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (CFDA), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered by the state of Missouri, except for those accounted for in the college and university fund type of the general purpose financial statements of the state of Missouri for the year ended June 30, 1999. Federal financial assistance provided to entities accounted for in the college and university fund type has been excluded from this audit.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as, "... assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals."

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri, Type A programs are those which exceed \$14 million in disbursements, expenditures, or distributions for the year ended June 30, 1999. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

The major programs for which expenditures of federal awards are presented on the modified accrual basis are as follows:



17.246 Employment and Training Assistance - Dislocated Workers  
17.250 Job Training Partnership Act  
20.205 Highway Planning and Construction  
84.032 Federal Family Education Loans  
84.181 Special Education - Grants for Infants and Families with Disabilities

2. Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program Rebates

During the year ended June 30, 1999, the state received cash rebates from two infant formula manufacturers, totaling \$23,862,695 on sales of formula to participants in the WIC Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures from the State Unemployment Compensation Fund

Expenditures reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$281,452,340. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those states totaling \$15,429,345 have also been included in the Unemployment Insurance program expenditure totals. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri totaling \$4,515,191 have been excluded from the Unemployment Insurance program expenditure totals.

4. Nonmonetary Assistance

The Department of Health distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). During the year ended June 30, 1999, distributions were valued at the cost of the vaccines paid by the federal government and totaled \$5,688,713.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program. During the year ended June 30, 1999, property distributions totaled \$12,318,182, valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program. During the year ended June 30, 1999, property distributions totaled \$837,332, valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

# STATE OF MISSOURI

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### YEAR ENDED JUNE 30, 1999

#### Section I - Summary of Auditor's Results

##### Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ yes      U no

Reportable conditions identified that are not considered to be material weaknesses?

\_\_\_\_\_ yes      U none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      U no

##### Federal Awards

Internal control over major programs:

Material weaknesses identified?

U yes      \_\_\_\_\_ no

Reportable conditions identified that are not considered to be material weaknesses?

U yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

U yes      \_\_\_\_\_ no

Identification of major programs:

CFDA

Number

Name of Federal Program or Cluster

10.550

Food Distribution

Food Stamp Cluster:

10.551

Food Stamps

10.561

State Administrative Matching Grants for Food Stamp Program

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children

10.558

Child and Adult Care Food Program

10.568

Emergency Food Assistance Program (Administrative Costs)

|        |   |
|--------|---|
| 10.569 | Emergency Food Assistance Program (Food Commodities)                              |
|        | Employment Service Cluster:   |
| 17.207 | Employment Service  |
| 17.801 | Disabled Veterans' Outreach Program   |
| 17.804 | Local Veterans' Employment Representative Program                                 |
| 17.225 | Unemployment Insurance  |
|        | Job Training Partnership Act Cluster:   |
| 17.246 | Employment and Training Assistance - Dislocated Workers                           |
| 17.250 | Job Training Partnership Act  |
| 20.205 | Highway Planning and Construction   |
| 66.458 | Capitalization Grants for State Revolving Funds                                   |
| 84.010 | Title I Grants to Local Educational Agencies                                      |
|        | Special Education Cluster:  |
| 84.027 | Special Education - Grants to States  |
| 84.173 | Special Education - Preschool Grants  |
| 84.032 | Federal Family Education Loans  |
| 84.048 | Vocational Education - Basic Grants to States                                     |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States              |
| 84.276 | Goals 2000 - State and Local Education Systemic Improvement Grants                |
| 84.278 | School To Work State Implementation Grants  |
| 84.281 | Eisenhower Professional Development State Grants                                  |
| 93.558 | Temporary Assistance for Needy Families   |
| 93.563 | Child Support Enforcement   |
| 93.569 | Community Services Block Grant  |
|        | Child Care Cluster:   |
| 93.575 | Child Care and Development Block Grant  |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and<br>Development Fund |
| 93.658 | Foster Care - Title IV-E  |
| 93.659 | Adoption Assistance   |
| 93.674 | Independent Living  |
|        | Medicaid Cluster:   |
| 93.775 | State Medicaid Fraud Control Units  |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers             |
| 93.778 | Medical Assistance Program  |
| 96.001 | Social Security - Disability Insurance  |

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 14,000,000

Auditee qualified as a low-risk auditee?

       yes        U   no

## Section II - Financial Statement Findings

There were no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

## Section III - Federal Award Findings and Questioned Costs

### DEPARTMENT OF HIGHER EDUCATION

|              |                                    |
|--------------|------------------------------------|
| <b>99-1.</b> | <b>Default Aversion Assistance</b> |
|--------------|------------------------------------|

|                  |                                       |
|------------------|---------------------------------------|
| Federal Agency:  | Department of Education (USDE)        |
| Federal Program: | 84.032 Federal Family Education Loans |
| State Agency:    | Department of Higher Education (DHE)  |

The Department of Higher Education (DHE) contracts with a loan program servicer to maintain records, process loans and claims, and collect on defaulted loans guaranteed through the Federal Family Education Loans (FFEL) program. Under the terms of the contract, the loan program servicer is also responsible for providing preclaims assistance on loans that are between 50 to 70 days delinquent. The DHE contracts with another company to provide supplemental preclaims assistance (SPA) on loans that are at least 120 days delinquent. Prior to the reauthorization of the Higher Education Act (HEA), effective October 7, 1998, the DHE received a SPA fee on delinquent loans that were cured in accordance with 34 Code of Federal Regulation (CFR) Part 682.404.

The reauthorization of the HEA replaced preclaims assistance and SPA with a single activity, default aversion assistance. Default aversion assistance consists of the activities of a guaranty agency that are designed to prevent defaults by borrowers who are at least 60 days delinquent. The default aversion activities are similar to activities previously performed for preclaims assistance and SPA. Final regulations governing default aversion activities were issued by the USDE on October 29, 1999, with an effective date of July 1, 2000.

- A. The reauthorization legislation eliminated the SPA fee but allowed the DHE to receive default aversion fees for performing default aversion activities on delinquent loans in response to a lender's request for default aversion assistance. The DHE, in conjunction with its loan servicer, developed a default aversion billing process to implement the new legislation retroactive to October 7, 1998.

The DHE has experienced some difficulties in implementing the default aversion billing

process. Prior to the issuance of its final regulations on October 29, 1999, the USDE twice issued preliminary guidance to guaranty agencies that changed the method for calculating default aversion fees. The DHE attempted to revise its billing processes to implement the new guidance but made errors that caused some loans to be billed more than once. According to the final regulations issued by the USDE, a guaranty agency may bill for a default aversion fee only once for each loan.

To ensure default aversion fees are not under or over billed, the DHE should consult with the USDE and ensure they are properly calculating the fees. In addition, they should ensure no duplicate billing occurs.

- B. The final regulations issued by the USDE on October 29, 1999, also included a prohibition against conflicts stating that any outside entity with whom a guaranty agency contracts may not perform default aversion activities and hold or service a loan, or collect on a defaulted loan within three years of the claim payment date. Although the DHE has entered into a contract with an entity other than its loan servicing contractor to perform default aversion activities, as of December 22, 1999, the DHE had not assigned accounts to the new contractor. The DHE's loan servicer is continuing to provide preclaims assistance until the new contract is implemented.

Allowing the loan servicer to continue providing preclaims assistance while servicing and collecting on the same loans appears to violate the prohibition against conflicts. According to USDE personnel, because the DHE elected to retroactively implement the default aversion fee billings, the DHE should implement all of the default aversion activities rules including the prohibition against allowing a single entity to perform default aversion assistance and service or collect on the same loans. As of June 30, 1999, the loan program servicer did not perform collection activities on the loans for which it provided default aversion activities because those loans did not have time to default. However, the DHE has not established procedures to ensure that the loan program servicer does not perform collection activities on those loans in the future.

To ensure the collection of all default aversion fees, the DHE should contact the USDE to determine if the DHE is eligible to receive default aversion fees when the loan program servicer performs some of the default aversion assistance activities.

**WE RECOMMEND** the DHE:

- A. Consult with the USDE and establish procedures to ensure default aversion billings are accurate and complete. In addition, adjustments should be made to correct the duplicate billings.
- B. Resolve the issue concerning the prohibition against conflicts with the USDE.

**AUDITEE'S RESPONSE**

- A. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*
- B. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

DEPARTMENT OF SOCIAL SERVICES - DIVISION OF AGING

|   |
|---|
| <b>99-2. In-Home Service Vendors Employing Disqualified Workers</b> |
|---|

Federal Agency: Department of Health and Human Services  
Federal Program: 93.778 Medical Assistance Program  
State Agency: Department of Social Services (DSS)  
Questioned Costs: \$17,286

The DSS through the Division of Aging (DA) provides eligible clients with in-home personal care services. The DSS in-home vendor contracts, as well as state law, prohibit vendors from employing persons listed on the DA Employee Disqualification Listing (EDL). Persons listed in the EDL have been determined to have abused or neglected DA clients, misappropriated funds of those clients, or defrauded the program by billing for undelivered services. There are approximately 700 persons on the DA EDL.

We matched persons on the DA EDL to 1998 employment information records and noted nine instances in which a person listed in the DA EDL worked for an in-home health provider under contract with the DSS. The DA obtained vendor service records related to services performed by these nine persons, and identified estimated total recoverable costs of \$28,695. We are questioning the federal share (60.24 percent) of these costs, which is \$17,286. As of November 23, 1999, the DA had sent recoupment letters to the vendors.

The DA manually checks quarterly employment data for 25 percent of the persons listed in the DA EDL, however, this process failed to detect the instances noted above. The DA should develop an automated process to match the EDL to employment records to identify all disqualified persons working for in-home providers.

**WE RECOMMEND** the DSS resolve the questioned costs with the grantor agency. In addition, the DSS should develop an automated system to identify all disqualified persons working for in-home service vendors and continue to seek recoupment for any services performed by disqualified persons.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

DEPARTMENT OF SOCIAL SERVICES -  
DIVISION OF CHILD SUPPORT ENFORCEMENT

**99-3.**

**Expenditures**

|                   |  |
|-------------------|--|
| Federal Agency:   | Department of Health and Human Services                                      |
| Federal Program:  | 93.563 Child Support Enforcement   |
| State Agency:     | Department of Social Services - Division of Child Support Enforcement (DCSE) |
| Questioned Costs: | \$755,911  |

- A. During our review of expenditures charged to the Child Support Enforcement (CSE) grant, we noted the DCSE included costs associated with the Parents Fair Share (PFS) program. The state uses this program to help non-custodial parents (NCPs) obtain skills which will allow them to meet child support financial obligations. Upon discussion with DCSE management about whether or not costs for this program were allowable under the CSE grant, we learned the federal Office of Child Support Enforcement (OSCE) had issued a draft report dated December 8, 1999, which questioned these costs. The draft report identified \$1,112,636 (federal share \$734,340) in PFS program costs which had been inappropriately charged to the CSE grant for the period January 1, 1998 through March 31, 1999. These costs were considered unallowable because 45 CFR 304.23(d) prohibits CSE grant expenditures for education and training programs and educational services except short-term training for a state's CSE staff. Additionally, the draft report indicated Section 466(a)(15) of the Social Security Act does not require any state CSE program to establish, provide, or administer work activity programs for NCPs. The OCSE draft report recommended PFS program costs no longer be charged to the CSE grant and the federal share of the identified unallowed PFS program costs be reimbursed to the federal government as well as the federal share of any other PFS program costs charged to the CSE grant after March 1999.

The DCSE continued to charge PFS program costs to the CSE grant until September 30, 1999; however, the additional amount of questioned costs was not determined. The OCSE addressed computation and resolution of these additional questioned costs in the recommendations to the DCSE.

- B. In the draft report referred to in part A. above, the OCSE also noted some personnel and other administrative costs of the Missouri Department of Health (DOH) to provide birth record information to the DCSE were inappropriately charged to the CSE grant. The DCSE reimbursed the DOH for costs associated with providing this information under an



agreement between the two agencies. The OCSE draft report identified \$32,684 (federal share \$21,571) in DOH costs which had been inappropriately charged to the CSE grant during the period January 1, 1998 through March 31, 1999. These costs were considered unallowable because OCSE Action Transmittal 94-06 indicates costs other than for access to a state's birth record database and a reasonable and necessary fee for copies of voluntary acknowledgments and birth records are not allowable charges to the CSE grant unless the database of birth records is maintained by the CSE agency. The OCSE recommended payments to the DOH be discontinued beyond normal birth certificate and acknowledgment copying costs and the federal share of the identified unallowed costs be reimbursed to the federal government as well as the federal share of any other unallowed DOH costs charged to the CSE grant for prior periods.

**WE RECOMMEND** the DCSE resolve the questioned costs with the grantor agency. In addition, we recommend the DCSE establish procedures to ensure costs charged to the Child Support Enforcement grant are allowable for federal reimbursement.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

DEPARTMENT OF SOCIAL SERVICES -  
DIVISION OF FAMILY SERVICES

**99-4.**

**Eligibility-Unreported Income**

|                  |   |                         |
|------------------|---|-------------------------|
| Federal Agency:  | Department of Agriculture and Department of Health and Human Services |                         |
|                  |   | <u>Questioned Costs</u> |
| Federal Program: | 10.551 Food Stamps  | \$174,699               |
|                  | 93.558 Temporary Assistance for Needy Families                        | 57,088                  |
| State Agency:    | Department of Social Services - Division of Family Services (DFS)     |                         |

- A. To help support and encourage clients to obtain employment, the DFS has available a child day care vendor program that pays part or all of the cost of child care. Under the child care vendor program, persons wishing to provide such child day care to DFS clients are able to register with DFS and become eligible to receive direct, state payment for part or all day care provided to children of clients. Those vendors can also provide day care services for others who may not be participating in the DFS supported programs.

One of our audit concerns was whether DFS adequately considered the income it paid to day care vendors who were themselves also clients receiving Food Stamps and/or

Temporary Assistance for Needy Families (TANF) benefits when reviewing their eligibility in making initial application or reapplication for benefits.

To test the effectiveness of DFS procedures for determining client or applicant earned income, we performed a match of computer records of TANF and Food Stamp clients as of April 1999 with computer records of DFS paid child day care vendors. The match identified 4,495 TANF and/or Food Stamp clients who also received DFS state paid child day care vendor payments. The 4,495 clients would receive approximately \$1.5 million in state day care vendor payments each month. We selected 61 of these 4,495 cases for further review to determine if the clients' day care vendor income had been properly considered in determining eligibility. The DFS could not locate 8 of the 61 case files we requested. Of the 53 cases we did review, 26 (49 percent) clients had not reported their state paid child day care vendor income, nor did the DFS discover its own payments to 24 of those same clients. These 26 cases resulted in unreported income in the amount of \$33,790 for the month of April 1999. The following table provides greater detail on the 26 cases with unreported income:

| Case No. |     | State Paid Child Day Care Income not Reported for April 1999 | Assistance Amount for April 1999 |              | As of 8/30/99 Number of Months of Unreported State Paid Child Day Care Income (4) | Total Assistance Amount Questioned Through August 30, 1999 |               | Client Also Received Medicaid Coverage During Period of Unreported Income (1) | TANF and Food Stamp Case Status As of 8/30/99 |
|----------|-----|--|----------------------------------|--------------|---|--|---------------|---|---|
|          |     |  | TANF                             | Food Stamp   |   | TANF   | Food Stamp    |   |   |
| 1        |     | \$ 884   | \$ na                            | 230          | 9   | \$ 0   | 2,070         | na  | Active  |
| 2        | (2) | 947  | na                               | 125          | 3   | 0  | 375           | na  | Closed  |
| 3        |     | 981  | na                               | 125          | 7   | 0  | 875           | na  | Active  |
| 4        |     | 3,343  | 136                              | 71           | 9   | 1,224  | 639           | yes   | Active  |
| 5        |     | 2,399  | 388                              | 364          | 6   | 2,328  | 2,184         | yes   | Active  |
| 6        |     | 1,099  | na                               | 299          | 6   | 0  | 1,794         | yes   | Active  |
| 7        |     | 1,149  | na                               | 335          | 7   | 0  | 2,345         | yes   | Active  |
| 8        |     | 2,484  | 342                              | 415          | 9   | 3,078  | 3,735         | yes   | Active  |
| 9        |     | 1,062  | 234                              | 200          | 4   | 936  | 800           | yes   | Active  |
| 10       |     | 1,127  | 175                              | 200          | 11  | 1,925  | 2,200         | yes   | FS-Closed                                     |
| 11       |     | 1,045  | 210                              | 429          | 4   | 840  | 1,716         | yes   | TANF-Active<br>FS-Active<br>TANF-Closed       |
| 12       |     | 945  | 292                              | 316          | 12  | 3,504  | 3,792         | yes   | Active  |
| 13       |     | 575  | na                               | 159          | 11  | 0  | 1,749         | yes   | Active  |
| 14       |     | 1,085  | na                               | 230          | 14  | 0  | 3,220         | yes   | Active  |
| 15       |     | 1,127  | 234                              | 149          | 10  | 2,340  | 1,490         | yes   | Active  |
| 16       |     | 966  | 114                              | 230          | 9   | 1,076  | 2,070         | yes   | Closed  |
| 21       |     | 1,058  | 388                              | 520          | 10  | 3,880  | 5,200         | yes   | Active  |
| 22       |     | 1,104  | na                               | 230          | 3   | 0  | 690           | na  | Active  |
| 23       | (3) | 1,523  | na                               | 497          | 5   | 0  | 2,485         | yes   | Active  |
| 24       | (3) | 1,333  | 136                              | 215          | 5   | 680  | 1,075         | yes   | Closed  |
| 25       |     | 1,164  | 202                              | 329          | 2   | 404  | 658           | yes   | Closed  |
| 26       |     | 1,458  | 273                              | 286          | 14  | 3,822  | 4,004         | yes   | Active  |
|          |     | <u>\$ 33,790</u>   | <u>\$ 3,260</u>                  | <u>6,783</u> | <u>191</u>  | <u>27,347</u>  | <u>48,606</u> |   |   |

- (1) Clients were also receiving Medicaid coverage during the period in question; however, we did not determine how the unreported income would effect their Medicaid benefits.
- (2) DFS determined the client did not report their child day care income at the time the case expired. No recoupment claim has been filed.
- (3) DFS determined the client did not report their child day care vendor income and benefits were reduced. However, no recoupment claim had been filed as of 11/30/99.
- (4) We were only able to obtain TANF and Food Stamp benefit payment history from 1/96 through 9/99 and 2/96 through 9/99, respectively. Client monthly benefits often varied over time.

In addition, we noted three cases where the caseworker determined that the recipient had received an overpayment, but no recoupment claim was filed. A recoupment claim should be filed on all overpayments.

If the above income reporting and DFS income determination process error rate remained constant throughout the population of 4,495 cases of day care vendors who were also TANF and Food Stamp recipients, Food Stamp and TANF benefits totaling over \$720,000 may be questionable.

It should be noted that the amounts noted above do not include child day care income that the client/vendor may be receiving from their private pay customers. The unreported income directly affects the clients' eligibility and the amount of their monthly assistance payments. Thus, the unreported income may easily result in lower or zero monthly assistance payments.

Based on the results documented in the above table, these 26 cases received approximately \$48,606 in Food Stamp benefits and approximately \$27,347 in TANF benefits from April 1, 1999 through August 30, 1999 that they may not have been eligible to receive. These benefits are questionable and should be investigated. We are questioning the federal portion of the TANF amount which is \$16,682 and \$48,606 in Food Stamp assistance.

It appears DFS often fails to properly access its own records of child day care vendor income paid to Food Stamp and TANF applicants while making initial or continuing eligibility determinations.

- B. To test the effectiveness of the DFS procedures for properly determining unearned income, we performed a match of TANF and Food Stamp clients as of April 1999 with retirement and disability benefit recipients of the Missouri State Employee Retirement System (MOSERS). The match identified 128 TANF and/or Food Stamp clients who were also receiving MOSERS retirement or disability payments. We reviewed DFS computer records and TANF and Food Stamp case files to determine if the 128 individuals were properly reporting their retirement and disability benefits to the DFS. Of the 128 individuals, 49 (38 percent) had not properly reported their retirement or disability benefits to the DFS caseworkers, resulting in unreported income of \$9,425 for the month of April 1999.

Twenty-seven of the 49 clients did not report any retirement or disability benefits and 22 incorrectly reported their retirement or disability benefits. The following tables provide greater detail for the 49 cases reviewed:

### UNREPORTED RETIREMENT OR DISABILITY INCOME

| Case No. | Unreported MOSERS income for April 1999 | Assistance Amount for April 1999 |              | As of 9/30/99 Number of Months of Questioned Assistance Payments(1) | Total Assistance Amount Questioned Through September 30, 1999 |               | Case Status As of 9/30/99 |
|----------|---|----------------------------------|--------------|---|---|---------------|---------------------------|
|          |   | TANF                             | Food Stamp   |   | TANF  | Food Stamp    |                           |
| 1        | \$ 124                                  | \$ 234                           | 282          | 24  | 5,616   | 6,768         | Active                    |
| 2        | 143                                     | na                               | 30           | 35  | 0   | 1,050         | Active                    |
| 3        | 297                                     | na                               | 48           | 20  | 0   | 960           | Active                    |
| 4        | 157                                     | na                               | 20           | 15  | 0   | 300           | Active                    |
| 5        | 170                                     | na                               | 201          | 11  | 0   | 2,211         | Active                    |
| 6        | 32                                      | na                               | 33           | 39  | 0   | 1,287         | Active                    |
| 7        | 980                                     | na                               | 346          | 20  | 0   | 6,920         | Active                    |
| 8        | 237                                     | na                               | 70           | 10  | 0   | 700           | Closed                    |
| 9        | 224                                     | na                               | 10           | 4   | 0   | 40            | Closed                    |
| 10       | 807                                     | 388                              | 342          | 27  | 10,476  | 9,234         | Active                    |
| 11       | 403                                     | na                               | 80           | 23  | 0   | 1,840         | Active                    |
| 12       | 183                                     | na                               | 193          | 12  | 0   | 2,316         | Active                    |
| 13       | 205                                     | na                               | 89           | 39  | 0   | 3,471         | Active                    |
| 14       | 420                                     | na                               | 242          | 18  | 0   | 4,356         | Active                    |
| 15       | 82                                      | na                               | 344          | 19  | 0   | 6,536         | Active                    |
| 16       | 64                                      | na                               | 10           | 22  | 0   | 220           | Closed                    |
| 17       | 347                                     | na                               | 97           | 38  | 0   | 3,686         | Active                    |
| 18       | 189                                     | na                               | 10           | 13  | 0   | 130           | Active                    |
| 19       | 146                                     | na                               | 31           | 28  | 0   | 868           | Active                    |
| 20       | 839                                     | na                               | 125          | 14  | 0   | 1,750         | Active                    |
| 21       | 250                                     | 292                              | 277          | 43  | 12,556  | 11,911        | Active                    |
| 22       | 212                                     | na                               | 103          | 31  | 0   | 3,193         | Active                    |
| 23       | 114                                     | na                               | 207          | 43  | 0   | 8,901         | Active                    |
| 24       | 293                                     | na                               | 140          | 41  | 0   | 5,740         | Closed                    |
| 25       | 427                                     | 136                              | 87           | 45  | 6,120   | 3,915         | Active                    |
| 26       | 143                                     | na                               | 63           | 43  | 0   | 2,709         | Active                    |
| 27       | 116                                     | na                               | 22           | 33  | 0   | 726           | Active                    |
|          | <u>\$ 7,604</u>                         | <u>\$ 1,050</u>                  | <u>3,502</u> |   | <u>34,768</u>   | <u>91,738</u> |                           |

- (1) We were only able to obtain TANF and Food Stamp benefit payment history from 1/96 through 9/99 and 2/96 through 9/99, respectively. Client monthly benefits often varied over time.

## UNDERREPORTED RETIREMENT OR DISABILITY INCOME

| Case No. | Underreported<br>MOSERS income<br>for April 1999 |              | Assistance Amount<br>for April 1999 |               | As of<br>9/30/99<br>Number of<br>Months of<br>Questioned<br>Assistance<br>Payments(1) | Total Assistance<br>Amount Questioned<br>Through<br>September 30, 1999 |               | Case Status<br>As of 9/30/99 |
|----------|--|--------------|-------------------------------------|---------------|---|--|---------------|------------------------------|
|          |  |              |                                     |               |   |  |               |                              |
|          |  |              |                                     |               |   |  |               |                              |
|          |  |              |                                     |               |   |  |               |                              |
|          |  |              | TANF                                | Food<br>Stamp |   | TANF   | Food<br>Stamp |                              |
| 28       | \$   | 15           | \$ na                               | 125           | 3   | \$ 0   | 375           | Closed                       |
| 29       |  | 4            | na                                  | 10            | 44  | 0  | 440           | Active                       |
| 30       |  | 6            | na                                  | 98            | 34  | 0  | 3,332         | Active                       |
| 31       |  | 33           | 342                                 | 324           | 41  | 14,022   | 13,284        | Active                       |
| 32       |  | 7            | na                                  | 68            | 44  | 0  | 2,992         | Active                       |
| 33       |  | 5            | na                                  | 68            | 44  | 0  | 2,992         | Active                       |
| 34       |  | 231          | na                                  | 10            | 18  | 0  | 180           | Active                       |
| 35       |  | 6            | na                                  | 10            | 14  | 0  | 140           | Active                       |
| 36       |  | 192          | 292                                 | 151           | 6   | 1,752  | 906           | Active                       |
| 37       |  | 77           | na                                  | 12            | 43  | 0  | 516           | Active                       |
| 38       |  | 6            | na                                  | 6             | 26  | 0  | 156           | Closed                       |
| 39       |  | 145          | 136                                 | 26            | 38  | 5,168  | 988           | Active                       |
| 40       |  | 530          | na                                  | 10            | 8   | 0  | 80            | Active                       |
| 41       |  | 6            | na                                  | 10            | 3   | 0  | 30            | Closed                       |
| 42       |  | 76           | 234                                 | na            | 45  | 10,530   | 0             | Active                       |
| 43       |  | 320          | na                                  | 50            | 15  | 0  | 750           | Closed                       |
| 44       |  | 91           | na                                  | 56            | 43  | 0  | 2,408         | Active                       |
| 45       |  | 5            | na                                  | 10            | 38  | 0  | 380           | Active                       |
| 46       |  | 5            | na                                  | 10            | 23  | 0  | 230           | Closed                       |
| 47       |  | 10           | na                                  | 38            | 44  | 0  | 1,672         | Active                       |
| 48       |  | 20           | na                                  | 12            | 40  | 0  | 480           | Active                       |
| 49       |  | 31           | na                                  | 46            | 44  | 0  | 2,024         | Active                       |
|          | \$   | <u>1,821</u> | \$ <u>1,004</u>                     | <u>1,150</u>  |   | <u>31,472</u>  | <u>34,355</u> |                              |

- (1) We were only able to obtain TANF and Food Stamp benefit payment history from 1/96 through 9/99 and 2/96 through 9/99, respectively. Client monthly benefits often varied over time.

Based on the results documented in the two tables above, these 49 cases received approximately \$126,093 in Food Stamp benefits and approximately \$66,240 in TANF benefits from April 1, 1999 through September 30, 1999 that they may not have been eligible to receive. These benefits are questionable and should be investigated. We are questioning the federal portion of the TANF amount which is \$40,406 and \$126,093 in Food Stamp assistance.

The DFS needs to take steps to enhance the accuracy and effectiveness of its review of the unearned income of client applicants for initial or continuing eligibility determinations.

C. For the 22 MOSERS clients (noted in part B above) that underreported their retirement or disability benefits, we also noted various errors made by caseworkers including apparent failure to perform adequate verification of the client's income. Examples of the various errors noted were:

- 1) A client properly reported the retirement or disability benefit on the October 1998 Food Stamp application; however, on the reapplication dated March 1999, the retirement benefit was not reported. The caseworker failed to review the file and to ensure the MOSERS benefit already noted in the case record was properly considered when setting the Food Stamp benefit amount. This caused the Food Stamp benefit payment to exceed the proper amount allowable. A similar error also appeared to have been made on the client's Social Security income at the same time.
- 2) A client's Food Stamp application dated June 1998 did not consider the retirement benefit in the assistance payment calculation even though the case file contained a copy of the client's retirement payment check stub from May 1998. The caseworker failed to properly include the income in making the assistance payment calculation.
- 3) A client's case file included a copy of the client's retirement check; however, the net income from the check was used in the benefit calculation instead of the required gross income. Similarly, net income was also used on another case which included a summary of disability benefits which clearly indicated the gross income received. In both instances the caseworker failed to appropriately use gross income in the assistance payment calculation. Failure to use the correct income often results in overpayment of assistance benefits.
- 4) We noted several clients who had properly reported their MOSERS benefits, but failed to report cost of living increases that would permit assistance payments to be recalculated. MOSERS recipients receive a cost of living increase once each year on their retirement anniversary date.

The DFS requires each TANF and Food Stamp applicant to sign a "Notification of Fraud Provisions" statement. This form states that a client has ten days to report changes in income. However, based on the results noted above, it appears the DFS does not have adequate procedures in place to properly identify and respond to client's changing income. As a result, the DFS appears to have made numerous TANF and Food Stamp overpayments to clients.

DFS procedures need to be improved to help ensure all client income is reported and properly considered in determining assistance payments.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Further, the DFS should:

- A. Ensure caseworkers consider DFS records of state paid child day care income paid to Food Stamp and TANF applicants when making eligibility determinations.
- B. Establish a periodic match with the MOSERS to help ensure Food Stamp and TANF recipients report all unearned income.
- C. Ensure caseworkers verify earned and unearned income and properly consider gross income in determining client eligibility and in setting assistance payment amounts.

**AUDITEE'S RESPONSE**

- A. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*
- B. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*
- C. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

|  |
|--|
| <b>99-5. Independent Living Expenditures and Eligibility</b> |
|--|

|                   |   |
|-------------------|---|
| Federal Agency:   | Department of Health and Human Services                           |
| Federal Program:  | 93.674 Independent Living   |
| State Agency:     | Department of Social Services - Division of Family Services (DFS) |
| Questioned Costs: | \$86,555  |

Because children raised under the state's foster care program often need assistance in making the transition from being dependent children to independent adults, the DFS uses Title IV-E Independent Living (IL) monies to assist foster youth in becoming independent. Under 42 USC Section 677 (a), youth ages 16 to 21 who are in foster care or were in foster care after age 16 are eligible to receive IL services to prepare them to live independently. The state may use federal IL monies to provide training in daily living skills, provide educational or vocational counseling, enable youth to seek a high school diploma or college degree, etc. However, section 477 (e) (3) of Title IV-E of the Social Security Act specifies that IL monies may not be used to provide room or

board. In addition, the state's matching contribution is required to follow the specific requirements established for the Independent Living Program (ILP). Thus, state monies used as matching contribution for the ILP cannot be used to provide room or board.

- A. We determined the DFS had expenditures totaling \$115,415 for room or board expenses paid from the ILP. The expenditures were for supervised apartment living or group home living. Based on \$115,415 inappropriately paid from the ILP, we have questioned the federal share of \$85,407 (74 percent).
- B. To ensure only Title IV-E eligible clients received ILP services in compliance with grant requirements, we performed a test of eligibility. We obtained a listing of all youth who received ILP services during state fiscal year 1999. The listing identified a total 976 clients and we selected 40 for review. Of the 40 cases, we found 8 (20 percent) were not eligible for ILP services. The following table provides greater detail on these eight cases:

| Case No. | Month Youth<br>is Eligible<br>for Independent<br>Living Services | Reason Youth Not<br>Eligible During 1999 | Inappropriate<br>Payments From<br>Independent<br>Living Program |
|----------|--|--|---|
| 1        | na   | A  | \$ 266  |
| 2        | 08/00  | B  | 5   |
| 3        | 09/99  | B  | 114   |
| 4        | 02/99  | C  | 554   |
| 5        | 01/99  | C  | 79  |
| 6        | 12/00  | B  | 49  |
| 7        | na   | A  | 456   |
| 8        | 05/99  | C  | 28  |
|          |  |  | <u>\$ 1,551</u>   |

- A Adopted before the age of 16 and was not in the Foster Care program; therefore, was not eligible.
- B Will not turn age 16 until after FY 1999.
- C Turned age 16 during FY 1999; therefore, was eligible only part of 1999.

Based on the results documented in the above table, these 8 clients received at least \$1,551 in federal ILP benefits they were not eligible for and we are questioning the federal share of \$1,148 (74 percent).

In addition to the federally funded ILP services, the state provides ILP services to youth ages 13 to 15 at state expense. DFS employees are required to code these costs to the appropriate state fund as they are incurred. We noted numerous coding errors by DFS employees which resulted in ineligible clients receiving federal ILP monies. Six of the above eight errors were due to coding errors. In some of these cases, it appeared the DFS employee erroneously coded one or two payments on the case to the federal ILP funds and correctly coded the other payments to the state fund. However, in other cases



the ineligible child received all benefits from the federal ILP funds. It appears in these cases the DFS employee was not correctly determining when the child was age eligible to receive federal ILP monies. We believe these errors could be reduced or eliminated if the DFS computer system program was revised to provide better coding information to DFS employees.

Based on the errors noted in parts A and B above, the DFS needs to revise its procedures to ensure federal ILP service funds are only used for eligible clients.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should:

- A. Ensure that expenditures of the federal ILP are for allowable cost and in compliance with federal requirements or limitations.
- B. Ensure it uses effective procedures to determine whether clients have reached the age eligibility limit that would allow them to receive federal ILP services. In addition, the DFS should also consider computer system changes that would help improve coding accuracy.

**AUDITEE'S RESPONSE**

- A. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*
- B. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

|              |  |
|--------------|--|
| <b>99-6.</b> | <b>Eligibility - Child Care Services</b> |
|--------------|--|

|                  |   |                         |
|------------------|---|-------------------------|
| Federal Agency:  | Department of Health and Human Services                         |                         |
|                  |   | <u>Questioned Costs</u> |
| Federal Program: | 93.575 Child Care and Development Block Grant                   | \$2,019                 |
|                  | 93.596 Child Care Mandatory and Matching Funds                  |                         |
|                  | of the Child Care and Development Fund                          | 2,019                   |
| State Agency:    | Department of Social Services-Division of Family Services (DFS) |                         |

The Child Care Development Fund (CCDF) monies are used to pay for child care services for low income working families. Under 45 CFR 98.20(1), children are eligible to receive CCDF services if under age 13 or under age 19 when physically or mentally incapable of caring for themselves or are under court supervision. Once a child reaches any one of these applicable limitations, they are no longer eligible to receive CCDF benefits.

To attempt to comply with the above age limitation rules, the DFS prepares a monthly computer report that identifies CCDF clients reaching age 13 who are expected to no longer be eligible for the benefits. The report is compiled by using the birth date of the child and is sent to the local DFS offices for any necessary case actions, such as closing the case.

A. We obtained a computer file of all the CCDF clients who received child care services during fiscal year 1999. We identified 2,089 clients on the computer file that were age 13 or older and still receiving child care services. We selected 40 of these cases for further review to determine if the client was eligible for the services received. The DFS was unable to locate 8 of the 40 case files requested, in one case the child's birth date was recorded wrong, and we found 8 more cases which the client was not properly identified (See part B below). Of the 23 cases tested, we determined that 12 of the clients were not eligible for CCDF services. The following table provides greater detail on these 12 cases:

| Case Number | Birth Date   | Date Client Became Ineligible | As of 10/99 # of Ineligible Months Paid From CCDF | Total Amount Inappropriately Paid From CCDF | Case Status |
|-------------|--------------|-------------------------------|---|---|-------------|
| 1           | 08/28/85     | 08/28/98                      | 7   | \$ 1,049                                    | Closed 3/99 |
| 2           | (1) 09/27/83 | 09/27/96                      | 6   | 720   | Closed 3/99 |
| 3           | (1) 07/03/85 | 07/03/98                      | 6   | 720   | Closed 3/99 |
| 4           | 04/10/86     | 04/10/99                      | 5   | 533   | Closed 9/99 |
| 5           | 10/03/85     | 10/03/98                      | 6   | 257   | Closed 4/99 |
| 6           | (2) 11/02/83 | 11/02/96                      | 13  | 1,965                                       | Closed 3/99 |
| 7           | 03/30/86     | 03/30/99                      | 1   | 117   | Closed 4/99 |
| 8           | 03/01/86     | 03/01/99                      | 2   | 275   | Closed 4/99 |
| 9           | (3) 09/04/85 | 09/04/98                      | 2   | 473   | Closed 7/99 |
| 10          | 01/23/85     | 01/23/98                      | 12  | 1,709                                       | Closed 1/99 |
| 11          | 02/16/86     | 02/16/99                      | 6   | 911   | Closed 8/99 |
| 12          | 12/11/85     | 12/11/98                      | 9   | 1,626                                       | Closed 9/99 |
|             |              |                               |   | <u>\$ 10,355</u>                            |             |

- (1) Client received child care benefits from 10/98 to 3/99.
- (2) Client received child care benefits from 3/98 to 3/99.
- (3) Client received child care benefits for 6/99 & 7/99.

Based on the results shown above, these 12 clients received at least \$10,355 in CCDF benefits they were not eligible to receive. Four of these clients did not start receiving benefits until after they turned 13 and were not eligible.

If the above ineligibility error rate remains constant throughout the population of 2,089 cases of children over age 13 receiving CCDF child care payments, the estimated number of clients ineligible for benefits is approximately 627. For the year ended June 30, 1999, the average child care benefit paid per ineligible client was approximately \$863, and 627 clients would receive up to \$541,000 in projected ineligible benefits.

We did not attempt to determine the total amount of incorrect CCDF benefits paid in other fiscal periods for each of the 12 cases. However, for the period tested above we determined that \$10,355 in CCDF benefits are questionable and should be investigated. We are questioning the federal portion of the amount which is \$4,038.

The DFS needs to improve its efforts to ensure the CCDF paid child care services program rules are complied with.

- B. We determined that 8 of the 32 cases (25 percent) discussed above were incorrectly entered into the CCDF database by the caseworker.

In all 8 cases, the head of household's name and other information was entered in place of the child's (or client's) name. These test results suggest that many of the 2,089 CCDF client case files could have similar data entry errors. Considering this information is used to prepare the computer generated report the DFS uses to identify clients who are reaching the age limits for CCDF paid child care, we believe many of the errors noted in part A above are caused by the data entry errors. The DFS needs to improve procedures to ensure client information is correctly entered into the CCDF database.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition the DFS should:

- A. Review the case errors noted above and initiate recoupment claims for any inappropriate CCDF benefits.
- B. Improve procedures to ensure client information is correctly entered into the DFS CCDF database.

**AUDITEE'S RESPONSE**

- A. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*
- B. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

**99-7.**

**Eligibility - Kansas Match**

|                  |   |                         |
|------------------|---|-------------------------|
| Federal Agency:  | Department of Agriculture and Department of Health and Human Services | <u>Questioned Costs</u> |
| Federal Program: | 10.551 Food Stamps  | \$ 9,229                |

|               |  |        |
|---------------|--|--------|
|               | 93.778 Medical Assistance Program              | 30,008 |
|               | 93.558 Temporary Assistance for Needy Families | 9,638  |
| State Agency: | Department of Social Services                  |        |

The Department of Agriculture regulation 7 CFR 273.3 (a) does not allow anyone to participate in the Food Stamp program in more than one state in any one month. TANF and Medicaid recipients are also required by Section 208.040, RSMo 1994, and 42 CFR 435.403 to be residents of this state to participate in the program. As a result, no individual may receive Food Stamp, TANF, and/or Medicaid benefits in more than one state at the same time.

- A. In an attempt to comply with these residential limitations, DFS participates in an interstate public assistance data exchange with bordering states. This data exchange allows the Missouri DFS caseworkers to access the bordering states' Food Stamp and public assistance case information files. When an individual applies for Food Stamp or public assistance benefits in Missouri, the caseworker should access the bordering states' case files to ensure the applicant is not receiving benefits in any of those states.

To test the effectiveness of these procedures, we performed a match of the DFS computer records of TANF and Food Stamp clients during April 1999 against computer records of TANF and Food Stamp clients in Kansas during April 1999. The Kansas information was provided by the Kansas Department of Social and Rehabilitation Services (DSRS). The match identified 23 cases that had received Food Stamp and/or TANF benefits in both Missouri and Kansas at the same time. Of the 23 cases, we found 3 that received benefits in both states for 16 to 23 months, and 18 that had received benefits in both states for two or more months. The following table provides greater detail on these 23 cases.

| Case No. |     | As of 8/99 | Total Food Stamp  |                   | Total TANF        |                   | Missouri    | Kansas      |
|----------|-----|------------|-------------------|-------------------|-------------------|-------------------|-------------|-------------|
|          |     | Number of  | Benefits Received | Benefits Received | Benefits Received | Benefits Received | Case Status | Case Status |
|          |     | Months of  | in Missouri       | in Kansas         | in Missouri       | in Kansas         | As of 8/99  | As of 8/99  |
| 1        | (A) | 3          | \$ 1,257          | \$ 603            | \$ na             | \$ na             | Closed      | Active      |
| 2        | (B) | 1          | 418               | 380               | na                | na                | Closed      | Closed      |
| 3        | (A) | 16         | na                | na                | 3,744             | 4,068             | Active      | Active      |
| 4        | (A) | 7          | na                | na                | 1,638             | 1,534             | Active      | Active      |
| 5        | (B) | 5          | na                | na                | 1,940             | 2,580             | Closed      | Closed      |
| 6        | (B) | 18         | na                | na                | 5,256             | 6,016             | Active      | Active      |
| 7        | (A) | 2-FS       | 478               | 610               |                   |                   | Active      | Closed      |
|          |     | 1-TANF     |                   |                   | 292               | 386               | Active      | Closed      |
| 8        | (A) | 3          | 216               | 158               | na                | na                | Active      | Closed      |
| 9        | (A) | 1          | 497               | 391               | na                | na                | Closed      | Active      |
| 10       | (B) | 6          | na                | na                | 1,752             | 874               | Active      | Closed      |
| 11       | (A) | 2-FS       | 125               | 191               |                   |                   | Active      | Closed      |
|          |     | 2-TANF     |                   |                   | 272               | 303               | Active      | Closed      |
| 12       | (B) | 2          | 276               | 625               | na                | na                | Active      | Closed      |
| 13       | (B) | 2          | 306               | 88                | na                | na                | Closed      | Closed      |
| 14       | (A) | 1          | 230               | 230               | na                | na                | Closed      | Closed      |
| 15       | (B) | 1          | 125               | 123               | na                | na                | Active      | Closed      |
| 16       | (B) | 1          | 299               | 230               | na                | na                | Active      | Closed      |
| 17       | (B) | 2          | na                | na                | 272               | 320               | Closed      | Closed      |
| 18       | (A) | 3          | 375               | 375               | na                | na                | Active      | Active      |
| 19       | (A) | 4          | 48                | 96                | na                | na                | Closed      | Closed      |
| 20       | (B) | 3          | 240               | 696               | na                | na                | Closed      | Active      |
| 21       | (B) | 23-FS      | 3,670             | 9,265             |                   |                   | Active      | Closed      |
|          |     | 5-TANF     |                   |                   | 639               | 2,660             | Active      | Closed      |
| 22       | (A) | 2          | 250               | 212               | na                | na                | Closed      | Active      |
| 23       | (A) | 4          | 419               | 572               | na                | na                | Active      | Active      |
|          |     |            | \$ 9,229          | \$ 14,845         | \$ 15,805         | \$ 18,741         |             |             |

(A) The individual or individuals on the case were the same in both Missouri and Kansas.

(B) The case individuals were not the same in both states.

Based on the results documented in the above table, these 23 cases received \$9,229 in Food Stamp benefits and \$15,805 in TANF benefits from April 1, 1999 through August 31, 1999, from Missouri that they do not appear to have been eligible to receive. These benefits are questionable and should be investigated. We are questioning the federal portion of the TANF amount which is \$9,638 and \$9,229 in Food Stamp assistance.

It appears the DFS needs to improve its efforts to prevent and/or identify client frauds involving benefits from multiple states.

- B. Clients who receive Food Stamps or TANF benefits often also qualify for health care coverage under the Medicaid program. Medicaid coverage can take two different forms, one being based on the traditional direct fee for services paid to the health care provider, and the other being based on the HMO model whereby a monthly fee is paid to a care

provider who provides all needed services at no additional charge. The Medicaid HMO model monthly fee is called a capitation payment.

Through our match of Missouri and Kansas client records, we determined that 31 of the individuals who were listed on a Food Stamp or TANF case also had a capitation payment made on their behalf in both states for the same period. The details of these 31 cases are noted in the following table:

| Case No. | As of 5/99 Number of<br>Months of Questioned<br>Capitation<br>Payments | Total Capitation<br>Benefits Paid<br>In Missouri | Total Capitation<br>Benefits Paid<br>In Kansas | Missouri Case<br>Status As Of<br>7/99 | Kansas Case<br>Status As Of<br>7/99 |
|----------|--|--|--|---------------------------------------|-------------------------------------|
| 1        | 1  | \$ 97  | \$ 115   | Closed                                | Active                              |
| 2        | 1  | 32   | 37   | Closed                                | Active                              |
| 3        | 1  | 32   | 37   | Closed                                | Active                              |
| 4        | 15   | 993  | 592  | Active                                | Active                              |
| 5        | 15   | 1,021  | 540  | Active                                | Active                              |
| 6        | 7  | 809  | 721  | Active                                | Active                              |
| 7        | 7  | 489  | 252  | Active                                | Active                              |
| 8        | 6  | 439  | 138  | Active                                | Active                              |
| 9        | 6  | 439  | 156  | Active                                | Active                              |
| 10       | 5  | 645  | 595  | Closed                                | Closed                              |
| 11       | 5  | 447  | 225  | Closed                                | Closed                              |
| 12       | 5  | 344  | 115  | Closed                                | Closed                              |
| 13       | 5  | 344  | 110  | Closed                                | Closed                              |
| 14       | 5  | 344  | 110  | Closed                                | Closed                              |
| 15       | 17   | 1,233  | 510  | Active                                | Active                              |
| 16       | 17   | 2,242  | 510  | Active                                | Active                              |
| 17       | 2  | 212  | 80   | Active                                | Active                              |
| 18       | 2  | 202  | 154  | Active                                | Active                              |
| 19       | 2  | 113  | 54   | Active                                | Active                              |
| 20       | 2  | 149  | 62   | Active                                | Active                              |
| 21       | 2  | 149  | 62   | Active                                | Active                              |
| 22       | 6  | 413  | 132  | Active                                | Active                              |
| 23       | 6  | 448  | 132  | Active                                | Active                              |
| 24       | 2  | 151  | 62   | Active                                | Closed                              |
| 25       | 2  | 235  | 132  | Active                                | Closed                              |
| 26       | 1  | 99   | 41   | Closed                                | Closed                              |
| 27       | 4  | 280  | 144  | Closed                                | Active                              |
| 28       | 4  | 359  | 92   | Active                                | Closed                              |
| 29       | 3  | 213  | 69   | Active                                | Closed                              |
| 30       | 3  | 219  | 66   | Active                                | Closed                              |
| 31       | 6  | 423  | 162  | Active                                | Active                              |
|          | <u>165</u>   | <u>\$ 13,615</u>                                 | <u>\$ 6,207</u>                                |                                       |                                     |

Based on the results documented in the above table, these 31 individuals received approximately \$13,615 in capitation payments on their behalf, which they were not eligible to receive. We are questioning the federal portion of the Missouri payments, \$8,202.

In two other instances an individual was receiving capitation payments in Missouri and apparently had an active fee for service Medicaid case in Kansas.

We also noted two instances where an individual was receiving capitation payments in Kansas and at the same time direct fee for service payments in Missouri. This resulted in Medicaid direct fee for service payments totaling over \$36,200 in Missouri while capitation payments were being paid in Kansas. We are questioning the federal share (\$21,806) of these payments. These two instances are not reflected in the above table, which provides greater detail on the 31 individuals receiving capitation payments in both states at the same time.

- C. Based on the results of our audit work discussed in parts A and B above, the DFS needs to improve procedures to help ensure Missouri clients do not receive Food Stamps or other public assistance benefits in more than one state at the same time. According to the Kansas DSRS, they would welcome the opportunity to work more closely with the Missouri DFS to prevent clients receiving benefits in both states at the same time. In addition, during our discussions with officials of the Kansas DSRS we learned that the U.S. Department of Health and Human Services Administration For Children and Families (ACF) encourages states to participate in interstate matches conducted through the Public Assistance Recipient Information System (PARIS).

Information provided by the ACF indicates at least 16 states participate in the PARIS project and stand to reap significant program benefits. PARIS participants submit electronic files to be matched with information from all other participating states. In addition, plans call for the future inclusion of federal benefit and earnings information to be provided and included in the PARIS matches. Kansas is currently a PARIS participating state and we encourage the Missouri DFS to also participate in the program as well. Ultimately, DFS participation in the PARIS project should allow the verification of public assistance client reporting of income and benefit circumstances and provide a more accurate determination of program eligibility and payment amounts.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition the DFS should:

- A. Investigate the questioned payments for Food Stamps and TANF and establish recoupment claims where appropriate.
- B. Investigate the questioned payments for Medicaid and establish recoupment claims where appropriate.
- C. Arrange to participate in the PARIS interstate match program, and enhance its procedures to ensure bordering state public assistance information is reviewed during the application process.

## **AUDITEE'S RESPONSE**

- A. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*
- B. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*
- C. *We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

### **99-8.**

#### **Eligibility-Benefits Provided to Inmates**

|                  |  |                         |
|------------------|--|-------------------------|
| Federal Agency:  | Department of Agriculture and Department of Health and Human Services                                    |                         |
|                  |  | <u>Questioned Costs</u> |
| Federal Program: | 10.551 Food Stamps   | \$ 11,251               |
|                  | 93.558 Temporary Assistance for Needy Families   | 4,976                   |
|                  | 93.778 Medical Assistance Program  | 913                     |
| State Agency:    | Department of Social Services - Division of Family Services (DFS),<br>Division of Medical Services (DMS) |                         |

Section 208.010, RSMo 1994, prohibits public assistance benefit payments to any inmate of a public institution. Similarly, 7 CFR 273.1(e) states that residents of an institution which provides them with a majority of their meals (over 50% of three meals daily) as a part of the institution's normal services are not eligible for participation in the Food Stamp program. In addition, the Balanced Budget Act of 1997 included an amendment to the Food Stamp Act of 1977, effective August 5, 1998, that requires states to establish a system to ensure no one detained in a federal, state, or local penal, correctional, or other detention facility is participating in the Food Stamp program.

To comply with these requirements, the DFS performs a monthly computer match between its clients and inmates held by the Missouri Department of Correction (DOC). The names of any clients identified by the match are forwarded to the appropriate local DFS office for review and corrective action. The local office is allowed ten days to take corrective action on the case. During those ten days the caseworker is to determine if the match information is correct before taking action. Appropriate action can include termination of benefits if the client was the only member on the case or reduction of benefits if the client was one of several members.



Each local DFS office is also required by DFS policy to perform a match with the local jail or law enforcement agency once each month. The local office is to obtain the local incarceration data and perform necessary procedures to ensure no incarcerated individual is receiving Food Stamp or assistance benefits.

- A. To test the effectiveness of the state level DFS/DOC matches, we performed a match of computer records of TANF and Food Stamp clients for April 1999 against computer records of inmates in the custody of the DOC as of the same date. The match identified 189 current TANF and/or Food Stamp clients who were also incarcerated in the DOC. We selected 60 of those clients for more detailed review and determined that 24 (40 percent) had received two or more months of assistance payments while incarcerated. For the 24 clients, benefits totaling \$18,607 were received and spent, and additional Food Stamp benefits of \$802 were inappropriately issued and available for spending but were subsequently withdrawn because they had not yet been spent as of October 6, 1999.

For the cases discussed above, we also reviewed Medicaid information to determine if the individual was receiving Medicaid benefits while they were incarcerated. We determined that four of the cases had received approximately \$1,515 in Medicaid benefits while they were incarcerated. We are questioning the federal share of \$913.

When an individual is incarcerated the benefit case can be effected in two ways. If the individual is the only member on the case, all benefits should immediately be stopped. If the incarcerated individual is a member of a family case, the case should be reviewed for appropriate changes related to the loss of that member's count in the case. The following table provides greater details on the 24 cases that received two or more months of benefits while incarcerated:

| Case No. | Incarceration Date | Release Date | As of 9/30/99<br># of Ineligible Months<br>Benefits Received<br>While Incarcerated | Total Amount of Food Stamp Benefits Received<br>While Incarcerated | Total Amount of TANF Benefits Received<br>While Incarcerated | Total Amount of Medicaid Benefits Received<br>While Incarcerated |   |
|----------|--------------------|--------------|--|--|--|--|---|
| 1        | 04/30/99           | 08/22/99     | 2  | \$ (1) 202   | \$ na  | \$ na  |   |
| 2        | 03/02/99           | A            | 2  | (1) 98   | na   | na   |   |
| 3        | 03/29/99           | A            | 2  | (1) 20   | na   | na   |   |
| 4        | 03/03/99           | 07/07/99     | 3  | (1) 30   | na   | na   |   |
| 5        | 03/16/99           | A            | 2  | (1) 250  | na   | na   |   |
| 6        | 01/20/99           | 05/20/99     | 4  | (1) 260  | na   | na   | B |
| 7        | 10/17/96           | 05/12/99     | 4  | (1) 303  | na   | na   | B |
| 8        | 05/16/89           | A            | 3  | (1) 375  | na   | na   |   |
| 9        | 02/24/99           | A            | 3  | (1) 375  | na   | na   |   |
| 10       | 03/25/99           | A            | 3  | (1) 375  | na   | na   |   |
| 11       | 03/25/99           | A            | 2  | (1) 98   | na   | na   |   |
| 12       | 04/15/99           | 08/17/99     | 3  | (1) 105  | na   | na   |   |
| 13       | 02/25/99           | 05/04/99     | 3  | (1) 90   | na   | na   |   |
| 14       | 11/12/98           | 04/08/99     | 4  | (1) 43   | na   | na   | B |
| 15       | 04/20/99           | 09/19/99     | 4  | (1) 500  | na   | 50   |   |
| 16       | 03/03/99           | 07/01/99     | 4  | 1,012  | 876  | 214  | B |
| 17       | 04/12/99           | 08/20/99     | 3  | 370  | na   | na   | B |
| 18       | 02/08/99           | 06/08/99     | 4  | 912  | na   | na   | B |
| 19       | 03/09/99           | 06/18/99     | 2  | 190  | na   | na   | B |
| 20       | 03/17/99           | 07/15/99     | 4  | 520  | 544  | na   |   |
| 21       | 07/23/98           | 09/02/99     | 8-FS   | 2,176  |  | 855  | B |
|          |                    |              | 14-TANF  |  | 4,088  |  | B |
| 22       | 08/18/98           | A            | 8-FS   | 1,837  |  | na   |   |
|          |                    |              | 9-TANF   |  | 2,106  |  |   |
| 23       | 02/11/99           | 06/17/99     | 4  | na   | 544  | 396  |   |
| 24       | 03/01/99           | 06/29/99     | 4  | 1,110  | na   | na   | B |
|          |                    |              | <u>108</u>   | <u>\$ 11,251</u>   | <u>\$ 8,158</u>  | <u>\$ 1,515</u>  |   |

A Inmate is still incarcerated as of September 1999.

B The DFS case is still active as of September 30, 1999.

(1) The case includes only the incarcerated individual.

Based on the results shown above, we are questioning \$11,251 in Food Stamp benefits, \$4,976 as the federal share (61 percent) of \$8,158 in TANF benefits, and \$913 as the federal share (60.24 percent) in Medicaid benefits received through September 30, 1999.

In related concerns, we also noted that some one applied for assistance payments by mail in the name of one of the clients noted above and received those assistance payments while the client was incarcerated. In another instance, one of the clients noted above received

assistance payments while on work release during the day even though the client was provided two hot meals and a sack lunch by the DOC. In still another instance, someone applied for and received assistance payments using the incarcerated persons' identification card.

It appears the DFS is not acting on the DOC prisoner matches within the required ten days. Prisoners received monthly assistance payments they were not eligible for because the DFS did not act on the DOC matches in a timely manner.

- B. To test the effectiveness of the DFS procedures for identifying inmate/clients at the local offices, we contacted 40 of the 114 county jails in Missouri to inquire whether the local DFS office requested inmate information monthly. Of the 40 county jails contacted 14 (35 percent) told us they were not providing the local DFS office with inmate information. Personnel in those 14 DFS offices confirmed that inmate information is not requested and that they only work with the information provided from the state level DOC matches.

Because incarcerated individuals are not eligible for Food Stamp or other public assistance benefits, and to be in compliance with the Balanced Budget Act of 1997, the DFS should ensure that matches are properly performed at the local office level.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. The DFS should also enhance its procedures to ensure all inmates in the custody of the state DOC or local law enforcement facilities are identified and appropriate benefit changes processed in a timely manner.

### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

**99-9.**

#### **Eligibility - Personal Property Match**

|                  |   |                         |
|------------------|---|-------------------------|
| Federal Agency:  | Department of Agriculture and Department of Health and Human Services |                         |
|                  |   | <u>Questioned Costs</u> |
| Federal Program: | 10.551 Food Stamps  | \$ 29,477               |
|                  | 93.558 Temporary Assistance for Needy Families                        | 15,124                  |
| State Agency:    | Department of Social Services - Division of Family Services (DFS)     |                         |

There are various state and federal rules that establish limitations on the value of assets a Missouri resident is allowed to own and still be eligible for benefits under the Food Stamp and TANF programs. There also are other rules and family conditions that interact with the general guidelines

that set maximum values allowed for automobiles while allowing a client to remain eligible for benefits. For example, a family that includes a disabled person may exclude the value of a vehicle in establishing eligibility if it is used to transport the disabled person. Similarly, the value is excluded if a vehicle is used more than half of the time for producing income. Under TANF rules a client is generally allowed one vehicle no matter its value, as long as the other non-exempt resources do not exceed \$1,000.

The rules that guide the DFS in handling vehicle value consideration when determining client eligibility include federal regulation 7 CFR 273.8, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, and state regulation 13 CSR 40-2.310.

To comply with the above resource limitations, the DFS requires individuals to report all assets on their benefit application and sign a “Notification of Fraud Provisions” statement that states all changes in assets will be reported by the client within ten days.

To test the effectiveness of these procedures, we performed a match of computer records of TANF and Food Stamp clients as of April 1999 against records of registered vehicles as of April 1999 obtained from the Missouri Department of Revenue (DOR). The match was initially limited to 1996 or newer vehicle registrations that matched exactly with client names and locations. That match identified 1,935 suspect client vehicles registered with the DOR. We selected 33 cases, representing 63 of the 1,935 vehicles identified, for further review to determine if the client had properly reported personal property to the DFS. We determined that 13 of the 33 (39%) had not properly reported their vehicles and similar personal property.

To help ensure we used a fair approach in this review, we obtained numerous client personal property assessment forms from local assessment offices. We found clients often reported more personal property assets on these forms than they reported to the DFS on assistance applications.

Improperly reported or unreported personal property directly effects the clients’ eligibility. As a result clients have an incentive to not report assets. The following table provides greater detail on the assets not properly reported:

| Case No. | Vehicles Reported by Client in the Case File | Vehicles Registered to the Client per the Department of Revenue | Purchase Date per DOR | As of 11/30/99 Number of Months of Questionable Assistance Payments | Case Status as of 11/30/99 | Total Questionable Food Stamp Benefits | Total Questionable TANF Benefits |
|----------|--|---|-----------------------|---|----------------------------|--|----------------------------------|
| 1        | 1994 Dodge Shadow (1)                        | 1994 Dodge Shadow (1)   | 07/03/96              | 14  | Active                     | \$ 3,738                               | \$ na                            |
|          |  | 1999 Plymouth Neon  | 10/24/98              |   |                            |  |                                  |
| 2        | 1996 Ford Ranger                             | 1996 Ford Ranger  | 03/25/96              | 15  | Closed                     | 2,202                                  | na                               |
|          | 1995 Chevy Van (2)                           | 1996 Yamaha ATV   | 11/07/95              |   |                            |  |                                  |
|          |  | 1996 Coachmen Motorhome   | 07/11/97              |   |                            |  |                                  |
| 3        | 1998 Ford Truck                              | 1998 Ford Truck   | 03/30/98              | 14  | Active                     | 147                                    | na                               |
|          |  | 1997 Mercury  | 02/18/99              |   |                            |  |                                  |
|          |  | 1996 Ford Truck (1)   | 10/02/96              |   |                            |  |                                  |
|          |  | 1988 Oldsmobile   | 06/11/99              |   |                            |  |                                  |
| 4        | (3)  | 1998 Cadillac   | 08/14/98              | 16  | Active                     | na                                     | 3,584                            |
|          |  | 1998 Cadillac   | 08/24/98              |   |                            |  |                                  |
| 5        | 1991 Ford Truck (2)                          | 1978 Chevy Corvette   | 07/30/88              | 29  | Closed                     | 2,832                                  | na                               |
|          |  | 1968 Ford   | 02/09/68              |   |                            |  |                                  |
| 6        | 1987 Ford Escort                             | 1987 Ford Escort  | 04/30/95              | 3   | Closed                     | 685                                    | na                               |
|          |  | 1997 Chevy  | 03/17/97              |   |                            |  |                                  |
| 7        | 1976 Dodge Truck (2)                         | 1997 Saturn   | 06/18/97              | 9   | Closed                     | 2,595                                  | na                               |
|          |  | 1996 Pontiac  | 08/29/98              |   |                            |  |                                  |

From the information in the table above, it appears \$29,477 in Food Stamp benefits and \$24,794 in TANF benefits were paid to recipients whose assets exceeded the eligibility limitations. We are questioning the federal portion of these amounts which are \$29,477 for Food Stamps and \$15,124 for TANF.

Some cases noted above are of particular concern. For example, case 4 shows the client purchased and registered two new 1998 Cadillacs ten days apart in August 1998. Both continue to be licensed to the clients and only one shows a bank lien. We had planned to review the details of this case, however, the DFS was unable to locate the case file for this client. It seems highly questionable that a person able to qualify for TANF benefits would also have the income to allow them to purchase one luxury automobile outright and make payments for another.

Similarly, cases 2, 8, and 13 are notable because of the failure to report multiple vehicles, including in two instances late model all terrain vehicles and a motor home or camper trailer. Several clients improperly reported an old low value vehicle to the DFS workers when they did not and had never owned such a vehicle. This may have been done to reduce possible worker interest in vehicles the

|    |                      |                           |          |         |             |           |           |
|----|----------------------|---------------------------|----------|---------|-------------|-----------|-----------|
| 8  | 1996 GMC Van         | 1996 GMC Van              | 11/04/96 | 44      | Closed      | na        | 17,072    |
|    | 1997 Ford Truck      | 1997 Ford Truck           | 01/31/97 |         |             |           |           |
|    |                      | 1997 Ford Truck (1)       | 03/04/98 |         |             |           |           |
|    |                      | 1997 Honda ATV            | 01/21/97 |         |             |           |           |
|    |                      | 1987 Travel Trailer       | 02/15/97 |         |             |           |           |
| 9  | 1996 Dodge Van       | 1996 Dodge Van            | 02/19/99 | 3       | Closed      | 860       | na        |
|    | 1972 Dodge Truck (1) | 1998 Jeep Sport           | 08/18/98 |         |             |           |           |
|    |                      | 1998 Chevy                | 07/12/99 |         |             |           |           |
| 10 | 1985 Toyota          | 1985 Toyota               | 09/02/92 | 15      | Closed      | 3,431     | na        |
|    | 1990 Nissan Truck    | 1990 Nissan Truck         | 03/21/91 |         |             |           |           |
|    |                      | 1996 Coachmen Trailer (1) | 05/30/96 |         |             |           |           |
| 11 | none                 | 1995 Mercury (4)          | 09/02/98 | 9       | Closed      | 1,639     | na        |
| 12 | 1995 Chevy (1)       | 1995 Chevy (1)            | 05/08/97 | 9       | Active      | 6,075     | na        |
|    |                      | 1984 Volkswagon Van       | 02/01/99 |         |             |           |           |
|    |                      | 1990 Ford Van             | 07/08/99 |         |             |           |           |
| 13 | 1977 Ford Truck      | 1977 Ford Truck           | 10/25/97 | FS-18   | FS-Active   | 5,273     | 4,138     |
|    |                      | 1995 Chevy                | 05/26/98 | TANF-18 | TANF-Closed |           |           |
|    |                      | 1989 Lincoln              | 07/13/99 |         |             |           |           |
|    |                      | 1999 Chevy                | 06/16/99 |         |             |           |           |
|    |                      |                           |          |         |             |           |           |
|    |                      |                           |          |         |             | \$ 29,477 | \$ 24,794 |

(1) License is currently expired; however it appears vehicle is still owned by client.

(2) We were unable to determine why the client reported this vehicle which he/she does not appear to own.

(3) Local office could not locate the current portion of the case file. The archive case file indicated the client was not disabled. Thus, only one vehicle appears exempt under TANF rules.

(4) The client told DFS the car belonged to her mother.

client actually owned. Each of these instances suggests that the DFS policy allowing caseworkers to generally accept client vehicle or assets ownership statements without further checking is not adequate.

As noted above the DFS requires each TANF and Food Stamp applicant to sign a “Notification of Fraud Provisions” statement. This is used to notify clients there are penalties for false statements and informs them they have 10 days to report changes in assets. However, based on these findings it appears the DFS does not have adequate procedures in place to identify and respond to client’s existing or changing assets. As a result, the DFS appears to have made TANF and Food Stamp payments to several ineligible clients. Several of the cases were no longer receiving benefits. However, we found no claims filed by the DFS to recoup inappropriate benefits paid.

The DFS should review the above active cases to determine if the assistance benefits need to be terminated and consider what policy and procedure changes are needed to reduce the problems caused by clients who under report personal property assets.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Also, the DFS should seriously consider policy and procedure changes to reduce client under reporting of assets.

#### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

**99-10.**

#### **Reporting Compliance**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.558 Temporary Assistance for Needy Families  
State Agency: Department of Social Services - Division of Family Services (DFS)

The DFS uses TANF monies to provide time-limited assistance to needy families with children. The Department of Health and Human Services (HHS) regulations 42 United States Code (USC) 611 (a) require the state to prepare quarterly reports of TANF data. The quarterly report, the Emergency TANF Data Report (ACF-198), contains data maintained at the local office level and the state level.

We could not perform audit procedures to ensure the ACF-198 was prepared in accordance with federal requirements for fiscal year 1999 because supporting documentation and quarterly reports were not retained by the DFS. Therefore, we can not determine that the DFS was in compliance with federal requirements.

To obtain the local office data, each month the DFS sends randomly selected caseworkers a case questionnaire that is completed and returned to the central office. The central office loads the

resulting data into its computer system used to prepare the quarterly electronic report. Once the report is received by HHS, the local office questionnaires are destroyed.

In addition, the DFS does not maintain complete copies of the quarterly electronic reports that are submitted to HHS. As a result, the DFS does not have complete copies of the quarterly data reports and an adequate audit review is not possible.

**WE RECOMMEND** the DFS retain copies of all reports submitted to the federal awarding agencies and all related supporting documentation necessary to allow adequate audit review of the procedures and the accuracy of the ACF-198 quarterly report, in compliance with federal requirements.

### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

**99-11.**

#### **Unlocated Case Files**

Federal Agency: Department of Agriculture and Department of Health and Human Services  
Federal Program: 10.551 Food Stamps  
93.558 Temporary Assistance for Needy Families  
93.575 Child Care and Development Block Grant  
93.596 Child Care Mandatory and Matching Funds  
of the Child Care and Development Fund  
State Agency: Department of Social Services - Division of Family Services (DFS)

The DFS local offices reported they could not locate 23 of 383 (over 6%) case files that we requested for detailed case review. Fifteen case files could not be located at the St. Louis City office and six at the St. Louis County office. The remaining two were from Jackson and Howell Counties. The cases involved clients receiving Food Stamps, TANF, and/or Child Care benefits and each was actively receiving benefits and/or services during the audit period. It should be noted that although county officials indicated the file was available, the case file from Howell County was never received by us even though DSS officials sent two letters and we made two telephone calls to the county office requesting the case file.

Without case files, adequate documentation is not available to verify the eligibility of the DFS clients and the appropriateness of benefits paid. Proper retention of all records, including case files, is necessary to ensure the validity of transactions, support grant expenditures, and provide an adequate audit trail.



**WE RECOMMEND** the DFS review case file keeping procedures in the local DFS offices to ensure all case files are appropriately retained and available for DFS case action or audit review.

**AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

DEPARTMENT OF SOCIAL SERVICES -  
DIVISION OF MEDICAL SERVICES

|  |
|--|
| <b>99-12.                      Surveillance Utilization and Review System (SURS)</b> |
|--|

Federal Agency:            Department of Health and Human Services  
Federal Program:           93.778 Medical Assistance Program  
State Agency:              Department of Social Services - Division of Medical Services (DMS)  
Questioned Costs:        \$3,577

The DMS operates a Surveillance Utilization Review Subsystem (SURS), which is the principal unit responsible for identifying recipient and provider abuse of the Medicaid program. 42 CFR 456.22 requires the DMS to have procedures for an ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services.

Although the SURS unit does review claims based on referrals and exception parameters, the SURS unit does not perform a post-payment review of a representative sample of Medicaid claims. We selected a sample of 60 of the approximately 27 million fee for service claims paid during fiscal year 1999 and with the assistance of the SURS unit medical staff reviewed the claims for medical necessity, quality of care, and timeliness of services provided. The providers for these services were contacted by the SURS unit to submit documentation supporting the medical necessity of the billed services. The following problems were noted:

1.        The services provided for one of the claims were not medically necessary.
2.        The services for another claim were deficient under quality of care standards.
3.        Eight claims were not supported by documentation submitted or no documentation was submitted by the service provider. For three of these eight claims, medical necessity, quality of care and timeliness of the service could not be determined. The other five claims were determined to be medically necessary; however, quality and timeliness of care could not be determined.
4.        Two claims tested had incorrect billing codes.

The total dollar value of the twelve unsupported or deficient claims noted was \$5,938 (federal share \$3,577). Without compliance with federal requirements for testing a representative sample of Medicaid claims, the DMS cannot be assured that misutilization practices of recipients and providers are being adequately identified.

**WE RECOMMEND** the DMS resolve the questioned costs with the grantor agency. In addition, the DMS should establish procedures to comply with federal regulations.

### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

**99-13.**

#### **Ineligible Payments**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.778 Medical Assistance Program  
State Agency: Department of Social Services - Division of Medical Services (DMS)  
Questioned Costs: \$8,377

The DMS performs a monthly match of Medicaid recipients with death records provided by the Department of Health - Bureau of Vital Records (BVR). It would not be unusual for claims to be paid after a recipient's death because the BVR records may not be updated for several weeks after a death has occurred. When claims have been paid after a recipient's death, the DMS will take action to recoup the overpayments. To test the effectiveness of these procedures, we matched Managed Care Plus (MC+) recipient and mental health services claims paid during the year ended June 30, 1999, with computer records of deaths reported in Missouri since 1990 obtained from the BVR. We noted the following concerns:

- A. The MC+ match identified 330 Medicaid recipients by social security number with BVR records of a deceased individual. However, 102 records were errors due to incorrect social security numbers in the BVR records or other reasons. We noted 213 recipients for whom the DMS properly either recouped money that had been paid out after the date of death, or did not pay a claim after the date of death. However, we also identified 15 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was \$9,098 (federal share \$5,481). In addition, 3 of these 15 recipients were still incorrectly listed as being eligible for Medicaid benefits as of October 1999, even though they had died in January 1995, May 1998, and July 1998.

- B. The mental health services match identified 106 Medicaid recipients by social security number with BVR records of a deceased individual. However, 34 records were errors due to incorrect social security numbers in the BVR records or other reasons. We noted 37 recipients for whom the DMS properly either recouped money that had been paid out after the date of death, or did not pay a claim for service periods after the date of death. However, we identified 35 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was \$4,808 (federal share \$2,896).

The DMS needs to improve procedures to ensure recoupments are made when a deceased recipient is identified. Based on work performed, the DMS paid \$13,906 for managed care claims and mental health services claims for the benefit of deceased recipients which were not recouped, and we question the federal share of this amount, \$8,377.

**WE RECOMMEND** the DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and improve procedures to ensure recoupments are made and eligibility codes are updated when a deceased recipient is identified.

#### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

**99-14.**

#### **Private Duty Nursing Program**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.778 Medical Assistance Program  
State Agency: Department of Social Services - Division of Medical Services (DMS)

Private duty nursing (PDN) is individual and continuous care provided in the home by a registered nurse or licensed practical nurse generally through a home health agency (HHA) according to an individualized plan of care approved by a physician. HHAs are licensed and certified by the Department of Health (DOH). The DOH does not review PDN service records during the survey inspection of HHAs. PDN services are provided primarily to children under the age of 21 through the Healthy Children and Youth program (HCY), recipients at least 21 years old under the Physical Disability Waiver (PDW), and to recipients diagnosed with HIV/AIDS under the AIDS Waiver program. Expenditures through the medicaid program (state and federal share) for private duty nursing services during the year ended June 30, 1999, totaled approximately \$757,000. We reviewed the interagency agreements between the DMS and the Department of Health for these programs. During our review, we noted the following concerns:

- A. Under the HCY and PDW programs, the DOH is responsible for providing case management, which includes prior authorization for medical necessity. However, the agreements do not specifically assign responsibility for reviewing recipient records at the home health agency for compliance with program guidelines.

The Medicaid manual requires all PDN services to be authorized before services are initiated and be delivered strictly according to the prior authorization request and the plan of care (POC). The DMS does not perform any procedures to ensure PDN claims are adequately supported and comply with the POC. The DMS relies on work performed by the DOH to determine medical necessity and the appropriateness of the services provided. The DOH performs a review of HHA records upon renewal of a care plan; however, this review is not always documented. Also, neither the DMS nor the DOH perform procedures to ascertain if services were actually provided. As a result, there is little assurance PDN services provided to HCY and PDW recipients and paid for by the Medicaid program were delivered in accordance with the care plan.

- B. The AIDS waiver agreement requires the DOH to provide oversight, management, and monitoring activities, including overseeing the development of a written plan of care prior to the authorization or reimbursement for services. The agreement also requires the DMS to review a random sample of recipients for compliance with the program's guidelines and requires the DOH to review a statistical sample of care plans. For the period July 1, 1998 to February 28, 1999, the DMS and the DOH conducted a joint test in March 1999 covering records for 24 of the 71 AIDS Waiver program recipients. The test focused on case management records. Provider records were not examined as part of the review.

This joint test noted significant deficiencies. The 24 test items were evaluated for 41 attributes covering 6 broad categories: level of care determination, plan of care, plan approval, client choice statements, prior authorization, and home visits. The test disclosed at least one instance where the reviewer questioned whether the recipient was eligible for the AIDS waiver. Deficiencies were noted in the plan of care for 22 of the 24 recipients. At least 2 documentation deficiencies were noted for each of the 24 recipients tested, with one recipient's documentation having 18 deficiencies.

The DMS sent a summary of all findings from the joint review to the DOH. In response, the DOH submitted a list of quality improvement and assurance efforts to address the findings. The efforts focused primarily on providing training and on-site review of case documentation. However, even with the significant case management deficiencies noted the DMS did not further evaluate the provider records related to these services which may have resulted in recoupment for inadequately supported or ineligible expenditures made.

**WE RECOMMEND** the DMS:

- A. Establish procedures to ensure private duty nursing service claims under the HCY and PDW programs are adequately supported and the services delivered.
- B. Further review the deficiencies noted in the AIDS Waiver program test performed and recoup the payments for services which were not supported by adequate documentation or for which the recipient was ineligible.

### **AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

**99-15.**

### **Institutional Reimbursement Unit**

Federal Agency: Department of Health and Human Services  
 Federal Program: 93.778 Medical Assistance Program  
 State Agency: Department of Social Services - Division of Medical Services (DMS)

The Institutional Reimbursement (IR) unit is responsible for determining if the payments to institutional providers are in accordance with state regulations and the state Medicaid plan. During fiscal year 1999, total expenditures (state and federal share) for inpatient hospital services and outpatient hospital services were approximately \$1 billion. State regulation requires hospitals to submit annual cost reports within five months after the close of the hospital's fiscal year. The DMS performs a desk review on the cost report to determine the reimbursement rate for the subsequent year.

A copy of this cost report is also submitted to the Medicare fiscal intermediary to perform an audit of the cost report. When the fiscal intermediary has completed the audit, a copy of the audited cost report is forwarded to the DMS. State regulation requires the DMS to review the audited cost report for each hospital's fiscal year. This cost report is used to perform the final settlement for inpatient and outpatient hospital services. For inpatient services, final settlements are performed to ensure Medicaid payments do not exceed the allowable inpatient Medicaid charges. If payments do not exceed the charges, no adjustment is necessary. For outpatient services, final settlements are performed to determine if there has been an overpayment or underpayment. Overpayments are recouped and underpayments are paid to the hospital.

During our review of the cost reports and final settlements we noted the following concerns:

- A. The IR unit has not completed reviews of hospital cost reports in a timely manner. As of February 2000, the IR unit records indicate the following number of desk reviews had been completed:

| Year | Cost Reports      |                           |
|------|-------------------|---------------------------|
|      | to be<br>Reviewed | Desk Reviews<br>Completed |
| 1998 | 152               | 0                         |
| 1997 | 149               | 6                         |
| 1996 | 154               | 142                       |

Untimely review of cost reports limits the DMS's ability to make timely rate policy decisions.

- B. During the year ended June 30, 1999, the IR unit completed only 18 final cost settlements compared to 63 and 131 completed during the years ended June 30, 1998 and 1997, respectively.

The trend of fewer final cost settlements being completed each year results in delayed potential recoupments and limits the ability for the IR unit to catch up with its workload.

**WE RECOMMEND** the DMS complete hospital cost report reviews and final settlements in a timely manner.

**AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

## STATE OF MISSOURI SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 1998, and the findings from the prior audits for the years ended June 30, 1997 and 1996, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings, perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings, and report, as a current year finding, when the auditor concludes that the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 1997 is as follows:

Findings numbered 1A, 2B, 2C, 3, 5A, 6, 7, 9, 10, 12, 13, 14, 16, 17, 18, 21, and 23A were corrected.

Findings numbered 1B, 2A, 4, 5B, 8, 11, 15, 19, 20, 22, and 23B are included in the Summary Schedule of Prior Audit Findings.

The disposition of the findings from the year ended June 30, 1996 is as follows:

Findings numbered 1, 3, 4, 6, 7, 8, 10, 11, 14, 15 and 16 were corrected.

Findings numbered 2, 5, 9, 12, and 13, are included in the Summary Schedule of Prior Audit Findings.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-1.                      Suspension and Debarment Compliance

Federal Agency:        Department of Interior  
State Agency:         Department of Conservation (DOC)

| <u>CFDA Number</u> | <u>Program Name</u>    | <u>Questioned Costs</u> |
|--------------------|------------------------|-------------------------|
| 15.605             | Sport Fish Restoration | \$0                     |

The DOC did not obtain suspension and debarment certifications from applicable contractors.

**Recommendation:**

The DOC obtain certifications from parties awarded contracts of \$100,000 or more that the organization and its principals are not suspended or debarred.

**Status of Finding:**

*A debarment statement has been added to our standard contract form for all federally funded projects. Under Item 9 on the Proposal Form, the bidder certifies that:*

*'the bidder and its principals are not presently debarred or suspended or otherwise excluded from or ineligible for participation in Federal Assistance Programs'.*

Preparer's Signature: *Peggy Salmon*                      Phone number: 573-751-4115 x562

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-2. Expenditures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 17.246             | Employment and Training Assistance - Dislocated Workers | \$0                     |
| 17.250             | Job Training Partnership Act                            | 0                       |

The DJDT's Service Delivery Area (SDA) 4 did not obtain invoices to support four advanced payments made to motels in the amount of \$5,711. We reviewed supporting documentation for some of the motel invoices and noted several overpaid amounts which the SDA personnel obtained after we brought these matters to their attention.

### Recommendation:

The DJDT require the SDA to obtain motel invoices to support the \$5,711 in advance payments made to motels and require the SDA to establish procedures to ensure adequate supporting documentation, such as motel invoices, is obtained and reviewed for all future expenditures.

### Status of Finding:

Fully resolved. The SDA obtained the required motel invoices and established procedures requiring itemized statements from motels for advance payments.

Preparer's Signature: Harry Strumple Phone number: 526-8210

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-3.A. Fixed Asset Records and Procedures

Federal Agency: Department of Labor

State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 17.246             | Employment and Training Assistance - Dislocated Workers | \$0                     |
| 17.250             | Job Training Partnership Act                            | 0                       |

The DJDT requires its fifteen Service Delivery Areas (SDA) to submit an annual physical inventory by July 1 of each year. As of October 1998, seven of the fifteen SDAs had not submitted annual physical inventory results to the DJDT.

**Recommendation:**

The DJDT enforce deadlines for receipt of physical inventory results from SDAs.

**Status of Finding:**

Fully resolved. JDT obtained the missing reports, except from one Administrative Entity that failed to conduct the annual inventory. Future Incentive funds will be withheld until inventory requirements are met.

Preparer's Signature: Harry Strumph Phone number: 526-8210

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

### 98-3B. Fixed Asset Records and Procedures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 17.246             | Employment and Training Assistance - Dislocated Workers | \$0                     |
| 17.250             | Job Training Partnership Act                            | 0                       |

The DJDT did not follow up on each of its fifteen Service Delivery Areas (SDAs) physical inventory results on a timely basis. The DJDT Financial Manual indicates that each SDA is responsible for replacing missing items or paying the fair market value of the missing item. Over the two years ended June 30, 1998, SDAs 11 and 13 reported missing items totaling \$4,303 and \$26,258, respectively, which had not been located. Neither SDA was required to replace the missing items or repay the DJDT for the fair market value of the items.

#### Recommendation:

The DJDT establish procedures to enforce the requirement that SDAs replace missing items or pay DJDT the fair market value of the items.

#### Status of Finding:

Partially corrected. The State Auditor's recommendation will be implemented. Future incentive funds will be withheld until inventory requirements are met. This finding should be fully resolved by June 30, 2000.

Preparer's Signature: Harry Stuenkel Phone number: 526-8210

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-4.A. Subrecipient Monitoring

Federal Agency: Department of Education  
Department of Health and Human Services  
State Agency: Department of Elementary and Secondary Education (DESE)

| <u>CFDA Number</u> | <u>Program Name</u>                           | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 84.010             | Title I Grants to Local Educational Agencies  | \$0                     |
| 84.027             | Special Education - Grants to States          | 0                       |
| 84.048             | Vocational Education - Basic Grants to States | 0                       |
| 84.173             | Special Education - Preschool Grants          | 0                       |
| 93.575             | Child Care and Development Block Grant        | 0                       |

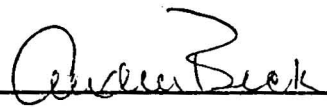
The DESE did not establish procedures to minimize the time elapsing between the transfer of funds from the state and subsequent disbursements by the subrecipients.

Recommendation:

The DESE establish procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients.

Status of Finding:

We have established procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients, and have notified the subrecipients of the federal Cash Management requirements.

Preparer's Signature: 

Phone number: 1-4681

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-4.B Subrecipient Monitoring

Federal Agency: Department of Education  
Department of Health and Human Services

State Agency: Department of Elementary and Secondary Education (DESE)

| <u>CFDA Number</u> | <u>Program Name</u>                           | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 84.010             | Title I Grants to Local Educational Agencies  | \$0                     |
| 84.027             | Special Education - Grants to States          | 0                       |
| 84.048             | Vocational Education - Basic Grants to States | 0                       |
| 84.173             | Special Education - Preschool Grants          | 0                       |
| 93.575             | Child Care and Development Block Grant        | 0                       |

The DESE did not establish procedures to inform subrecipients of grant award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and the name of the federal agency.

### Recommendation:

The DESE provide subrecipients grant award information such as CFDA title and number, award name and number, and name of federal agency.

### Status of Finding:

We have established procedures to provide necessary grant information to subrecipients.

Preparer's Signature: \_\_\_\_\_

*Quentin Beale*

Phone number: \_\_\_\_\_

751-4681

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-5. Period of Availability of Funds

Federal Agency: Department of Education  
State Agency: Department of Elementary and Secondary Education (DESE)

| <u>CFDA Number</u> | <u>Program Name</u>                  | <u>Questioned Costs</u> |
|--------------------|--------------------------------------|-------------------------|
| 84.027             | Special Education - Grants to States | \$261,149               |

The DESE obligated grant funds totaling \$76,719 after the date when these funds could be obligated. In addition, \$129,037 in grant funding originally obligated in June 1997 to various school districts was unobligated in October 1997 and reobligated to other school districts after the date the funds could be obligated. Also, payments totaling \$55,393 were made from grant funds during January 1998 through April 1998, which was after the date when obligations could be liquidated.

Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period.

Status of Finding:

We have established procedures to ensure that funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period.

Status of Questioned Costs:

Unknown.

Preparer's Signature: Arden Beck

Phone number: 1-4681

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-6.A. Schedule of Expenditures of Federal Awards and Sub-recipient Awards

Federal Agency: Department of Agriculture  
Department of Health and Human Services  
State Agency: Department of Health (DOH)

| <u>CFDA Number</u> | <u>Program Name</u>   | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 10.557             | Special Supplemental Nutrition Program for<br>Women, Infants, and Children        | \$0                     |
| 10.558             | Child and Adult Care Food Program   | 0                       |
| 93.575             | Child Care and Development Block Grant  | 0                       |
| 93.596             | Child Care Mandatory and Matching Funds<br>of the Child Care and Development Fund | 0                       |

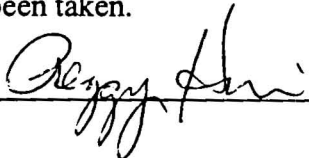
The Schedule of Expenditures of Federal Awards (SEFA) was not accurate and did not comply with OMB Circular A-133.

### Recommendation:

The DOH implements procedures and maintains records to ensure the SEFA is prepared in accordance with OMB Circular A-133.

### Status of Finding:

Corrective action has been taken.

Preparer's Signature:  Phone number: 573-751-6014



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-6.B. Schedule of Expenditures of Federal Awards and Sub-recipient Awards

Federal Agency: Department of Agriculture  
Department of Health and Human Services  
State Agency: Department of Health (DOH)

| <u>CFDA Number</u> | <u>Program Name</u>  | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 10.557             | Special Supplemental Nutrition Program for Women, Infants, and Children        | \$0                     |
| 10.558             | Child and Adult Care Food Program  | 0                       |
| 93.575             | Child Care and Development Block Grant   | 0                       |
| 93.596             | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 0                       |

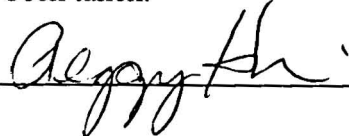
The DOH made several awards to sub-recipients that included state and federal monies and other awards that included monies from various federal programs. The DOH did not inform sub-recipients of the amount of federal monies used from each particular federal program. In addition, DOH rarely provided sub-recipients the CFDA title of the federal award.

### Recommendation:

The DOH implements procedures and maintains records to ensure sub-recipients are provided with the information required by OMB Circular A-133.

### Status of Finding:

Corrective action has been taken.

Preparer's Signature:  Phone number: 573-751-6014

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-7. Reconciliation of Reports

Federal Agency: Department of Education  
State Agency: Department of Higher Education (DHE)

| <u>CFDA Number</u> | <u>Program Name</u>            | <u>Questioned Costs</u> |
|--------------------|--------------------------------|-------------------------|
| 84.032             | Federal Family Education Loans | \$0                     |

The DHE contracts with a loan program servicer to manage aspects of this program. The loan program servicer is responsible for providing data used to compile monthly (1189) and quarterly (1130) reports submitted by the DHE to the United States Department of Education. The DHE did not reconcile applicable sections of the 1130 reports to the 1189 reports.

### Recommendation:

The DHE establish and implement procedures to reconcile the 1189 and 1130 reports and maintain documentation of the reconciliations.

### Status of Finding:

The 1189 and 1130 reports are reconciled quarterly. Documentation of the reconciliation is maintained.

Preparer's Signature: Randy Ann Leun Phone number: (573) 751-236

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-8.A. Subrecipient Monitoring

Federal Agency: Department of Transportation  
State Agency: Department of Transportation (MoDOT)

| <u>CFDA Number</u> | <u>Program Name</u>               | <u>Questioned Costs</u> |
|--------------------|-----------------------------------|-------------------------|
| 20.205             | Highway Planning and Construction | \$0                     |

The MoDOT did not provide adequate information to subrecipients about federal cash management requirements. In addition, the MoDOT did not monitor cash drawdowns by its subrecipients to ensure compliance with federal requirements.

### Recommendation:

The MoDOT inform subrecipients about the cash management requirements and establish procedures to ensure the requirements are met.

### Status of Finding:

The MoDOT's Local Public Agency Manual (LPA) has been updated to address subrecipient's requirement for disbursement of payments received from the MoDOT. The MoDOT requires local agencies to develop cash management procedures to ensure payment is made to the contractor within two (2) days of receipt of funds from the MoDOT. In addition, the local agency must provide certification to the MoDOT indicating the date the contractor was paid.

Preparer's Signature: John Hayes <sup>10-28-99</sup> Phone number: 526-2561

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-8.B.                      Subrecipient Monitoring

Federal Agency:        Department of Transportation  
State Agency:         Department of Transportation (MoDOT)

| <u>CFDA Number</u> | <u>Program Name</u>               | <u>Questioned Costs</u> |
|--------------------|-----------------------------------|-------------------------|
| 20.205             | Highway Planning and Construction | \$0                     |

The MoDOT did not have procedures to ensure subrecipients submit a statement of procedures used to evaluate and select engineering consultants or ensure subrecipients consider at least three firms before procuring such services.

Recommendation:

The MoDOT establish procedures to ensure subrecipients submit a statement of procedures used to evaluate and select engineering consultants as required and ensure subrecipients consider at least three firms before procuring such services.

Status of Finding:

The MoDOT has developed procedures that require districts to submit the subrecipient's statement of procedures used to evaluate and select engineering consultants in addition to the information submitted for a preaudit. The statement of procedures is kept on file until updated or changed. Included with each preaudit will be the names of three (3) firms considered by the subrecipient for procuring such services.

Preparer's Signature: John Hayes <sup>10-28-99</sup> Phone number: 526-2561

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-8.C.                      Subrecipient Monitoring

Federal Agency:        Department of Transportation  
State Agency:         Department of Transportation (MoDOT)

| <u>CFDA Number</u> | <u>Program Name</u>               | <u>Questioned Costs</u> |
|--------------------|-----------------------------------|-------------------------|
| 20.205             | Highway Planning and Construction | \$0                     |

The MoDOT did not have adequate procedures to ensure findings reported in subrecipient audit reports were properly resolved.

**Recommendation:**

The MoDOT establish procedures to ensure that management decisions are made on subrecipient audit findings within six months after receipt of the audit reports and that the subrecipient takes appropriate and timely corrective action.

**Status of Finding:**

The MoDOT has put in place a process to issue management decisions on subrecipient audit findings within the required time frame and request a written reply regarding the corrective action that will be taken and the time frame in which it will take place.

Preparer's Signature: John Hayes <sup>10-28-99</sup> Phone number: 526-2561

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-9 Cost Allocation System

Federal Agency: Department of Labor  
State Agency: Department of Labor and Industrial Relations (DLIR)

| <u>CFDA Number</u> | <u>Program Name</u>                               | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 17.207             | Employment Service                                | \$0                     |
| 17.225             | Unemployment Insurance                            | 0                       |
| 17.801             | Disabled Veterans' Outreach Program               | 0                       |
| 17.804             | Local Veterans' Employment Representative Program | 0                       |

The DLIR allocates monthly costs to various grant programs through the use of a computerized Cost Allocation System (CAS). The DLIR did not reconcile monthly reports of costs to be allocated by the CAS to actual allocated expenditures. In addition, the DLIR did not perform periodic tests of the monthly allocations performed by the CAS to ensure expenditures are properly allocated at the project code level.

### Recommendation:

The DLIR establish procedures to reconcile monthly reports of costs to be allocated by the CAS to actual allocated expenditures. In addition, the DLIR should periodically test the CAS, to ensure it is allocating costs properly at the project code level.

### Status of Finding:

The Department's Financial Management and Information Systems Sections have met and planned a complete review and analysis of the monthly accounting process. This review and analysis has not been completed as other higher priority projects surfaced during the year, such as the interface between the state's new accounting system and the Department's Cost Accounting System and the reorganization of the state's Workforce Development Programs. These higher priority projects had to be completed to ensure the continued operation of Department Administrative and Fiscal systems.

Periodic manual reconciliations have been started but not completed as staff had been reassigned to the higher priority projects mentioned previously; however, additional reports currently generated by the system should provide a clearer audit trail of the allocation process. The Department plans to comply with its corrective action plan during state fiscal year 2000.

Preparer's Signature: *Sharon M. Williams* Phone number: 751-1135

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-10.                      Suspension and Debarment Compliance

Federal Agency:        Department of Health and Human Services

State Agency:         Department of Mental Health (DMH)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 93.959             | Substance Abuse Prevention and Treatment<br>Block Grant | \$0                     |

The DMH did not obtain suspension and debarment certifications from subrecipients or applicable contractors.

**Recommendation:**

The DMH obtain appropriate suspension and debarment certifications from subrecipients and applicable contractors.

**Status of Finding:**

Corrective action was taken.

Preparer's Signature: *Carst Yada*  
10/14/99

Phone number: 751-8050

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98- A. Federal Grant Reporting Procedures

Federal Agency: Environmental Protection Agency  
State Agency: Department of Natural Resources (DNR)

| <u>CFDA Number</u> | <u>Program Name</u>                                    | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 66.000             | Environmental Protection Agency - Cross Cutting Issues | \$0                     |

The DNR is required to periodically file financial status reports (FSRs) with the federal grantor to report federal grant activity. OMB Circular A-133 requires the DNR to prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of the state's annual single audit. Information to complete the FSRs and SEFA is obtained from the department's Integrated Administrative System (IAS). Differences existed between the amounts reported on the FSRs, amounts reported on the IAS, and the amounts presented on the SEFA. Documentation of reconciliation of these amounts was not retained.

### Recommendation:

The DNR retain written documentation of the reconciliations between the amounts reported on IAS, FSRs, and SEFA.

### Status of Finding:

We disagree with this finding.

The SEFA schedule reports specific grant information as of one day, 6/30, each fiscal year end. The final FSR, prepared 90 days after the grant expiration date, is a report of all expenditures and adjustments during the life of that grant. Even if a grant were to end on 6/30, it would be 9/30 before the final FSR would be prepared to include lapse period expenditures and any reconciliation adjustments. The SEFA reports only the expenses up to 6/30. The SEFA for the period ended 6/30/99 was prepared based upon information reported from the department's Integrated Administrative System (IAS) month-end reports at 6/30/98 and 6/30/99. Any differences between system reports and the SEFA were documented and retained. We do reconcile the final FSR to IAS. Before any grant is closed within the IAS tracking system it is completely reconciled, with all backup documentation retained in the closed grant files.

Preparer's Signature: Marla Markway Phone number: 751-0958  
Marla Markway



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98- B. Federal Grant Reporting Procedures

Federal Agency: Environmental Protection Agency  
State Agency: Department of Natural Resources (DNR)

| <u>CFDA Number</u> | <u>Program Name</u>                                    | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 66.000             | Environmental Protection Agency - Cross Cutting Issues | \$0                     |

The Schedule of Expenditures of Federal Awards (SEFA) prepared was incorrect and incomplete and required several adjustments.

### Recommendation:

The DNR prepare a complete and accurate SEFA. Formal written procedures for preparation of the schedule should be prepared and the individual preparing the schedule should be properly trained and supervised.

### Status of Finding:

We disagree, in part, with this finding. There was a misunderstanding between our staff and the State Auditor's Office on what was expected on the SEFA schedule. We have met with the State Auditor's Office to develop the procedures that will allow us to resolve issues the State Auditor's Office may have with our SEFA schedule

Preparer's Signature: Marla Markway Phone Number: 751-0958  
Marla Markway

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-12. Monitoring of Weatherization Subgrantees

Federal Agency: Department of Energy

State Agency: Department of Natural Resources (DNR)

| <u>CFDA Number</u> | <u>Program Name</u>                              | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 81.042             | Weatherization Assistance for Low Income Persons | \$0                     |

The DNR did not have procedures to ensure that subrecipient audit report findings were followed up on in a timely manner.

### Recommendation:

The DNR establish procedures to ensure all subrecipient audit reports are followed up on to ensure proper corrective action has been taken as required by OMB Circular A-133.

### Status of Finding:

See attached memo.

Preparer's Signature: \_\_\_\_\_ Phone number: \_\_\_\_\_  
Hans Juengermann 751-9518

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-13 State Revolving Fund Bank Reconciliations

Federal Agency Environmental Protection Agency  
State Agency Department of Natural Resources (DNR)

| <u>CFDA Number</u> | <u>Program Name</u>                             | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 66.458             | Capitalization Grants for State Revolving Funds | \$0                     |

Reconciliations of the State Revolving Fund reserve account bank balances to the accounting records were not performed properly. In addition, reconciliations performed were not independently reviewed by someone other than the person that prepared the reconciliation.

### Recommendation

The DNR ensure accurate reconciliations of the State Revolving Fund reserve account balances per the accounting records to the amounts recorded on the various bank statements be performed and any difference be investigated and resolved. An independent review of the reconciliations should also be made periodically.

### Status of Finding:

The DNR has implemented a detailed reconciliation process of the State Revolving Fund. The process produced a correct Reserve Account Balance amount for Fiscal Year 1999 according to the State Auditor's Office Representative. DNR is currently automating this process, the Internal Audit Program, DNR, will be available to assist them.

Preparer's Signature: \_\_\_\_\_

- Ed Knight

Phone number: 751-6721

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1998

98-14

### Subrecipient Audits

Federal Agency  
State Agency

Department of Health and Human Services  
Department of Social Services – Division of Child Support Enforcement  
(DCSE)

CFDA Number  
93.563

Program Name  
Child Support Enforcement

Questioned Costs  
\$0

The DCSE's cooperative agreements with county governments incorrectly continued to require audits in compliance with OMB Circular A-128 instead of OMB Circular A-133.

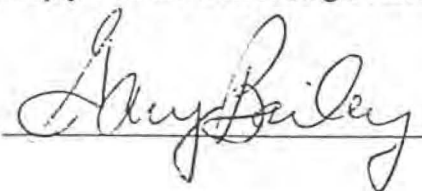
#### Recommendation:

The DCSE provide all subrecipients notice that audits must be in compliance with OMB Circular A-133, and similarly correct all future cooperative agreements.

#### Status of Finding:

DCSE agrees with the auditor's finding. DCSE has revised the Cooperative Agreements for Fiscal Year 2000 to comply with the federal Single Audit Act of 1996 (A-133).

Preparer's Signature



Phone number: 751-4927

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-15.

Federal Agency      Department of Health and Human Services  
State Agency:      Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.658             | Foster Care - Title IV-E   | \$16,174                |
| 93.778             | Medical Assistance Program | 5,422                   |

Foster care children over the age of nineteen or over the age of eighteen and not expected to graduate before age nineteen are no longer eligible for assistance under the Title IV-E program. Once a foster child reaches either of these two limitations, the state may continue benefits with state funds. At April 30, 1998, there were 111 open foster care cases for which the child was age eighteen or older and still receiving benefits under the Title IV-E program. We tested twenty-eight of these cases and noted eighteen for which the child was ineligible for \$26,655 (\$16,174 federal share) in Title IV-E benefits and at least \$8,935 (\$5,422 federal share) in Medicaid benefits received based on his or her age or anticipated graduation status. For eleven of those cases and five additional cases, the child was not provided assistance from Title IV-E funds after age nineteen; however, it did not appear reasonable the child could have reasonably been expected to graduate by his or her nineteenth birthday based on the child's birth date. If these children were ineligible for Title IV-E benefits at the age of eighteen, the additional amount of ineligible payments would have been \$112,009 (\$67,967 federal share) for the Title IV-E program and \$8,787 (\$5,332 federal share) for the Medicaid program.

### Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should improve procedures to ensure the high school graduation status for all foster children turning eighteen is obtained, documented in the case file and used to adjust the benefit funding source (including Medicaid benefits) if the child's expected graduation will be after age nineteen. The DFS should also consider computer system changes that would automatically switch to state funding when foster children reach the age of nineteen.

### Status of Finding

Division of Family Services has designated a person in central office to update our automated systems to correctly capture IV-E funding and federal medicaid. We are now changing the funding source to state only funds as soon as the child turns 18 in order to ensure that no federal funds are inappropriately claimed.

### Status of Questioned Costs:

Regarding the issue of reimbursing those agencies incorrectly charged for these expenses, we have already made retroactive adjustments in our automated payment system to ensure that we have reimbursed Title IV-E funds which were incorrectly claimed and have utilized state general revenue instead.

Preparer's Signature: Shula J. Smith

Phone number, 751 4193

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-16

Eligibility - Death Match

Federal Agency:  
State Agency:

Department of Agriculture and Department of Health and Human Services  
Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 10.551             | Food Stamps                             | \$8,068                 |
| 93.558             | Temporary Assistance for Needy Families | 0                       |

The DFS performs a monthly computer match between current benefit recipient and death records provided by the Department of Health - Bureau of Vital Statistics. Local office caseworkers are provided any match results for clients who are active members of a case with other participants to reevaluate the benefit status of that case. We identified at least fourteen clients whose case benefit status had not been reevaluated at least five months after the client's death. Based on the DFS benefit calculation guidelines and the earned income information in the case files, it appears benefits were overpaid \$8,068 on six cases and benefits were underpaid \$3,659 on five cases.

### Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish procedures to follow-up on the status of death match reports submitted to local offices for review to ensure action is appropriately taken to reevaluate the benefits the case is receiving.

### Status of Finding:

DFS/TM Section sent a memo to all area directors informing of the audit findings. The directors were reminded of the death notifications generated to staff as an alert of the need to do a circumstantial investigation of the given client and act on the results accordingly. They were also apprised that we are in the process of modifying the death-match alerts that are regularly issued when data from the DFS client information system matches that associated to a death certification in the data banks of the Bureau of Vital Statistics. The changes to the matches are expected to help ensure a better and more prompt response by staff, as well as to ensure that their supervisors have an effective tool to aide in the monitoring of what happens when staff are alerted to an active client death. The areas were instructed to devise and implement a control system for tracking what actions are effected in responding to the alerts.

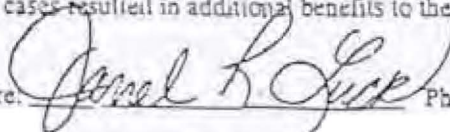
### Status of Questioned Costs:

Of the eleven cases identified as potentially having been overpaid/underpaid where a household member/head-of household had died, claims were established on eight for overpayment with a current outstanding amount totaling \$7,444.00 -- one of those cases no longer has a balance due. The other seven cases (of the eight) are either no longer active, or there are active cases for other previous household members who are not receiving cash benefits.

One of the eleven cases was determined to have been eligible for questioned benefits; the case had been acted upon timely insofar as closing relating to previous issuance eligibility.

The remaining two cases resulted in additional benefits to the active households when the deceased were removed.

Preparer's Signature:



Phone Number: 751-3124

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-17. Eligibility - Benefits to Felons

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 10.551             | Food Stamps                             | \$521                   |
| 93.558             | Temporary Assistance for Needy Families | 0                       |

We selected a sample of 386 of the state's approximately 234,000 TANF and Food Stamp recipients over age nineteen at April 1998 and asked the Missouri State Highway Patrol to determine if any of them had outstanding felony warrants. We identified two persons with outstanding felony warrants with active Food Stamp cases who had received at least \$521 in ineligible benefits as of October 1998.

### Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish a cost-effective procedure to determine whether clients have outstanding felony warrants or have committed other violations that would prevent their eligibility.

### Status of Finding:

PRWORA does not mandate computer matching to detect fleeing felons and parole/probation violators. We anticipated that matching might occur in mid - 1999. However, it now appears that computer and other technical problems continue to delay this process. Matching may not occur until the early or mid part of the calendar year 2000.

### Status of Questioned Costs:

Claims have been established for benefits issued for two individuals identified with outstanding felony warrants.

Preparer's Signature: 

Phone number: 751-3124



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-18                      Eligibility - Social Security Number

Federal Agency:        Department of Agriculture and Department of Health and Human Services  
State Agency:         Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 10.551             | Food Stamps                             | \$0                     |
| 93.558             | Temporary Assistance for Needy Families | 0                       |

During the client application process, caseworkers are required to obtain social security numbers for each person included in the case. If the applicant cannot provide documentation of the social security number of all case members, program rules require the case to be opened and the necessary social security number documentation obtained at the client's next redetermination. If the documentation is not provided at redetermination, the client is to be removed from the case. At April 30, 1998, we determined that the DFS client database had 9,266 Food Stamp and TANF clients that had no social security number reported. We tested 48 of these clients and noted eleven of the forty-eight clients reviewed did not have a social security number entered into the database by November 1998. We reviewed the case files for five of these eleven clients and found that each file contained documentation of the client's social security number.

### Recommendation:

The DFS improve procedures to ensure client social security numbers obtained after the initial application are entered into the DFS database.

### Status of Finding:

The DFS/TM Section sent a memo to all area directors apprising of instance findings where Social Security Numbers have not been entered into the client information data base, and where numbers have been entered but not verified. It was noted that the DFS initiated an extensive internal review that corroborated those findings.

The review group (Quality Assurance) made recommendations to aid in addressing the concerns. It was noted, incidentally, that a large portion of the cases where absent numbers were discovered involved newborns or very young children; numbers were probably applied for but not yet obtained and entered into the system. The SAO commented that many of the cases reviewed did have a verified number in the file but they had not been entered. Thus, the primary issue seems to be ensuring that numbers obtained after case activation are inputted.

The area directors were instructed to reiterate to staff the importance of making sure they follow up on securing and entering verified numbers into the DFS database when numbers could not be supplied at the point of application. For Food Stamp purposes, as a point, applications must be processed promptly in compliance with federal regulations whether or not the number can be verified at the time of application.

The memo informed that we intend to re-introduce regular alerts (matches) that will serve as a

tool to staff and their supervisors for better tracking purposes. The DFS is working with the Division of Data Processing to develop and implement such matches, with copies to go to both caseworker and supervisor. A draft has already been produced, and is being modified incorporating suggestions from the Quality Assurance review team's report.

Preparer's Signature:  Phone number: 751-3124

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

### 98-19.A. Corrective Action on Prior Audit Findings

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 10.551             | Food Stamps                             | \$0                     |
| 93.558             | Temporary Assistance for Needy Families | 0                       |

The DFS responded for audit finding 97-16A in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding ineligible receipt of TANF benefits by clients due to unreported workers' compensation benefits. Our review indicated that corrective action had been taken for the nine ineligible cases reported; however, a periodic match between the DFS computer records and workers' compensation computer records had not been established to identify workers' compensation benefits unreported by clients.

#### Recommendation:

The DFS establish an interim match between DFS computer records and workers' compensation computer records until the match planned as part of the FAMIS system is implemented and operating effectively.

#### Status of Finding:

The DFS/IM Section is in the process of addressing the issue of verifying Workman's Compensation (WC) awards to public assistance recipients.

In talking with our Research and Evaluation Unit (R & E), it was initially believed that they would be able to extract the data we needed (for confirmation purposes) from a file layout as supplied by the Division of Child Support Enforcement (DCSE). In turn R & E would produce a report of incidences matching common client data routinely for the DFS.

The DCSE/DSS has in place an agreement with the Missouri Division of Workers' Compensation (MODWC) of the Department of Labor and Industrial Relations (DOLIR) to access information pertaining to liens filed against WC benefits. Discussions with DOLIR's legal section indicated that there should not be a problem with the DCSE sharing their data with the DFS to verify information for client assistance eligibility. However, in proceeding with implementation of the plan, DCSE's data processing section determined that they did not have access to the information the DFS requires in their dataset link to MODWC's automated system.

The DFS was compelled to return to the DOLIR to explore another avenue for securing said information. For the DFS to get the information it needs, the current agreement between the DSS and the DOLIR will probably have to be amended to include allowing the DFS to access the MODWC's files.

Meanwhile, the DFS and MODWC's Information Systems section are looking at possible modes for conveying data (when the amended agreement is effected) to the DFS. One thought is that the MODWC can build a unique file for the DFS alerting of Administrative Law Judge claim determinations relating to active clients in the DFS system; a "test" concept has already been discussed. Another possibility is allowing DFS staff to do an inquiry (linking directly to MODWC) on each individual assistance applicant (as is currently done with Employment Security in verifying client work quarters). As is always the case, issues of practicality, cost, effectiveness and efficiency are considerations in the decision.

Preparer's Signature:  Phone number: 751-3124

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-19.B                      Corrective Action on Prior Audit Findings

Federal Agency:            Department of Agriculture and Department of Health and Human Services  
State Agency:              Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 10.551             | Food Stamps                             | \$0                     |
| 93.558             | Temporary Assistance for Needy Families | 0                       |

The DFS responded for audit finding 97-16C in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding clients with invalid social security numbers on the DFS computer system. We determined that all the errors from the last audit were corrected; however, we found an additional eight invalid social security numbers in the population of April 1998 TANF and Food Stamp benefit recipients. None of these invalid numbers had been corrected by November 1998. It appears procedures were not improved to correct invalid social security numbers.

### Recommendation:

The DFS improve procedures to ensure caseworkers review the quarterly social security number exception report and correct any invalid social security numbers in the DFS computer system.

### Status of Finding:

The DFS/TM Section sent a memo to all area directors apprising of instance findings where Social Security Numbers have not been entered into the client information data base, and where numbers have been entered but not verified. It was noted that the DFS initiated an extensive internal review that corroborated those findings.

The review group (Quality Assurance) made recommendations to aid in addressing the concerns. It was noted, incidentally, that a large portion of the cases where absent numbers were discovered involved newborns or very young children; numbers were probably applied for but not yet obtained and entered into the system. The SAO commented that many of the cases reviewed did have a verified number in the file but they had not been entered. Thus, the primary issue seems to be ensuring that numbers obtained after case activation are inputted.

The directors were instructed to reiterate to staff the importance of making sure they follow up on securing verified numbers when numbers could not be supplied at the point of application, and putting them into the data system. For Food Stamp purposes, as a point, applications must be processed promptly in compliance with federal regulations whether or not the number can be verified at the time of application.

The memo informed that we intend to re-introduce regular alerts (matches) that will serve as a tool to staff and their supervisors for better tracking purposes. The DFS is working with the

Division of Data Processing to develop and implement such matches, with copies to go to both caseworker and supervisor. A draft has already been produced, and is being modified incorporating suggestions from the Quality Assurance review team's report.

Preparer's Signature: *Janet R. Luck* Phone number: 751-3124

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-20. Reporting Compliance

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services (DSS)

| <u>CFDA Number</u> | <u>Program Name</u>                | <u>Questioned Costs</u> |
|--------------------|------------------------------------|-------------------------|
| 93.667             | Social Services Block Grant (SSBG) | \$0                     |

For the year ending September 30, 1997, the SSBG annual report of program results did not include all necessary information to comply with federal reporting requirements.

**Recommendation:**

The DSS establish procedures to ensure the SSBG annual report is prepared in accordance with federal requirements.

**Status of Finding:**

The corrective action has been implemented.

Preparer's Signature: 

Phone number: 751-7592

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-21. Suspension and Debarment Compliance

Federal Agency: Department of Education and Department of Health and Human Services  
State Agency: Department of Social Services (DSS)

| CFDA Number | Program Name  | Questioned Costs |
|-------------|---|------------------|
| 84.126      | Rehabilitation Services - Vocational Rehabilitation<br>Grants to States                                   | \$0              |
| 93.044      | Special Programs for the Aging - Title III, Part B -<br>Grants for Supportive Services and Senior Centers | 0                |
| 93.045      | Special Programs for the Aging - Title III, Part C -<br>Nutrition Services                                | 0                |
| 93.563      | Child Support Enforcement   | 0                |
| 93.568      | Low-Income Home Energy Assistance (LIHEAP)  | 0                |
| 93.575      | Child Care and Development Block Grant  | 0                |
| 93.596      | Child Care Mandatory and Matching Funds of the Child Care<br>and Development Fund                         | 0                |
| 93.658      | Foster Care - Title IV-E  | 0                |
| 93.667      | Social Services Block Grant   | 0                |
| 93.778      | Medical Assistance Program  | 0                |

The DSS did not obtain suspension and debarment certifications from subrecipients and applicable contractors.

### Recommendation:

The DSS obtain appropriate suspension and debarment certifications from subrecipients and applicable contractors.

### Status of Finding:

The LIHEAP and Child Support program managers were inadvertently missed in the past corrective plan discussions. These contracts and subrecipient agreements will include the required certifications in the future.

Preparer's Signature: Theresa McDonald Phone number: 151-7263  
1/26/00



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-22.                      Schedule of Expenditures of Federal Awards

Federal Agency:        Department of Health and Human Services  
State Agency:         Department of Social Services (DSS)

| <u>CFDA Number</u> | <u>Program Name</u>   | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 93.575             | Child Care and Development Block Grant  | \$0                     |
| 93.596             | Child Care Mandatory and Matching Funds of<br>the Child Care and Development Fund | 0                       |
| 93.658             | Foster Care - Title IV-E  | 0                       |

The Schedule of Expenditures of Federal Awards (SEFA) prepared by the DSS misreported the expenditures for the above noted programs by \$133,578,362. The errors were subsequently corrected when we reported them to DSS management.

Recommendation:

The DSS improve procedures to ensure the correct expenditure amounts are reported on the SEFA.

Status of Finding:

The corrective action plan has been implemented.

Preparer's Signature: 

Phone number: 751-7592

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-23. Cash Management

Federal Agency: Department of Health and Human Services and the Department of the Treasury

State Agency: Department of Social Services (DSS)

| <u>CFDA Number</u> | <u>Program Name</u>                            | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 93.575             | Child Care and Development Block Grant (CCDBG) | \$57,090                |

As the lead agency for this grant program, the DSS draws down all CCDBG funding for the state, subsequently passing part of the funding to the Department of Health (DOH) under an interagency agreement. Under a separate interagency agreement between the DOH and Department of Elementary and Secondary Education (DESE), CCDBG funding is also provided to the DESE. All the DESE funding is requested by the DOH on an advanced basis. For the year ended June 30, 1998, the DESE held an average month end balance of \$1.1 million in CCDBG funding; however, the state did not report any interest liability for this program on the CMIA annual interest liability report for the period. The estimated interest liability was \$57,090.

### Recommendation:

The DSS resolve the questioned costs. In addition, the DSS should work with the DOH and the DESE to ensure future funding provided to these agencies is requested on a reimbursement basis or reflect monies being held at the DESE in future CMIA interest calculations.

### Status of Finding:

The Child Care agreements with the Department of Health and the Department of Education now include a process for specifying cash requirements and procedures for routine adjustment of cash on hand.

### Status of Questioned Costs:

The disposition of interest obligations arising from federal cash on hand are implemented through the procedures prescribed in the State's CMIA agreement.

Preparer's Signature: \_\_\_\_\_

Phone number: \_\_\_\_\_

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-24. Ineligible Payments

Federal Agency Department of Health and Human Services  
State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$65,669                |

We matched Medicaid recipient inpatient and nursing home claims paid during the fiscal year ended June 30, 1998, and managed care claims paid in June 1998, with computer records of deaths reported in Missouri since 1980 obtained from the state's Department of Health - Bureau of Vital Statistics. We identified 52 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was \$108,221 (\$65,669 federal share). In addition, for 18 of the 52 recipients, the Missouri Medicaid Information System (MMIS) did not indicate a date of death, and recipient records for five of these 18 recipients still showed the individual as being eligible for Medicaid benefits.

### Recommendation:

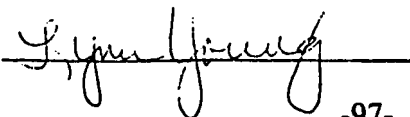
The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and establish procedures to ensure the MMIS is updated upon a recipient's death.

### Status of Finding:

No changes have been made in the corrective action plan as previously submitted. The DMS agrees that incorrect payments have been made. This occurs when the date of death has not been entered on file at the time the claims process. We feel that the process for gathering the date of death has much improved in the last year, however, there will still be delays due to timing of the actual death date and updating vital statistics. We have found that in many cases, the overpayment is made for services and equipment that occur on an on-going basis without direct contact with the recipient. (i.e. wheel chair rental). (Repeated from FY 1998 Corrective Action Plan.)

### Status of Questioned Costs:

No changes have been made in the corrective action plan as previously submitted. The examples included with the audit finding will be reviewed and considered immediately. The long term corrective action will be included in an enhancement to the MMIS proposed in the new RFP. (Repeated from FY 1998 Corrective Action Plan.) The DMS has performed two recoupments on the overpayments. On the Remittance Advice dated 06/25/99 a mass adjustment was done to recoup approximately \$48,421.84. Another mass adjustment was done on the 11/05/99 Remittance Advice to recoup approximately \$7,459.67.

Preparer's Signature:  -97-

Phone number: 751-7996

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-25                      Nursing Home and Hospice Claim Overpayments

Federal Agency            Department of Health and Human Services  
State Agency:            Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$94,473                |

The DMS pays hospice providers for hospice care furnished to nursing home recipients. The hospice is then responsible for reimbursing the nursing home based on a separate agreement. We noted a total of 1,809 patient days where the nursing home and the hospice provider were paid by the DMS for the same dates of service. These errors resulted in overpayments of \$159,380 (\$94,473 federal share).

### Recommendation:

The DMS resolve the questioned costs with the grantor agency. The DMS should also investigate and resolve similar questioned costs from prior years. In addition, the DMS should establish procedures to ensure nursing home and hospice claims are properly processed and paid.

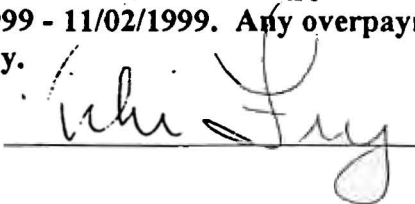
### Status of Finding:

The DMS initiated system changes to correct the problem through System Task Request (STR) S-1539. This change went into production on November 2, 1999. This STR eliminates the need for quarterly reports to manually look for overpayments.

### Status of Questioned Costs:

An ad hoc to determine those nursing home claims that were incorrectly paid was generated on August 30, 1999 and contained paid claims from 07/01/97 - 08/30/1999 (ad hoc run date). A total of 317 claims were adjusted for 160 nursing home providers. Providers received a letter dated October 29, 1999 along with a copy of any adjustment(s) made. One additional ad hoc has been requested which will include any overpayments made from 08/31/1999 - 11/02/1999. Any overpayments identified with this ad hoc will be adjusted accordingly.

Preparer's Signature: \_\_\_\_\_



Phone number: \_\_\_\_\_

2-1760

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-26. Drug Rebate Program

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$257,083               |

As of December 1998, the DMS's Drug Rebate Unit had identified 9,193 claims against pharmacies with estimated overpayments totaling \$423,670 for which recoupments against the pharmacies had not been initiated because the claims were over five years old. The DMS does not initiate recoupment if the claim exceeds five years. Federal law requires that all identified overpayments be returned to the grantor agency. The federal share of these overpayments is \$257,083.

### Recommendation:

The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should ensure the grantor agency is credited for its share of overpayments when identified, attempt to recover the overpayments, and establish procedures to ensure future recoupments of overpayments are performed in a timely manner.

### Status of Finding:

No changes have been made in the corrective action plan as previously submitted. The state agency has no basis upon which to recoup moneys expended. The Code of Federal Regulations states in 45 Subtitle A, § 74.53 that records are to be retained for a period of three years. The state agency requires providers to retain records related to services provided for a period of five years from the date of service as stated in Title XIX Participation Agreement for Prescribed Drugs. It is possible that had records been retained for a longer period of time, providers in instances of alleged overpayments might have been able to produce justification for questionable claims submitted and overturn the resultant recoupment. (Repeated from the FY 1998 Corrective Action Plan.)

### Status of Questioned Costs:

No changes have been made in the corrective action plan as previously submitted. See above explanation.

Preparer's Signature: Susan M'Carra Phone number: 757-6963

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-27.A. Third Party Liability

Federal Agency: Department of Health and Human Services

State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$0                     |

The DMS did not maintain an up-to-date Third Party Liability (TPL) action plan and had not submitted any updates to the Health Care Financing Administration (HCFA) since March 1991.

Recommendation:

The DMS ensure that the TPL action plan is maintained on a current basis and updates are submitted to HCFA in accordance with federal regulations.

Status of Finding:

The TPL unit is working with DMS legal counsel to appropriately draft and update the action plan. It is anticipated that this will be completed December 1999.

Preparer's Signature: Chris Reeter Phone number: 1-2005

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-27.B. Third Party Liability

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$0                     |

When the DMS's Third Party Liability (TPL) unit identifies trauma cases involving Medicaid recipients, the cases are recorded on a personal injury log. During the year ended June 30, 1998, 11,344 entries were recorded on this log. We selected 40 TPL claims from the personal injury log and for seven of 27 applicable items, the DMS failed to pursue collection from the third party within required time limits.

### Recommendation:

The DMS establish procedures to ensure collections from third parties are pursued within 60 days of the end of the month in which the potential TPL is identified.

### Status of Finding:

The TPL has redistributed the workload of trauma cases by assigning existing staff to different areas of the program. A System Task Request on the MMIS has been completed which enables automatic update of online recovery statements from each financial cycle's paid claims file. Clerical phone staff have been trained to communicate information from the online system to attorneys and insurance carriers which reduces correspondence and repeated calls.

Preparer's Signature: Chris Reeter Phone number: 1-2005

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-28.A1                      Hospital Overpayments

Federal Agency:            Department of Health and Human Services  
State Agency:              Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$0                     |

In March 1998, the DMS identified payments totaling \$4,794,643 made to twenty hospitals which exceeded these hospitals' cost of providing care to Medicaid and uninsured patients. The DMS only reduced the total reported Medicaid expenditures by \$1,568,845, leaving \$3,225,798 which were not netted against Medicaid expenditures. A similar accounting error, totaling \$612,295, occurred during the previous fiscal year ended June 30, 1997. After we brought these matters to their attention, the DMS made the necessary corrections to the federal report for the quarter ending September 30, 1998.

### Recommendation:

The DMS establish procedures to ensure the federal share of overpayments is credited to the grantor agency within 60 days.

### Status of Finding:

The MMIS payment system was programmed to recognize and accurately report this type of transaction. This was accomplished with system task request number S-1324 and placed in production on June 8, 1999.

Preparer's Signature: *Monay Vivion*                      Phone number: 751-8985



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-28.A2.                      Hospital Overpayments

Federal Agency:            Department of Health and Human Services  
State Agency:             Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$0                     |

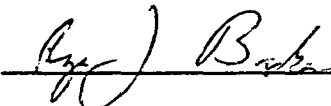
At the time of our review in January 1999, nineteen of the twenty hospitals that received overpayments noted in finding 98-28.A.1 had either repaid the overpayment or were having the overpayment withheld from subsequent payments. The DMS indicated that recoupment had not begun in one case involving an overpayment of \$815,972 due to legal issues regarding the merger of the hospital.

**Recommendation:**

The DMS ensure overpayments are recouped from providers in a timely manner.

**Status of Finding:**

**No changes have been made in the corrective action plan as previously submitted. The Division of Medical Services filed regulations to resolve issues regarding the merger of hospitals on January 15, 1999. The recoupment was completed by 6/30/99.**

Preparer's Signature:                       Phone number: 751- 5663

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-28.B. Hospital Overpayments

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$183,196               |

The DMS established new inpatient per diem rates for all 147 hospital providers effective April 1, 1998. We reviewed the per diem rate for 20 hospital providers and noted one provider's per diem rate which was apparently inappropriately increased by \$155 in December 1998. The DMS then retroactively adjusted claims with dates of service after April 1, 1998 and the date of the rate change, resulting in an additional payment of \$301,906 (\$183,196 federal share) to this provider. We question the federal share of the retroactive payment.

### Recommendation:

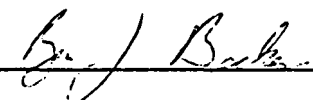
Resolve the questioned costs with the grantor agency. In addition, the DMS should recoup overpayments made to this provider and establish procedures to ensure reimbursement rates comply with state and federal regulations.

### Status of Finding:

No changes have been made in the corrective action plan as previously submitted. We disagree with the auditor's finding that the hospital payment for providing acute treatment services to former residents of a state mental hospital exceeded the OBRA 93 limitation for state fiscal year 1998. The auditor is incorrect in their assertion that the Division of Medical Services has exceeded the limitations of OBRA 93 or its state regulatory authority to define providers meeting specific criteria defined in state regulation that may be more than providers which do not meet those criteria. OBRA 93 does not require a state to pay all providers 100% of the provider specific limitation. (Repeated from FY 1998 Corrective Action Plan.)

### Status of Questioned Costs:

No changes have been made in the corrective action plan as previously submitted. See above explanation.

Preparer's Signature: 

Phone number: 751-5663

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-1.B. Expenditures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 17.246             | Employment and Training Assistance - Dislocated Workers | \$1,909                 |
| 17.250             | Job Training Partnership Act                            | 5,227                   |

Some on-the-job training (OJT) salary reimbursement claim forms paid by administrative entities were not signed by program participants resulting in questioned costs of \$7,136.

**Recommendation:**

The DJDT resolve the questioned costs with the grantor agency and ensure the administrative entities comply with OJT documentation requirements.

**Status of Finding:**

Fully resolved. The Administrative Entities obtained the required signatures or provided other documentation for some of the reimbursement claims. \$2,099.10 of reimbursements were disallowed. The funds were collected and returned to the DOL.

Preparer's Signature: Harry Struempke Phone number: 526-8210

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-2.A. Fixed Asset Records and Procedures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 17.246             | Employment and Training Assistance - Dislocated Workers | \$0                     |
| 17.250             | Job Training Partnership Act                            | 0                       |

Some Service Delivery Areas (SDAs) did not report physical inventory results to the DJDT on a timely basis.

### Recommendation:

The DJDT enforce deadlines for receipt of physical inventory results from SDAs.

### Status of Finding:

Fully resolved. The missing inventory reports were obtained, except from one Administrative Entity that failed to conduct the annual inventory. Future Incentive funds will be withheld until inventory requirements are met.

Preparer's Signature: Harry Stronach Phone number: 526-8210

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-4. Special Education Consulting Services

Federal Agency: Department of Education

State Agency: Department of Elementary and Secondary Education (DESE)

| <u>CFDA Number</u> | <u>Program Name</u>  | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 84.027             | Special Education - Grants to States                                     | \$26,363                |
| 84.181             | Special Education - Grants for Infants and Families<br>with Disabilities | 9,637                   |

Department-wide consulting service expenditures were directly charged to the Special Education program grants resulting in questioned costs of \$36,000.

### Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure only expenditures specifically related to the Special Education program are charged directly to Special Education grants.

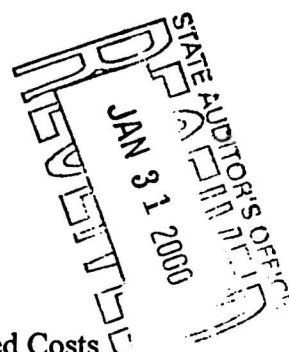
### Status of Finding:

The Department has contacted the U.S. Department of Education regarding this finding. They indicated that the finding will be forwarded to the appropriate federal agency and a final judgment would be made at that time.

### Status of Questioned Costs:

Unresolved.

Preparer's Signature: Quentin Beck Phone number: 751-4681



### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-5.B.

## Salaries

Federal Agency:

Department of Education

State Agency:

Department of Elementary and Secondary Education (DESE)

CFDA Number

Program Name

### Questioned Costs

84.126

## Rehabilitation Services - Vocational Rehabilitation

## Grants to States

\$6,044

Documentation was not maintained to support the method used to allocate an employee's salary resulting in questioned costs of \$6,044. The employee did not maintain time sheets or personnel activity reports nor was the allocation method approved by the federal agency.

Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should obtain cognizant federal agency approval of its allocation method for this salary or require the individual to maintain time sheets, personnel activity reports or other documentation as required by OMB Circular A-87.

**Status of Finding:**

The U.S. Department of Education was contacted via written request for a determination on this issue. Guidance was given as to the proper documentation that is to be maintained for this situation. This documentation was maintained for this employee. In addition, in May 1999, we were contacted by a representative of the Department of Education and provided information to resolve this finding.

**Status of Questioned Costs:**

**Resolved.**

Preparer's Signature:

Candice Beck

Phone number:

1-2/681

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-8. Funds Held Outside the State Treasury

Federal Agency: Department of Education  
State Agency: Department of Higher Education (DHE)

| <u>CFDA Number</u> | <u>Program Name</u>            | <u>Questioned Costs</u> |
|--------------------|--------------------------------|-------------------------|
| 84.032             | Federal Family Education Loans | \$0                     |

The DHE maintains a bank account for the Automatic Transfer of Money (ATOM) Program. The department does not have statutory authority on the state level to maintain funds outside the State Treasurer's office.

Recommendation:

The DHE move this account to the state treasury or pursue specific authority to establish the ATOM account outside the state treasury.

Status of Finding:

On April 6, 1998 the DHE received a letter from the state Commissioner of Administration acknowledging that he was aware of and had no objections to the existence of the ATOM account.

Preparer's Signature: Randy Ann Leune Phone number: (573) 751-2361

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-11. Questionable Payments to Service Providers

Federal Agency: Department of Health and Human Services  
State Agency: Department of Mental Health (DMH)

| <u>CFDA Number</u> | <u>Program Name</u>   | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 93.959             | Block Grant for Prevention and Treatment of Substance Abuse | \$936,811               |

The DMH provided \$936,811 of program funding to three for-profit providers, who are ineligible to receive these block grant funds.

### Recommendation:

The DMH resolve the questioned costs with the grantor agency. In addition, the DMH should discontinue providing block grant funds to for-profit providers.

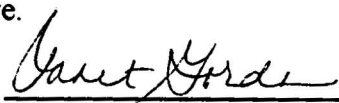
### Status of Finding:

We attempted to correct this situation. Please see the attached two letters. As indicated in the March 17, 1998 letter from the Department of Mental Health's Controller, George Allman, to the Office of Administration's Deputy Director, Jack Dothage, we requested journal voucher transfers be made to correct the situation as cited in the finding. The April 9, 1998 letter from Jack Dothage indicates that a journal voucher could not be submitted, and that "a cash transfer from General Revenue to Federal Funds and Federal Funds to General Revenue for the same amount, results in a wash transaction and is not necessary." Jack Dothage goes on to state in the letter that "we will file the Payment Correction Request you sent to our office to support the Single Audit corrective action taken."

In addition to attempting to correct the situation as noted above, we have corrected the internal funding process to ensure additional payments from the Block Grant have not been disbursed to for-profit entities.

### Status of Questioned Costs:

See explanation above.

Preparer's Signature:   
10/14/99

Phone number: 751-8650



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-15. FAMIS Contract Change Request

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Social Services (DSS)

| <u>CFDA Number</u> | <u>Program Name</u>  | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 10.561             | State Administrative Matching Grants for Food Stamp Program                    | \$133,624               |
| 93.558             | Temporary Assistance for Needy Families  | 386,988                 |
| 93.566             | Refugee and Entrant Assistance - State Administered Programs                   | 413                     |
| 93.596             | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 11,652                  |
| 93.778             | Medical Assistance Program   | 66,234                  |

The contractor for the Family Assistance Management Information System (FAMIS) project was overpaid \$826,368 of which the federal share was \$598,911.

### Recommendation:

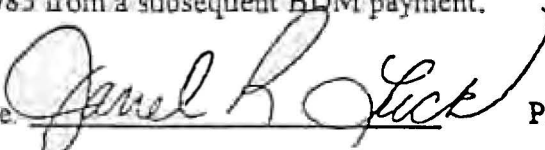
The DSS resolve the questioned costs with the federal grantor agencies.

### Status of Finding:

*(See Status of Questioned Costs)*

### Status of Questioned Costs.

The recommendation of SAO was that we resolve this finding with our federal grantor agencies. Since that time, I have spoken with both the Department of Health and Human Services, Division of Cost Allocation, and the Department of Agriculture, Food and Nutrition Service. Christine Rackers, Director of the Division of Budget and Finance, has signed an agreement regarding this finding with the Division of Cost Allocation. I believe you have already received a copy of that agreement. I have been notified by William Holmes of FNS that the finding has been resolved to their satisfaction, as well. Both agencies have considered the matter resolved once DFS withheld the questioned \$5,985 from a subsequent BDM payment.

Preparer's Signature: 

Phone number: 751-3124

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-19. Fixed Asset Records

Federal Agency: Department of Agriculture  
State Agency: Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>   | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 10.561             | State Administrative Matching Grants for Food Stamp Program | \$0                     |

The DFS fixed asset records were inadequate to ensure compliance with 7 CFR 277.13 regarding transfer or disposal of equipment purchased for the administration of the Food Stamp program.

### Recommendation:

The DFS establish procedures to ensure compliance with 7 CFR 277.13.

### Status of Finding:

The budget, procurement, and financial components of the new statewide system were implemented July 1, 1999. This system will be used to record fixed assets and will indicate the cost allocation between applicable programs.

This conversion to the new system will identify the grant or grants that paid for the purchase of the assets used for the administration of the food stamp program. This conversion will be ongoing through this fiscal year and will be completed prior to June 30, 2000.

Preparer's Signature: Theresa McDonald Phone number: 751-7263

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-20. Claims Accounting Restitution System Units

Federal Agency: Department of Agriculture  
State Agency: Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Questioned Costs</u> |
|--------------------|---------------------|-------------------------|
| 10.551             | Food Stamps         | \$0                     |

The Claims Accounting Restitution System (CARS) Units in the St. Louis County and City of St. Louis DFS offices were not entering claims in the CARS on a timely basis.

### Recommendation:

The DFS ensure the local office CARS Units enter claims in the CARS on a timely basis.

### Status of Finding:

Quality Assurance staff analyzed the claim referral process and backlog of claim referrals in both St. Louis City and St. Louis County offices as a part of each county's 1998 Special Initiative (SI) review. Results of this analysis were shared with each county office in early 1999 during the presentation of all findings from the SI review. Both offices were asked to provide a plan to reduce the backlog of claim referrals including a plan to prevent a future backlog of claim referrals.

Progress in both counties is being monitored by Quality Assurance and Program and Policy staff. Monitoring will continue until claim referral backlogs in both counties are reduced to a manageable and stable level.

Preparer's Signature:



Phone number:

751-3124

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-22.A ADP Risk Analysis and Security Review

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$0                     |

The DMS had not established a security plan for automated data processing (ADP) systems.

Recommendation:

The DMS establish a security plan for the ADP systems in accordance with federal requirements.

Status of Finding:

**No changes have been made in the corrective action plan as previously submitted. Not yet corrected. Federal regulations regarding ADP system security have been proposed, but are not final. Because proposed regulations are subject to change, DMS will take action to comply with the regulations once they are finalized. (Repeated from FY 1998 Corrective Action Plan.)**

Preparer's Signature: 

Phone number: 751-3752

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-22.B. ADP Risk Analysis and Security Review

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$0                     |

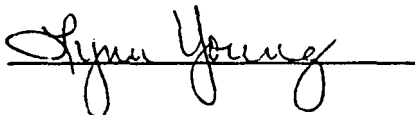
The DMS had not conducted biennial ADP system security reviews.

Recommendation:

The DMS perform biennial ADP system security reviews as required by federal regulations.

Status of Finding:

No changes have been made in the corrective action plan as previously submitted.  
Not yet corrected. Federal regulations regarding ADP system security have been proposed, but are not final. Because proposed regulations are subject to change, DMS will take action to comply with the regulations once they are finalized. (Repeated from FY 1998 Corrective Action Plan.)

Preparer's Signature:  Phone number: 751-3752

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-23.B. Drug Rebate Program

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Medical Services (DMS)

| <u>CFDA Number</u> | <u>Program Name</u>        | <u>Questioned Costs</u> |
|--------------------|----------------------------|-------------------------|
| 93.778             | Medical Assistance Program | \$0                     |

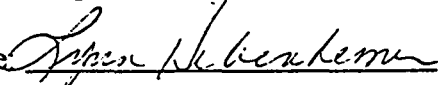
The DMS had not established adequate procedures for calculating, recording, billing, and collecting interest due from drug manufacturers for drug rebate program payments not remitted within thirty days of the invoice date.

Recommendation:

The DMS implement procedures to calculate, record, bill, and collect interest monies due from drug manufacturers.

Status of Finding:

The program system request change is in Review Status. Once review is completed the process will be put into production.

Preparer's Signature:  Phone number: 526-5778

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996**

96-2. Fixed Assets

Federal Agency: Department of Labor

State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 17.246             | Employment and Training Assistance - Dislocated Workers | \$0                     |
| 17.250             | Job Training Partnership Act                            | 0                       |

Forty-eight fixed asset items with acquisition costs totaling \$67,969 were not located by Service Delivery Area (SDA) 3 and SDA 12. One hundred fifteen fixed asset items with acquisition costs totaling \$153,528 were not located by SDA 13.

**Recommendation:**

The DJDT require the SDAs to locate or replace the missing items or otherwise resolve this issue with the grantor agency.

**Status of Finding:**

Partially corrected. The State Auditor's recommendation will be implemented. Incentive funds will be withheld until inventory requirements are met. This finding should be fully resolved by June 30, 2000.

Preparer's Signature: Harry Struempke Phone number: 526-8210

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-5. Cost Allocation Procedures

Federal Agency: Department of Education  
State Agency: Department of Higher Education (DHE)

| <u>CFDA Number</u> | <u>Program Name</u>                   | <u>Questioned Costs</u> |
|--------------------|---------------------------------------|-------------------------|
| 84.032             | Federal Family Education Loans (FFEL) | \$9,962                 |

Two expenditures totaling \$19,131 were charged entirely to the Federal Family Education Loans (FFEL) program. It appears these expenditures were joint costs and \$9,565 should not have been charged to the FFEL program. Additionally, one expenditure was not allocated to the FFEL program according to the established allocation percentages and no documentation was retained for the deviation. As a result, \$397 was overcharged to the FFEL program.

### Recommendation:

The DHE resolve the questioned costs with the grantor agency. In addition, the DHE should ensure that all expenditures are properly allocated to the correct program and document the basis for any deviations from the established allocation percentages.

### Status of Finding:

On August 17, 1998 the DHE received a letter from the U. S. Department of Education instructing the DHE to repay the \$9,962 or appeal the finding and questioned costs within forty-five days. On September 29, 1998 the DHE appealed the finding and the related questioned costs. On December 14, 1999 the U. S. Department of Education responded to the appeal and did not require the DHE to repay any funds.

### Status of Questioned Costs:

See above.

Preparer's Signature: Raye Ann Leure Phone number: (573) 751-2361



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-9. Cooperative Agreement Compliance

Federal Agency: Department of Defense  
State Agency: Department of Public Safety - Adjutant General

| <u>CFDA Number</u> | <u>Program Name</u>  | <u>Questioned Costs</u> |
|--------------------|--|-------------------------|
| 12.401             | National Guard Military Operations and<br>Maintenance Projects | \$17,351                |

Refunds were not determined and remitted to the U.S. Treasury on a timely basis for unspent cooperative agreement advance payments.

### Recommendation:

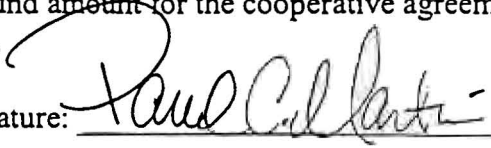
The Department of Public Safety - Adjutant General resolve the questioned costs with the grantor agency. In addition, the Department of Public Safety - Adjutant General should establish procedures to ensure the appropriate refund is determined for each cooperative agreement and remitted to the U.S. Treasury in a timely manner.

Status of Finding: All of the appendices to the master cooperative agreement concerning FY's 95 and 96 that have final closeout have been refunded.

In regards to established procedures to ensure the appropriate refund is determined for each cooperative agreement and remitted to the U.S. Treasury in a timely manner. All programs are required to reconcile internal records with state reports on a monthly basis. No more than 90 days after the end of the federal fiscal year they are required to submit an internal closeout form and include supporting documentation proving deposits and expenditures. Once received by this office (State Resources) the figures are verified using the state reports and internal records. The process has worked well in the closing of FY 99 agreements.

### Status of Questioned Costs:

The unpaid refund amount for the cooperative agreements for which refunds were determined have been paid.

Preparer's Signature:  Phone number: 638-9609

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-12 A Questionable Assistance Payments

Federal Agency: Department of Health and Human Services

State Agency: Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 93.560             | Family Support Payments to States - Assistance Payments | \$ 9,197                |

Five non-resident clients received \$15,328 in benefits resulting in questioned costs totaling \$9,197.

### Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the five cases noted and determine if recoupment claims for inappropriate benefits should be initiated. The DFS should also consider possible enhancements in its fraud prevention and detection efforts.

### Status of Finding:

We have determined that no further action could be taken on 96-12 A.

### Status of Questioned Costs:

In the previous response, the DFS explained the status on each specified client where benefit payments were in question. Only one recipient was determined to be ineligible for benefits based on the issue of residency. The client is not active in our system, so repayment has not been made on the previously established claim of \$1,724.50. It is not known whether the individual is even residing in Missouri at this time.

In a letter issued in July of 1997, the Department of Health & Human Services categorized the questioned costs of this finding as non applicable (N/A). Additionally, in December of 1997, the Office of Inspector General issued a clearance document showing the questioned costs relating to this finding as a non issue.

Preparer's Signature



Phone number: 751-3124

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-12 B                      Questionable Assistance Payments

Federal Agency:            Department of Health and Human Services  
State Agency:             Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u>                                     | <u>Questioned Costs</u> |
|--------------------|---|-------------------------|
| 93.560             | Family Support Payments to States - Assistance Payments | \$ 5,929                |

Nine clients who were ineligible as a result of receiving lottery prize or worker's compensation payments received \$9,882 in benefits resulting in questioned costs totaling \$5,929.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should review the cases noted above and recoup inappropriate assistance payments that were disbursed to ineligible clients. In addition, the DFS should establish adequate procedures to appropriately identify and respond to clients receiving lump sum income.

Status of Finding:

Remains "partially corrected".

Status of Questioned Costs:

In a letter issued in July of 1997, the Department of Health & Human Services categorized the questioned costs of this finding as non applicable (N/A). Additionally, in December of 1997, the Office of Inspector General issued a clearance document showing the questioned costs relating to this finding as a non issue.

Preparer's Signature: \_\_\_\_\_



Phone number: \_\_\_\_\_

751-3124

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-13. Food Stamp Duplicate Issuances

Federal Agency: Department of Agriculture

State Agency: Department of Social Services - Division of Family Services (DFS)

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Questioned Costs</u> |
|--------------------|---------------------|-------------------------|
| 10.551             | Food Stamps         | \$0                     |

The local DFS offices did not take appropriate action upon notification of food stamp duplicate issuances for six of twenty-five (24 percent) cases reviewed.

### Recommendation:

The DFS ensure the local DFS offices take timely action to investigate duplicate issuances, establish a Claims Accounting and Restitution System claim on all improper duplicate issuances, and report promptly to the Mail Issuance Unit.

### Status of Finding:

The following corrective action has been taken:

Of the six cases with duplicate issuances, restitution has been make in full for four of the cases.

Of the two remaining cases, partial restitution has been made. Neither of the two cases are in active status, but recoupment can continue when the cases are in active status.

Each of the counties involved in the audit findings has developed a corrective action plan to track duplicate issuances to ensure timely follow up of duplicate issuance reports. Duplicate issuance claims have a priority status.

The Food Assistance Program office reports a significant increase in timely resolution of duplicate issuance reports.

We request that audit finding #96-13 be considered complete. Restitution has been initiated and completed in all but two of the cases involved. The county offices involved in the audit have successfully developed procedures to track duplicate issuance reports. Duplicate issuance claims have priority status.

Preparer's Signature



Phone number:

10-21-99

\* \* \* \* \*



TWENTY-FOURTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

TWO YEARS ENDED 1999 AND 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-39  
May 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

The following audit report presents our findings and recommendations for certain municipal divisions of the Twenty-Fourth Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

|                                   |                    |
|-----------------------------------|--------------------|
| <b>City of Bismarck</b>           | <i>pages 26-28</i> |
| <b>City of Bonne Terre</b>        | <i>pages 28-30</i> |
| <b>City of Desloge</b>            | <i>pages 30-31</i> |
| <b>City of Farmington</b>         | <i>pages 31-33</i> |
| <b>City of Fredericktown</b>      | <i>pages 33-34</i> |
| <b>City of Iron Mountain Lake</b> | <i>pages 34-39</i> |
| <b>City of Leadington</b>         | <i>pages 39-41</i> |
| <b>City of Leadwood</b>           | <i>pages 41-43</i> |
| <b>City of Park Hills</b>         | <i>page 43</i>     |
| <b>City of Potosi</b>             | <i>pages 43-44</i> |
| <b>City of St. Mary</b>           | <i>pages 44-47</i> |
| <b>City of Ste. Genevieve</b>     | <i>page 48-50</i>  |

YELLOW SHEET

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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| B  | Comparative Statement of Receipts, Disbursements, and<br>Changes in Cash, Years Ended June 30, 1999 and 1998      |
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|  | City of Potosi ..... 16   |
| C  | Comparative Statement of Receipts, Disbursements, and<br>Changes in Cash, Years Ended March 31, 1999 and 1998     |
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TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge  
and  
Municipal Judges  
Twenty-Fourth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997) of the Twenty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998; June 30, 1999 and 1998; March 31, 1999 and 1998; and December 31, 1998 and 1997, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraph four, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-Fourth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Internal controls and accounting records of the city of St. Mary Municipal Division were inadequate. Records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained. In addition, receipt slips are not issued for some monies received. As a result, we were unable to satisfy ourselves by appropriate audit tests

or other means as to receipts and disbursements of fines and court costs beyond amounts recorded in the municipal division's records for the years ended September 30, 1999 and 1998.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997) of the Twenty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998; June 30, 1999 and 1998; March 31, 1999 and 1998; and December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

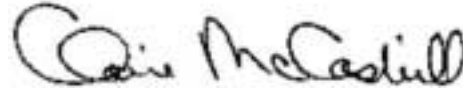
We also had planned to audit the accompanying special-purpose financial statement of the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997. This special-purpose financial statement is the responsibility of the municipal division's management.

Internal controls and accounting records of the city of Iron Mountain Lake Municipal Division were inadequate. Receipt slips were not issued for some bond monies received. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained properly. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended December 31, 1998 and 1997. In addition, we were unable to assure ourselves of the amount of cash bonds held in trust at December 31, 1998 and 1997.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 28, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 28, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                              |
|---------------------|------------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA       |
| Audit Manager:      | Jeannette Eaves, CPA         |
| In-Charge Auditor:  | Debbie Hill, CPA             |
| Audit Staff:        | Rosemarie Edwards            |
|                     | Jerry C. Lamprecht, Jr., CPA |
|                     | Douglas P. Robinson          |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
and  
Municipal Judges  
Twenty-Fourth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997) of the Twenty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998; June 30, 1999 and 1998; March 31, 1999 and 1998; and December 31, 1998 and 1997, and have issued our report thereon dated October 28, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Twenty-Fourth Judicial Circuit for the applicable fiscal periods. Except as discussed in the report on the financial statements of the municipal divisions referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statement of the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated October 28, 1999. In that report we did not express an opinion on the special-purpose financial statement.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Twenty-Fourth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However,

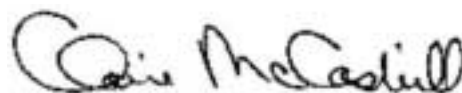
we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

### Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Twenty-Fourth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Twenty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

October 28, 1999 (fieldwork completion date)

## Financial Statements



Exhibit A

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Bonne Terre      |        |
|-------------------------------------|--------------------------|--------|
|                                     | Year Ended September 30, |        |
|                                     | 1999                     | 1998   |
| RECEIPTS                            |                          |        |
| Fines, costs, bonds, and other      | \$ 119,474               | 92,115 |
| Total Receipts                      | 119,474                  | 92,115 |
| DISBURSEMENTS                       |                          |        |
| City treasury                       | 110,389                  | 82,219 |
| State of Missouri (Note 3)          | 2,570                    | 4,549  |
| Refunds and other                   | 3,348                    | 5,196  |
| Total Disbursements                 | 116,307                  | 91,964 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 3,167                    | 151    |
| CASH, OCTOBER 1                     | 2,600                    | 2,449  |
| CASH, SEPTEMBER 30                  | \$ 5,767                 | 2,600  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Farmington       |         |
|-------------------------------------|----|--------------------------|---------|
|                                     |    | Year Ended September 30, |         |
|                                     |    | 1999                     | 1998    |
| RECEIPTS                            |    |                          |         |
| Fines, costs, bonds, and other      | \$ | 148,874                  | 114,700 |
| Total Receipts                      |    | 148,874                  | 114,700 |
| DISBURSEMENTS                       |    |                          |         |
| City treasury                       |    | 138,766                  | 110,222 |
| State of Missouri (Note 3)          |    | 0                        | 0       |
| Refunds and other                   |    | 5,338                    | 2,508   |
| Total Disbursements                 |    | 144,104                  | 112,730 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 4,770                    | 1,970   |
| CASH, OCTOBER 1                     |    | 4,323                    | 2,353   |
| CASH, SEPTEMBER 30                  | \$ | 9,093                    | 4,323   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Park Hills       |         |
|-------------------------------------|----|--------------------------|---------|
|                                     |    | Year Ended September 30, |         |
|                                     |    | 1999                     | 1998    |
| RECEIPTS                            |    |                          |         |
| Fines, costs, bonds, and other      | \$ | 205,162                  | 134,941 |
| Total Receipts                      |    | 205,162                  | 134,941 |
| DISBURSEMENTS                       |    |                          |         |
| City treasury                       |    | 188,833                  | 126,323 |
| State of Missouri                   |    | 9,347                    | 6,067   |
| Refunds and other                   |    | 4,667                    | 3,307   |
| Total Disbursements                 |    | 202,847                  | 135,697 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 2,315                    | -756    |
| CASH, OCTOBER 1                     |    | 1,267                    | 2,023   |
| CASH, SEPTEMBER 30                  | \$ | 3,582                    | 1,267   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of St. Mary         |        |
|-------------------------------------|----|--------------------------|--------|
|                                     |    | Year Ended September 30, |        |
|                                     |    | 1999                     | 1998   |
| RECEIPTS                            |    |                          |        |
| Fines, costs, bonds, and other      | \$ | 9,238                    | 11,208 |
| Total Receipts                      |    | 9,238                    | 11,208 |
| DISBURSEMENTS                       |    |                          |        |
| City treasury                       |    | 8,731                    | 10,171 |
| State of Missouri                   |    | 551                      | 707    |
| Refunds and other                   |    | 179                      | 50     |
| Total Disbursements                 |    | 9,461                    | 10,928 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | -223                     | 280    |
| CASH, OCTOBER 1                     |    | 394                      | 114    |
| CASH, SEPTEMBER 30                  | \$ | 171                      | 394    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Ste. Genevieve   |                     |
|-------------------------------------|--------------------------|---------------------|
|                                     | Year Ended September 30, |                     |
|                                     | 1999                     | 1998                |
| RECEIPTS                            |                          |                     |
| Fines, costs, bonds, and other      | \$ 73,238                | 58,946              |
| Total Receipts                      | <u>73,238</u>            | <u>58,946</u>       |
| DISBURSEMENTS                       |                          |                     |
| City treasury                       | 61,290                   | 53,218              |
| State of Missouri                   | 5,273                    | 3,674               |
| Refunds and other                   | <u>4,512</u>             | <u>566</u>          |
| Total Disbursements                 | <u>71,075</u>            | <u>57,458</u>       |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 2,163                    | 1,488               |
| CASH, OCTOBER 1                     | <u>1,959</u>             | <u>471</u>          |
| CASH, SEPTEMBER 30                  | <u><u>\$ 4,122</u></u>   | <u><u>1,959</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Bismarck    |        |
|-------------------------------------|----|---------------------|--------|
|                                     |    | Year Ended June 30, |        |
|                                     |    | 1999                | 1998   |
| RECEIPTS                            |    |                     |        |
| Fines, costs, bonds, and other      | \$ | 16,563              | 31,589 |
| Total Receipts                      |    | 16,563              | 31,589 |
| DISBURSEMENTS                       |    |                     |        |
| City treasury                       |    | 13,987              | 26,795 |
| State of Missouri                   |    | 727                 | 1,558  |
| Refunds and other                   |    | 2,341               | 2,629  |
| Total Disbursements                 |    | 17,055              | 30,982 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | -492                | 607    |
| CASH, JULY 1                        |    | 1,425               | 818    |
| CASH, JUNE 30                       | \$ | 933                 | 1,425  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Desloge     |         |
|-------------------------------------|----|---------------------|---------|
|                                     |    | Year Ended June 30, |         |
|                                     |    | 1999                | 1998    |
| RECEIPTS                            |    |                     |         |
| Fines, costs, bonds, and other      | \$ | 174,761             | 167,333 |
| Total Receipts                      |    | 174,761             | 167,333 |
| DISBURSEMENTS                       |    |                     |         |
| City treasury                       |    | 165,123             | 151,562 |
| State of Missouri                   |    | 6,642               | 6,542   |
| Refunds and other                   |    | 4,536               | 6,162   |
| Total Disbursements                 |    | 176,301             | 164,266 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | -1,540              | 3,067   |
| CASH, JULY 1                        |    | 8,511               | 5,444   |
| CASH, JUNE 30                       | \$ | 6,971               | 8,511   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Potosi      |         |
|-------------------------------------|----|---------------------|---------|
|                                     |    | Year Ended June 30, |         |
|                                     |    | 1999                | 1998    |
| RECEIPTS                            |    |                     |         |
| Fines, costs, bonds, and other      | \$ | 60,565              | 105,712 |
| Total Receipts                      |    | 60,565              | 105,712 |
| DISBURSEMENTS                       |    |                     |         |
| City treasury                       |    | 48,593              | 102,856 |
| State of Missouri (Note 3)          |    | 0                   | 0       |
| Refunds and other                   |    | 7,942               | 8,112   |
| Total Disbursements                 |    | 56,535              | 110,968 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 4,030               | -5,256  |
| CASH, JULY 1                        |    | 2,267               | 7,523   |
| CASH, JUNE 30                       | \$ | 6,297               | 2,267   |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit C

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Leadwood     |        |
|-------------------------------------|----|----------------------|--------|
|                                     |    | Year Ended March 31, |        |
|                                     |    | 1999                 | 1998   |
| RECEIPTS                            |    |                      |        |
| Fines, costs, bonds, and other      | \$ | 42,803               | 83,257 |
| Total Receipts                      |    | 42,803               | 83,257 |
| DISBURSEMENTS                       |    |                      |        |
| City treasury                       |    | 36,710               | 76,306 |
| State of Missouri                   |    | 1,558                | 4,577  |
| Refunds and other                   |    | 3,548                | 5,151  |
| Total Disbursements                 |    | 41,816               | 86,034 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 987                  | -2,777 |
| CASH, APRIL 1                       |    | 2,189                | 4,966  |
| CASH, MARCH 31                      | \$ | 3,176                | 2,189  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Fredericktown   |        |
|-------------------------------------|----|-------------------------|--------|
|                                     |    | Year Ended December 31, |        |
|                                     |    | 1998                    | 1997   |
| RECEIPTS                            |    |                         |        |
| Fines, costs, bonds, and other      | \$ | 90,683                  | 75,211 |
| Total Receipts                      |    | 90,683                  | 75,211 |
| DISBURSEMENTS                       |    |                         |        |
| City treasury                       |    | 76,920                  | 68,696 |
| State of Missouri                   |    | 2,969                   | 3,444  |
| Refunds and other                   |    | 4,213                   | 4,393  |
| Total Disbursements                 |    | 84,102                  | 76,533 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 6,581                   | -1,322 |
| CASH, JANUARY 1                     |    | 7,098                   | 8,420  |
| CASH, DECEMBER 31                   | \$ | 13,679                  | 7,098  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

(UNAUDITED)

|                                     |    | City of Iron Mountain Lake (Note 4) |       |
|-------------------------------------|----|-------------------------------------|-------|
|                                     |    | Year Ended December 31,             |       |
|                                     |    | 1998                                | 1997  |
| RECEIPTS                            |    |                                     |       |
| Fines, costs, bonds, and other      | \$ | 4,536                               | 7,214 |
| Total Receipts                      |    | 4,536                               | 7,214 |
| DISBURSEMENTS                       |    |                                     |       |
| City treasury                       |    | 4,536                               | 7,214 |
| State of Missouri (Note 3)          |    | 0                                   | 0     |
| Refunds and other                   |    | 0                                   | 0     |
| Total Disbursements                 |    | 4,536                               | 7,214 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 0                                   | 0     |
| CASH, JANUARY 1                     |    | 0                                   | 0     |
| CASH, DECEMBER 31                   | \$ | 0                                   | 0     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Leadington      |         |
|-------------------------------------|----|-------------------------|---------|
|                                     |    | Year Ended December 31, |         |
|                                     |    | 1998                    | 1997    |
| RECEIPTS                            |    |                         |         |
| Fines, costs, bonds, and other      | \$ | 127,361                 | 137,590 |
| Total Receipts                      |    | 127,361                 | 137,590 |
| DISBURSEMENTS                       |    |                         |         |
| City treasury                       |    | 79,618                  | 88,650  |
| State of Missouri                   |    | 5,148                   | 5,662   |
| Refunds and other                   |    | 42,113                  | 43,799  |
| Total Disbursements                 |    | 126,879                 | 138,111 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 482                     | -521    |
| CASH, JANUARY 1                     |    | 5,579                   | 6,100   |
| CASH, DECEMBER 31                   | \$ | 6,061                   | 5,579   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Twenty-Fourth Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court

costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1999, 1998, and 1997, all bank account balances reported for the municipal divisions of the Twenty-Fourth Judicial Circuit were entirely covered by federal depository insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the judgment for the Motorcycle Safety Trust Fund; and the surcharges for the Crime Victims' Compensation and Services to Victims Funds, the Peace Officer Standards and Training Commission Fund, the Statewide Court Automation Fund, and (until July 1, 1997, when municipal divisions were no longer required to assess the surcharge) the Independent Living Center Fund. The state's portions of these amounts are deposited into the city treasury for the municipal divisions of the city of Farmington, the city of Potosi, the city of Iron Mountain Lake, and (after April 1, 1999) the city of Bonne Terre. Prior to April 1, 1999, the city of Bonne Terre Municipal Division maintained a bank account for the deposit of fines and court costs and disbursements were made to the state by the court. Amounts remitted by the cities to the state are not included in the financial statements.

4. City of Iron Mountain Lake

Bonds posted by defendants for the city of Iron Mountain Lake Municipal Division are deposited directly into the city treasury. The amounts held by the city at year-end could not be determined and, therefore, are not included in the financial statements.

In addition, bonds refunded to defendants could not be determined, and these amounts are not included in the financial statements.

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Current Recommendations

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997) of the Twenty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998; June 30, 1999 and 1998; March 31, 1999 and 1998; and December 31, 1998 and 1997, and have issued our report thereon dated October 28, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the various municipal divisions of the Twenty-Fourth Judicial Circuit for the applicable fiscal periods.

We also had planned to audit the special-purpose financial statement of the city of Iron Mountain Lake Municipal Division as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated October 28, 1999. In that report we did not express an opinion on the special-purpose financial statement.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |  |
|-----------|--|
| <b>1.</b> | <b>City of Bismarck Municipal Division</b> |
|-----------|--|

A. Our review noted the following concerns related to receipts:

- 1) The duties of receiving, recording, and depositing fine and court cost monies collected by the municipal division are not adequately segregated. The Court Clerk collects fines and court cost monies on court night, and issues a prenumbered receipt slip from the court's one-write ledger for monies received. The City Clerk and City Collector collect fine and court cost monies at the Traffic Violations Bureau (TVB). When collecting monies at the TVB, a prenumbered city receipt slip is issued and the City Collector transmits the monies collected to the Court Clerk on a periodic basis. The Court Clerk posts these receipts to the court's one-write ledger and case files, and prepares the deposit. Receipt slips issued by the court and the city are not reconciled to amounts deposited.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and

assets are safeguarded. Since this is essentially an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliations and a comparison of receipt slips issued to amounts deposited.

- 2) Monies collected are not deposited on a timely basis. Deposits are generally made about twice a month and average in excess of \$925. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
  - 3) Checks and money orders received for payments of fines and court costs collected at the TVB are not restrictively endorsed upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- B. The police department does not issue prenumbered receipt slips for some bonds received. In these instances, unnumbered bond forms issued by the police department serve as the receipt slip to the defendant. To adequately account for all bond receipts, prenumbered receipt slips or bond forms should be issued for all bonds received by the police department and the numerical sequence should be accounted for properly.
- C. Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence and ultimate disposition of tickets and summonses issued. The police department prepares a listing of tickets issued; however, tickets are not listed in numerical order and thus the listing is not used to account for the numerical sequence. In addition, this report does not include the final disposition of each case.

Without a proper accounting of the numerical sequence and ultimate disposition of tickets and summonses, the police department and the municipal division cannot be assured that all tickets and summonses issued were properly submitted to the court for processing. A log listing the ticket books assigned, each ticket and summons issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets and summonses issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each ticket and summons should be maintained to ensure all tickets and summonses have been accounted for properly.

Similar conditions were also noted in our prior report.

**WE AGAIN RECOMMEND** the city of Bismarck Municipal Division:

- A.1. Establish a documented review of municipal division records by an independent person.

2. Deposit receipts daily or when accumulated receipts exceed \$100.
  3. Restrictively endorse all checks and money orders immediately upon receipt.
- B. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for their numerical sequence.
  - C. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and summonses issued.

### **AUDITEE'S RESPONSE**

*The current Municipal Judge and current Court Clerk provided the following responses:*

- A.1. *We will request the City Clerk perform a reconciliation of receipts to deposits beginning with the next deposit.*
  2. *We will make an effort to deposit weekly.*
  3. *We have already implemented this recommendation.*
- B. *We will request the police department issue prenumbered receipt slips and record the receipt number on the bond forms. The Court Clerk will account for the numerical sequence of receipt slips issued by the police department.*
  - C. *The municipal court will request the police department maintain a record that complies with this recommendation.*

|           |   |
|-----------|---|
| <b>2.</b> | <b>City of Bonne Terre Municipal Division</b> |
|-----------|---|

- A. Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence and ultimate disposition of tickets and summonses issued. The police department maintains a log of tickets and summonses issued; however, we noted that the log included gaps in the numerical sequence of tickets and summonses issued. In addition, the municipal division does not review the ticket or summons logs to account for the numerical sequence of tickets and summonses issued.

Without a proper accounting of the numerical sequence and ultimate disposition of tickets and summonses, the police department and the municipal division cannot be assured that all tickets and summonses issued were properly submitted to the court for processing. A log listing the ticket books assigned, each ticket and summons issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets and

summonses issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each ticket and summons should be maintained to ensure all tickets and summonses have been accounted for properly.

- B. The Municipal Judge does not always sign the individual case file sheets or the court dockets after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.
- C. The municipal division allows defendants to pay fines and costs over a period of time, contingent upon signing a payment plan agreement. Accounts receivable records are maintained on the computer system. However, there are no set procedures in place to follow up on unpaid amounts. Our review of partial payment arrangements revealed several cases over one year old on which there has been no action to collect unpaid fines and court costs. As of September 30, 1999, municipal division records indicated an accounts receivable balance of approximately \$57,800.

Proper follow-up action could include requiring the defendant to appear in court to justify reasons for non-payment, the issuance of arrest warrants for those defendants not providing such justification, and writing off those accounts which are deemed to be uncollectible, after review and approval by the Municipal Judge.

- D. The Court Clerk does not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). We reviewed 60 tickets issued during the two years ended September 30, 1999. Four of the 23 tickets (17 percent) which should have been filed with the MSHP had not been filed. Section 302.225, RSMo Cumulative Supp. 1999, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

Conditions similar to B. and C. were also noted in our prior report.

**WE RECOMMEND** the city of Bonne Terre Municipal Division:

- A. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and summonses issued.
- B. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.
- C. Establish adequate accounts receivable follow up procedures.

- D. Forward all records of convictions on traffic offenses to the MSHP as required by state law.

**AUDITEE'S RESPONSE**

*The Mayor, City Clerk, and Court Clerk provided the following responses:*

- A. *We have updated the software program to include reporting for the sequence of tickets entered, including voided tickets. These reports are reviewed for gaps in sequence and compared to the police department ticket listing.*
- B. *The Municipal Judge now signs every ticket jacket to comply with this recommendation.*
- C. *The Municipal Judge has implemented a continuous docket system wherein all defendants on payment plans must appear in court each month until the balance is paid in full or a warrant is issued.*
- D. *Our procedure is to mail all applicable tickets to the Driver's License Bureau in Jefferson City each month after court.*

|  |
|--|
| <b>3. City of Desloge Municipal Division</b> |
|--|

- A. Prenumbered bond forms issued by the police department serve as a receipt slip to the defendant. However, the Court Clerk does not account for the numerical sequence of all police department bond forms. To ensure all monies received by the police department are transmitted to the court, the numerical sequence of police department bond forms should be accounted for properly.
- B. The Municipal Judge does not sign the court dockets after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.
- C. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.
- D. The Court Clerk does not always forward required records of convictions on traffic offenses to the MSHP. We reviewed 60 tickets issued during the two years ended June 30, 1999. Two of the 32 tickets (6 percent) which should have been filed with the MSHP had not been filed. Section 302.225, RSMo Cumulative Supp. 1999, requires records of

any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

A condition similar to A. was also noted in our prior report.

**WE RECOMMEND** the city of Desloge Municipal Division:

- A. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for their numerical sequence.
- B. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.
- C. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.
- D. Forward all records of convictions on traffic offenses to the MSHP as required by state law.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. *The municipal court will request the police department account for all prenumbered bond forms.*
- B. *The Municipal Judge writes his own docket entries on the individual case file envelopes and docket sheets are not used as official court orders. The judge will initial or sign court orders.*
- C. *The court previously complied with this requirement and was requested to stop by the previous City Administrator. The court has commenced again providing the report in accordance with state statute.*
- D. *It is the court's policy to comply with this state law and the two errors found appear to be oversights.*

|   |
|---|
| <b>4. City of Farmington Municipal Division</b> |
|---|

- A. The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The Court Clerk does not consistently record the method of payment on receipt slips. To ensure receipts are transmitted intact, the method of payment should

be indicated on all receipt slips and the composition of receipt slips issued should be reconciled to the composition of transmittals.

- B. The municipal division allows defendants to pay fines and costs over a period of time and written and signed payment agreements are obtained from defendants. However, follow up on outstanding amounts due from defendants is not adequately performed. Our review indicated 132 old cases totaling approximately \$22,373 on which collection was not being pursued as these cases are deemed uncollectible by the court for various reasons. Collection of outstanding receivables should be pursued by the court and uncollectible accounts should be presented to the judge for disposition.
- C. To file a complaint, individuals go to the police department where a complaint form is completed before a notary. The police department forwards these complaint forms to the City Prosecutor who issues information forms for those charges he wishes to file. Complaint forms issued are not prenumbered and as a result, there is no accounting for complaint forms issued. In addition, there is no accounting for prenumbered parking tickets issued.

Without a proper accounting of the numerical sequence and ultimate disposition of parking tickets and complaint forms, the municipal division cannot be assured that all parking tickets and complaint forms issued are properly processed. A log listing each parking ticket and complaint form issued in numerical sequence, the date issued, and the violator's name would help ensure all parking tickets and complaints issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each parking ticket and complaint form should be maintained to ensure all parking tickets and complaint forms have been accounted for properly.

A condition similar to A. was also noted in our prior report.

**WE RECOMMEND** the city of Farmington Municipal Division:

- A. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of transmittals.
- B. Follow up on outstanding receivables. Uncollectible accounts should be presented to the Municipal Judge for disposition.
- C. Work with the police department to obtain prenumbered complaint forms and implement a system to account for the numerical sequence and ultimate disposition of all parking tickets and complaint forms issued.

**AUDITEE'S RESPONSE**



*The Municipal Judge and Court Clerk provided the following responses:*

- A. Due to time constraints during court, it is not always possible to mark the method of payment on the receipts. We will attempt to indicate method of payment on receipts as much as possible.*
- B. We collect over 98 percent of our fines and therefore feel that our follow-up is more than adequate. We do issue warrants on unpaid cases as appropriate.*
- C. We question whether this is an issue for the court. However, within thirty days, we will present this issue to the City Administrator and involve ourselves with this issue if directed to do so.*

**AUDITOR'S COMMENT**

- B. Regardless of the percentage collected, there are 132 cases totaling approximately \$22,000 which have not been actively pursued. Warrants had not been issued on these cases at the time of our review.

|  |
|--|
| <b>5. City of Fredericktown Municipal Division</b> |
|--|

- A. The Court Clerk does not issue receipt slips for bond monies received through the mail from other courts. During our review, we noted instances where these bond monies were received and deposited into the court's bond account, but no receipt slips were issued. To properly account for all receipts and ensure all receipts are deposited into the court's bond account, prenumbered receipt slips should be issued for all monies received and the receipt slips reconciled to the bank deposits.
- B. The police department accepts cash and money orders for bonds. The police department issues prenumbered receipt slips for all bonds collected; however, the Court Clerk does not account for the numerical sequence of all police department receipt slips. To ensure all monies received by the police department are transmitted to the court, the numerical sequence of police department receipt slips should be accounted for properly.
- C. Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence and ultimate disposition of tickets issued. The police department maintains a log of ticket books assigned to officers and traffic tickets issued. However, this log is not maintained in numerical sequence and neither the police department nor the court review this log for missing ticket numbers. Some tickets selected for testing could not be provided by the municipal division or the police department for our review.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured that all tickets issued were properly submitted to the court for processing. A log listing each ticket issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly.

Conditions similar to B. and C. were also noted in our prior report.

**WE RECOMMEND** the city of Fredericktown Municipal Division:

- A. Issue prenumbered receipt slips for all bond monies received and reconcile recorded receipts to bank deposits.
- B. Account for the numerical sequence of all police department receipt slips.
- C. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets issued.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. *We are now issuing receipt slips for all monies received.*
- B. *By the end of April, we will discuss with the police chief, the possibility of issuing a separate sequence of receipt slips for bonds so that we can account for the sequence of receipt slips issued by the police department.*
- C. *By the end of April, we will meet with the police chief and ask him to provide a numerical ticket listing for each month so that we can account for the numerical sequence of tickets issued. In addition, the Court Clerk will begin entering tickets into her computer to account for the sequence of tickets turned over to the court.*

|   |
|---|
| <b>6. City of Iron Mountain Lake Municipal Division</b> |
|---|

- A. Our review noted the following concerns related to receipts:
  - 1) The duties of receiving, recording, and depositing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties. In addition, there is no

supervisory review performed of the Court Clerk's functions by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are safeguarded. Since this is essentially an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

- 2) Fines and court costs are not deposited into the city treasury on a timely basis. Deposits are generally made about twice a month at the same time as the city's receipts and range from \$200 to \$500. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- 3) The Court Clerk accepts cash, checks, and money orders for the payment of fines and court costs. The Court Clerk does not consistently record the method of payment on receipt slips. In addition, when monies are paid by someone other than the defendant, this information is not consistently indicated on the receipt slip.

To ensure receipts are deposited intact, the method of payment should be indicated on all receipt slips and the composition of receipt slips issued should be reconciled to the composition of monies deposited into the city treasury.

- 4) Checks and money orders received for payments of fines and court costs are not restrictively endorsed upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

B. Our review noted the following concerns relating to bonds:

- 1) Receipt slips were not always issued for bond monies received from individuals and other entities. During our testing, we noted approximately \$1,100 and \$1,800 of bond receipts for the years ended December 31, 1998 and 1997, respectively, for which receipt slips were not issued by the former Court Clerk. To properly account for all receipts and ensure all receipts are deposited into the city treasury, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.
- 2) Bond monies received by the court are deposited into the city's general account for the city of Iron Mountain Lake Municipal Division. The city of Iron Mountain

Lake does not maintain separate records of the bonds deposited, disbursed, and held in its general account. Monthly listings of open items (liabilities) are not prepared. In addition, the Court Clerk does not maintain a bond ledger to account for the receipt, disbursement, and balance of bond monies. The only record of bonds held in trust is pending case files awaiting disposition at the next court date.

Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. Any unclaimed bonds remaining one year after final court disposition should be disbursed to the state's Unclaimed Property Section as required by Section 447.595, RSMo 1994.

C. During our review, we noted the following concerns relating to tickets:

- 1) Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence and ultimate disposition of tickets issued. The police department prepares a listing of tickets issued; however, the listing is not used to account for the numerical sequence. As a result, we were unable to locate several tickets issued during the two years ended December 31, 1998. In addition, this report does not include the final disposition of each case.

Without a proper accounting of the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured that all tickets issued were properly submitted to the court for processing. A log listing the ticket books assigned, each ticket issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly.

- 2) The Court Clerk does not forward required records of convictions on traffic offenses to the MSHP. Section 302.225, RSMo Cumulative Supp. 1999, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

D. During our review, we noted the following concerns related to fees:

- 1) Crime Victims' Compensation (CVC) fees collected by the court have not always been paid to the state's Department of Revenue. During the two years ended December 31, 1998, CVC fees were disbursed by the city to the state only twice. In addition, inadequate documentation was maintained to indicate how these fees

were calculated. Section 595.045, RSMo Cumulative Supp. 1999, requires 95 percent of CVC fees be paid monthly to the state. The court should establish procedures to ensure the proper amounts are paid to the state on a timely basis. In addition, the court should determine the amount which is due to the state for CVC fees previously collected and remit this amount to the state.

- 2) The Police Officer Standards and Training Commission (POSTC) fee was not consistently assessed on all applicable cases. In addition, the POSTC fee was assessed on some cases, but was not listed on the TVB schedule. Also, POSTC fees were not disbursed to the state. Section 590.140.1, RSMo Cumulative Supp. 1999, requires this fee be charged on all cases for violations of municipal ordinances, except for cases dismissed by the court. POSTC fees should be disbursed monthly to the state.

- E. The municipal division allows defendants to pay fines and costs over a period of time; however, written and signed payment agreements are not obtained. In addition, follow up on outstanding amounts due from defendants is not adequately performed. We noted eight cases with total fines and costs of \$595 which were not being actively pursued by the court. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay the fines and court costs and to aid in accounting for and collecting the amounts due to the municipal division. In addition, collection of outstanding receivables should be pursued by the court.
- F. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.
- G. Although the municipal division operates a TVB that allows certain offenses to be paid prior the court date, a court order has not been issued to formally establish the TVB.

Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order, to designate a TVB clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense.

Conditions similar to A.1, A.2, B.2. and C.1 were also noted in our prior report.

**WE RECOMMEND** the city of Iron Mountain Lake Municipal Division:

- A.1. Establish a documented review of municipal division records by an independent person.

2. Deposit receipts intact daily or when accumulated receipts exceed \$100.
  3. Record the method of payment on all receipt slips and reconcile the composition of receipt slips issued to the composition of deposits.
  4. Restrictively endorse all checks and money orders immediately upon receipt.
- B.1. Issue prenumbered receipt slips for all bond monies received and account for the numerical sequence of receipt slips issued.
2. Ensure a bond ledger is maintained and a monthly listing of open items is prepared and reconcile these records to the bond monies held by the city. Any unclaimed bonds remaining after one year of court disposition should be disbursed in accordance with state law.
- C.1. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets issued.
2. Forward all records of convictions on traffic offenses to the MSHP as required by state law.
- D.1. Ensure CVC fees are remitted to the state as required by state law. In addition, the municipal division should work with the city to determine the amount of unremitted CVC fees due to the state and make the appropriate payment.
2. Assess POSTC fees in accordance with state law and update the TVB schedule to include all fees assessed. In addition, POSTC fees should be disbursed monthly to the state.
- E. Obtain written and signed payment agreements for those defendants which are allowed to pay fines and court costs over a period of time. In addition, the court should implement procedures to pursue collection of outstanding receivables.
- F. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.
- G. Prepare a court order authorizing the establishment of a TVB.

### **AUDITEE'S RESPONSE**

*The Municipal Judge, current Court Clerk, and Mayor provided the following responses:*

- A.1. *Court monies are indicated separately on the deposit slips and the mayor will appoint someone to compare receipts to deposits on a monthly basis beginning with the May council meeting.*
- 2. *Deposits are currently made when monies are received, usually on the day before and day after court.*
- 3. *The method of payment is currently marked on the receipt slip. The council member which reviews receipts and deposit slips beginning in May 2000 will compare the composition during the monthly review.*
- 4. *Currently, checks and money orders are restrictively endorsed immediately upon receipt.*
- B.1. *Prenumbered receipt slips are currently issued for all bond monies received.*
- 2. *We will work on developing a bond ledger and include the balance of bond monies held on the monthly report immediately.*
- C.1. *We will meet with the police chief by the May council meeting to determine the best way to account for the numerical sequence of tickets issued.*
- 2. *We will review cases for the year 2000 and forward applicable tickets to the MSHP by May 2000.*
- D.1. *We will begin sending CVC fees to the DOR on a monthly basis by May 2000.*
- 2. *The TVB schedule was updated to include the POSTC fee and the fee is now being assessed on all applicable cases. The POSTC fees will be sent to the Department of Public Safety on a monthly basis by May 2000.*
- E. *Within the next few months, we will develop a payment agreement form to be signed by defendants and actively pursue the collection of outstanding receivables.*
- F. *A listing of cases heard or a copy of the court docket will be given to the city council on a monthly basis beginning with the May court date.*
- G. *This recommendation has been implemented. A court order has been issued and the TVB schedule updated.*

- A. The duties of receiving, recording, and depositing fine and court cost monies collected by the municipal division are not adequately segregated. Although the Police Chief may collect monies and post receipts to the accounting records, the Court Clerk is primarily responsible for receiving, depositing, recording and disbursing fine and cost receipts. There is no independent reconciliation between receipts and deposits. Although the Police Chief indicated he reviewed some of the Court Clerk's work, the reviews were not documented.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are safeguarded. Since this is essentially an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliations and a comparison of receipt slips issued to amounts deposited.

- B. The balance of the court's fine and court cost bank account consists partially of bad check restitution that has been paid to the court, but not yet disbursed to the appropriate vendor. The Court Clerk holds the bad check restitution in the court bank account until the defendant pays the balance in full. However, the Court Clerk does not prepare monthly listings of open restitution cases. Monthly listings of open items are necessary to ensure proper accountability over open restitution cases and to ensure monies held in trust by the court are sufficient to meet liabilities.
- C. City of Leadington police officers collect cash bonds for the municipal division when the Chief of Police is not on duty; however, the police officers are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to the risk of loss.
- D. Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence and ultimate disposition of summonses issued. Although the police department issues prenumbered summonses for non-traffic violations, the numerical sequence of these forms is not accounted for properly.

Without a proper accounting of the numerical sequence and ultimate disposition of summonses, the police department and the municipal division cannot be assured that all summonses issued were properly submitted to the court for processing. A log listing each summons issued in numerical sequence, the date issued, and the violator's name would help ensure all summonses issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each



summons should be maintained to ensure all summonses have been accounted for properly.

- E. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

Conditions similar to A., C. and D. were also noted in our prior report.

**WE RECOMMEND** the city of Leadington Municipal Division:

- A. Establish a documented review of municipal division records by an independent person.
- B. Prepare monthly open item listings for bad check restitution cases and reconcile these listings to monies held in trust.
- C. Request the city obtain bond coverage for all persons handling municipal division monies.
- D. Work with the police department to account for the numerical sequence and ultimate disposition of all summonses issued.
- E. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

### **AUDITEE'S RESPONSE**

*The current Court Clerk and Police Chief provided the following responses:*

- A. *The Police Chief reviews the monthly bank reconciliations but has not documented this review in the past. He will begin documenting his monthly review with the next monthly review of reconciliations.*
- B. *We no longer accept partial payments on restitution cases. The balance in the account consists of partial payments on restitution cases on which there are current outstanding warrants. As the warrants are resolved and full payment received, the monies held will be disbursed to the appropriate parties. As time permits, we will attempt to prepare a listing of the monies held in this account.*
- C. *The City feels this is a small risk and is cost prohibitive based on the number of bonds collected. The City does not plan to bond police officers other than the chief.*

- D. *Each month the Court Clerk will generate a listing of prenumbered summonses issued during the month. Voided summonses will also be entered into the computer system to ensure all summonses are entered in numerical order.*
- E. *We have done this in the past and the city no longer wants this information. Dockets are retained on file and available to the city upon request.*

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| <b>8. City of Leadwood Municipal Division</b> |
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A. Our review noted the following concerns related to receipts:

- 1) The duties of receiving, recording, and depositing fine and court cost monies collected by the municipal division are not adequately segregated. The Court Clerk collects fine and court costs monies on court night and issues a prenumbered city receipt slip. The City Clerk collects fine and court cost monies at the TVB and issues a prenumbered city receipt slip. The City Clerk transmits the monies collected at the TVB to the Court Clerk on a periodic basis. The Court Clerk posts receipts from the receipt slips to a cash control ledger, and prepares the deposit. Receipt slips issued by the Court Clerk and the City Clerk are not reconciled to amounts deposited.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are safeguarded. Since this is essentially an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliations and a comparison of receipt slips issued to amounts deposited.

- 2) Court receipts are not deposited intact and on a timely basis. Deposits are generally made about twice a month. On July 19, 1999, we counted cash on hand totaling \$1,804 for receipts dated July 6, 1999 through July 18, 1999. In addition, personal checks written by the Court Clerk are sometimes cashed from court receipts. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100, and the court should refrain from cashing personal checks from court receipts.

B. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

A condition similar to A. was also noted in our prior report.

**WE RECOMMEND** the city of Leadwood Municipal Division:

- A.1. Establish a documented review of municipal division records by an independent person.
- 2. Deposit receipts intact daily or when accumulated receipts exceed \$100, and discontinue the practice of cashing personal checks from court receipts.
- B. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A.1. *Within the next ninety days, we will talk to the Mayor regarding having an independent person compare the receipt slips to the deposits and review the monthly bank reconciliation.*
- 2. *Within the next ninety days, we will talk to the Mayor and City Clerk regarding the possibility of the City Clerk preparing deposit slips and depositing court monies once a week. The Court Clerk no longer cashes personal checks.*
- B. *The dockets are accessible at the Municipal Court Building and are readily available should the city officials wish to review them.*

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| <b>9.</b> | <b>City of Park Hills Municipal Division</b> |
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To file a complaint, individuals go to the Court Clerk where a complaint form is signed before the Court Clerk. The Court Clerk completes an information form and forwards the complaint and information form to the City Prosecutor who signs the forms for those charges he wishes to file. Information forms are not prenumbered and as a result, there is no accounting for information forms issued.

Without a proper accounting of the numerical sequence and ultimate disposition of information forms, the municipal division cannot be assured that all information forms issued are properly processed. A log listing each information form issued in numerical sequence, the date issued, and the violator's name would help ensure all information forms were properly submitted to the court for processing, properly voided, or not prosecuted.

**WE RECOMMEND** the city of Park Hills Municipal Division work with the City Prosecutor to obtain prenumbered information forms and implement a system to account for the numerical sequence and ultimate disposition of all information forms issued.

**AUDITEE'S RESPONSE**

*The Municipal Judge responded that as soon as the current supply of unnumbered information forms is exhausted, prenumbered information forms will be utilized.*

**10.**

**City of Potosi Municipal Division**

- A. The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The Police Department accepts cash, checks and money orders for the payment of bonds. During our review, we noted receipt slips issued by both the Court Clerk and the Police Department which did not indicate the method of payment. To ensure receipts are deposited intact, the method of payment should be indicated on all receipt slips and the composition of receipt slips issued should be reconciled to the composition of bank deposits.
- B. Summonses issued by the police department are not prenumbered and as a result, there is no accounting for summonses issued. Without a proper accounting of the numerical sequence and ultimate disposition of summonses, the police department and the municipal division cannot be assured that all summonses issued are properly processed. A log listing each summons issued in numerical sequence, the date issued, and the violator's name would help ensure all summonses issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each summons should be maintained to ensure all summonses have been accounted for properly.

A similar condition was also noted in our prior report.

- C. The Court Clerk does not always forward required records of convictions on traffic offenses to the MSHP. We reviewed 60 tickets issued during the two years ended June 30, 1999. Eight of the 34 tickets (24 percent) which should have been filed with the MSHP had not been filed. Section 302.225, RSMo Cumulative Supp. 1999, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

**WE RECOMMEND** the city of Potosi Municipal Division:

- A. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of deposits.
- B. Work with the police department to obtain prenumbered summonses and implement a system to account for the numerical sequence and ultimate disposition of all summonses issued.
- C. Forward all records of convictions on traffic offenses to the MSHP as required by state law.

### **AUDITEE'S RESPONSE**

*The current Municipal Judge and Court Clerk provided the following responses:*

- A. *This has been corrected.*
- B. *We are currently checking on different summons forms in conjunction with the police department.*
- C. *All convictions will be forwarded to the MSHP in a timely manner.*

**11.**

### **City of St. Mary Municipal Division**

- A. Our review noted the following concerns related to receipts:
  - 1) The Court Clerk receives monies for bonds from other municipalities and fines and costs from defendants. The City Marshal occasionally receives bond monies directly from defendants. Receipt slips are not issued for bond monies received. Although prenumbered receipt slips are used for some fine and cost collections, receipt slips are not issued for monies received in the mail. Furthermore, these receipt slips are not bound and are not used sequentially.  
  
To adequately account for all monies received, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.
  - 2) Checks and money orders are not restrictively endorsed upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- 3) The duties of receiving, recording, and depositing fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all these duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are safeguarded. Since this is essentially an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliations and a comparison of receipt slips issued to amounts deposited.

- 4) The Court Clerk accepts cash, checks, and money orders for the payment of fines and court costs. The Court Clerk does not consistently record the method of payment on receipt slips. To ensure receipts are deposited intact, the method of payment should be indicated on all receipt slips and the composition of receipt slips issued should be reconciled to the composition of monies deposited.
- 5) Formal bank reconciliations are not prepared for the municipal division's bank account. In addition, a running checkbook balance is not maintained in the check register. As a result, the municipal division cannot ensure the amounts held for open bonds and the amounts turned over to the city each month are proper.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with the bank account and to detect errors on a timely basis. Maintaining a running checkbook balance ensures sufficient funds are available for disbursements.

- B. Bond monies received are deposited into the municipal division bank account with fines and costs. The Court Clerk does not maintain a bond ledger to account for the receipt, disbursement, and balance of bond monies, nor does she prepare a monthly listing of open-items (liabilities) to document the amount of bond monies held. The only record of bonds held in trust is pending case files awaiting disposition at the next court date.

Monthly listings of open-items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. Any unclaimed bonds remaining one year after final court disposition should be disbursed to the state's Unclaimed Property Section as required by Section 447.595, RSMo 1994.

- C. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of

all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

- D. Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence and ultimate disposition of tickets issued. A log of tickets issued is not maintained by the police department or the court.

Without a proper accounting of the numerical sequence and ultimate disposition of tickets, the police department and the municipal division cannot be assured that all tickets issued were properly submitted to the court for processing. A log listing the ticket books assigned, each ticket issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly.

- E. The municipal division allows defendants to pay fines and costs over a period of time; however, written and signed payment agreements are not obtained. A written and signed payment agreement is necessary to indicate the intent of the defendant to pay the fines and court costs and to aid in accounting for and collecting the amounts due to the municipal division.

Conditions similar to A.1, A.2, A.3, and D. were also noted in our prior report.

**WE RECOMMEND** the city of St. Mary Municipal Division:

- A.1. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips issued.
2. Restrictively endorse all checks and money orders immediately upon receipt.
3. Establish a documented review of municipal division records by an independent person.
4. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of deposits.
5. Prepare monthly bank reconciliations and maintain a running checkbook balance.
- B. Ensure a bond ledger is maintained and a monthly listing of open items is prepared and reconcile these records to the bond monies held in trust. Any unclaimed bonds remaining after one year of court disposition should be disbursed in accordance with state law.
- C. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

- D. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets issued.
- E. Obtain written and signed payment agreements for those defendants which are allowed to pay fines and court costs over a period of time.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A.1. *Receipt slips are now issued in numerical sequence for all monies received.*
- 2. *Checks will be endorsed by hand until a stamp is acquired.*
- 3. *Within the next two months, the Municipal Judge will ask the Mayor to assign the alderman over the police department to perform and document a monthly review of bank reconciliations and a comparison of receipt slips to deposits.*
- 4. *The Court Clerk now writes cash or check and the check number on receipt slips.*
- 5. *Monthly bank reconciliations are now performed and a balance maintained in the check register.*
- B. *The Court Clerk has implemented a bond ledger and open items list which she balances to the bank reconciliation. There are no unclaimed bonds on hand.*
- C. *The Court Clerk now prepares a report and gives it to the City Clerk each month.*
- D. *A ticket log is now maintained and the sequence of tickets issued is accounted for.*
- E. *The court now uses a payment agreement, which is signed by defendants at the time fines are assessed.*

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| <b>12.</b> | <b>City of Ste. Genevieve Municipal Division</b> |
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- A. The Court Clerk does not issue receipt slips for bond monies received from the police department and other entities. Bond monies received are recorded on a bond ledger which is also used to record the ultimate disposition of bonds received. To properly account for all receipts and ensure all receipts are transmitted to the municipal division and are properly deposited into the court bank account, prenumbered receipt slips should be



issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.

- B. The municipal division allows defendants to pay fines and costs over a period of time; however, written and signed payment agreements are not obtained. In addition, follow up on outstanding amounts due from defendants is not adequately performed. As of October 7, 1999, municipal division records indicated an accounts receivable balance of approximately \$37,000.

A written and signed payment agreement is necessary to indicate the intent of the defendant to pay the fines and court costs and to aid in accounting for and collecting the amounts due to the municipal division. In addition, collection of outstanding receivables should be pursued by the court.

- C. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.
- D. The Prosecuting Attorney forwards amended and dismissed tickets to the Court Clerk with a note indicating the amount of the fines and costs to be charged. Although the Prosecuting Attorney consistently signs amended and dismissed tickets, the Court Clerk does not retain the notes regarding fines and costs assessed on amended and dismissed tickets. As a result, there is no authorization for the fines and costs assessed.

To ensure the proper fines and costs are collected on amended and dismissed cases, the Court Clerk should retain documentation in the case files of amounts assessed on amended and dismissed cases.

- E. CVC, Law Enforcement Training (LET), POSTC, and Domestic Violence (DV) fees collected by the court are deposited and retained in a bank account under the control of the Court Clerk. The Court Clerk does not consistently remit these fees to the state and city on a monthly basis. During our review, we noted seven months during the two fiscal years ended September 30, 1999, in which fees were not disbursed to the state and city. Statutory guidelines require these fees to be transmitted to the state monthly. In addition, CVC fees should be disbursed to the city monthly in accordance with Section 595.045, RSMo, Cumulative Supp. 1999.
- F. The Court Clerk notarizes complaint forms which are filled out and signed by complainants and forwarded to the Prosecuting Attorney by the police department. The complaint forms are not prenumbered and, as a result, there is no accounting for complaint forms issued.

Without a proper accounting of the numerical sequence and ultimate disposition of complaint forms, the municipal division cannot be assured that all complaint forms issued were properly submitted to the court for processing. A log listing each complaint form issued in numerical sequence, the date issued, and the violator's name would help ensure all complaint forms issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each complaint form should be maintained to ensure all complaint forms have been accounted for properly.

Conditions similar to A., C., and E. were also noted in our prior report.

**WE RECOMMEND** the city of Ste. Genevieve Municipal Division:

- A. Issue prenumbered receipt slips for all bond monies received and account for the numerical sequence of receipt slips issued.
- B. Obtain written and signed payment agreements for those defendants which are allowed to pay fines and court costs over a period of time. In addition, the court should implement procedures to pursue collection of outstanding receivables.
- C. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.
- D. Maintain documentation of fines and costs assessed by the Prosecuting Attorney on amended and dismissed cases.
- E. Disburse CVC, LET, POSTC, and DV fees to the state and city monthly in accordance with state law.
- F. Work with the Prosecuting Attorney and the police department to account for the numerical sequence and ultimate disposition of all complaint forms issued.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk provided the following responses:*

- A. *We will issue receipt slips for all bond monies received from the police department and other entities starting with the next bond received.*
- B. *We have implemented a signed payment agreement for defendants paying over time. Court is held each quarter to review the delinquent payment docket for cases on payment plans.*

- C. We maintain a file of monthly reports which is readily available to the City Clerk. The City Clerk has requested that we not forward an individual copy to her.*
- D. We now staple the notes from the Prosecuting Attorney to the ticket so we have documentation for amended and dismissed tickets. We will discuss this with the Prosecuting Attorney to work toward a better system of documenting these amended and dismissed tickets.*
- E. We try to remit these fees monthly; however, during busy tax collection times, the fees sometimes do not get remitted on a monthly basis. We will try to consistently remit fees on a monthly basis.*
- F. By the end of April, we will request the police department prenumber the complaint forms and account for the sequence of complaint forms issued.*

This report is intended for the information of the management of the various municipal divisions of the Twenty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Twenty-Fourth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended 1995 and 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Bismarck Municipal Division

- A.1. Receipts were not deposited on a timely basis.
- 2. Checks and money orders received on court night were not restrictively endorsed until the following day.
- 3. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.
- B.1. The Court Clerk did not maintain a bond ledger and did not prepare monthly listings of open items (liabilities).
- 2. The Court Clerk did not account for the numerical sequence of all police department receipt slips. In addition, we noted three instances where a copy of the receipt slip was not retained in the receipt book.
- 3. Some bonds which were forfeited or applied to fines and court costs were not transferred from the bond account to the city general revenue account on a timely basis.
- C.1. Neither the police department nor the court accounted for the numerical sequence of traffic tickets issued.
- 2. Summonses issued for non-traffic violations were not prenumbered.
- D. The Court Clerk and the police officers were not bonded.
- E. The Municipal Judge did not sign the court docket after case dispositions were recorded.

- F. Crime Victims Compensation (CVC) and Law Enforcement Training (LET) fees were collected on all violations, including nonmoving traffic violations.
- G. The \$5 Independent Living Center (ILC) fee was not collected on alcohol-related offenses.
- H. The municipal division did not file a monthly report with the city for all cases heard in court.

Recommendations:

The city of Bismarck Municipal Division:

- A.1. Deposit receipts intact daily or when accumulated receipts exceed \$100.
  - 2. Restrictively endorse checks and money orders immediately upon receipt.
  - 3. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- B.1. Maintain a bond ledger, prepare monthly listings of open items, and reconcile these listings to monies held in trust.
  - 2. Account for the numerical sequence of all police department bond receipt slips and ensure that one copy of each receipt slip is retained in the receipt book.
  - 3. Disburse all bonds applied and forfeited to the city at least monthly.
- C.1. Work with the police department to insure the listing of tickets issued is reviewed and any missing tickets are accounted for properly.
  - 2. Request the police department to issue prenumbered summonses and account for their numerical sequence.
- D. Request the city obtain bond coverage for all persons handling municipal division monies.
- E. Require the judge's signature on the court dockets.
- F. Assess LET and CVC fees in accordance with state law.
- G. Assess the ILC fee in accordance with state law.

- H. Prepare monthly reports of court actions and file these with the city in accordance with state law.

Status:

B.1, B.3,  
D, E, F,  
& H. Implemented.

A, B.2,  
& C. Not implemented. See MAR No. 1.

- G. Based on statutory changes effective July 1, 1997, the municipal division is no longer required to assess the ILC fee.

2. City of Bonne Terre Municipal Division

A.1. Receipts were not deposited on a timely basis.

- 2. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

B.1. Monthly listings of open items (liabilities) were not prepared.

- 2. The March 31, 1995 balance of the bond account included a \$577 bond which had been held in excess of one year.

3. Receipt slips were not issued for bonds received from the Bonne Terre Police Department or from other municipalities.

C. Procedures were not established to follow-up on amounts owed to the municipal division on a timely basis.

D. Voided tickets were not retained.

E. The Municipal Judge did not sign the court docket after case dispositions were recorded. Also, the Prosecuting Attorney did not always initial or sign the ticket to document his approval of an amendment to the ticket.

F.1. LET and CVC fees were collected on all violations, including nonmoving traffic violations.

2. The municipal division was not remitting the \$1 Peace Officer Standards and Training Commission (POSTC) fee to the state as required.
3. The municipal division did not remit 95 percent of CVC fees to the state.
4. The \$5 ILC fee was not collected on alcohol-related offenses.

Recommendations:

The city of Bonne Terre Municipal Division:

- A.1. Deposit receipts intact daily or when accumulated receipts exceed \$100.
2. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- B.1. Prepare monthly listings of open items and reconcile these listings to monies held in trust.
2. Dispose of unclaimed bonds in accordance with state law.
3. Issue prenumbered receipt slips for all bonds received and account for the numerical sequence.
- C. Establish procedures to pursue the collection of fines and court costs owed to the municipal division on a timely basis.
- D. Work with the police department to ensure all voided tickets are retained.
- E. Require the judge's signature on the court dockets and the Prosecuting Attorney's signature on all amended tickets.
- F.1. Assess LET and CVC fees in accordance with state law.
2. Disburse the POSTC fee to the state as required by state law.



3. Disburse CVC fees in accordance with state law.

4. Assess the ILC fee in accordance with state law.

Status:

A,B,D,  
F.1, F.2  
& F.3. Implemented.

C, E. Not implemented. See MAR No. 2.

F.4. Based on statutory changes effective July 1, 1997, the municipal division is no longer required to assess the ILC fee.

3. City of Desloge Municipal Division

A.1. The June 30, 1995 balance of the bond account included bond receipts totaling \$986 which had been held in excess of one year.

2. Prenumbered receipt slips or bond forms were not used by the police department.

B. Police Department complaints for non-traffic violations were not prenumbered and were not accounted for properly.

C. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

D. LET and CVC fees were collected on nonmoving traffic violations.

Recommendations:

The city of Desloge Municipal Division:

A.1. Dispose of unclaimed bonds in accordance with state law.

2. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for their numerical sequence.

B. Request the police department to issue prenumbered complaints and account for their numerical sequence.

C. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

D. Assess LET and CVC fees in accordance with state law.

Status:

A.1.,  
B, C,  
& D. Implemented.

A.2. Partially implemented. Prenumbered bond forms are now used for all bond monies received by the police department. However, the municipal division nor the police department properly account for the numerical sequence of the bond forms issued. See MAR No. 3.

4. City of Farmington Municipal Division

A.1. Receipts were not transmitted to the city on a timely basis.

2. Receipt slips issued by the municipal division did not indicate the method of payments received.

3. Receipts were not transmitted to the city treasury intact. The Court Clerk cashed personal checks from court receipts and withheld cash from deposits to use to make change.

B.1. Bond receipts were not always deposited on a timely basis.

2. The Court Clerk did not issue receipt slips for bonds received from other municipalities.

3. The Court Clerk did not account for the numerical sequence of all police department receipt slips.

4. The June 30, 1995 balance of bonds in the bond account included \$2,071 in bonds which had been held in excess of one year.

5. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

6. The police officers collecting bond monies were not bonded.

- C. Neither the police department nor the court accounted for the numerical sequence of traffic and parking tickets issued.

Recommendations:

The city of Farmington Municipal Division:

- A.1. Transmit all receipts intact to the city daily or when accumulated receipts exceed \$100.
2. Indicate the method of payment on all receipt slips issued and reconcile total cash, checks, and money orders received to transmittals to the city.
3. Discontinue the practice of cashing personal checks from court receipts and transmit all receipts intact to the city daily. If necessary, additional money should be requested from the city for a change fund.
- B.1. Deposit all receipts daily or when accumulated receipts exceed \$100.
2. Issue prenumbered receipt slips for all bonds received and account for the numerical sequence.
3. Account for the numerical sequence of all police department receipt slips.
4. Dispose of unclaimed bonds in accordance with state law.
5. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division bond records by an independent person.
6. Request the city obtain bond coverage for all persons handling municipal division monies.
- C. Work with the police department to account for the numerical sequence of traffic and parking tickets issued.

Status:

- A.1,  
B.1-2,  
B.4-6. Implemented.

- A.2. Partially implemented. The Court Clerk usually puts a checkmark on the one-write ledger to indicate payments by check; however, due to time constraints this is not always consistently done. See MAR No. 4.
- A.3. Not implemented. See MAR No. 4.
- B.3. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Partially implemented. The police department maintains an issuance log of traffic tickets; however, no issuance log is maintained for parking tickets and there is no accounting for parking tickets. See MAR No. 4.

5. City of Fredericktown Municipal Division

- A. Receipts were not deposited on a timely basis.
- B.1. The Court Clerk did not account for the numerical sequence of all police department receipt slips.
  - 2. Two bonds were received by the police department but not deposited to the bond account.
- C. Neither the police department nor the court accounted for the numerical sequence of traffic tickets issued.
- D. The LET and CVC fees were collected on all violations, including nonmoving traffic violations.
- E. The \$5 ILC fee was not collected on alcohol-related offenses.

Recommendations:

The city of Fredericktown Municipal Division:

- A. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- B.1. Account for the numerical sequence of all police department receipt slips.
  - 2. Work with the police department to ensure all bond monies are deposited and all disbursements are made by check.

C. Work with the police department to account for the numerical sequence of all traffic tickets issued.

D. Assess LET and CVC fees in accordance with state law.

E. Assess the ILC fee in accordance with state law.

Status:

A. &

B.2. Implemented.

B.1.

& C. Not implemented. See MAR No. 5.

D. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases, including nonmoving traffic violations.

E. Based on statutory changes effective July 1, 1997, the municipal division is no longer required to assess the ILC fee.

6. City of Iron Mountain Lake Municipal Division

A.1. Receipts were not always deposited intact or on a timely basis.

2. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

B.1. The police department used the court receipt book to issue prenumbered receipt slips for all bonds collected. However, the Court Clerk did not initial the receipt slips prepared by the police department to indicate that the Court Clerk received the bond money.

2. The Court Clerk deposited bond monies into the city's general account but did not maintain any records of the balance of bonds on hand.

3. Monthly listings of open items (liabilities) were not prepared.

C. Neither the police department nor the court accounted for the numerical sequence of traffic tickets and summonses assigned and issued. In addition, voided tickets and summonses were not maintained.

D. The CVC fee was sometimes collected on nonmoving traffic violations.

E. The \$5 ILC fee was not collected on alcohol-related traffic offenses.

Recommendations:

The city of Iron Mountain Lake Municipal Division:

A.1. Deposit receipts intact daily or when accumulated receipts exceed \$100.

2. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Initial all receipt slips prepared by the police department.

2. Maintain a running balance of bonds held in the city's general account.

3. Prepare monthly listings of open items and reconcile these listings to monies held in trust.

C. Work with the police department to ensure adequate records are maintained to account for the numerical sequence of all traffic tickets and summonses assigned and issued. In addition, voided tickets and summonses should be maintained.

D. Assess CVC fees in accordance with state law.

E. Assess the ILC fee in accordance with state law.

Status:

A,  
B.2-3,  
& C. Not implemented. See MAR No. 6.

B.1. Implemented.

D. Based on statutory changes effective July 1, 1997, LET and CVC fees are to be collected on all cases, including nonmoving traffic violations.

E. Based on statutory changes effective July 1, 1997, the municipal division is no longer required to assess the ILC fee.

7. City of Leadington Municipal Division

- A.1. Receipts were not deposited on a timely basis.
- 2. Checks and money orders were not always restrictively endorsed immediately u p o n receipt.
- 3. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.
- B.1. The Court Clerk did not maintain a bond ledger and did not prepare monthly listings of open items (liabilities).
- 2. Bond receipts were not deposited on a timely basis.
- 3. The Court Clerk did not always issue receipt slips for bonds received from the police department. In addition, receipt slips were not written for the bonds until the deposit was prepared.
- 4. The June 30, 1995 balance in the bond account included bond receipts totaling \$1,425 which had been held in excess of one year.
- C. Neither the police department nor the municipal division maintained adequate records t o

account  
f o r  
summo  
n s e s  
assigne  
d and  
issued.

- D. On June 30, 1995, the court bank account consisted primarily of CVC collections that had never been turned over to the city. In addition, open item listings were not prepared for bad check restitution cases which made up part of the bank account balance.
- E. Police officers were not bonded and collected cash bonds for the municipal division when the Chief of Police was not on duty.
- F. The LET and CVC fees were sometimes collected on nonmoving violations.

Recommendations:

The city of Leadington Municipal Division:

- A.1. Deposit receipts intact daily or when accumulated receipts exceed \$100.
  - 2. Restrictively endorse checks and money orders immediately upon receipt.
  - 3. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- B.1. Maintain a bond ledger, prepare monthly listings of open items, and reconcile these listings to monies held in trust.
  - 2. Deposit receipts daily or when accumulated receipts exceed \$100.
  - 3. Issue prenumbered receipt slips for all bonds immediately upon receipt and account for the numerical sequence.
  - 4. Follow up on old bonds held by the court, determine their disposition, and dispose of any unclaimed bonds in accordance with state law.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence of all summonses assigned and issued.



- D. Disburse CVC fees in accordance with state law. In addition, the division should prepare monthly listings of open items for the bad check restitution cases and reconcile these listings to monies held in trust.
- E. Request the city obtain a bond for all persons handling municipal division monies.
- F. Assess LET and CVC fees in accordance with state law.

Status:

A.1-2,  
B.2-4. Implemented.

A.3,  
C, E,  
& F. Not implemented. See MAR No. 7.

B.1. Partially implemented. A bond ledger is maintained and a monthly listing of open items is prepared; however, the listing totaled \$40 less than monies held in trust. Although not repeated in the current MAR, our recommendation remains as stated above.

D. Partially implemented. CVC is disbursed monthly to the city and state as required by state law. However, open items listings are still not prepared for bad check restitution cases and reconciled to monies held in trust. See MAR No. 7.

8. City of Leadwood Municipal Division

A.1. The City Clerk accepted payments for fines and court costs during the month. The Court Clerk made the deposit; however, the Court Clerk did not agree receipt slips issued to the amount deposited.

2. Receipts were not deposited on a timely basis.

3. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

B.1. The Court Clerk did not maintain a bond ledger and did not prepare monthly listings of open items (liabilities).

2. The Court Clerk did not account for the numerical sequence of all police department receipt slips.

C. Adequate procedures to follow-up on amounts owed to the municipal division had not been established.

D.1. Neither the police department nor the municipal division maintained adequate records to account for regular or dog summonses issued.

2. Neither the police department nor the court accounted for the numerical sequence of traffic tickets issued. No one reviewed the police department's traffic ticket log.

E. The CVC fee was collected on nonmoving traffic violations and the LET fee was not collected on city ordinance violations.

Recommendations:

The city of Leadwood Municipal Division:

A.1. Reconcile total cash, checks, and money orders received, as noted on the receipt slips, to bank deposits.

2. Deposit receipts intact daily or when accumulated receipts exceed \$100.

3. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Maintain a bond ledger, prepare monthly listings of open items, and reconcile these listings to monies held in trust.

2. Account for the numerical sequence of all police department receipt slips.

C. Establish procedures to maximize the collection of fines and court costs owed to the municipal division.

D.1. Request the police department issue regular summonses in sequential order and the city maintain a copy of all dog summonses issued. Work with the police department to account for the numerical sequence of all summonses issued.

2. Work with the police department to account for the numerical sequence of all traffic tickets issued.

E. Assess LET and CVC fees in accordance with state law.

Status:

A.1,  
C, D,  
& E. Implemented.

A.2-3. Not implemented. See MAR No. 8.

B.1. Partially implemented. The Court Clerk prepares open items listings each month and reconciles these to monies held in trust. However, the Court Clerk does not maintain a bond ledger to track all bonds receipted and their corresponding disbursement. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Not implemented. However, the police department rarely collects monies for the court. Although not repeated in the current MAR, our recommendation remains as stated above.

9. City of Park Hills Municipal Division

A.1. Receipts were not deposited on a timely basis.

2. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

B.1. Monthly listings of open items (liabilities) were not prepared.

2. The March 31, 1995 balance in the bond account included bond receipts totaling \$829 which had been held in excess of one year.

3. Receipt slips were not written for bond monies received until the deposits were prepared.

4. The Court Clerk did not account for the numerical sequence of all police department receipt slips.

C. The LET and CVC fees were collected on vehicle registration violations which were nonmoving traffic violations.

Recommendations:

The city of Park Hills Municipal Division:

A.1. Deposit receipts intact daily or when accumulated receipts exceed \$100.

2. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B.1. Prepare monthly listings of open items and reconcile these listings to monies held in trust.

2. Dispose of unclaimed bonds in accordance with state law.

3. Issue prenumbered receipt slips for all bonds immediately upon receipt.

4. Account for the numerical sequence of all police department bond receipt slips.

C. Assess LET and CVC fees in accordance with state law.

Status:

Implemented.

10. City of Potosi Municipal Division

A.1. The municipal division's listing of open bonds at June 30, 1995 was \$325 less than the balance of bonds in the bank account.

2. The June 30, 1995 balance of the bond account included bond receipts totaling \$3,948 which had been held in excess of one year.

B.1. Neither the police department nor the municipal division maintained adequate records to account for parking tickets and summonses issued. The summons forms were not prenumbered.

2. Voided parking tickets were not always retained.

C. The Municipal Judge did not sign the court docket after case dispositions were recorded.

D. The LET and CVC fees were collected on all violations, including nonmoving traffic violations.

Recommendations:

The city of Potosi Municipal Division:

- A.1. Attempt to identify to whom the \$325 belongs, and disburse the funds appropriately. If this cannot be determined, these old unidentified bond monies should be turned over to the state's Unclaimed Property Section in accordance with Section 447.595, RSMo 1994.
- 2. Dispose of unclaimed bonds in accordance with state law.
- B.1. Require summons forms to be prenumbered. In addition, the municipal division should work with the police department to ensure records are maintained to account for the numerical sequence of all parking tickets and summonses assigned and issued.
- 2. Work with the police department to ensure all voided tickets are retained.
- C. Require the judge's signature on the court dockets.
- D. Assess LET and CVC fees in accordance with state law.

Status:

A,  
B.2, C,  
& D. Implemented.

- B.1. Partially implemented. The police department stopped issuing separate tickets for parking violations. However, the police department has continued to issue summonses, which are not prenumbered, for non-traffic violations. The summonses assigned and issued are also not accounted for by the police department or the municipal division. See MAR No. 10.

11. City of St. Mary Municipal Division

- A.1. Receipt slips were not issued for the receipt of some fines and court costs.
- 2. Checks and money orders were not restrictively endorsed immediately upon receipt.
- 3. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

B. Neither the City Marshal nor the Court Clerk maintained adequate records to account for complaints issued. The complaint forms were not prenumbered.

Recommendations:

The city of St. Mary Municipal Division:

A.1. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.

2. Restrictively endorse checks and money orders immediately upon receipt.

3. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.

B. Require complaint forms to be prenumbered. In addition, the Court Clerk should work with the City Marshal to ensure records are maintained to account for the numerical sequence of complaints issued.

Status:

A. Not implemented. See MAR No. 11.

B. Not implemented. Complaint forms are no longer utilized by the municipal division for ordinance violations. Traffic tickets are issued for ordinance violations; however, there is no accounting for the numerical sequence of traffic tickets. See MAR No. 11.

12. City of Ste. Genevieve Municipal Division

A. The duties of receiving, recording, and depositing monies collected by the municipal division were not adequately segregated.

B.1. A monthly listing of open items (liabilities) was not prepared. The open items listing we prepared as of September 30, 1994 was \$317 less than the balance of bonds in the bond account.

2. The Court Clerk did not prepare formal bank reconciliations for the municipal division's bank account.

3. Receipt slips were not issued for bonds received from the Ste. Genevieve Police Department or from other municipalities.

4. The police department issued prenumbered receipt slips for bonds collected. The Court Clerk did not account for the numerical sequence of the receipt slips when monies were transmitted to the court.
- C.1. Neither the police department nor the municipal division maintained adequate records to account for complaints assigned and issued. The complaint forms were not prenumbered.
2. Neither the police department nor the court accounted for the numerical sequence of traffic and parking tickets issued.
- D. The Court Clerk cashed personal checks from city/court receipts.
- E. The state's portion of CVC and POSTC fees were not disbursed to the state, and the city's portion of CVC fees were not disbursed to the city on a monthly basis.

Recommendations:

The city of Ste. Genevieve Municipal Division:

- A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- B.1. Prepare monthly listings of open items and reconcile these listings to bond monies held in trust. In addition, the \$317 in old unidentified bond monies should be turned over to the state Unclaimed Property Section.
2. Perform monthly bank reconciliations.
3. Issue prenumbered receipt slips for all bonds received and account for the numerical sequence.
4. Account for the numerical sequence of all police department receipt slips.
- C.1. Require complaint forms to be prenumbered. In addition, the municipal division should work with the police department to ensure records are maintained to account for the numerical sequence of all complaints assigned and issued.
2. Work with the police department to ensure records are maintained to account for the numerical sequence of all traffic and parking tickets issued.
- D. Discontinue the practice of cashing personal checks with court monies.

E. Disburse CVC and POSTC fees in accordance with state law.

Status:

A.,B.1,  
B.2,  
C.2,  
& D. Implemented.

B.3,  
C.1.  
& E. Not implemented. See MAR No. 12.

B.4. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

TWENTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
HISTORY AND ORGANIZATION

Organization

The Twenty-Fourth Judicial Circuit is composed of Madison, St. Francois, Ste. Genevieve, and Washington counties. The Honorable Kenneth Pratte serves as Presiding Judge. There are twelve municipal divisions within the Twenty-Fourth Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Bismarck

Organization

The City Clerk and City Collector are responsible for recording transactions as well as handling collections and disbursements during city office hours. The Court Clerk is responsible for recording transactions as well as handling collections during court night. The police department collects bond monies. The police department transmits bond collections to the City Collector daily. The court maintains a bank account for the deposit of fines, court costs, and bonds. Fines and court costs are disbursed to the city treasury and state monthly. Bond monies are held in the court bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

|                   |                   |
|-------------------|-------------------|
| Municipal Judge * | Shawn McCarver    |
| Court Clerk **    | Vickie Belknap    |
| City Collector    | Toba Welch        |
| City Clerk        | Margaret Cantrell |

\* Lenzie Leftridge served as Municipal Judge during the audit period and until November 1, 1999.

\*\* Jennifer Siegenthaler served as Court Clerk during the audit period and until November 1, 1999.

#### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 152                        | 277         |

## 2. City of Bonne Terre

#### Organization

The City Clerk served as the Court Clerk until September 15, 1999, when the positions were divided and a separate Court Clerk hired. The Court Clerk is responsible for collecting receipts and recording transactions on court night. The City Utility Billing Clerk is responsible for receiving payments, recording transactions into the court computer system, and preparing daily bank deposits of fine and cost receipts. The Court Clerk transmits court night collections to the Utility Billing Clerk the day after court. The City Utility Billing Clerk posts court night collections into the computer system. The police department collects bond monies during non-court hours. Bonds are transmitted to a lockbox when the Court Clerk is not present, and the Chief of Police brings them to the Court Clerk the next day. Prior to April 1, 1999, the court maintained a bank account for the deposit of fines and court costs. Since April 1, 1999, fines and court costs have been deposited into the city bank account. Fines and court costs are disbursed to the city treasury and state monthly. Bond monies are deposited in a court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

#### Personnel

|                       |                  |
|-----------------------|------------------|
| Municipal Judge       | Lenzie Leftridge |
| Court Clerk *         | Donna Jennings   |
| Utility Billing Clerk | Melinda Watson   |

\* Gene Archer served as City Clerk/Court Clerk until March, 1998. Tina Miller served as City Clerk/Court Clerk from March 1998 until September 15, 1999.

#### Caseload Information

|                       | <u>Year Ended September 30,</u> |             |
|-----------------------|---------------------------------|-------------|
|                       | <u>1999</u>                     | <u>1998</u> |
| Number of cases filed | 1,085                           | 710         |

3. City of Desloge

Organization

The Court Clerk and Deputy Court Clerk are responsible for recording transactions and depositing receipts, as well as handling collections and disbursements. The police officers collect bond monies. The police officers transmit bond collections to a lockbox as the bonds are received, and the Court Clerk retrieves the bonds from the lockbox daily. The municipal division maintains bank accounts for the deposit of fines, court costs, bonds, Crime Victim's Compensation (CVC) fees, and Judicial Education Fund (JEF) fees. Fines and court costs are disbursed to the city treasury and state monthly. Bond monies are deposited in a court bank account pending disposition. CVC and JEF fees are disbursed monthly from the municipal division's fine and court cost account to the CVC/JEF account. CVC fees due to the state are disbursed from this account to the state monthly. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

|                    |                |
|--------------------|----------------|
| Municipal Judge    | Shawn McCarver |
| Court Clerk        | Bonnie Smith   |
| Deputy Court Clerk | Linda Simino   |

Caseload Information

|                       | <u>Year Ended June 30.</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 1,220                      | 1,173       |

4. City of Farmington

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements of bond monies. While the Court Clerk prepares the deposits, the City Clerk is responsible for depositing court monies into the bank accounts. The City Clerk disburses fees collected to the appropriate agencies. The police officers collect bond monies. The police officers transmit bond collections to a lockbox as the bonds are received, and the Court Clerk retrieves the bonds from the lockbox daily. The Court Clerk transmits fines and court costs to the City Clerk for deposit in the city treasury two or three times a week. Bond monies are deposited by the Court Clerk in a court bank account pending disposition. Court is held three times a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

### Personnel

|                 |                |
|-----------------|----------------|
| Municipal Judge | Edward Pultz   |
| Court Clerk     | Lottie Trotter |

### Caseload Information

|                       | <u>Year Ended September 30,</u> |             |
|-----------------------|---------------------------------|-------------|
|                       | <u>1999</u>                     | <u>1998</u> |
| Number of cases filed | 1,827                           | 1,575       |

## 5. City of Fredericktown

### Organization

The Court Clerk is responsible for recording transactions and handling collections. While the Court Clerk prepares the deposits, the City Treasurer is responsible for depositing court monies into the bank accounts. The Court Clerk and the City Clerk authorize disbursements from the court accounts. The police department collects bond monies at times other than the court's hours of operation. The police department transmits bond collections to the Court Clerk daily. The municipal division maintains bank accounts for the deposit of fines, court costs, and bonds. Fines and court costs are disbursed to the city treasury and state monthly. Bond monies are deposited in a separate court bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

### Personnel

|                   |                    |
|-------------------|--------------------|
| Municipal Judge * | Patrick O'Laughlin |
| Court Clerk       | Aline Hollinger    |
| City Clerk        | Linda Stevens      |
| City Treasurer    | Verdon Payne       |

\* Nancy Gaultney served as Municipal Judge until September 1998.

### Caseload Information

|                       | <u>Year Ended December 31,</u> |             |
|-----------------------|--------------------------------|-------------|
|                       | <u>1998</u>                    | <u>1997</u> |
| Number of cases filed | 545                            | 575         |

6. City of Iron Mountain Lake

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions, and depositing receipts, as well as handling collections and disbursements. Bonds are collected by the court from individuals and other entities. Fines, court costs, and bonds are deposited to the city's general account. Court is held once every three months. Although monies are collected at times other than during court, a court order has not been issued to formally authorize the collection of fines and court costs at times other than during court.

Personnel

|                          |              |
|--------------------------|--------------|
| Municipal Judge          | Edward Pultz |
| City Clerk/Court Clerk * | Gina Warren  |

\* Elsie Lichtenburg served as Court Clerk from April 1995 through March 1997. Angela Henson served as Court Clerk from April 1997 through December 1998. Marlene Cummings served as Court Clerk from January 1999 through September 17, 1999. Martha Lance began as temporary Court Clerk on September 20, 1999. Gina Warren was hired as Court Clerk on November 9, 1999.

Caseload Information

|                       | <u>Year Ended December 31,</u> |             |
|-----------------------|--------------------------------|-------------|
|                       | <u>1998</u>                    | <u>1997</u> |
| Number of cases filed | 115                            | 62          |

7. City of Leadington

Organization

The Court Clerk is responsible for recording transactions and depositing receipts, as well as handling collections and disbursements. The Chief of Police also handles the collections of fines and costs. The police department collects bond monies. The police department transmits bond collections to the Court Clerk daily. The court maintains bank accounts for the deposit of fines, court costs, and bonds. Fines and court costs are disbursed by the Court Clerk to the city treasury and state monthly. Bond monies are deposited by the Court Clerk in a court bank account pending disposition. Court is held twice a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

Municipal Judge \*  
Court Clerk \*\*

James Willis  
Elizabeth Dill

- \* Lindell Dunivan served as Municipal Judge prior to March 1999.  
\*\* Yvette Smith served as Court Clerk prior to October 1997. Amy Sitton served as Court Clerk from October 1997 through March 1999.

Caseload Information

|                       | <u>Year Ended December 31,</u> |             |
|-----------------------|--------------------------------|-------------|
|                       | <u>1998</u>                    | <u>1997</u> |
| Number of cases filed | 1,056                          | 953         |

8. City of Leadwood

Organization

The Court Clerk is responsible for recording transactions, and depositing receipts, as well as handling collections during court, and disbursements. The City Clerk receives payments of fines and costs during city office hours. The police department occasionally collects bond monies. The police department transmits bond collections to the City Clerk daily. Fines, court costs, and bonds are deposited in a court bank account about twice a month. Fines and court costs are disbursed to the city treasury and state monthly. Bond monies are disbursed to the city treasury monthly and remain there pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

|                 |                 |
|-----------------|-----------------|
| Municipal Judge | Lindell Dunivan |
| Court Clerk     | Bob Greenlee    |
| City Clerk *    | Kathy Gilliam   |

- \* Tina Lawson served as City Clerk prior to February 1999.

Caseload Information

|                       | <u>Year Ended March 31,</u> |             |
|-----------------------|-----------------------------|-------------|
|                       | <u>1999</u>                 | <u>1998</u> |
| Number of cases filed | 479                         | 1,021       |



9. City of Park Hills

Organization

The Court Clerk and one part time Assistant Court Clerk are responsible for recording transactions as well as handling collections. The Court Clerk makes deposits. The police department collects bond monies. The police department transmits bond collections to a lockbox as the bonds are received, and the Court Clerk retrieves the bonds from the lockbox daily. The municipal division maintains bank accounts for the deposit of fines, court costs, and bonds. Fines and court costs are disbursed to the city collector and state monthly. Bond monies are deposited in a court bank account pending disposition. Court is held twice a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

|                        |                           |
|------------------------|---------------------------|
| Municipal Judge        | Shawn McCarver            |
| Court Clerk            | Janice Holloway           |
| Assistant Court Clerk* | Tina Robinson (part time) |

\* Amy Caler and Crystal Caler served as part time Court Clerks prior to August 1998.

Caseload Information

|                       | <u>Year Ended September 30,</u> |             |
|-----------------------|---------------------------------|-------------|
|                       | <u>1999</u>                     | <u>1998</u> |
| Number of cases filed | 1,819                           | 1,282       |

10. City of Potosi

Organization

The Court Clerk is responsible for maintaining the court records. The Court Clerk and the City Clerk and her deputies are responsible for recording transactions and depositing receipts, as well as handling collections and disbursements. The police department collects bond monies. The police department transmits bond collections to the City Clerk once a week. The City Clerk deposits the bond monies the same day she receives them from the police department. Fines and court costs are commingled with other city monies and deposited to the city's general account daily. Bond monies are held in a separate bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

Municipal Judge \*  
Court Clerk  
City Clerk

Michael P. Kelly  
Karrie Boyer  
Doris Eye

\* Ronald Hill served as Municipal Judge prior to December 1999

Caseload Information

|                       | <u>Year Ended June 30.</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 409                        | 599         |

11. City of St. Mary

Organization

The Court Clerk is responsible for recording transactions and depositing receipts, as well as handling collections and disbursements. Bonds are received from defendants and from the county sheriff. The court maintains a bank account for the deposit of fines, court costs, and bonds. Fines and court costs are disbursed to the city treasury and state monthly. Bond monies are held in the court bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

Municipal Judge  
Court Clerk\*

Patrick Elder  
Linda Barnett

\* Margaret Barnett served as Court Clerk prior to January 1998.

Caseload Information

|                       | <u>Year Ended September 30.</u> |             |
|-----------------------|---------------------------------|-------------|
|                       | <u>1999</u>                     | <u>1998</u> |
| Number of cases filed | 125                             | 172         |

12. City of Ste. Genevieve

Organization

The City Collector serves as the Court Clerk and is responsible for recording transactions and depositing receipts, as well as handling collections and disbursements. The police department collects bond monies. The police department transmits bond collections to a lockbox daily, and

the Court Clerk retrieves the bonds from the lockbox daily. Fines and court costs, except LET and CVC fees, are commingled with other city monies and deposited to the city's general account periodically. Bond monies, and LET and CVC fees are deposited in a court bank account. The state's portion of CVC and LET, and the city's portion of CVC, is disbursed periodically. Bond monies are held in the court bank account pending disposition. Court is held twice a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

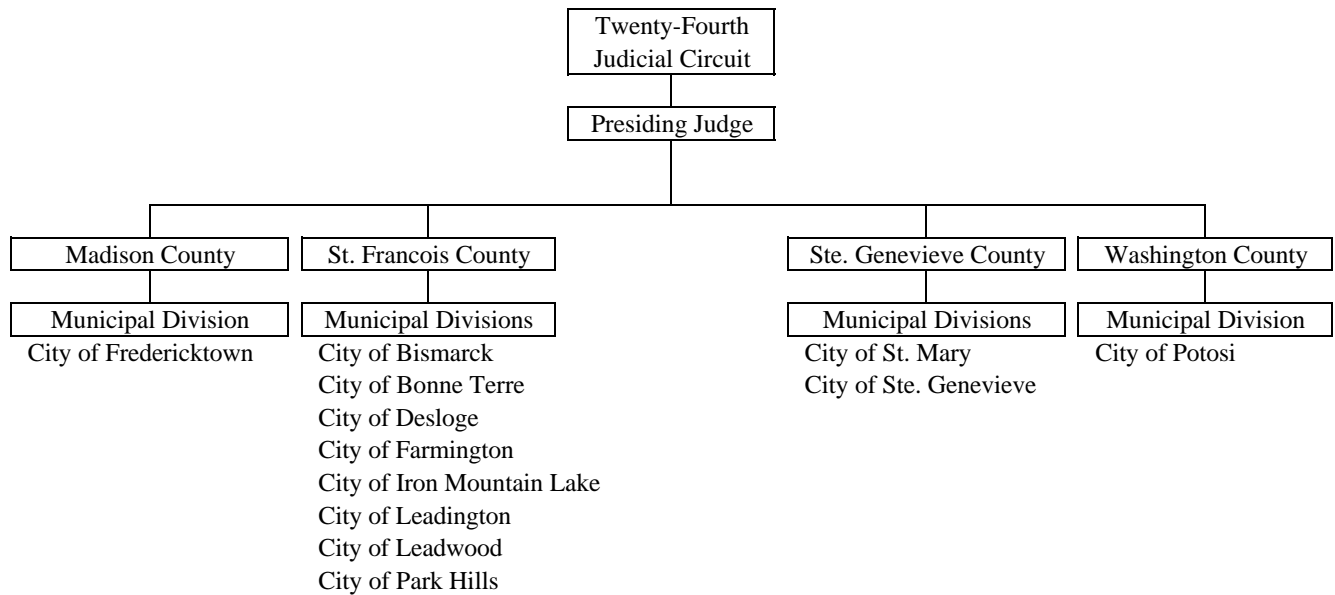
#### Personnel

|                            |                   |
|----------------------------|-------------------|
| Municipal Judge            | Suzanne Greminger |
| City Collector/Court Clerk | Mary Ann Otto     |

#### Caseload Information

|                       | <u>Year Ended September 30,</u> |             |
|-----------------------|---------------------------------|-------------|
|                       | <u>1999</u>                     | <u>1998</u> |
| Number of cases filed | 1,015                           | 789         |

TWENTY-FOURTH JUDICIAL CIRCUIT  
ORGANIZATION CHART



\* \* \* \* \*



REVIEW OF  
FIXED ASSETS EQUIPMENT

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-38  
May 24, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The following problems were discovered as a result of a review conducted by our office of the Fixed Assets Equipment.**

---

We tested fixed asset equipment records of the sixteen executive departments as of June 30, 1999. Based on our tests, we reached the following conclusions:

- Some departments' equipment records were not accurate or complete.
- Some departments did not properly record assets purchased in the fixed asset records.
- Some departments could not physically locate equipment items that were listed on the records. In many instances, the department did not know why the items were missing.
- Some departments do not record equipment transactions in a timely manner, which increases the likelihood of errors or omissions in the records.
- Some departments did not perform adequate annual physical inventories of equipment items.
- Some equipment acquired by lease purchase agreements was not recorded in accordance with state policy and generally accepted accounting principles.
- Some departments did not report accurate information to the Office of Administration (OA) for inclusion in the state's comprehensive annual financial report. For example, equipment items totaling \$3,042,000 that were recorded on the Division of Job Development and Training equipment records were not reported to the Office of Administration (OA) for inclusion in the state's annual financial report. These assets are located at the offices of Service Delivery Areas throughout the state. Furthermore, record keeping or valuation problems prevented some other departments from reporting accurate equipment balances to the OA.

Departments reviewed in this audit include the following:

- Office of Administration, Revenue, Elementary and Secondary Education, Higher Education, Agriculture, Insurance, Conservation, Economic Development, Labor and Industrial Relations, Natural Resources, Transportation, Public Safety, Mental Health, Social Services, Health, and Corrections.

YELLOW SHEET

# REVIEW OF FIXED ASSETS EQUIPMENT

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## STATE AUDITOR'S REPORT





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
All Executive Department Directors

We have conducted a review of fixed assets equipment owned by the State of Missouri's sixteen executive departments. The objectives of this review were to:

1. Determine the accuracy of the equipment records as of June 30, 1999.
2. Determine the valuation of equipment by various dollar value ranges as of June 30, 1999.
3. Determine if the \$250 value for capitalization of equipment should be raised.
4. Review internal controls over accounting for state-owned equipment.

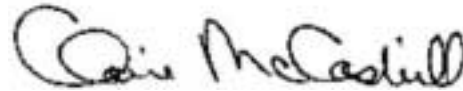
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary under the circumstances. In this regard, we reviewed applicable state laws and regulations, interviewed applicable personnel of various executive departments, and reviewed certain records and documents.

As part of our review, we assessed the state's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain policies and procedures.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying information presented in the appendices is presented for informational purposes. This information was obtained from the state's management and was not subjected to the procedures applied in the review of fixed assets equipment.

The Results and Overall Conclusions Section presents the findings of our review of fixed assets equipment.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

December 2, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Randy Doerhoff, CPA    |
| In-Charge Auditor:  | Gayle Garrison         |
| Audit Staff:        | Robyn Vogt             |
|                     | Steve Garner           |

## EXECUTIVE SUMMARY

## REVIEW OF FIXED ASSETS EQUIPMENT EXECUTIVE SUMMARY

We tested fixed asset equipment records of the sixteen executive departments as of June 30, 1999. Based on our tests, we reached the following conclusions:

- ! Some departments' equipment records were not accurate or complete.
- ! Some departments did not properly record assets purchased in the fixed asset records.
- ! Some departments could not physically locate equipment items that were listed on the records. In many instances, the department did not know why the items were missing.
- ! Some departments do not record equipment transactions in a timely manner, which increases the likelihood of errors or omissions in the records.
- ! Some departments did not perform adequate annual physical inventories of equipment items.
- ! Some equipment acquired by lease purchase agreements was not recorded in accordance with state policy and generally accepted accounting principles.
- ! Some departments did not report accurate information to the Office of Administration (OA) for inclusion in the state's comprehensive annual financial report. Record keeping or valuation problems prevented some departments from reporting accurate equipment balances to the OA.
- ! Departments are experiencing a significant record keeping burden because they track an extensive number of low dollar value equipment items which constitute only a small portion of the dollar value of the equipment balance. As a result, the State Auditor's office has initiated official rulemaking procedures to raise the capitalization threshold for fixed asset equipment items from \$250 to \$1,000. When officially approved, the increase in the capitalization threshold should ease some of the record keeping burden but still provide adequate information for financial reporting purposes.
- ! Departments should continue to identify and account for sensitive type equipment items below the \$1,000 threshold.
- ! Departments should ensure a complete and accurate conversion of their fixed asset accounting records to the SAM II system. In addition, the departments should comply with the requirements in the *SAM II Policies and Procedures* manual related to accounting for fixed assets.

## SCOPE AND METHODOLOGY

## REVIEW OF FIXED ASSETS EQUIPMENT SCOPE AND METHODOLOGY

### Scope

We surveyed each of the sixteen executive departments to determine the number of equipment items by dollar value ranges as of June 30, 1999. Each department maintains its own records. At the end of each fiscal year, departments are required to report equipment balances to the Office of Administration (OA) for inclusion in the state's comprehensive annual financial report. We reviewed applicable state laws and regulations, interviewed applicable personnel of the various departments, and reviewed the departments' fixed asset equipment records and procedures.

### Methodology

We performed the following procedures as part of our audit work:

- ! Reviewed the executive department's records and procedures for compliance with the requirements of Section 34.125, RSMo 1994, CSR 40-2.031, Control of Fixed Assets, and the guide entitled *Accounting for Fixed Assets in State Departments* issued by the State Auditor.
- ! Sent surveys to the sixteen executive departments (and their respective divisions and special purpose funds, if necessary) to obtain information on equipment balances as of June 30, 1999, organized by various dollar value ranges.
- ! Reviewed and evaluated the departments' internal controls for fixed assets and the record keeping systems and procedures related to equipment assets.
- ! Selected expenditures from the state's accounting system (additions) for each department for equipment purchases above \$250. The completeness, accuracy, and timeliness of the departments' addition recordings were tested by comparing information from the purchasing documentation to the information recorded in the equipment records.
- ! Selected equipment items physically on location at various offices in each department (160 items). The completeness and accuracy of the departments' equipment records were tested by comparing specific information noted for an observed asset to information recorded on the equipment records.
- ! Selected a sample of assets which were recorded on the departments' equipment records. The existence and usage of each asset and the accuracy of the equipment records were tested by physically locating or confirming each asset.
- ! Selected equipment assets removed from departments' equipment records (dispositions) during the year ending June 30, 1999. The authenticity, accuracy, and timeliness of the departments'

disposition recordings were tested by comparing the disposition information from the equipment records to the documentation supporting each entry.

## RESULTS AND OVERALL CONCLUSIONS



## REVIEW OF FIXED ASSETS EQUIPMENT RESULTS AND OVERALL CONCLUSIONS

### **The fixed asset equipment records of five departments were inaccurate and incomplete.**

The combined results of the individual tests performed at each department (tests of asset balances, purchases, and dispositions) indicated that some departments' equipment records were significantly deficient. Based on the items tested, the records were inaccurate or incomplete. A listing of those departments and their most significant deficiencies follows:

#### Office of Administration (OA)

- ! Some equipment items purchased were not properly recorded in the asset records.
- ! Equipment items selected for testing could not be physically located.
- ! Equipment transactions were not recorded in a timely manner.
- ! The OA maintains fixed asset records for the Board of Public Buildings. The Board of Public Buildings purchases equipment with state appropriations and places some of this equipment in buildings owned by the board but occupied by the departments of Corrections and Mental Health. Equipment totaling \$1,150,000 was recorded on the equipment records of both the board and the applicable department. As a result, these assets were reported twice to the OA.

#### Department of Revenue

- ! Some equipment items purchased were not properly recorded in the asset records.
- ! Equipment items selected for testing could not be physically located.
- ! Equipment transactions were not recorded in a timely manner.

#### Department of Economic Development (DED)

- ! Equipment items totaling \$3,042,000 that were recorded on the Division of Job Development and Training (DJDT) equipment records were not reported to the OA for inclusion in the state's annual financial report. These assets are located at the offices of Service Delivery Areas (SDA) throughout the state.

#### Department of Social Services

- ! Some equipment items purchased were not properly recorded in the asset records.
- ! Equipment items selected for testing could not be physically located.

#### Department of Corrections

- ! Some equipment items purchased were not properly recorded in the asset records.
- ! Equipment items selected for testing could not be physically located.
- ! Annual inventory procedures were not properly performed and, as a result, errors in the records were not discovered.

### **Nearly thirteen percent of equipment items purchased during the year were not properly recorded in the fixed asset records.**

We tested 168 purchases of equipment and noted 21 equipment items (a 12.5% error rate) that had not been recorded in the fixed asset records. A listing of error rates for each department follows:

| <u>Department</u>                | <u>Number of<br/>Errors</u> | <u>Number of<br/>Items Tested</u> | <u>Error<br/>Percentage</u> |
|----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Office of Administration         | 6                           | 23                                | 26.1%                       |
| Revenue                          | 4                           | 10                                | 40.0%                       |
| Elementary & Secondary Education | 2                           | 10                                | 20.0%                       |
| Higher Education                 | 0                           | 9                                 | 0.0%                        |
| Agriculture                      | 2                           | 10                                | 20.0%                       |
| Insurance                        | 1                           | 9                                 | 11.1%                       |
| Conservation                     | 0                           | 10                                | 0.0%                        |
| Economic Development             | 0                           | 10                                | 0.0%                        |
| Labor and Industrial Relations   | 0 8                         | 0.0%                              |                             |
| Natural Resources                | 0                           | 10                                | 0.0%                        |
| Transportation                   | 0 10                        | 0.0%                              |                             |
| Public Safety                    | 0                           | 10                                | 0.0%                        |
| Mental Health                    | 0                           | 10                                | 0.0%                        |
| Social Services                  | 1                           | 9                                 | 11.1%                       |
| Health                           | 0                           | 10                                | 0.0%                        |
| Corrections                      | <u>5</u>                    | <u>10</u>                         | <u>50.0%</u>                |
|                                  | 21                          | 168                               | 12.5%                       |

**Over four percent of the equipment items selected for testing could not be physically located.**

We physically observed or obtained a confirmation response for a total of 632 items. We physically observed many equipment items that were located in or near Jefferson City and we obtained signed confirmation letters from the asset custodian for assets that were located in other areas of the state. A total of 28 items (a 4.4% error rate) were not located by these procedures. A listing of error rates for each department follows:

| <u>Department</u>                |   | <u>Number of<br/>Errors</u> | <u>Number of<br/>Items Tested</u> | <u>Error<br/>Percentage</u> |
|----------------------------------|---|-----------------------------|-----------------------------------|-----------------------------|
| Office of Administration         |   | 3                           | 38                                | 7.9%                        |
| Revenue                          |   | 2                           | 40                                | 5.0%                        |
| Elementary & Secondary Education |   | 1                           | 37                                | 2.7%                        |
| Higher Education                 |   | 2                           | 37                                | 5.4%                        |
| Agriculture                      |   | 0                           | 40                                | 0.0%                        |
| Insurance                        |   | 0                           | 40                                | 0.0%                        |
| Conservation                     |   | 2                           | 40                                | 5.0%                        |
| Economic Development             |   | 1                           | 40                                | 2.5%                        |
| Labor and Industrial Relations   | 1 | 40                          | 2.5%                              |                             |
| Natural Resources                |   | 2                           | 37                                | 5.4%                        |
| Transportation                   | 2 | 38                          | 5.3%                              |                             |
| Public Safety                    |   | 1                           | 40                                | 2.5%                        |
| Mental Health                    |   | 2                           | 40                                | 5.0%                        |
| Social Services                  |   | 6                           | 45                                | 13.3%                       |
| Health                           |   | 1                           | 40                                | 2.5%                        |
| Corrections                      |   | <u>2</u>                    | <u>40</u>                         | <u>5.0%</u>                 |
|                                  |   | 28                          | 632                               | 4.4%                        |

**Equipment transactions were not recorded on the equipment records in a timely manner.**

We selected 322 equipment transactions (acquisitions and dispositions) to determine how quickly the departments recorded these transactions in the records. We did not perform this test for 91 items at 6 departments because their records did not track the data entry date. Of the 231 transactions we were able to test, 19 transactions (a 8.2% error rate) were recorded more than one month after the equipment transaction occurred. A listing of error rates for each department follows:

| <u>Department</u>                |   | <u>Number of<br/>Errors</u> | <u>Number of<br/>Items Tested</u> | <u>Error<br/>Percentage</u> |
|----------------------------------|---|-----------------------------|-----------------------------------|-----------------------------|
| Office of Administration         |   | 3                           | 39                                | 7.7%                        |
| Revenue                          |   | 3                           | 14                                | 21.4%                       |
| Elementary & Secondary Education |   | 0                           | 18                                | 0.0%                        |
| Higher Education                 |   | 0                           | 9                                 | 0.0%                        |
| Agriculture                      |   | 3                           | 18                                | 16.7%                       |
| Insurance                        |   | N/A                         | N/A                               | N/A                         |
| Conservation                     |   | 2                           | 19                                | 10.5%                       |
| Economic Development             |   | N/A                         | N/A                               | N/A                         |
| Labor and Industrial Relations   | 0 | 18                          | 0.0%                              |                             |
| Natural Resources                |   | 1                           | 19                                | 5.3%                        |
| Transportation                   | 0 | 20                          | 0.0%                              |                             |
| Public Safety                    |   | 1                           | 6                                 | 16.7%                       |

|                 |            |            |            |
|-----------------|------------|------------|------------|
| Mental Health   | 3          | 12         | 25.0%      |
| Social Services | 2          | 19         | 10.5%      |
| Health          | 1          | 20         | 5.0%       |
| Corrections     | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
|                 | 19         | 231        | 8.2%       |

**Some departments do not ensure annual inventory counts of equipment are performed and do not ensure that employees independent of the equipment records or equipment custody are responsible for conducting or verifying the inventory counts.**

Our review of equipment inventory procedures involved inquiries of personnel of the sixteen executive departments regarding the timing and procedures for conducting inventory counts. Our inquiries noted that many departments have procedures in place to ensure annual inventory counts are properly performed by independent employees. However, we did note that certain agencies either did not perform annual inventories or did not ensure that independent personnel were involved. A listing of departments which we noted deficiencies in is shown below:

| <u>Department</u>                               | <u>An annual<br/>inventory count<br/>was not<br/>performed</u> | <u>Inventory count<br/>personnel<br/>were not<br/>independent</u> |
|---|--|---|
| Office of Administration-Division of Personnel  | X  |   |
| Conservation                                    |  | X   |
| Economic Development-Public Service Commission  |  | X   |
| Natural Resources                               | X  |   |
| Public Safety-State Emergency Management Agency | X  |   |
| Public Safety-Missouri State Water Patrol       |  | X   |
| Public Safety-Missouri State Highway Patrol     |  | X   |
| Social Services                                 | X  |   |

During our testing we also noted other circumstances which indicated inventory procedures were not carefully or properly performed. One such instance at the Department of Corrections revealed that a vehicle on the equipment records had been disposed of in July 1997, but this vehicle had not been removed from the records as of June 30, 1999. The physical inventory sheet for fiscal year 1999 and 1998 inventory count results indicated that this vehicle had been physically verified in both years. We noted similar circumstances in our testing of the departments of Elementary and Secondary Education, Higher Education, Agriculture, Insurance, and Mental Health. Each of these departments' equipment records had not been properly adjusted for one or more assets which had been disposed of at least one year prior to our review.

**Equipment acquired by some departments through lease purchase agreements is not recorded on the equipment records in accordance with state policy or generally accepted accounting principles.**

Fixed asset items acquired through lease purchase agreements should be capitalized at the inception of the agreement in an amount determined by the criteria of Financial Accounting Standards Board (FASB) Statement 13, *Accounting for Leases*, which is the lesser of the present value of the minimum lease payments or the fair value of the leased property. Our review revealed that some of the departments do not properly record or value assets acquired through capital leases in their equipment records.

Our review of procedures for recording equipment acquired through lease purchase agreements involved inquiries of personnel of the sixteen executive departments and review of items selected for testing which were acquired through lease purchase agreements. That survey revealed the following results:

- ! Some equipment acquired through lease purchase agreements was not recorded on the departments' equipment records even though the assets met the applicable criteria for capitalization.
- ! Some equipment acquired through lease purchase agreements was recorded on the departments' equipment records at the inception of the lease; however, the amount recorded on the equipment records reflected the total of the lease payments instead of the present value of the lease payments.
- ! Some equipment acquired through lease purchase agreements was not recorded on the departments' equipment records until all of the lease payments had been made on the asset. In addition, these assets were not reported to the OA for inclusion in the state's comprehensive annual financial report.

In recent years, the departments have increased leasing activities; however, it appears that the leased assets are not always properly accounted for in accordance with state policy or generally accepted accounting principles.

**Executive Department Surveys - Departments are experiencing a record keeping burden because of the state capitalization threshold for equipment assets.**

The purpose of our survey was to obtain the number of equipment items and total dollar value of the equipment broken down into six dollar value ranges. We reviewed the surveys for mathematical accuracy and compared the amounts to equipment values reported to the OA for inclusion in the state's comprehensive annual financial report. We noted discrepancies in some of the survey responses and investigated various large differences. *(The final survey results are presented in Appendices A, B, and C)*

As shown on the pie charts on Appendix A, a large number of equipment items represent only a small portion of the equipment dollar value. For example, equipment with values between \$250 and \$1,000 make up 66% of the number of items over \$250 but only 13% of the total dollar value of items over \$250.

While it is important for some of these assets to be tracked due to their sensitive nature or susceptibility to theft, many of these items could be eliminated from the fixed asset record if the capitalization threshold was raised to \$1,000.

In addition to tracking the large volume of assets between \$250 and \$1,000, the departments also track numerous items below the \$250 threshold that they consider to be sensitive or susceptible to theft. Our survey indicated that the departments currently track 139,317 equipment items under the \$250 threshold. These assets represent 25% of the number of assets tracked by the departments but only 2% of the value.

Chapter seven, Property Items Under the Dollar Value Threshold, in the guide *Accounting for Fixed Assets in State Departments* and Section 4 of 15 CSR 40-2.031 require that the departments "...shall identify its sensitive items, implement appropriate procedures for adequate control, and perform annual inventories." Sensitive items are defined as property items with a cost under \$250 which are considered attractive or easily pilfered. Each department is charged with the responsibility of ensuring that controls are adequate over the assets they determine to be sensitive.

We surveyed the sixteen departments regarding their procedures for assessing the sensitive nature of equipment that costs less than \$250. Our survey revealed that the Department of Higher Education, the Department of Economic Development - Division of Professional Registration, the Department of Public Safety - State Emergency Management Agency, and the Department of Mental Health - Central Office do not record any items under \$250 on their fixed asset records and do not consider any items below \$250 to be sensitive. Departments that identified sensitive items had implemented procedures to ensure the items were tagged and accounted for in the fixed asset records except for the Department of Economic Development - Division of Finance. The Division of Finance tagged sensitive items but maintained a separate log of those items instead of recording the items in their fixed asset records. We also noted there was a significant difference in the criteria used by the departments to determine if an item was sensitive, as follows:

- ! The Department of Transportation records all assets which cost \$100 or more.
- ! The Department of Corrections records all assets which cost \$100 or more except for furniture.
- ! The Department of Labor and Industrial Relations does not record any asset which costs less than \$50; however, assets between \$50 and \$250 may be recorded as sensitive items if the assets are considered susceptible to loss or theft or have a high level of desirability for personal use.
- ! The Department of Social Services does not record any asset which costs less than \$100; however, assets between \$100 and \$250 may be recorded as sensitive items if the items are considered susceptible to loss or theft or have a high level of desirability for personal use.
- ! The remaining departments do not have a minimum dollar value for determining sensitive items; however, assets costing less than \$250 may be recorded as sensitive items if the items are considered susceptible to loss or theft or have a high level of desirability for personal use.

## **Overall Conclusions**

Section 34.125, RSMo 1994, directs each state department to keep an inventory of nonexpendable property of fixed assets in its possession. Each department is responsible for identifying and tracking nonexpendable property by make, model, serial number, and acquisition cost. A property tag is to be attached to each asset and the department must ensure the proper use and retention of the assets. Finally, the State Auditor is responsible for prescribing the form for the inventory of nonexpendable property and the minimum value of assets that are required to be accounted for as nonexpendable property.

The guide *Accounting for Fixed Assets in State Departments* issued by the State Auditor states,

"The importance of having a complete and accurate accounting of fixed assets cannot be emphasized too strongly. Adequate accounting procedures and records for fixed assets are essential for financial reporting and the protective custody of government property. ... The responsibility of stewardship involved in safeguarding such a large public investment is of the utmost importance to sound financial administration, and this responsibility can be effectively discharged only through adequate fixed asset accounting policies and procedures."

15 CSR 40-2.031(2) further states,

"Each department shall establish and maintain a system of control for fixed assets. As part of these responsibilities, a department should periodically review its system and adjust or modify the level of control to correct deficiencies."

The guide and the CSR provide further information regarding the identification of capitalizable assets and fixed assets with a sensitive nature. In addition, information regarding the responsibility for and the format and maintenance of the fixed asset accounting systems are discussed.

As noted throughout this report, significant deficiencies have been noted in the departments' systems of control for fixed assets. Some departments' fixed asset records appear to be significantly deficient and contain many inaccurate entries. Many of these inaccurate entries exist because the departments have not carefully designed controls for fixed assets to ensure that transactions are properly recorded. We also noted that several departments' physical inventory procedures are not performed in a timely manner or carefully enough to detect inaccurate information in the fixed asset records. The departments are likely experiencing some of these problems because the current system requires that a large number of small dollar items be tagged and maintained on inventory. As a result, the time spent by departments to maintain fixed asset records is concentrated heavily on small dollar items. In addition, it appears the lack of a centralized accounting system for fixed assets contributes to the deficiencies we noted in our review. The departments began using the state's new SAM II accounting system in July 1999. This system includes a program for recording and accounting for equipment assets. If used correctly by the departments, this system should provide increased accuracy in the accounting for the state's fixed assets.

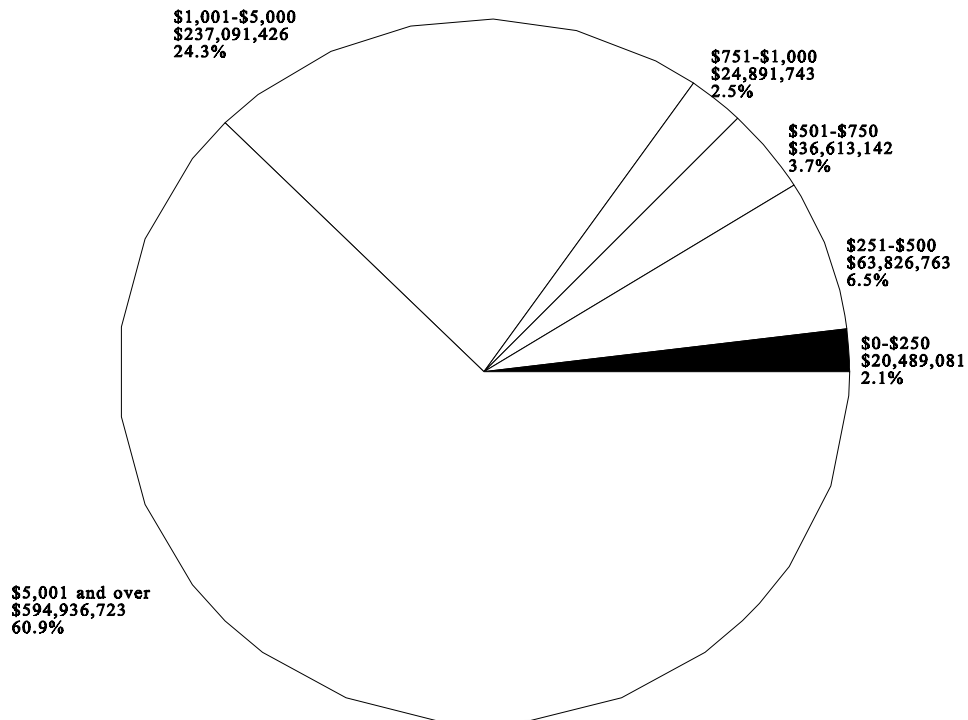
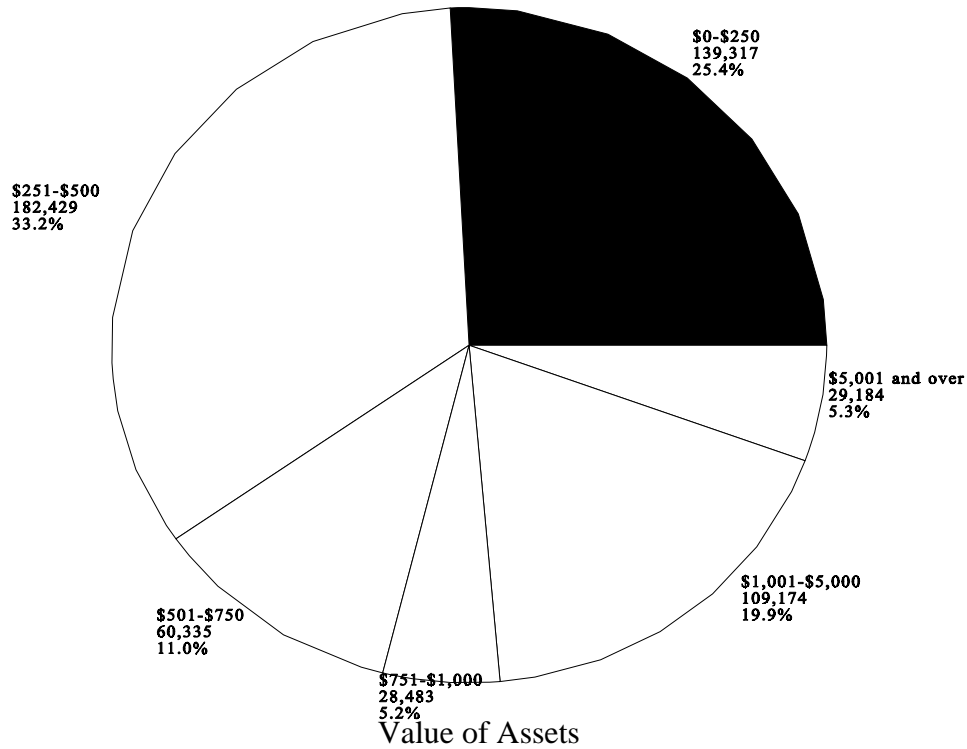
To help address the concerns noted, the State Auditor's Office will change the CSR to raise the capitalization threshold for fixed asset equipment items from \$250 to \$1,000. When approved, the increase in the capitalization threshold should ease some of the record keeping burden but still provide adequate information for financial reporting purposes. However, the departments should continue to identify and account for sensitive type equipment items below the \$1,000 threshold.

This report is intended for the information of the management of the state of Missouri. However, this report is a matter of public record and its distribution is not limited.



## APPENDICES

APPENDIX A  
CHARTS OF THE NUMBER OF EQUIPMENT ITEMS AND DOLLAR VALUES  
JUNE 30, 1999  
Number of Assets



Appendix B

REVIEW OF FIXED ASSETS EQUIPMENT  
SCHEDULE OF EQUIPMENT AMOUNTS BY DOLLAR VALUES  
JUNE 30, 1999

| State Department                                    | Dollar Value of Assets |                      |                      |                      |                       |                       | Total                 |
|---|------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
|   | \$0 - \$250            | \$251 - \$500        | \$501 - \$750        | \$751 - \$1,000      | \$1,001 - \$5,000     | \$5,001 and over      |                       |
| Office of Administration                            | \$ 875,175             | \$ 2,500,224         | \$ 1,333,945         | \$ 806,328           | \$ 7,270,983          | \$ 39,652,109         | \$ 52,438,764         |
| Department of Agriculture                           | 444,420                | 649,600              | 299,776              | 285,540              | 2,486,393             | 6,176,596             | 10,342,325            |
| Department of Conservation                          | 1,072,041              | 2,962,115            | 2,587,831            | 1,433,961            | 13,218,399            | 40,959,546            | 62,233,893            |
| Department of Corrections *                         | 4,506,288              | 11,949,537           | 7,856,838            | 5,026,481            | 19,407,161            | 52,473,809            | 101,220,114           |
| Department of Economic Development                  | 498,767                | 1,649,357            | 822,884              | 540,774              | 6,512,716             | 5,000,227             | 15,024,725            |
| Department of Elementary and Secondary Education ** | 259,154                | 3,648,919            | 2,339,670            | 1,317,149            | 11,511,681            | 10,959,679            | 30,036,252            |
| Coordinating Board for Higher Education             | 249                    | 88,998               | 46,778               | 19,703               | 450,381               | 793,429               | 1,399,538             |
| Department of Health                                | 57,538                 | 2,208,739            | 812,158              | 571,376              | 8,431,059             | 6,252,656             | 18,333,526            |
| Department of Insurance                             | 20,547                 | 263,010              | 218,268              | 29,643               | 1,173,051             | 590,713               | 2,295,232             |
| Department of Labor and Industrial Relations        | 475,289                | 2,428,677            | 1,102,560            | 799,486              | 13,714,030            | 15,421,434            | 33,941,476            |
| Department of Mental Health                         | 1,057,151              | 8,682,705            | 4,484,755            | 2,331,059            | 19,685,599            | 26,720,980            | 62,962,249            |
| Department of Natural Resources                     | 904,404                | 3,028,665            | 1,396,050            | 912,587              | 10,514,532            | 23,460,915            | 40,217,153            |
| Department of Public Safety                         | 1,542,795              | 6,582,917            | 3,520,709            | 2,944,310            | 22,225,006            | 61,078,954            | 97,894,691            |
| Department of Revenue                               | 1,352,086              | 2,571,938            | 943,187              | 741,273              | 11,025,383            | 22,809,253            | 39,443,120            |
| Department of Social Services                       | 1,444,114              | 6,856,592            | 3,094,207            | 1,678,655            | 43,897,511            | 20,719,988            | 77,691,067            |
| Department of Transportation                        | 5,979,063              | 7,754,770            | 5,753,526            | 5,453,418            | 45,567,541            | 261,866,435           | 332,374,753           |
| Total   | <u>\$ 20,489,081</u>   | <u>\$ 63,826,763</u> | <u>\$ 36,613,142</u> | <u>\$ 24,891,743</u> | <u>\$ 237,091,426</u> | <u>\$ 594,936,723</u> | <u>\$ 977,848,878</u> |
| Percentage of Total                                 | 2.1%                   | 6.5%                 | 3.7%                 | 2.5%                 | 24.3%                 | 60.9%                 | 100.0%                |

\* The Department of Corrections reported information as of August 19, 1999.

\*\* The Department of Elementary and Secondary Education reported information as of August 24, 1999.

Appendix C

REVIEW OF FIXED ASSETS EQUIPMENT  
SCHEDULE OF NUMBER OF EQUIPMENT ITEMS BY DOLLAR VALUES  
JUNE 30, 1999

| State Department                                    | Number of Assets |                |               |                 |                   |                  | Total          |
|---|------------------|----------------|---------------|-----------------|-------------------|------------------|----------------|
|   | \$0 - \$250      | \$251 - \$500  | \$501 - \$750 | \$751 - \$1,000 | \$1,001 - \$5,000 | \$5,001 and over |                |
| Office of Administration                            | 6,289            | 7,172          | 2,208         | 928             | 3,295             | 692              | 20,584         |
| Department of Agriculture                           | 3,595            | 1,764          | 475           | 322             | 1,024             | 448              | 7,628          |
| Department of Conservation                          | 7,053            | 8,370          | 4,278         | 1,627           | 5,503             | 2,494            | 29,325         |
| Department of Corrections *                         | 25,677           | 33,315         | 12,902        | 5,704           | 9,555             | 2,847            | 90,000         |
| Department of Economic Development                  | 4,958            | 4,634          | 1,359         | 621             | 3,131             | 431              | 15,134         |
| Department of Elementary and Secondary Education ** | 1,414            | 10,177         | 3,898         | 1,533           | 5,139             | 779              | 22,940         |
| Coordinating Board for Higher Education             | 1                | 270            | 77            | 22              | 193               | 44               | 607            |
| Department of Health                                | 347              | 6,525          | 1,326         | 643             | 4,132             | 453              | 13,426         |
| Department of Insurance                             | 181              | 751            | 359           | 34              | 504               | 67               | 1,896          |
| Department of Labor and Industrial Relations        | 3,204            | 6,877          | 1,768         | 884             | 6,702             | 536              | 19,971         |
| Department of Mental Health                         | 6,877            | 24,626         | 7,342         | 2,682           | 9,491             | 1,799            | 52,817         |
| Department of Natural Resources                     | 6,092            | 9,136          | 2,441         | 1,133           | 4,640             | 1,708            | 25,150         |
| Department of Public Safety                         | 12,856           | 19,352         | 5,752         | 3,375           | 10,531            | 3,319            | 55,185         |
| Department of Revenue                               | 15,966           | 7,605          | 1,539         | 841             | 6,315             | 784              | 33,050         |
| Department of Social Services                       | 8,280            | 19,886         | 5,136         | 1,914           | 18,161            | 1,619            | 54,996         |
| Department of Transportation                        | 36,527           | 21,969         | 9,475         | 6,220           | 20,858            | 11,164           | 106,213        |
| Total   | <u>139,317</u>   | <u>182,429</u> | <u>60,335</u> | <u>28,483</u>   | <u>109,174</u>    | <u>29,184</u>    | <u>548,922</u> |
| Percentage of Total                                 | 25.4%            | 33.2%          | 11.0%         | 5.2%            | 19.9%             | 5.3%             | <u>100.0%</u>  |

\* The Department of Corrections reported equipment information as of August 19, 1999.

\*\* The Department of Elementary and Secondary Education reported information as of August 24, 1999.

\* \* \* \* \*



CHILDREN'S TRUST FUND BOARD

TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000- 37  
May 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

The State Auditor conducted a financial and compliance audit of the Children's Trust Fund Board for the two years ended June 30, 1999. The State Auditor issued an unqualified opinion on the board's financial statements. In addition, the audit did not note any material instances of noncompliance nor any material weaknesses in internal controls. The State Auditor conducts this regular audit as a voluntary service as requested by the Children's Trust Fund Board.

The Children's Trust Fund Board was established by state statute to provide child abuse and neglect public awareness programs throughout the state. Under statutory provisions, any individual or corporation may designate a part or all of his/her income tax refund to be contributed to the Children's Trust Fund. Additional funding is derived from contributions made directly to the Children's Trust Fund, fees on marriage licenses, certified copies of marriage licenses, vital records, and federal grants.

The board is empowered to enter into contracts with public or private agencies, schools, or qualified individuals to establish community-based educational and service programs focused on the prevention of child abuse and neglect. The programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect and how Missouri citizens can contribute to prevention efforts.

Program disbursements of \$1.6 and \$1.8 million were distributed to recipient programs in fiscal years 1999 and 1998 respectively. A complete listing of recipient programs and other financial schedules outlining appropriations and expenditures of the Children's Trust Fund are available in this report.

YELLOW SHEET

CHILDREN’S TRUST FUND BOARD

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## FINANCIAL SECTION



## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Honorable Mel Carnahan, Governor  
and  
Members of the Children's Trust Fund Board  
and  
Bill Heberle, Executive Director  
Jefferson City, MO 65102

We have audited the accompanying financial statements of the Children's Trust Fund and the general fixed assets account group of the Children's Trust Fund Board as of and for the years ended June 30, 1999, and 1998. These financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

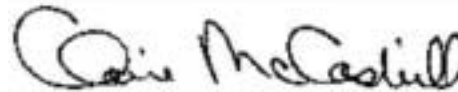
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Children's Trust Fund and the general fixed assets account group of the Children's Trust Fund Board as of June 30, 1999, and 1998, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 18, 2000, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

An integral part of the board's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

January 18, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                     |
|---------------------|---------------------|
| Director of Audits: | Tom Kremer, CPA     |
| Audit Manager:      | Randy Doerhoff, CPA |
| In-Charge Auditor:  | Chris Bach          |
| Audit Staff:        | Frank Verslues      |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor  
and  
Members of the Children's Trust Fund Board  
and  
Bill Heberle, Executive Director  
Jefferson City, MO 65102

We have audited the financial statements of the Children's Trust Fund Board as of and for the years ended June 30, 1999, and 1998, and have issued our opinion thereon dated January 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

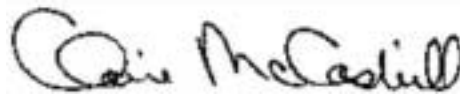
As part of obtaining reasonable assurance about whether the financial statements of the Children's Trust Fund Board are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Statement Reporting**

In planning and performing our audit of the financial statements of the Children's Trust Fund Board, we considered the board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A

material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Children's Trust Fund Board and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

January 18, 2000 (fieldwork completion date)

## Financial Statements

Exhibit A-1

CHILDREN'S TRUST FUND BOARD  
COMBINED BALANCE SHEET  
JUNE 30, 1999

|                                      | Children's<br>Trust Fund | General<br>Fixed Assets<br>Account<br>Group | Total<br>(Memorandum<br>Only) |
|--------------------------------------|--------------------------|---|-------------------------------|
| <b>ASSETS</b>                        |                          |   |                               |
| Cash and investments                 | \$ 3,873,996             | 0   | 3,873,996                     |
| Income tax contributions receivable  | 0                        | 0   | 0                             |
| County recorder fees receivable      | 70,623                   | 0   | 70,623                        |
| Vital records sales receivable       | 41,646                   | 0   | 41,646                        |
| Interest receivable                  | 51,725                   | 0   | 51,725                        |
| Fixed assets                         | 0                        | 47,596                                      | 47,596                        |
| Total Assets                         | <u>\$ 4,037,990</u>      | <u>47,596</u>                               | <u>4,085,586</u>              |
| <b>LIABILITIES AND FUND EQUITY</b>   |                          |   |                               |
| Liabilities:                         |                          |   |                               |
| Accounts payable                     | \$ 72,473                | 0   | 72,473                        |
| Employee fringe benefits payable     | 3,685                    | 0   | 3,685                         |
| Deferred federal grants              | 0                        | 0   | 0                             |
| Deferred license plate fees          | 73,661                   | 0   | 73,661                        |
| Total Liabilities                    | <u>149,819</u>           | <u>0</u>                                    | <u>149,819</u>                |
| Fund Equity:                         |                          |   |                               |
| Investment in general fixed assets   | 0                        | 47,596                                      | 47,596                        |
| Fund balance -                       |                          |   |                               |
| Reserve for trust principal (Note 3) | 1,000,000                | 0   | 1,000,000                     |
| Unreserved                           | 2,888,171                | 0   | 2,888,171                     |
| Total Fund Equity                    | <u>3,888,171</u>         | <u>47,596</u>                               | <u>3,935,767</u>              |
| Total Liabilities and Fund Equity    | <u>\$ 4,037,990</u>      | <u>47,596</u>                               | <u>4,085,586</u>              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CHILDREN'S TRUST FUND BOARD  
COMBINED BALANCE SHEET  
JUNE 30, 1998

|                                      | Children's<br>Trust Fund | General<br>Fixed Assets<br>Account<br>Group | Total<br>(Memorandum<br>Only) |
|--------------------------------------|--------------------------|---|-------------------------------|
| <b>ASSETS</b>                        |                          |   |                               |
| Cash and investments                 | \$ 3,334,528             | 0   | 3,334,528                     |
| Income tax contributions receivable  | 9                        | 0   | 9                             |
| County recorder fees receivable      | 68,194                   | 0   | 68,194                        |
| Vital records sales receivable       | 44,243                   | 0   | 44,243                        |
| Interest receivable                  | 50,720                   | 0   | 50,720                        |
| Fixed assets                         | 0                        | 49,354                                      | 49,354                        |
| Total Assets                         | <u>\$ 3,497,694</u>      | <u>49,354</u>                               | <u>3,547,048</u>              |
| <b>LIABILITIES AND FUND EQUITY</b>   |                          |   |                               |
| Liabilities:                         |                          |   |                               |
| Accounts payable                     | \$ 158,765               | 0   | 158,765                       |
| Employee fringe benefits payable     | 2,943                    | 0   | 2,943                         |
| Deferred federal grants              | 109,997                  | 0   | 109,997                       |
| Deferred license plate fees          | 30,744                   | 0   | 30,744                        |
| Total Liabilities                    | <u>302,449</u>           | <u>0</u>                                    | <u>302,449</u>                |
| Fund Equity:                         |                          |   |                               |
| Investment in general fixed assets   | 0                        | 49,354                                      | 49,354                        |
| Fund balance -                       |                          |   |                               |
| Reserve for trust principal (Note 3) | 1,000,000                | 0   | 1,000,000                     |
| Unreserved                           | 2,195,245                | 0   | 2,195,245                     |
| Total Fund Equity                    | <u>3,195,245</u>         | <u>49,354</u>                               | <u>3,244,599</u>              |
| Total Liabilities and Fund Equity    | <u>\$ 3,497,694</u>      | <u>49,354</u>                               | <u>3,547,048</u>              |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit B

CHILDREN'S TRUST FUND BOARD  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
CHILDREN'S TRUST FUND  
TWO YEARS ENDED JUNE 30, 1999

|                                      | Year Ended June 30, |                  |
|--------------------------------------|---------------------|------------------|
|                                      | 1999                | 1998             |
| REVENUES                             |                     |                  |
| Income tax contributions             | \$ 97,803           | 136,468          |
| Other registration fees              | 2,125               | 0                |
| County recorder fees                 | 864,891             | 770,417          |
| Vital records sales                  | 591,763             | 582,385          |
| Donations                            | 49,384              | 12,986           |
| Grants                               | 817,977             | 814,786          |
| Interest                             | 189,103             | 198,179          |
| Intergovernmental receipts           | 116,092             | 118,724          |
| Vendor refunds                       | 523                 | 0                |
| Total Revenues                       | <u>2,729,661</u>    | <u>2,633,945</u> |
| EXPENDITURES                         |                     |                  |
| Personal Service                     | 146,970             | 155,737          |
| Expense and Equipment                | 109,175             | 135,143          |
| Employee fringe benefits             | 39,758              | 36,532           |
| Program disbursements                | 1,651,677           | 1,845,731        |
| Building lease                       | 12,960              | 12,960           |
| Total Expenditures (Note 4)          | <u>1,960,540</u>    | <u>2,186,103</u> |
| Transfers Out (Note 5)               | <u>76,195</u>       | <u>104,749</u>   |
| Total Expenditures and Transfers out | <u>2,036,735</u>    | <u>2,290,852</u> |
| REVENUE OVER (UNDER) EXPENDITURES    | 692,926             | 343,093          |
| FUND BALANCE, JULY 1,                | <u>3,195,245</u>    | <u>2,852,152</u> |
| FUND BALANCE, JUNE 30,               | <u>\$ 3,888,171</u> | <u>3,195,245</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

CHILDREN'S TRUST FUND BOARD

COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  |    | Year Ended June 30, |              |          |                |              |          |
|--|----|---------------------|--------------|----------|----------------|--------------|----------|
|  |    | 1999                |              |          | 1998           |              |          |
|  |    |                     |              | Lapsed   |                |              | Lapsed   |
|  |    | Appropriations      | Expenditures | Balances | Appropriations | Expenditures | Balances |
| CHILDREN'S TRUST FUND                        |    |                     |              |          |                |              |          |
| Program disbursements                        | \$ | 2,500,000           | 1,651,677    | 848,323  | 2,500,000      | 1,845,731    | 654,269  |
| Personal service                             |    | 168,480             | 146,970      | 21,510   | 163,641        | 155,737      | 7,904    |
| Expense and equipment                        |    | 146,239             | 109,175      | 37,064   | 146,239        | 135,143      | 11,096   |
| Office lease, related services and utilities |    | 12,960              | 12,960       | 0        | 12,960         | 12,960       | 0        |
| Total Children's Trust Fund                  | \$ | 2,827,679           | 1,920,782    | 906,897  | 2,822,840      | 2,149,571    | 673,269  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## SUPPLEMENTARY DATA

Schedule 1

CHILDREN'S TRUST FUND BOARD  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30, |                  |                  |                  |                  |
|--|---------------------|------------------|------------------|------------------|------------------|
|  | 1999                | 1998             | 1997             | 1996             | 1995             |
| Personal service                           | \$ 146,970          | 155,737          | 144,706          | 136,348          | 122,293          |
| Travel and vehicle expense                 | 15,037              | 22,136           | 19,111           | 14,590           | 20,195           |
| Office and communication:                  |                     |                  |                  |                  |                  |
| Expense                                    | 81,299              | 132,080          | 59,180           | 60,461           | 81,934           |
| Equipment purchase and repair              | 1,181               | 806              | 7,744            | 2,539            | 866              |
| Institutional expense                      | 17,404              | 16,642           | 14,553           | 19,553           | 14,229           |
| Data processing - expense and<br>equipment | 588                 | 2,976            | 3,942            | 21,002           | 5,226            |
| Professional and technical services        | 6,932               | 32,978           | 94,075           | 8,550            | 7,290            |
| Program payments                           | 1,636,918           | 1,692,984        | 1,565,785        | 1,523,631        | 1,676,464        |
| Other expense                              | 14,453              | 93,231           | 13,936           | 7,575            | 5,440            |
| Total                                      | \$ <u>1,920,782</u> | <u>2,149,571</u> | <u>1,923,032</u> | <u>1,794,249</u> | <u>1,933,937</u> |

The accompanying Note to the Supplementary Data is an integral part of this statement.

## Schedule 2

CHILDREN'S TRUST FUND BOARD  
COMPARATIVE STATEMENT OF PROGRAM DISBURSEMENTS

|   | Year Ended June 30, |         |
|---|---------------------|---------|
|   | 1999                | 1998    |
| Barnes-Jewish Hospital                                  | \$ 0                | 3,000   |
| BJC Health Systems                                      | 0                   | 14,878  |
| Boys and Girls Club of Greater Kansas City              | 0                   | 11,685  |
| Boys and Girls Town of Missouri                         | 0                   | 1,000   |
| Cardinal Glennon Hospital                               | 1,848               | 2,928   |
| Center for Family Resources                             | 0                   | 26,046  |
| Central Missouri Counties Human Development Corporation | 118,164             | 144,088 |
| CHART Teen Task Force                                   | 4,016               | 1,000   |
| Children's Mercy Hospital                               | 0                   | 11,725  |
| Christos House  | 0                   | 6,291   |
| Citizens Against Spousal Abuse                          | 0                   | 9,493   |
| Citizens For Missouri's Children "Kids Count"           | 50,000              | 50,000  |
| Citizens Memorial Hospital                              | 174,822             | 125,600 |
| Clay County Health Department                           | 0                   | 283     |
| Clinton Housing Authority                               | 0                   | 1,132   |
| Community Counseling                                    | 0                   | 2,558   |
| Community Health Improvement                            | 0                   | 1,000   |
| Community Health in Partnership Services                | 0                   | 5,760   |
| Community Partnership                                   | 0                   | 546     |
| DeLaSalle Education Center                              | 0                   | 24,876  |
| Economic Security Corporation                           | 0                   | 30,755  |
| Educational and Research Trust                          | 1,135               | 3,065   |
| Family Counseling Center of Missouri                    | 0                   | 23,327  |
| Family Support Network                                  | 0                   | 1,728   |
| Freeman Neosho Hospital                                 | 0                   | 1,000   |
| Fulton Family Resource Center                           | 0                   | 1,000   |
| Grace Hill Neighborhood Health                          | 0                   | 16,281  |
| GW Medical Publishing Inc.                              | 10,699              | 0       |
| Health Service Management                               | 141,700             | 314,230 |
| Healthy Families Mid-America                            | 0                   | 1,635   |
| Heart of America United Way                             | 0                   | 3,000   |
| Henry County Health Center                              | 0                   | 1,637   |
| Jefferson County Community Assistance Program           | 0                   | 2,900   |
| Kingdom House   | 3,613               | 1,000   |
| Lafayette County Health Department                      | 498                 | 2,502   |
| Literacy Council of Macon County                        | 0                   | 35,010  |
| Media Cross   | 183,949             | 146,727 |
| Meramec Regional Planning Commission                    | 191,697             | 125,108 |

## Schedule 2

CHILDREN'S TRUST FUND BOARD  
COMPARATIVE STATEMENT OF PROGRAM DISBURSEMENTS

|   | Year Ended June 30, |           |
|---|---------------------|-----------|
|   | 1999                | 1998      |
| Missouri Association For Child Abuse Prevention | \$ 20,000           | 24,094    |
| Missouri Baptist Children's Home                | 0                   | 3,000     |
| Missouri Delta Medical Center                   | 5,936               | 0         |
| Missouri Juvenile Justice Association           | 0                   | 23,000    |
| MO - Span                                       | 1,000               | 0         |
| National Committee to Prevent Child Abuse       | 139,860             | 99,016    |
| North Central Missouri Mental Health Center     | 0                   | 1,000     |
| Nurses For Newborns Foundation                  | 0                   | 20,760    |
| Ozark Action Incorporated                       | 5,600               | 0         |
| Ozark County Health Center                      | 750                 | 2,250     |
| Pathways Community 2000                         | 0                   | 2,000     |
| Pettis County Health Center                     | 663                 | 1,000     |
| Phelps County Community Partnership             | 0                   | 1,000     |
| Progressive Youth Center                        | 0                   | 8,106     |
| Randolph County Health Department               | 0                   | 771       |
| Ranken Jordan Home                              | 0                   | 6,318     |
| Resource Development Institute                  | 0                   | 2,000     |
| Rose Brooks Center                              | 0                   | 11,418    |
| Safety Counsel of Greater St Louis              | 4,000               | 1,878     |
| Share and Care Center For Special Needs         | 0                   | 1,000     |
| Southside Day Nursery                           | 0                   | 3,985     |
| St. Louis Community Foundation                  | 219,214             | 125,000   |
| St. Louis Crisis Nursery                        | 0                   | 28,015    |
| St. Louis Health Care Network                   | 174,822             | 125,000   |
| St. Louis University                            | 0                   | 4,000     |
| St. Luke's Hospital                             | 9,858               | 0         |
| T.E.A.C.H.                                      | 1,000               | 0         |
| Taney County Health Department                  | 1,246               | 1,424     |
| Texas County Food Pantry                        | 0                   | 480       |
| Today and Tomorrow Educational Foundation       | 0                   | 11,574    |
| Truman Medical Center                           | 3,000               | 0         |
| United Way of Greater St. Louis                 | 0                   | 1,446     |
| Washington County Memorial                      | 174,822             | 126,000   |
| West Central Missouri Community Action Agency   | 0                   | 11,596    |
| Woodruff and Company                            | 0                   | 4,906     |
| Workshop on Wheels                              | 0                   | 7,042     |
| Young Women's Christian Association             | 0                   | 1,000     |
| Other entities                                  | 7,765               | 30,858    |
| Total Program Disbursements                     | \$ 1,651,677        | 1,845,731 |

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 3

CHILDREN'S TRUST FUND BOARD  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

|                        | <u>Equipment</u>        |
|------------------------|-------------------------|
| BALANCE, July 1, 1997  | \$ 75,274               |
| Additions              | 7,784                   |
| Dispositions           | <u>(33,704)</u>         |
| BALANCE, June 30, 1998 | 49,354                  |
| Additions              | 645                     |
| Dispositions           | <u>(2,403)</u>          |
| BALANCE, June 30, 1999 | <u><u>\$ 47,596</u></u> |

The accompanying Note to the Supplementary Data is an integral part of this statement.

## Notes to the Financial Statements and Supplementary Data



**CHILDREN'S TRUST FUND BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Notes to the Financial Statements:

1 Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

These financial statements present only selected data for the Children's Trust Fund and the General Fixed Asset Account Group of the Children's Trust Fund Board.

Revenues, expenditures, and changes in fund balance are presented in Exhibit B for the Children's Trust Fund. Appropriations from this fund are expended by or for the board for restricted purposes.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund or account group, it should be read only with reference to the details of each fund and account group.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the board's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for any fund, appropriation, or program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Children's Trust Fund, Exhibits A through B, are presented on the modified accrual basis of accounting which recognizes revenues when available and measurable and expenditures when the related liability is incurred.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

C. Fiscal Authority and Responsibility

The board administers transactions in the fund and account group listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Children's Trust Fund: Established by Section 210.173, RSMo 1994, to receive gifts, grants, and federal monies for establishing and developing programs to prevent or alleviate child abuse or neglect and for paying the administrative costs of the Children's Trust Fund Board. Appropriations from the fund authorize disbursements as directed by the Children's Trust Fund Board in accordance with the provisions under Sections 210.170 through 210.174, RSMo 1994. Any monies remaining in the fund are perpetually maintained for the purposes of the fund.

General Fixed Assets Account Group: This account group controls the balances, additions, and dispositions of the board's general fixed assets.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same fund as the related payrolls. These contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums, and the deferred compensation plan match.

Employee fringe benefits in the financial statement at Exhibit B are the transfers from the Children's Trust Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

The Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* requires certain disclosures regarding public employee retirement systems and postemployment benefits such as health care and insurance benefits provided to terminated employees. Required disclosures for the state financial reporting entity are included in the State of Missouri Comprehensive Annual Financial Report issued by the Office of Administration.

2 Cash

The balance of the Children's Trust Fund is pooled with other state funds and invested by the state treasurer.

3. Fund Balance Reserve for Trust Principal

In accordance with Section 210.173, RSMo 1994, the Children's Trust Fund maintains a perpetual reserve of \$1 million which is not available for expenditure.

4. Reconciliation of Total Expenditures to Appropriated Expenditures

Expenditures on Exhibit B reconcile to appropriated expenditures on Exhibit C as follows:

|                            | Year Ended June 30, |           |
|----------------------------|---------------------|-----------|
|                            | 1999                | 1998      |
| Expenditures Per Exhibit B | \$ 1,960,540        | 2,186,103 |
| Employee Fringe benefits   | (39,758)            | (36,532)  |
| Expenditures per Exhibit C | \$ 1,920,782        | 2,149,571 |

5. Transfers Out

These amounts were transferred to the General Revenue Fund – State for the Children's Trust Fund's share of the refunds paid back to Missouri taxpayers under Article X, Sections 16 through 24 of the Constitution of Missouri (Hancock Amendment).

Note to the Supplementary Data:

6. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

## History, Organization, and Statistical Information

**CHILDREN'S TRUST FUND BOARD  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION**

The Children's Trust Fund Board was established by Section 210.170, RSMo 1994, to provide child abuse and neglect public awareness programs throughout the state. Under the provisions of Section 210.174, RSMo 1994, any individual or corporation may designate a part or all of his/her income tax refund to be contributed to the Children's Trust Fund. Additional funding is derived from contributions made directly to the Children's Trust Fund, fees on marriage licenses, certified copies of marriage licenses, vital records, and federal grants.

The Children's Trust Fund Board has fifteen members. Eleven public members are appointed by the governor with the advice and consent of the Senate. Two members of the Missouri House of Representatives are appointed by the speaker of the House and two members of the Missouri Senate are appointed by the president pro tem of the Senate. Members of the Senate and House of Representatives serve on the Children's Trust Fund Board until their term in the House or Senate expires. Members serve until their successor is appointed. Members serving on the board as of January 2000 were:

| <u>Members</u>                   | <u>City</u>      | <u>Term Expires</u> |
|----------------------------------|------------------|---------------------|
| Richard Dunn, Chairman           | Springfield      | September 2000      |
| Dudley McCarter                  | St. Louis        | September 1998      |
| Richard Goldberg                 | Maryland Heights | September 1997      |
| Reverend Eugene Whelan           | Independence     | September 2000      |
| Linda Ward                       | Kansas City      | September 1997      |
| James Monteleone                 | Town & Country   | September 2002      |
| Duke McVey                       | Jefferson City   | October 2000        |
| Sam Burton                       | Rolla            | September 2001      |
| Kay Lynne Myers                  | Kansas City      | September 2000      |
| Cristy Brouce                    | Raytown          | September 2002      |
| Mildred Jamison                  | Florissant       | September 2002      |
| Representative Emmy McClelland   | Webster Groves   |                     |
| Representative Patrick Dougherty | St. Louis        |                     |
| Senator Harold Caskey            |                  |                     |
| Senator Betty Sims               | St. Louis        |                     |

The board is empowered to enter into contracts with public or private agencies, schools, or qualified individuals to establish community-based educational and service programs focused on the prevention

of child abuse and neglect. The programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect. These programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect and how Missouri citizens can contribute to prevention efforts.

The board may appoint an executive director to perform administrative duties. Sarah Grim was appointed Executive Director in January 1996 and resigned in June 1998. Bill Heberle was appointed Executive Director in November 1998. Four other employees perform various administrative and clerical tasks.

\* \* \* \* \*



REVIEW  
OF  
DEPARTMENT OF REVENUE  
DIVISION OF TAXATION AND COLLECTION  
SALES AND USE TAX REFUNDS

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-36  
May 12, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The following areas of concern were discovered as a result of a review conducted by our office of the Department of Revenue, Division of Taxation and Collection, Sales and Use Tax Refunds.**

Missouri state law authorizes the Department of Revenue (DOR), Division of Taxation, to issue sales and use tax refunds due to an overpaid return, or an audited return. During fiscal year ended June 30, 1999, the department disbursed state sales and use tax refunds, including interest, of approximately \$47,609,000. In addition to refunds, an undetermined amount of credits were applied to under payments of taxes during the fiscal year. Since fiscal year 1990, refund amounts have increased more than 400% as noted in the following table.

SALES AND USE TAX REFUNDS

| FISCAL YEAR | TOTAL REFUNDS |
|-------------|---------------|
| 1990        | \$8,960,000   |
| 1991        | 6,897,000     |
| 1992        | 16,463,000    |
| 1993        | 17,333,000    |
| 1994        | 16,388,000    |
| 1995        | 17,455,000    |
| 1996        | 15,424,000    |
| 1997        | 28,520,000    |
| 1998        | 32,774,000    |
| 1999        | 47,609,000    |

We reviewed sales and use tax refunds totaling approximately \$20,855,000 (including interest) for which there was no indication in the files that the vendor was going to return the tax or interest to the original consumer. We find this especially troubling since a questionable windfall for businesses has been created, and unveils a disincentive to charge taxpayers the correct tax amount.

(over)

YELLOW SHEET



Legislation was introduced in the 1997 legislative session that would have prohibited the refund or credit of sales or use tax erroneously collected by a retailer, unless it was demonstrated that all erroneously collected amounts would be refunded to the person that originally paid the tax. However, this provision was not approved by the General Assembly.

We contacted six contiguous states regarding their policies related to returning refunds to the original customer. Each of these states have regulations, state laws, or policies which provide that refunds must be returned to the original customer.

**Based on our review, it appears that much of the increase in refunds during fiscal 1999 was related to country club membership dues, athletic club fees, and changes in rates applicable to food sales, which are relatively new issues.**

Approximately \$13,429,000 (37%) of the \$36,550,000 refunds reviewed were related to sales taxes collected and remitted to the Department of Revenue on membership dues paid to country clubs and fees paid to athletic clubs. These refund applications cited various Administrative Hearing Commission (AHC) decisions. The decisions ruled that country clubs were entitled to a refund of sales taxes collected and remitted to the Department of Revenue on dues paid by membership classes which had voting rights in the club, had an ownership interest in the club, and would receive a distribution of the club's assets in the event of dissolution. Other decisions ruled that athletic clubs were entitled to a refund of sales taxes collected and remitted to the department on fees paid by members. These athletic clubs are not considered places of amusement or recreation, but rather fitness centers where the primary purpose is to improve member health and fitness and , therefore, the membership fees are not subject to sales tax.

Several country clubs which collected and remitted sales taxes on membership dues for the tax-exempt members applied for a refund from the Department of Revenue. To determine if the refund request was valid, the department required the clubs to indicate whether the members met the previously noted conditions required by the Administrative Hearing Commission decision. If the clubs indicated all three conditions were met, the refund was processed. However, the department did not require documentation, such as the bylaws, to verify that all three conditions were met. Failure to require adequate documentation reduces assurance that refunds are issued only to clubs which meet the requirements outlined in the Administrative Hearing Commission decision.

Approximately \$2,685,000 (7%) of the \$36,550,000 refunds reviewed were due to changes in sales tax rates applicable to food sales.

Other common reasons noted for refunds included approximately \$5,394,000 for exempt sales, \$4,806,000 related to taxpayer clerical errors, \$3,924,000 for dual operators, and \$2,177,000 pertaining to quarter-monthly filers.

Of the 266 sales and use tax refunds reviewed for fiscal year 1999, at least 76, totaling approximately \$14 million, indicated a consultant was involved in filing the refund request.

REVIEW OF  
DEPARTMENT OF REVENUE  
DIVISION OF TAXATION AND COLLECTION  
SALES AND USE TAX REFUNDS

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| <u>Number</u>                    | <u>Description</u>                 |
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| 2.                               | Food Tax Refunds .....             |
| 3.                               | Country Club Membership Dues ..... |

## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Quentin Wilson, Director  
Department of Revenue  
and  
Carol Fischer, Director  
Division of Taxation and Collection

We have conducted a review of the Department of Revenue, Division of Taxation and Collection, Sales and Use Tax Refunds. The objectives of this review were to:

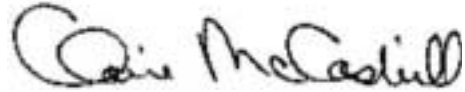
1. Review and evaluate the increase in refunds from fiscal year 1998 to fiscal year 1999.
2. Review and evaluate the basis for refunds paid in fiscal year 1999.
3. Determine whether sales and use tax refunds should have been and were ultimately returned to the original customer.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed certain records and documents and interviewed agency personnel. Our review included, but was not necessarily limited to the policies, practices and transactions of fiscal year 1999.

As part of our review, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of Sales and Use Tax Refunds.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

November 19, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Peggy Schler, CPA      |
| In-Charge Auditor:  | Christina Davis        |
| Audit Staff:        | Robyn Lamb             |

## MANAGEMENT ADVISORY REPORT

REVIEW OF  
DEPARTMENT OF REVENUE  
DIVISION OF TAXATION AND COLLECTION  
SALES AND USE TAX REFUNDS  
SUMMARY OF FINDINGS

1. Windfalls to Businesses (pages 7-8)

Sales and use tax refunds totaling approximately \$20,855,000 had no indication in the files that the refunds would be returned to the original customer.

2. Food Tax Refunds (pages 8-9 )

Refunds were issued for both over collecting sales tax on food items because the new lower food sales tax rate had not been adopted and for the 3% refund allowed on sales tax collected on qualifying food items.

3. Country Club Membership Dues (pages 9-10 )

The Department of Revenue (DOR) did not always require country clubs to provide documentation to verify that the membership dues for which sales tax refunds were issued met the qualifications outlined in an Administrative Hearing Commission (AHC) decision.

REVIEW OF  
DEPARTMENT OF REVENUE  
DIVISION OF TAXATION AND COLLECTION  
SALES AND USE TAX REFUNDS  
MANAGEMENT ADVISORY REPORT

**Background**

Section 144.190, RSMo 1994, authorizes the Department of Revenue (DOR), Division of Taxation, to issue sales and use tax refunds due to an overpaid return, an amended return, or an audited return. During fiscal year ended June 30, 1999, the DOR disbursed sales and use tax refunds, including interest, of approximately, \$47,609,000 (exclusive of local use tax refunds related to the local use tax that was ruled unconstitutional). In addition to refunds, an undetermined amount of credits were applied to under payments of taxes during the fiscal year. Since fiscal year 1990, refund amounts have increased more than 400% as noted in the following table.

| SALES AND USE TAX REFUNDS |    |               |
|---------------------------|----|---------------|
| FISCAL YEAR               |    | TOTAL REFUNDS |
| 1990                      | \$ | 8,960,000     |
| 1991                      |    | 6,897,000     |
| 1992                      |    | 16,463,000    |
| 1993                      |    | 17,333,000    |
| 1994                      |    | 16,388,000    |
| 1995                      |    | 17,455,000    |
| 1996                      |    | 15,424,000    |
| 1997                      |    | 28,520,000    |
| 1998                      |    | 32,774,000    |
| 1999                      |    | 47,609,000    |

Of the \$47,609,000 sales and use tax refunds issued in fiscal year 1999, we reviewed refunds totaling approximately \$36,550,000 (77%), which included interest payments of approximately \$5,676,000. Interest on refunds is calculated from the date the sales or use taxes were submitted to the DOR.

Based on our review, it appears that much of the increase in refunds during fiscal 1999 was related to country club membership dues, athletic club fees, and food sales, which are relatively new issues.

Approximately \$13,429,000 (37%) of the \$36,550,000 refunds reviewed were related to sales taxes collected and remitted to the DOR on membership dues paid to country clubs and fees paid to athletic clubs. These refund applications cited various Administrative Hearing Commission (AHC) decisions. The



decisions ruled that country clubs were entitled to a refund of sales taxes collected and remitted to DOR on dues paid by membership classes which had voting rights in the club, had an ownership interest in the club, and would receive a distribution of the club's assets in the event of dissolution. Other decisions ruled that athletic clubs were entitled to a refund of sales taxes collected and remitted to DOR on fees paid by members. These athletic clubs are not considered places of amusement or recreation, but rather fitness centers where the primary purpose is to improve member health and fitness and, therefore, the membership fees are not subject to sales tax.

Approximately \$2,685,000 (7%) of the \$36,550,000 refunds reviewed were due to food sales. Effective October 1, 1997, the state sales tax levied on qualifying retail sales of food was reduced from four percent to one percent. State law provided for a refund equal to three percent of all state and local sales and use taxes collected on the qualifying retail sales of food on or after October 1, 1997, and prior to September 30, 1998. The refunds were made without interest, and were only allowed if the taxpayers filed correctly completed claims for refund on or before September 30, 1999.

Other common reasons noted for refunds included approximately \$5,394,000 for exempt sales, \$4,806,000 related to taxpayer clerical errors, \$3,924,000 for dual operators, and \$2,177,000 pertaining to quarter-monthly filers.

Of the 266 sales and use tax refunds we reviewed at least 76, totaling approximately \$14 million, indicated a consultant was involved in filing the refund request.

## **1.**

### **Windfalls to Businesses**

Vendors collect sales and use taxes from their customers and remit the taxes to the Department of Revenue (DOR). Section 144.190, RSMo 1994, authorizes the division to issue sales and use tax refunds due to an overpaid return, an amended return, or an audited return. During fiscal year 1999, the DOR disbursed sales and use tax refunds of approximately \$47,609,000. We reviewed 266 of the refunds issued in fiscal year 1999, totaling approximately \$36,550,000. We noted 128 sales and use tax refunds for various reasons totaling approximately \$20,855,000 (including interest) for which there was no indication in the files that the vendor was going to return the tax or the interest to the original customer. In addition, we reviewed sales and use tax refunds totaling approximately \$2,300,000 for which it was indicated the refunds would be returned to the original customer. There was no documentation that the interest portion of these refunds, totaling approximately \$280,000, would be returned to the original customer; nor was there documentation to ensure, in the majority of the cases, the refund had actually been returned to the customer. Failure by the vendor to return the sales taxes and related interest to the customer results in a windfall for the vendor.

We previously addressed this issue in our audit reports for the two years ended June 30, 1998 and 1994. Legislation was introduced in the 1997 legislative session that would have prohibited the refund or credit of sales or use tax erroneously collected by a retailer, unless it was demonstrated

that all erroneously collected amounts would be refunded to the person that originally paid the tax. However, this provision was not approved by the General Assembly.

We contacted six contiguous states regarding their policies related to returning refunds to the original customer. Each of these states have regulations, state laws, or policies which provide that refunds must be returned to the original customer. Four of the states indicated that if the taxpayers are not the original customers, the taxpayers are required to prove the refunds are distributed to their customers. The other two states indicated that they only give refunds to the original customer.

The division should continue to pursue legislation which would require sales tax refunds and related interest be returned to the original customer. Such a policy would appear to be consistent with the provisions in the contiguous states that we contacted. Legislation should address the situations in which it is not practical or possible to identify the original customer. In these situations it seems reasonable that these monies should be retained by the state and local governments to be used for the benefit of the general public rather than to enrich the vendors that have erroneously collected such taxes.

**WE RECOMMEND** the department pursue legislation which would require sales tax refunds and related interest be returned to the original customer.

### **AUDITEE'S RESPONSE**

*The Department of Revenue (the department) agrees sellers should be required to return sales/use tax refunds to the original purchaser. The department supports legislation including this requirement. However, until such legislation is enacted, the department cannot require a seller requesting a tax refund to provide supporting documentation demonstrating it will pass the refund on to the original purchaser(s).*

|                            |
|----------------------------|
| <b>2. Food Tax Refunds</b> |
|----------------------------|

Section 144.014, RSMo 1998, reduced the state tax levied on qualifying retail sales of food from four percent to one percent effective October 1, 1997. This section also allowed food vendors to receive a three percent refund on sales and use taxes collected on qualifying retail sales of food for a specified period of time. The section specifically states:

"Any person required to collect and remit the sales or use tax on food pursuant to the provisions of this section shall be entitled to a refund from the general revenue fund equal to three percent of all state and local sales and use taxes collected by such person on or after October 1, 1997, and prior to September 30, 1998, and remitted by such person on or before the date when the same becomes due . . . on the retail sales of food as defined in this section. This refund . . . shall be made without interest. Such refund shall be made

only if such person files a correctly completed claim for refund on or before September 30, 1999, accompanied by such information as the director may require. . ."

We reviewed one case in which the taxpayer requested refunds for the same filing periods for both over collecting and remitting sales taxes at the previous four percent tax rate and for the three percent refund allowed by state law. The portion of the refund related to the three percent refund issue was based on the correct amount of qualifying retail sales.

The law does not specifically address whether the three percent refund should be allowed in the event that the taxpayer failed to implement the tax rate reduction. In the situation noted above, the taxpayer received the compensation for adopting the rate reduction, when in fact, the rate collected from the customer had not been reduced for the filing periods in question.

**WE RECOMMEND** that in the future if a similar situation occurs the department at least question whether such payments appear reasonable.

### **AUDITEE'S RESPONSE**

*The department agrees in general those taxpayers consciously deciding not to collect tax on qualifying food at the statutory reduced state rate should not receive the three percent "administrative" refund. The three percent refund was intended to cover business costs for converting operations to the partial exemption on food. However, in the one case cited in this report, the taxpayer had been collecting tax on some of its food sales at the reduced rate. The business filed amended returns after a review of its records revealed other sales were of qualifying food items. In this isolated instance the taxpayer incurred the administrative burden of complying with the law; therefore, the department concluded there was not sufficient legal basis for denying the three percent refund.*

*As always, the department will continue to exercise due diligence where the taxpayer is requesting the three percent refund without having incurred the costs associated with complying with the reduced rate on qualifying food items.*

**3.**

### **Country Club Membership Dues**

Country clubs collect sales taxes on membership dues of certain classes of members and remit the taxes to the DOR. Dues for member classes who have voting rights, own equity in the club, and would receive a distribution of the club's assets upon dissolution are tax-exempt. All other membership dues are taxable per AHC decision, *Bogey, Inc. v. Director of Revenue*, No. 96-002209 RV and other related cases. Several country clubs which collected and remitted sales taxes on membership dues for the tax-exempt members applied for a refund from the DOR. To determine if the refund request was valid, the DOR required the clubs to indicate whether the members met the previously noted conditions required by the AHC decision. If the clubs indicated

all three conditions were met, the refund was processed. However, the DOR did not require documentation, such as the bylaws, to verify that all three conditions were met. Failure to require adequate documentation reduces assurance that refunds are issued only to clubs which meet the requirements outlined in the AHC decision.

**WE RECOMMEND** the department require country clubs requesting refunds for sales taxes on membership dues supply documentation to verify the required conditions exist. In addition, for refunds already paid, the department should review these files to ensure all conditions were met.

### **AUDITEE'S RESPONSE**

*The department requires each refund claimant to provide proof that its refund claim conditions are valid and to substantiate the amount claimed. Additionally, all claimants are required to submit amended returns for each period in which a refund is claimed. The department requested country clubs seeking refunds of sales tax paid on membership dues to respond under oath as to whether conditions cited by the court, including the clubs' membership classifications, members' voting rights, ownership rights and rights upon dissolution of the club, were met. In addition, many clubs provided worksheets and other documentation supporting their claims. Bylaws were requested and received if questions arose as to the validity of any of these refund claims. To request bylaws from taxpayers receiving refunds of the sales tax paid on membership dues where there is no evidence the claims were invalid is unduly burdensome on the taxpayer and contrary to the department's commitment to increase voluntary compliance while simplifying and reducing the cost of compliance.*

This report is intended for the information of the management of the DOR. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



OFFICE OF STATE TREASURER

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-35  
May 12, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The following findings were noted as a result of an audit conducted by our office of the Office of the State Treasurer.**

-----  
The State Treasurer's Office maintains numerous bank accounts to handle state monies. Due to the volume of activity, and the number and complexity of reconciling items, many of the main operating accounts are normally reconciled daily. However, one of these accounts, the Electronic Receipt/Payment Account, was not being reconciled on a timely basis. A similar condition was noted in our prior report.

The Electronic Receipt/Payment Account is used to process many of the state's electronic transactions, such as wire transfer receipts of federal monies, credit card receipts, direct deposits of payroll checks, and electronic vendor payments. In response to our prior report, the State Treasurer's Office did increase their efforts in reconciling the account for a period of time. During our audit, we noted that the daily bank reconciliations for this account were current at July 23, 1999; however, the reconciliations were not performed again until December 6, 1999 when we discussed the issue with the State Treasurer's Office. The reconciliations were still five and one-half months behind at March 2, 2000.

The June 30, 1999 reconciliation identified approximately \$7,400,000 in reconciling items, one-third of which had been outstanding for more than a month. Many such items require further research to determine what corrections or additional actions are necessary to resolve them. To allow errors and other reconciling items to be identified, researched, and corrected in a timely manner, bank reconciliations should be kept up-to-date.

Certain entities holding unclaimed property for persons they cannot locate are periodically required to send such property, along with available information about the owners, to the State Treasurer's Office. The Unclaimed Property Division (UPD) receives and records the unclaimed property and deposits unclaimed monies to the credit of the Abandoned Fund Account Fund. While the UPD deposits unclaimed funds and enters information about the holders into the UPD's unclaimed property management system database as it is received, the related individual owner information is not always entered in a timely manner.

At June 30, 1999, the UPD had approximately \$3,524,000 in holder reports for which the owner information had not been entered, as compared to approximately \$2,019,000 at June 30, 1998. Some of these reports had been submitted as much as eight months earlier. In addition, as of October 1, 1999 the amount had increased to approximately \$3,821,000. The two main reporting periods during which unclaimed property is remitted to the UPD begin on May 1 and November 1 of each year.

(over)

YELLOW SHEET

The timely entry of owner information on the unclaimed property management system is critical to returning unclaimed funds to the original owners in a timely manner. While the UPD uses many marketing tools to publicize unclaimed funds and to encourage owners to inquire about monies possibly due them, owners can only identify and claim the amounts recorded in their name on the unclaimed property management system. Without the most current data, the value of this marketing is reduced.

As a follow-up to the action taken by the Office of State Treasurer on recommendations made in our report issued for the year ended June 30, 1998. We had recommended:

- The State Treasurer's Office continue to monitor the cash balance of the Abandoned Fund Account Fund and ensure that the necessary transfer is made at least once each fiscal year to reduce the balance to the level required by state law. – **Implemented**
- The State Treasurer's Office ensure that audits and other reviews of the Missouri First Linked Deposit Program are performed on a timely basis. In addition the audits should conform to the State Treasurer's Office's written guidelines. – **Implemented**

OFFICE OF STATE TREASURER

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, State Treasurer  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Office of State Treasurer as of and for the year ended June 30, 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the financial position, results of operations, and cash flows of the Central Check Mailing Service Revolving Fund; the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of State Treasurer. These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

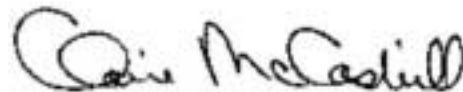
In our opinion, the special-purpose financial statements in Exhibits A through C present fairly, in all material respects, the financial position of the Central Check Mailing Service Revolving Fund as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In our opinion, the special-purpose financial statements in Exhibits D and E present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of State Treasurer as of and for the years ended June 30, 1999 and 1998, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 20, 1999, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information, except for that presented in Schedule 5, has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole. We did not audit the information presented in Schedule 5 and, accordingly, we express no opinion on it.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

December 20, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA  |
| Audit Manager:      | Douglas J. Porting, CPA |
| Audit Staff:        | Tiffany A. Blew         |
|                     | Francis E. Verslues     |
|                     | Tirennia C. Miller      |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, State Treasurer  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Office of State Treasurer as of and for the year ended June 30, 1999, and have issued our report thereon dated December 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

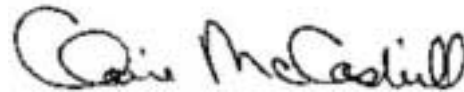
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of State Treasurer, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a material weakness, and this matter is presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Office of State Treasurer and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

December 20, 1999 (fieldwork completion date)

## Financial Statements



Exhibit A

OFFICE OF STATE TREASURER  
CENTRAL CHECK MAILING SERVICE REVOLVING FUND  
COMPARATIVE BALANCE SHEET

|                                | June 30,         |               |
|--------------------------------|------------------|---------------|
|                                | 1999             | 1998          |
| ASSETS                         |                  |               |
| Cash and investments           | \$ 17,001        | 23,241        |
| Accounts receivable            | 28,471           | 26,601        |
| Prepaid postage                | 8,261            | 9,649         |
| Equipment                      | 17,300           | 17,300        |
| Accumulated depreciation       | -8,650           | -6,920        |
| Total Assets                   | <u>\$ 62,383</u> | <u>69,871</u> |
| LIABILITIES AND EQUITY         |                  |               |
| Accounts payable               | \$ 0             | 2,561         |
| Total Liabilities              | <u>0</u>         | <u>2,561</u>  |
| Equity:                        |                  |               |
| Contributed capital            | 50,000           | 50,000        |
| Retained earnings - unreserved | 12,383           | 17,310        |
| Total Equity                   | <u>62,383</u>    | <u>67,310</u> |
| Total Liabilities and Equity   | <u>\$ 62,383</u> | <u>69,871</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OFFICE OF STATE TREASURER  
CENTRAL CHECK MAILING SERVICE REVOLVING FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS

|                            | Year Ended June 30, |        |
|----------------------------|---------------------|--------|
|                            | 1999                | 1998   |
| OPERATING REVENUES         |                     |        |
| Charges for services       | \$ 54,714           | 51,992 |
| Total Operating Revenues   | 54,714              | 51,992 |
| OPERATING EXPENSES         |                     |        |
| Postage                    | 47,576              | 49,093 |
| Office supplies            | 10,335              | 8,191  |
| Depreciation               | 1,730               | 1,730  |
| Other                      | 0                   | 0      |
| Total Operating Expenses   | 59,641              | 59,014 |
| NET (LOSS)                 | -4,927              | -7,022 |
| RETAINED EARNINGS, JULY 1  | 17,310              | 24,332 |
| RETAINED EARNINGS, JUNE 30 | \$ 12,383           | 17,310 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

OFFICE OF STATE TREASURER  
CENTRAL CHECK MAILING SERVICE REVOLVING FUND  
COMPARATIVE STATEMENT OF CASH FLOWS

|   | Year Ended June 30, |                |
|---|---------------------|----------------|
|   | 1999                | 1998           |
| CASH FLOWS FROM OPERATING ACTIVITIES          |                     |                |
| Cash received from customers                  | \$ 52,844           | 49,650         |
| Cash paid for operations                      | <u>-59,084</u>      | <u>-59,370</u> |
| NET CASH (DECREASED) BY OPERATING ACTIVITIES  | -6,240              | -9,720         |
| CASH, July 1                                  | <u>23,241</u>       | <u>32,961</u>  |
| CASH, June 30                                 | <u>\$ 17,001</u>    | <u>23,241</u>  |
| RECONCILIATION OF OPERATING LOSS TO NET       |                     |                |
| CASH (DECREASED) BY OPERATING ACTIVITIES      |                     |                |
| Operating (loss)                              | \$ -4,927           | -7,022         |
| Adjustments to reconcile operating loss to    |                     |                |
| net cash (decreased) by operating activities: |                     |                |
| Depreciation                                  | 1,730               | 1,730          |
| Changes in assets and liabilities:            |                     |                |
| Decrease (Increase) in accounts receivable    | -1,870              | -2,342         |
| Decrease (Increase) in prepaid postage        | 1,388               | -4,500         |
| Increase (Decrease) in accounts payable       | <u>-2,561</u>       | <u>2,414</u>   |
| Net Cash (Decreased) by Operating Activities  | <u>\$ -6,240</u>    | <u>-9,720</u>  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH AND INVESTMENTS-ABANDONED FUND ACCOUNT FUND AND TREASURER'S  
INFORMATION FUND

|  | Year Ended June 30,               |                                    |                                   |                                    |
|--|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
|  | 1999                              |                                    | 1998                              |                                    |
|  | Abandoned<br>Fund<br>Account Fund | Treasurer's<br>Information<br>Fund | Abandoned<br>Fund<br>Account Fund | Treasurer's<br>Information<br>Fund |
| RECEIPTS   |                                   |                                    |                                   |                                    |
| Unclaimed deposits, dividends, and<br>interest from financial institutions | \$ 21,178,070                     | 0                                  | 16,073,254                        | 0                                  |
| Charges for services   | 0                                 | 3,630                              | 0                                 | 3,645                              |
| Total Receipts   | 21,178,070                        | 3,630                              | 16,073,254                        | 3,645                              |
| DISBURSEMENTS  |                                   |                                    |                                   |                                    |
| Refunds of unclaimed deposits  | 4,959,679                         | 0                                  | 4,308,123                         | 0                                  |
| Expense and equipment  | 95,055                            | 1,502                              | 92,404                            | 1,175                              |
| Total Disbursements (Note 3)   | 5,054,734                         | 1,502                              | 4,400,527                         | 1,175                              |
| RECEIPTS OVER (UNDER) DISBURSEMENTS  | 16,123,336                        | 2,128                              | 11,672,727                        | 2,470                              |
| TRANSFERS  |                                   |                                    |                                   |                                    |
| Transfers from General Revenue<br>Fund-State                               | 0                                 | 0                                  | 972,767                           | 0                                  |
| Transfers (to) General Revenue<br>Fund-State                               | -16,541,535                       | 0                                  | -12,821,764                       | -535                               |
| Net Transfers  | -16,541,535                       | 0                                  | -11,848,997                       | -535                               |
| RECEIPTS OVER (UNDER) DISBURSEMENTS<br>AND TRANSFERS                       | -418,199                          | 2,128                              | -176,270                          | 1,935                              |
| CASH AND INVESTMENTS, JULY 1   | 675,468                           | 2,681                              | 851,738                           | 746                                |
| CASH AND INVESTMENTS, JUNE 30  | \$ 257,269                        | 4,809                              | 675,468                           | 2,681                              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit E

## OFFICE OF STATE TREASURER

## COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

| Year Ended June 30,  |                     |                  |                 |                  |                  |                 |
|--|---------------------|------------------|-----------------|------------------|------------------|-----------------|
|  | 1999                |                  |                 | 1998             |                  |                 |
|  | Appropriations      | Expenditures     | Lapsed Balances | Appropriations   | Expenditures     | Lapsed Balances |
| GENERAL REVENUE FUND - STATE                                     |                     |                  |                 |                  |                  |                 |
| Expense and equipment  | \$ 138,664          | 72,081           | 66,583          | 164,235          | 25,570           | 138,665         |
| Personal service   | 1,378,970           | 1,267,534        | 111,436         | 1,286,864        | 1,119,725        | 167,139         |
| Expense and equipment  | 153,500             | 0                | 153,500         | 709,224          | 503,849          | 205,375         |
| Issuing duplicate checks   | 910,000             | 852,233          | 57,767          | 510,000          | 493,769          | 16,231          |
| Services to monitor companies doing business in Northern Ireland | 3,000               | 3,000            | 0               | 3,000            | 3,000            | 0               |
| Outlawed checks  | 5,000               | 4,730            | 270             | 25,000           | 17,154           | 7,846           |
| Lease and utility expense  | 2,940               | 2,171            | 769             | 2,940            | 2,236            | 704             |
| Refunds of excess interest from the linked deposit program       | 8,800               | 7,855            | 945             | 4,000            | 3,169            | 831             |
| Expense and equipment  | 494,050             | 493,668          | 382             | N/A              | N/A              | N/A             |
| Total General Revenue Fund - State                               | <u>3,094,924</u>    | <u>2,703,272</u> | <u>391,652</u>  | <u>2,705,263</u> | <u>2,168,472</u> | <u>536,791</u>  |
| TREASURER'S INFORMATION FUND                                     |                     |                  |                 |                  |                  |                 |
| Expense and equipment  | <u>8,000</u>        | <u>508</u>       | <u>7,492</u>    | <u>8,000</u>     | <u>1,304</u>     | <u>6,696</u>    |
| CENTRAL CHECK MAILING SERVICE                                    |                     |                  |                 |                  |                  |                 |
| REVOLVING FUND   |                     |                  |                 |                  |                  |                 |
| Expense and equipment  | <u>75,000</u>       | <u>56,522</u>    | <u>18,478</u>   | <u>75,000</u>    | <u>61,785</u>    | <u>13,215</u>   |
| HIGHWAY DEPARTMENT FUND  |                     |                  |                 |                  |                  |                 |
| Personal service   | <u>416,419</u>      | <u>403,926</u>   | <u>12,493</u>   | <u>400,803</u>   | <u>388,779</u>   | <u>12,024</u>   |
| WORKERS' COMPENSATION - SECOND INJURY FUND                       |                     |                  |                 |                  |                  |                 |
| Personal service   | 32,877              | 21,797           | 11,080          | 31,252           | 18,279           | 12,973          |
| Expense and equipment  | <u>3,280</u>        | <u>2,175</u>     | <u>1,105</u>    | <u>3,280</u>     | <u>1,918</u>     | <u>1,362</u>    |
| Total Workers' Compensation - Second Injury Fund                 | <u>36,157</u>       | <u>23,972</u>    | <u>12,185</u>   | <u>34,532</u>    | <u>20,197</u>    | <u>14,335</u>   |
| ABANDONED FUND ACCOUNT   |                     |                  |                 |                  |                  |                 |
| Expense and equipment  | 129,701             | 129,701          | 0               | 129,701          | 77,791           | 51,910          |
| Payment of claims for abandoned property                         | <u>5,000,000</u>    | <u>4,756,476</u> | <u>243,524</u>  | <u>4,500,000</u> | <u>4,475,992</u> | <u>24,008</u>   |
| Total Abandoned Fund Account                                     | <u>5,129,701</u>    | <u>4,886,177</u> | <u>243,524</u>  | <u>4,629,701</u> | <u>4,553,783</u> | <u>75,918</u>   |
| Total All Funds  | <u>\$ 8,760,201</u> | <u>8,074,377</u> | <u>685,824</u>  | <u>7,853,299</u> | <u>7,194,320</u> | <u>658,979</u>  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Supplementary Data

Schedule 1

OFFICE OF STATE TREASURER  
CENTRAL CHECK MAILING SERVICE REVOLVING FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS

|                            | Year Ended June 30, |               |               |               |               |
|----------------------------|---------------------|---------------|---------------|---------------|---------------|
|                            | 1999                | 1998          | 1997          | 1996          | 1995          |
| OPERATING REVENUES         |                     |               |               |               |               |
| Charges for services       | \$ 54,714           | 51,992        | 48,492        | 47,722        | 44,124        |
| Total Operating Revenues   | <u>54,714</u>       | <u>51,992</u> | <u>48,492</u> | <u>47,722</u> | <u>44,124</u> |
| OPERATING EXPENSES         |                     |               |               |               |               |
| Postage                    | 47,576              | 49,093        | 40,583        | 35,157        | 31,417        |
| Office supplies            | 10,335              | 8,191         | 6,642         | 7,860         | 3,439         |
| Other                      | 0                   | 0             | 77            | 3,748         | 4,034         |
| Depreciation               | <u>1,730</u>        | <u>1,730</u>  | <u>1,730</u>  | <u>1,730</u>  | <u>1,730</u>  |
| Total Operating Expenses   | <u>59,641</u>       | <u>59,014</u> | <u>49,032</u> | <u>48,495</u> | <u>40,620</u> |
| NET INCOME (LOSS)          | -4,927              | -7,022        | -540          | -773          | 3,504         |
| RETAINED EARNINGS, JULY 1  | <u>17,310</u>       | <u>24,332</u> | <u>24,872</u> | <u>25,645</u> | <u>22,141</u> |
| RETAINED EARNINGS, JUNE 30 | <u>\$ 12,383</u>    | <u>17,310</u> | <u>24,332</u> | <u>24,872</u> | <u>25,645</u> |

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Schedule 2

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|   | Year Ended June 30, |                  |                  |                  |                  |
|---|---------------------|------------------|------------------|------------------|------------------|
|   | 1999                | 1998             | 1997             | 1996             | 1995             |
| Personal service                            | \$ 1,693,258        | 1,526,783        | 1,538,219        | 1,413,645        | 1,303,238        |
| Travel and vehicle:                         |                     |                  |                  |                  |                  |
| Expense                                     | 70,348              | 58,687           | 70,914           | 69,869           | 81,904           |
| Equipment purchase                          | 0                   | 16,582           | 0                | 0                | 0                |
| Office expense                              | 88,859              | 75,902           | 78,433           | 82,004           | 78,655           |
| Office and communication equipment purchase | 20,517              | 33,369           | 38,506           | 25,457           | 52,338           |
| Communication expense                       | 122,912             | 119,960          | 114,757          | 98,709           | 100,401          |
| Institution and physical plant:             |                     |                  |                  |                  |                  |
| Expense                                     | 4,352               | 4,495            | 4,460            | 6,267            | 13,503           |
| Equipment purchase                          | 279                 | 4,835            | 6,941            | 870              | 7,049            |
| Data processing expense and equipment       | 270,550             | 217,903          | 315,264          | 340,290          | 233,374          |
| Professional services                       | 140,742             | 100,862          | 108,030          | 76,275           | 82,911           |
| Refunds                                     | 5,621,294           | 4,990,084        | 3,889,817        | 3,370,787        | 3,705,008        |
| Other expense                               | 41,266              | 44,858           | 30,578           | 40,968           | 18,550           |
| Total Expenditures                          | \$ <u>8,074,377</u> | <u>7,194,320</u> | <u>6,195,919</u> | <u>5,525,141</u> | <u>5,676,931</u> |

The accompanying Notes to the Supplementary Data are an integral part of this statement.



Schedule 3

OFFICE OF STATE TREASURER  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
YEAR ENDED JUNE 30, 1999

|                               | Balance<br>June 30,<br>1998 | Additions | Dispositions | Balance<br>June 30,<br>1999 |
|-------------------------------|-----------------------------|-----------|--------------|-----------------------------|
| Equipment                     | \$ 625,736                  | 176,436   | -49,539      | 752,633                     |
| Motor vehicles                | 20,871                      | 0         | 0            | 20,871                      |
| Total General Fixed<br>Assets | \$ 646,607                  | 176,436   | -49,539      | 773,504                     |

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Schedule 4

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

|  | June 30,         |               |               |               |               |
|--|------------------|---------------|---------------|---------------|---------------|
|  | 1999             | 1998          | 1997          | 1996          | 1995          |
| <b>APPROPRIATED FUNDS</b>                |                  |               |               |               |               |
| Demand Deposits:                         |                  |               |               |               |               |
| Mercantile Bank (Note 7)                 | \$ 17,378,945    | 27,419,757    | 0             | 0             | 0             |
| Central Bank (Note 7)                    | -181,557,095     | -168,421,915  | -117,767,344  | -124,164,306  | -112,620,966  |
| Collection bank accounts (Note 7)        | 6,781,261        | 4,990,343     | 5,797,090     | 7,173,967     | 3,689,262     |
| Total Demand Deposits                    | -157,396,889     | -136,011,815  | -111,970,254  | -116,990,339  | -108,931,704  |
| Time Deposits                            | 442,979,003      | 421,840,092   | 424,192,952   | 443,560,755   | 373,787,703   |
| U.S. government securities               | 2,299,678,256    | 3,048,280,491 | 2,607,059,674 | 2,016,995,009 | 1,178,679,028 |
| Commercial paper and banker acceptances  | 734,288,488      | N/A           | N/A           | N/A           | N/A           |
| Repurchase agreements                    | 152,784,800      | 394,450,700   | 652,396,500   | 743,414,400   | 1,161,521,700 |
| Other investments (Note 8)               | 10,130           | 10,130        | 10,130        | 10,130        | 10,130        |
| Total Appropriated Funds (Schedule 5)    | 3,472,343,788    | 3,728,569,598 | 3,571,689,002 | 3,086,989,955 | 2,605,066,857 |
| <b>NONAPPROPRIATED FUNDS</b>             |                  |               |               |               |               |
| Demand deposits (Note 7)                 | 3,977            | 4,055         | 3,777         | 3,714         | 2,934         |
| Repurchase agreements                    | 7,793,800        | 8,420,300     | 8,796,800     | 11,733,900    | 11,501,700    |
| Total Nonappropriated Funds (Schedule 6) | 7,797,777        | 8,424,355     | 8,800,577     | 11,737,614    | 11,504,634    |
| Total Cash and Investments (Note 6)      | \$ 3,480,141,565 | 3,736,993,953 | 3,580,489,579 | 3,098,727,569 | 2,616,571,491 |

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Schedule 5

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF "LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

|  | June 30,         |               |               |               |             |
|--|------------------|---------------|---------------|---------------|-------------|
|  | 1999             | 1998          | 1997          | 1996          | 1995        |
| General Revenue Fund                                 | \$ 1,167,276,156 | 1,455,967,248 | 1,410,053,968 | 1,205,618,451 | 793,794,677 |
| Budget Stabilization Fund                            | 135,293,029      | 128,169,446   | 121,444,844   | 29,032,747    | 23,699,999  |
| Cash Operating Reserve Fund                          | 278,468,808      | 261,985,315   | 245,143,210   | 232,375,970   | 212,987,699 |
| Abandoned Fund Account Fund                          | 257,269          | 675,468       | 851,738       | 1,066,717     | 452,920     |
| Abandoned Mine Reclamation Fund                      | 611,127          | 517,196       | 425,633       | 333,140       | 244,420     |
| Academic Scholarship Fund                            | 93,018           | 90,165        | N/A           | N/A           | N/A         |
| Adjutant General - Federal Fund                      | 1,160,612        | 2,169,055     | 991,749       | 941,476       | 1,444,736   |
| Adjutant General Revolving Fund                      | 244,500          | 215,508       | 201,779       | 178,235       | 120,176     |
| Administrative Trust Fund                            | 10,784,887       | 11,817,319    | 10,983,478    | 21,362,497    | 7,416,600   |
| Agricultural Product Utilization Business            |                  |               |               |               |             |
| Development Loan Guarantee Fund                      | 14,591           | N/A           | N/A           | N/A           | N/A         |
| Agricultural Product Utilization Grant Fund          | 377,042          | N/A           | N/A           | N/A           | N/A         |
| Agriculture Bond Trustee Fund                        | 0                | 0             | 0             | 0             | 0           |
| Agriculture Development Fund                         | 56,395           | 51,443        | 44,116        | 67,518        | 60,390      |
| Aid to Dependent Children - Federal Fund             | 0                | 23            | 15,475,075    | 6,065,010     | 5,752,264   |
| Alternative Care Trust Fund                          | 1,500,105        | 1,723,174     | 1,917,931     | 2,012,486     | 2,486,372   |
| Americans With Disabilities Act Compliance Fund      | 3,905,067        | 3,582,022     | 8,569,727     | 21,602,968    | 29,486,244  |
| Animal Care Reserve Fund                             | 233,623          | 175,110       | 187,238       | 213,130       | 197,331     |
| Animal Health Laboratory Fee Fund                    | 246,914          | 165,882       | 148,995       | 92,643        | 144,467     |
| Apple Merchandising Fund                             | 7,655            | 10,790        | 9,542         | 8,579         | 8,093       |
| Aquaculture Marketing Development Fund               | 1,539            | 915           | 0             | 0             | 0           |
| Athletic Fund  | 535,604          | 302,470       | 135,081       | 50,081        | 44,242      |
| Attorney General - Federal and Other Fund            | 6,746            | 0             | 3,951         | 65,447        | 11,248      |
| Attorney General Anti-Trust Revolving Fund           | 499,754          | 763,778       | 539,006       | 118,995       | 39,221      |
| Attorney General Court Costs Fund                    | 10,411           | 9,456         | 19,782        | 41,763        | 0           |
| Aviation Trust Fund                                  | 2,899,035        | 419,947       | 351,216       | 739,619       | 464,535     |
| Bingo Proceeds for Education Fund                    | 8,870,862        | 8,700,240     | 6,402,442     | 5,576,436     | 6,464,179   |
| Blind Pension Fund                                   | 3,919,108        | 3,047,200     | 2,481,180     | 2,330,359     | 2,565,172   |
| Board of Barber Examiners Fund                       | 156,154          | 182,031       | 211,982       | 223,337       | 246,523     |
| Board of Embalmers and Funeral Directors Fund        | 306,019          | 307,630       | 309,368       | 278,366       | 273,847     |
| Board of Geologist Registration Fund                 | 76,363           | 63,448        | 61,213        | 129,540       | N/A         |
| Board of Pharmacy Fund                               | 1,084,804        | 950,972       | 777,259       | 486,568       | 294,586     |
| Board of Registration for the Healing Arts Fund      | 5,141,105        | 5,084,207     | 4,699,622     | 4,017,063     | 3,539,641   |
| Bridge Scholarship Fund                              | 290,372          | N/A           | N/A           | N/A           | N/A         |
| Business Service Extension Team Fund                 | 3,570,702        | 3,081,493     | 2,159,428     | 600,000       | N/A         |
| Central Check Mailing Service Revolving Fund         | 17,001           | 23,241        | 32,961        | 34,834        | 35,053      |
| Champ W. Smith & Mary C. Smith                       |                  |               |               |               |             |
| Memorial Endowment Trust Fund                        | 384,668          | 384,158       | 385,333       | 385,542       | 384,299     |
| Chemical Emergency Preparedness Fund                 | 782,626          | 814,632       | 924,762       | 1,048,873     | 990,381     |
| Child Labor Enforcement Fund                         | 49,319           | 538           | 0             | 400           | N/A         |
| Child Support Enforcement Fund                       | 6,093,302        | 4,564,833     | 3,969,118     | 7,390,081     | 2,891,820   |
| Children's Trust Fund                                | 3,873,938        | 3,334,529     | 3,927,446     | 3,032,308     | 2,963,009   |
| Clinical Social Workers Fund                         | 670,208          | 627,000       | 613,039       | 523,639       | 446,850     |
| Coal Mine Land Reclamation Fund                      | 853,287          | 785,075       | 2,104,021     | 2,317,888     | 3,145,585   |
| Committee of Professional Counselors Fund            | 534,729          | 412,638       | 334,100       | 243,461       | 174,988     |
| Commodity Council Merchandising Fund                 | 21,274           | 483,754       | 490,697       | 392,615       | 416,588     |
| Community Service Commission Fund                    | 73,544           | 247,624       | 2,602         | 24,169        | 29,655      |
| Compulsive Gamblers Fund                             | 210,740          | 231,478       | 163,313       | 251,815       | N/A         |
| Concentrated Animal Feeding Operation Indemnity Fund | 58,669           | 25,086        | N/A           | N/A           | N/A         |
| Confederate Memorial Park Fund                       | 116,868          | 110,773       | 105,136       | 99,680        | 94,443      |

|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Conservation Commission Fund  | 31,373,471 | 13,330,523 | 20,905,807 | 28,472,019 | 31,264,136 |
| Correctional Substance Abuse Earning Fund   | 16,171     | N/A        | N/A        | N/A        | N/A        |
| County Aid Road Trust Fund  | 116        | 116        | 115        | 715        | 715        |
| Crime Victims' Compensation Fund  | 7,991,887  | 7,689,770  | 7,965,771  | 8,365,844  | 7,994,852  |
| Criminal Justice Network and Technology Revolving Fund  | 124,830    | 465,281    | N/A        | N/A        | N/A        |
| Criminal Record System Fund   | 3,352,363  | 2,553,611  | 2,097,509  | 1,448,110  | 477,914    |
| Crippled Children's Service Fund  | 309,655    | 236,808    | 208,075    | 128,520    | 182,390    |
| Deaf Relay Service Fund   | 6,096,587  | 5,535,873  | 4,949,677  | 5,490,234  | 2,776,883  |
| Debt Offset Escrow Fund   | 5,179,718  | 1,910,225  | 1,660,351  | 1,731,965  | 2,459,864  |
| Dental Board Fund   | 353,035    | 391,213    | 428,688    | 334,653    | 405,860    |
| Department of Agriculture - Federal Fund  | 41,652     | 42,287     | 36,822     | 48,781     | 44,660     |
| Department of Corrections - Federal Fund  | 3,040,595  | 1,976,299  | 2,766,765  | 29,055     | 587,893    |
| Department of Economic Development - Administrative Fund  | 164,532    | 23,240     | 133,766    | 194,483    | 144,718    |
| Department of Economic Development - Community<br>Development Block Grant - Administration Fund | 26,790     | 29,202     | 10,065     | 54,872     | 14,009     |
| Department of Economic Development - Community<br>Development Block Grant - Pass-through Fund   | 25,597     | 794,099    | 1,113      | 9,198      | 936        |
| Department of Economic Development - Federal and Other Fund                                     | 4,685      | 28,904     | 12,193     | 53,002     | 50,475     |
| Department of Economic Development - Management<br>Information Systems - Federal and Other Fund | 129        | 129        | 129        | 335,465    | 71,752     |
| Department of Economic Development - Missouri Council<br>on the Arts - Federal and Other Fund   | 58,378     | 91,691     | 58,450     | 73,894     | 36,128     |
| Department of Economic Development -<br>Women's Council - Federal Fund                          | 21,552     | 13,764     | 9,422      | 15,124     | 25,647     |
| Department of Health - Donated Fund   | 463,590    | 35,978     | 39,287     | 68,084     | 75,744     |
| Department of Health - Federal Fund   | 5,031,324  | 2,486,490  | 3,576,866  | 9,718,815  | 4,610,517  |
| Department of Health Document Services Fund   | 62,824     | 81,388     | 117,093    | 58,083     | 48,529     |
| Department of Health Institutional Gift Trust Fund  | N/A        | N/A        | 0          | 85,061     | 90,512     |
| Department of Health Interagency Payments Fund  | 88,294     | N/A        | N/A        | N/A        | N/A        |
| Department of Higher Education - Federal Fund   | 17,304     | 501        | 2,971      | 127        | 5,768      |
| Department of Insurance Dedicated Fund  | 8,057,043  | 7,608,108  | 6,879,262  | 6,659,032  | 5,459,324  |
| Department of Labor and Industrial Relations -<br>Commission on Human Rights - Federal Fund     | 836,899    | 459,014    | 266,036    | 99,261     | 82,689     |
| Department of Labor and Industrial Relations -<br>Crime Victims - Federal Fund                  | 75,966     | 5          | 2,363      | 749,412    | 102,372    |
| Department of Mental Health - Federal Fund  | 892,647    | 993,752    | 1,024,515  | 1,349,322  | 1,942,963  |
| Department of Natural Resources - Federal and Other Fund  | 7,770,346  | 6,248,204  | 6,754,660  | 6,974,194  | 6,715,277  |
| Department of Natural Resources Cost Allocation Fund  | 774,526    | 376,605    | 505,621    | 512,979    | 162,164    |
| Department of Natural Resources Revolving Services Fund   | 387,789    | 1,109,291  | 286,380    | 150,307    | 95,335     |
| Department of Public Safety - Federal Fund  | 1,408,647  | 1,671,251  | 437,999    | 1,453,689  | 752,093    |
| Department of Public Safety - Highway Safety Fund   | 359,448    | 225,263    | 103,017    | 226,467    | 85,581     |
| Department of Public Safety - JAIBG Fund  | 4,568,764  | N/A        | N/A        | N/A        | N/A        |
| Department of Revenue - Federal Fund  | 207,039    | 306,779    | 92,139     | 102,031    | 117,965    |
| Department of Revenue Information Fund  | 1,199,646  | 1,383,199  | 2,071,945  | 1,598,327  | 2,376,946  |
| Department of Social Services - Educational Improvement Fund                                    | 3,395,873  | 2,529,585  | 1,837,069  | 1,513,491  | 1,163,892  |
| Department of Social Services - Federal and Other Fund  | 1,203,836  | 563,673    | 432,880    | 419,675    | 946,992    |
| Department of Social Services Administrative Trust Fund   | 126,242    | 123,985    | 409,227    | 142,820    | 109,116    |
| Department of Transportation - Federal and Other Fund   | 606,371    | 385,715    | 236,924    | 109,765    | 206,656    |
| Design and Construction Donated Fund  | 9          | 9          | 70         | 70         | 70         |
| Division of Aging - Federal and Other Fund  | 808,130    | 1,286,012  | 1,144,830  | 5,955,873  | 3,013,944  |
| Division of Aging Donations Fund  | 1,599      | 1,599      | 1,599      | 1,599      | 1,599      |
| Division of Aging Elderly Home Delivered Meals Trust Fund                                       | 63,752     | 91,089     | 33,760     | 61,795     | 68,989     |
| Division of Credit Unions Fund  | 207,083    | 201,774    | 165,921    | 116,302    | 50,536     |
| Division of Family Services - Administrative Fund   | 15,282,682 | 12,670,786 | 20,317,294 | 6,649,538  | 13,866,014 |
| Division of Family Services Donations Fund  | 265,905    | 255,947    | 104,625    | 2,917      | 120        |
| Division of Finance Fund  | 1,564,533  | 1,677,342  | 998,299    | 892,250    | 1,145,978  |
| Division of Labor Standards - Federal Fund  | 25,088     | 19,115     | 8,175      | 12,433     | 16,697     |
| Division of Savings and Loan Supervision Fund   | 37,119     | 66,582     | 40,617     | 58,821     | 95,056     |
| Division of Tourism Supplemental Revenue Fund   | 2,674,053  | 2,597,750  | 2,343,320  | 2,843,504  | 2,022,983  |

|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Division of Youth Services - Federal and Other Fund                     | 1,236,130  | 356,167    | 613,926    | 772,578    | 927,092    |
| Doctor Edmund A. Babler Memorial - State Park Fund                      | 938,873    | 878,430    | 795,267    | 733,857    | 553,507    |
| Domestic Relations Resolution Fund                                      | 177,217    | N/A        | N/A        | N/A        | N/A        |
| Early Childhood Development, Education and Care Fund                    | 25,340,676 | N/A        | N/A        | N/A        | N/A        |
| Elementary and Secondary Education - Federal and Other Fund             | 4,471,180  | 2,255,211  | 4,139,133  | 3,211,951  | 2,746,541  |
| Endowed Care Cemetery Audit Fund  | 231,835    | 200,767    | 428,045    | 413,773    | 332,616    |
| Energy Set-Aside Program Fund   | 16,790,980 | 19,055,453 | 17,325,892 | 9,423,886  | 9,387,967  |
| Escheats Fund   | 6,141,744  | 5,344,864  | 5,682,486  | 5,364,777  | 5,838,447  |
| Excellence in Education Fund  | 1,108,342  | 1,463,130  | 1,819,363  | 1,781,758  | 2,169,471  |
| Facilities Maintenance Reserve Fund                                     | 13,175,243 | 4,899,661  | N/A        | N/A        | N/A        |
| Fair Share Fund   | 2,152,301  | 637,682    | 2,293,510  | 2,154,173  | 2,625,368  |
| Family Support Loan Fund  | 99,185     | 136,932    | 147,593    | 68,052     | 5,863      |
| Federal - Missouri Department of Insurance Fund                         | 0          | 0          | 0          | 0          | 12,700     |
| Federal and Other Fund  | 4,044      | 68,165     | 8,391      | 10,901     | 21,915     |
| Federal Drug Seizure Fund   | 3,841,586  | 1,090,286  | 386,019    | 264,745    | 633,816    |
| Federal Reimbursement Allowance Fund                                    | 37,650,850 | 34,584,196 | 40,308,215 | 45,283,826 | 29,905,962 |
| Federal Surplus Property Fund   | 1,797,410  | 1,487,737  | 1,192,200  | 1,399,555  | 1,517,194  |
| Firing Range Fee Fund   | 1,434      | 1,434      | 1,468      | 1,468      | 2,814      |
| Food Stamp EBT Settlement Fund  | 6,587,306  | 6,111,728  | 451,795    | N/A        | N/A        |
| Fourth State Building - Series A 1995                                   | N/A        | N/A        | 123,747    | 43,574,913 | 74,716,059 |
| Fourth State Building - Series A 1996                                   | 0          | 26,307,603 | 95,452,316 | N/A        | N/A        |
| Fourth State Building - Series A 1998                                   | 22,004,237 | 50,159,038 | N/A        | N/A        | N/A        |
| Fourth State Building Bond and Interest Series A 1995                   | 6,082,552  | 6,017,509  | 6,019,271  | 5,954,016  | 5,736,251  |
| Fourth State Building Bond and Interest Series A 1996                   | 10,204,031 | 10,204,154 | 10,113,814 | N/A        | N/A        |
| Fourth State Building Bond and Interest Series A 1998                   | 3,779,338  | 3,637,109  | N/A        | N/A        | N/A        |
| Gaming Commission Bingo Fund  | 89,804     | 56,337     | 139,176    | 109,238    | 47,204     |
| Gaming Commission Fund  | 7,896,325  | 38,885,373 | 55,947,319 | 24,958,661 | 9,545,638  |
| Gaming Proceeds for Education Fund                                      | 5,727,863  | 5,608,803  | 4,733,872  | 73,442,546 | 55,171,203 |
| General Revenue Reimbursements Fund                                     | 63,862,901 | 66,031,946 | 48,436,550 | 40,802,712 | N/A        |
| General Revenue Cultural Subaccount Fund                                | 0          | 0          | 0          | N/A        | N/A        |
| Governor's Committee on Employment<br>of the Handicapped - Federal Fund | 241,203    | 219,173    | 126,874    | 72,470     | 13,137     |
| Grade Crossing Fund   | 0          | 153,707    | 247,547    | 371,760    | 603,775    |
| Grade Crossing Safety Account Fund                                      | 4,335,291  | 4,135,609  | 3,587,201  | 3,148,121  | 2,217,571  |
| Grain Inspection Fees Fund  | 555,038    | 738,163    | 769,732    | 596,818    | 796,818    |
| Groundwater Protection Fund   | 171,702    | 205,133    | 213,325    | 258,088    | 226,096    |
| Handicapped Children's Trust Fund                                       | 1,072      | 1,072      | 1,072      | 1,072      | 1,072      |
| Hazardous Waste Fund  | 560,442    | 164,890    | 143,634    | 234,834    | 341,153    |
| Hazardous Waste Remedial Fund   | 4,252,922  | 3,755,085  | 5,196,767  | 4,940,112  | 5,350,537  |
| Health Access Incentive Fund  | 812,029    | 1,332,552  | 1,620,413  | 949,763    | 586,357    |
| Health Initiatives Fund   | 13,303,065 | 19,664,820 | 22,535,056 | 25,593,847 | 20,756,719 |
| Health Spa Regulatory Fund  | 69,876     | 66,089     | 61,100     | 55,400     | 49,600     |
| Hearing Instrument Specialist Fund                                      | 79,728     | 63,609     | 63,457     | 22,590     | N/A        |
| Highway Patrol Academy Fund   | 248,267    | 198,531    | 154,670    | 207,110    | 132,389    |
| Highway Patrol Inspection Fund  | 2,171,007  | 2,890,935  | 1,954,321  | 907,766    | 2,278,809  |
| Highway Patrol's Motor Vehicle and Aircraft Revolving Fund              | 3,105,290  | 3,551,287  | 3,433,301  | 2,782,727  | 2,355,464  |
| Highway Revenue Generating Fund   | 0          | 3,622      | 3,622      | 476        | 74,212     |
| Historic Preservation Revolving Fund                                    | 270,139    | 249,812    | 280,151    | 332,497    | 544,599    |
| House of Representatives Revolving Fund                                 | 11,542     | 11,975     | 37,472     | 11,469     | 55,123     |
| Independent Living Center Fund  | 362,340    | 348,815    | 330,153    | 292,699    | 168,799    |
| Industrial Development and Reserve Fund                                 | 977,179    | 1,139,768  | 1,236,069  | 2,831,069  | 2,970,241  |
| Industrial/Commercial Energy Conservation Loan Fund                     | N/A        | N/A        | N/A        | 3,259,563  | 3,108,365  |
| Inmate Incarceration Reimbursement Act Revolving Fund                   | 131,387    | 128,957    | 74,445     | 17,200     | N/A        |
| Inmate Revolving Fund   | 1,630,111  | 1,822,335  | 1,664,412  | 634,292    | 551,392    |
| Insurance Examiners Fund  | 438,586    | 499,251    | 704,342    | 507,106    | 578,130    |
| International Trade Show Revolving Fund                                 | 8,416      | 8,122      | 38,040     | 15,220     | 25,015     |
| Job Development and Training Fund                                       | 950,703    | 315,394    | 173,792    | 2,172,703  | 279,970    |
| Judiciary Education and Training Fund                                   | 275,783    | N/A        | N/A        | N/A        | N/A        |
| Landscape Architectural Council Fund                                    | 31,814     | 40,536     | 42,812     | 40,849     | 56,684     |

|   |            |            |            |            |             |
|---|------------|------------|------------|------------|-------------|
| Legal Defense and Defender Fund   | 480,531    | 264,292    | 79,569     | 438,952    | 116,309     |
| Licensed Perfusionists Fund   | 9,000      | N/A        | N/A        | N/A        | N/A         |
| Light Rail Safety Fund  | 2,050      | 2,280      | N/A        | N/A        | N/A         |
| Livestock Brands Fund   | 22,273     | 8,713      | 7,657      | 23,062     | 21,849      |
| Livestock Dealer Law Enforcement and Administration Fund                              | 5,487      | 7,509      | 4,002      | 2,585      | 2,356       |
| Livestock Sales and Markets Fees Fund   | 2,623      | 7,404      | 3,515      | 5,641      | 11,001      |
| Local Government Energy Conservation Loan Fund  | N/A        | N/A        | N/A        | 3,450,904  | 3,051,925   |
| Local Records Preservation Fund   | 1,660,386  | 1,401,340  | 1,476,824  | 1,705,616  | 1,931,737   |
| Lottery Proceeds Fund   | 71,234,118 | 63,830,483 | 45,376,115 | 84,826,112 | 105,778,605 |
| Mammography Fund  | 217,558    | 179,496    | 143,851    | 112,984    | 91,778      |
| Manufactured Housing Fund   | 712,818    | 694,029    | 790,420    | 621,983    | 499,604     |
| Marital and Family Therapists Fund  | 40,229     | N/A        | N/A        | N/A        | N/A         |
| Marketing Development Fund  | 260,687    | 242,380    | 193,794    | 153,553    | 122,799     |
| MCSAP/Division of Transportation - Federal Fund                                       | 144,751    | 176,190    | 158,192    | 199,343    | 109,555     |
| Medicaid Fraud Reimbursement Fund   | 5,000      | N/A        | N/A        | N/A        | N/A         |
| Medical School Loan and Loan Repayment Program Fund                                   | 151,855    | 146,446    | 93,735     | 82,508     | 85,328      |
| Mental Health Central Supply Fund   | 1,000      | 1,000      | 624,346    | 424,886    | 428,215     |
| Mental Health Earnings Fund   | 824,960    | 663,821    | 922,331    | 1,071,063  | 32,205,083  |
| Mental Health Housing Trust Fund  | 4,205      | 4,195      | 4,019      | N/A        | N/A         |
| Mental Health Interagency Payments Fund   | 161,939    | 799,056    | 426,136    | 3,838      | 154,247     |
| Mental Health Trust Fund  | 5,329,505  | 3,538,840  | 3,975,670  | 4,196,537  | 4,124,662   |
| Meramec-Onondaga State Parks Fund   | 958,851    | 922,947    | 892,816    | 862,498    | 831,302     |
| Merchandising Practices Revolving Fund  | 2,436,924  | 2,286,822  | 2,050,751  | 1,741,512  | 1,128,664   |
| Metallic Minerals Waste Management Fund   | 218,093    | 206,286    | 214,991    | 198,160    | 170,368     |
| Microfilming Service Revolving Trust Fund   | 35,848     | 35,837     | 32,488     | 32,476     | 31,915      |
| Mined Land Reclamation Fund   | 3,751,491  | 3,561,740  | 1,975,801  | 1,288,426  | 1,550,731   |
| Missouri Air Pollution Control Fund   | 1,262,211  | 1,041,691  | 982,130    | 791,774    | 840,354     |
| Missouri Arts Council Trust Fund  | 10,988,326 | 13,484,355 | 8,513,606  | 3,960,651  | N/A         |
| Missouri Board Of Occupational Therapy Fund   | 356,398    | 121,777    | N/A        | N/A        | N/A         |
| Missouri Breeders Fund  | 74,238     | 71,791     | 72,027     | 68,295     | 65,677      |
| Missouri Capital Access Program Fund  | 242,500    | 242,500    | 242,500    | N/A        | N/A         |
| Missouri Children's Service Commission Fund   | 15,952     | 15,125     | 14,425     | 13,679     | 12,931      |
| Missouri College Guarantee Fund   | 3,008,033  | N/A        | N/A        | N/A        | N/A         |
| Missouri Commission for the Deaf Board of<br>Certification of Interpreters Fund       | 54         | 13,330     | 12,314     | 7,222      | N/A         |
| Missouri Community College Job Training Program Fund                                  | 0          | 0          | 651,542    | 597,886    | 178,415     |
| Missouri Consolidated Health Care Plan Benefit Fund                                   | 0          | 0          | 0          | 0          | 0           |
| Missouri Crime Prevention Information and<br>Programming Fund                         | 0          | 0          | 0          | 0          | N/A         |
| Missouri Disaster Fund  | 98,706     | 415,866    | 151,142    | 543,878    | 269,171     |
| Missouri Health Care Providers Fund   | 0          | 70         | 191,692    | 191,226    | 124,199     |
| Missouri Horse Racing Fund  | 0          | 0          | 88         | 88         | 150         |
| Missouri Housing Trust Fund   | 4,929,604  | 4,031,191  | 3,750,405  | 3,628,745  | 2,343,493   |
| Missouri Humanities Council Trust Fund  | 364,732    | 205,132    | 100,687    | N/A        | N/A         |
| Missouri Job Development Fund   | 4,760,404  | 489,093    | 3,913,201  | 4,652,690  | 6,387,840   |
| Missouri Main Street Program Fund   | 139,544    | 101,808    | 97,000     | N/A        | N/A         |
| Missouri National Guard Training Site Fund  | 49,852     | 75,654     | 66,140     | 83,796     | 57,954      |
| Missouri National Guard Trust Fund  | 2,409,528  | N/A        | N/A        | N/A        | N/A         |
| Missouri Office of Prosecution Services Fund  | 64,125     | 50,762     | 31,995     | 34,382     | 45,945      |
| Missouri Office of Prosecution Services Revolving Fund                                | 3,608      | 2,976      | N/A        | N/A        | N/A         |
| Missouri Prospective Teachers Loan Fund   | 16,267     | 16,194     | 16,039     | 15,679     | 14,649      |
| Missouri Public Health Services Fund  | 544,160    | 886,467    | 527,319    | 810,035    | 578,275     |
| Missouri Real Estate Commission Fund  | 2,967,376  | 2,685,005  | 2,693,099  | 1,966,173  | 1,819,784   |
| Missouri Rehabilitation Center Fund   | N/A        | 0          | 103        | 997,355    | 313,613     |
| Missouri State Employees' Deferred Compensation<br>Incentive Plan Administration Fund | 100        | 0          | 0          | 0          | N/A         |
| Missouri Student Grant Program Gift Fund  | 2,049      | 2,049      | 1,299      | 1,029      | 310         |
| Missouri Technology Investment Fund   | 1,018,573  | 567,557    | 1,232,185  | 3,992      | N/A         |
| Missouri Veterans Commission - Federal Fund   | 1,499,512  | 9,900      | 120,075    | 723,016    | 14,242      |

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Missouri Veterans Homes Fund                                 | 357,249     | 1,252,111   | 2,595,299   | 2,962,377   | 2,845,789   |
| Missouri Water Development Fund                              | 0           | 571,272     | 24,414      | 562,160     | 0           |
| Missouri Wine Marketing and Research Development Fund        | 7,308       | N/A         | N/A         | N/A         | N/A         |
| Mortgage Broker Administration Fund                          | N/A         | N/A         | N/A         | 120,079     | 139,176     |
| Motor Fuel Tax Fund  | 25,176,162  | 25,911,286  | 18,909,417  | 23,717,963  | 24,883,871  |
| Motor Vehicle Commission Fund                                | 1,897,763   | 1,676,461   | 1,423,650   | 1,264,518   | 1,115,825   |
| Motorcycle Safety Trust Fund                                 | 3,140       | 731         | 4,815       | 2,385       | N/A         |
| Natural Resources Protection Fund                            | 558,636     | 168,613     | 414,965     | 451,428     | 651,136     |
| Natural Resources Protection Fund - Air Pollution            |             |             |             |             |             |
| Asbestos Fee Subaccount Fund                                 | 880,637     | 924,912     | 946,612     | 826,724     | 642,415     |
| Natural Resources Protection Fund - Air Pollution            |             |             |             |             |             |
| Permit Fee Subaccount Fund                                   | 16,941,786  | 17,997,200  | 17,029,875  | 15,753,540  | 13,765,237  |
| Natural Resources Protection Fund - Water Pollution          |             |             |             |             |             |
| Permit Fee Subaccount Fund                                   | 9,249,872   | 6,135,419   | 4,451,449   | 2,783,087   | 2,667,125   |
| Nursing Facility Federal Reimbursement Allowance Fund        | 819,886     | 1,272,409   | 1,591,338   | 974,588     | 625,780     |
| Nursing Facility Quality of Care Fund                        | 2,443,204   | 2,914,493   | 2,377,970   | 748,102     | 203,012     |
| Office of Administration - Federal and Other Fund            | 547,616     | 345,504     | 790,198     | 792,689     | 617,091     |
| Office of the State Public Defender - Federal and Other Fund | 20,078      | 18,487      | 21,299      | 27,397      | 21,490      |
| Oil and Gas Remedial Fund                                    | 18,893      | 18,893      | 23,414      | 30,045      | 3,414       |
| Optometry Fund   | 120,121     | 105,812     | 104,829     | 95,814      | 103,735     |
| Organ Donor Program Fund                                     | 680,896     | 606,071     | 475,618     | 124,099     | N/A         |
| Outstanding Schools Trust Fund                               | 324,123,685 | 389,313,169 | 363,106,043 | 273,601,228 | 196,067,202 |
| Pansy Johnson-Travis Memorial State Gardens Trust Fund       | 795,977     | 751,620     | 710,291     | 672,423     | 636,028     |
| Pansy Johnson-Travis Stocks and Securities Trust Fund        | 10,130      | 10,130      | 10,130      | 10,130      | 10,130      |
| Peace Officers Standards and Training Commission Fund        | 1,189,769   | 912,291     | 410,680     | 536,716     | 310,043     |
| Petition Audit Revolving Trust Fund                          | 348,623     | 353,131     | 484,457     | 472,794     | 462,532     |
| Petroleum Inspection Fund                                    | 1,366,010   | 1,651,931   | 1,655,792   | 1,425,591   | 1,070,922   |
| Petroleum Violation Escrow Fund                              | 20,794,899  | 21,367,253  | 22,439,696  | 23,083,120  | 20,178,878  |
| Post Closure Fund  | 268,488     | 260,114     | N/A         | N/A         | N/A         |
| Professional and Practical Nursing Student Loan              |             |             |             |             |             |
| and Nurse Loan Repayment Fund                                | 943,628     | 614,943     | 975,714     | 614,049     | 506,839     |
| Professional Registration Fees Fund                          | 17,210      | 31,796      | 167,573     | 52,093      | 76,068      |
| Property Reuse Fund  | 3,204,516   | 3,127,992   | 3,017,322   | N/A         | N/A         |
| Proprietary School Bond Fund                                 | 0           | 9,393       | N/A         | N/A         | N/A         |
| Public Service Commission Fund                               | 1,426,865   | 354,408     | 1,174,361   | 1,644,563   | 1,152,171   |
| Railroad Expense Fund  | 85,901      | 158,793     | 57,888      | 66,339      | 78,160      |
| Real Estate Appraisers Fund                                  | 585,485     | 618,109     | 767,043     | 729,081     | 744,893     |
| Residential Mortgage Licensing Fund                          | 464,989     | 479,056     | 273,850     | N/A         | N/A         |
| Respiratory Care Practitioners Fund                          | 80,945      | 245         | N/A         | N/A         | N/A         |
| Safe Drinking Water Fund                                     | 3,579,157   | 3,402,391   | 3,156,122   | 3,072,908   | 2,502,497   |
| School Building Revolving Fund                               | 169,549     | N/A         | N/A         | N/A         | N/A         |
| School District Bond Fund                                    | 7,101,022   | 7,132,497   | 7,423,244   | 4,328,426   | N/A         |
| School District Trust Fund                                   | 57,684,007  | 53,849,179  | 59,666,555  | 47,772,154  | 44,146,784  |
| School for Blind Trust Fund                                  | 482,416     | 65,884      | 6,822       | 81,701      | 182,757     |
| School for Deaf Trust Fund                                   | 29          | 79          | 79          | 8,992       | 2,555       |
| Second Injury Fund   | 11,111,660  | 6,711,407   | 14,804,566  | 36,102,131  | 55,126,647  |
| Secretary of State's Investor Education Fund                 | 210,789     | 112,146     | 139,708     | 15,100      | N/A         |
| Secretary of State - Federal Fund                            | 7,631       | 10          | 49          | 21,189      | 6,605       |
| Secretary of State - Technology Trust Fund Account Fund      | 2,427,488   | 2,017,405   | 2,583,796   | 3,009,720   | 1,653,024   |
| Secretary of State Institutional Gift Trust Fund             | 743,481     | 870,516     | 987,644     | 1,048,325   | 1,065,325   |
| Senate Revolving Fund  | 35,329      | 20,332      | 114,634     | 18,616      | 42,851      |
| Services to Victims Fund                                     | 3,412,801   | 2,747,219   | 1,731,619   | 1,059,609   | 1,103,246   |
| Single-Purpose Animal Facilities Loan Program Fund           | 356,954     | 326,154     | 243,744     | 54,146      | N/A         |
| Social Security Contributions Fund                           | 102,381     | 102,381     | 102,381     | 102,381     | 102,381     |
| Soil and Water Sales Tax Fund                                | 13,735,535  | 10,523,769  | 15,043,580  | 22,897,494  | 31,180,514  |
| Solid Waste Management Fund                                  | 12,577,476  | 10,851,833  | 13,436,425  | 15,112,478  | 14,901,154  |
| Solid Waste Management Fund - Scrap Tire Subaccount Fund     | 5,118,266   | 5,155,939   | 4,518,296   | 4,099,458   | 3,804,077   |
| Special Employment Security Fund                             | 3,654,527   | 3,731,339   | 3,786,005   | 4,169,157   | 3,614,534   |
| State Agency for Surplus Property Fund                       | 413,695     | 321,233     | 195,480     | 132,795     | 397,624     |

|  |            |            |            |            |             |
|--|------------|------------|------------|------------|-------------|
| State Auditor - Federal Fund   | 818,041    | 865,477    | 921,203    | 1,078,176  | 1,066,583   |
| State Board of Accountancy Fund  | 1,322,212  | 1,339,404  | 1,562,364  | 1,384,584  | 1,203,315   |
| State Board of Architects, Engineers and Land Surveyors Fund           | 425,889    | 383,545    | 924,704    | 787,419    | 1,063,173   |
| State Board of Chiropractic Examiners' Fund                            | 157,214    | 181,318    | 214,353    | 246,054    | 227,353     |
| State Board of Cosmetology Fund  | 1,023,690  | 2,218,640  | 1,405,102  | 2,129,670  | 1,389,170   |
| State Board of Nursing Fund  | 1,572,253  | 1,296,919  | 2,337,798  | 1,029,020  | 1,215,572   |
| State Board of Podiatry Fund   | 70,632     | 65,671     | 64,801     | 50,521     | 47,381      |
| State Committee of Psychologists Fund                                  | 838,344    | 695,212    | 623,527    | 513,730    | 418,570     |
| State Court Administration Revolving Fund                              | 440        | 81         | N/A        | N/A        | N/A         |
| State Document Preservation Fund                                       | 40,823     | 10,838     | 20,053     | N/A        | N/A         |
| State Elections Subsidy Fund   | 90,674     | 83,051     | 61,361     | 50,875     | 43,260      |
| State Emergency Management - Federal and Other Fund                    | 1,461,442  | 1,786,598  | 1,358,601  | 802,082    | 865,907     |
| State Employee Voluntary Life Insurance Fund                           | 82,548     | 89,781     | N/A        | N/A        | N/A         |
| State Environmental Improvement and<br>Energy Resources Authority Fund | 0          | 0          | 93         | 1,503      | 1,513       |
| State Facility Maintenance and Operation Fund                          | 2,616,610  | 2,149,404  | 2,250,265  | N/A        | N/A         |
| State Fair Fees Fund   | 160,905    | 69,300     | 83,206     | 46,348     | 206,082     |
| State Fair Trust Fund  | 496        | 333        | 830        | 1,278      | 1,140       |
| State Forensic Laboratory Fund   | 95,610     | 162,686    | 136,759    | 59,184     | 120,750     |
| State Guaranty Student Loan Fund                                       | 43,190,839 | 52,030,992 | 46,965,298 | 45,796,896 | 43,516,650  |
| State Highways and Transportation Department Fund                      | 12,666,059 | 6,054,885  | 7,357,079  | 6,118,206  | 3,399,657   |
| State Institutions Gift Trust Fund                                     | 4,245      | 5,426      | 4,729      | N/A        | N/A         |
| State Land Survey Program Fund   | 1,511,287  | 1,294,985  | 1,209,611  | 1,108,318  | 1,153,895   |
| State Legal Expense Fund   | 14,868     | 101,299    | 85,429     | 359,402    | 429,119     |
| State Lottery Fund   | 19,490,220 | 17,443,077 | 13,774,482 | 18,467,915 | 19,165,345  |
| State Milk Inspection Fee Fund   | 273,116    | 201,488    | 209,865    | 237,257    | 272,667     |
| State Park Sales Tax Fund  | 17,125,158 | 18,412,335 | 18,962,227 | 19,086,435 | 18,448,568  |
| State Parks Earnings Fund  | 5,466,634  | 11,173,450 | 13,237,388 | 12,669,849 | 11,306,381  |
| State Parks Revolving Fund   | 75,592     | 30,326     | 132,730    | 15,083     | 7,996       |
| State Public School Fund   | 68,285     | 513,785    | 57,987     | 504,906    | 2,128       |
| State Retirement Contributions Fund                                    | 156        | 0          | 0          | 0          | 106,868     |
| State Road Fund  | 89,240,117 | 99,589,802 | 72,188,172 | 88,587,713 | 135,082,853 |
| State School Moneys Fund   | 50,748,256 | 30,586,747 | 80,883,191 | 18,198,789 | 20,138,222  |
| State Schools Textbook Fund  | N/A        | N/A        | N/A        | 3,870      | 8,122       |
| State Seminary Fund  | 787        | 787        | 213        | 0          | 5,970       |
| State Seminary Moneys Fund   | 36,096     | 0          | 0          | 0          | 0           |
| State Transportation Assistance Revolving Fund                         | 1,566,262  | 75,218     | N/A        | N/A        | N/A         |
| State Transportation Fund  | 2,842,694  | 760,407    | 1,880,385  | 434,686    | 934,636     |
| Statewide Court Automation Fund  | 1,745,479  | 2,255,074  | 2,819,870  | 3,636,132  | 2,275,726   |
| Statutory Revision Fund  | 205,428    | 259,623    | 472,753    | 455,349    | 849,284     |
| Student Grant Fund   | 332,316    | 233,781    | N/A        | N/A        | N/A         |
| Supreme Court - Federal and Other Fund                                 | 2,256,307  | 1,957,441  | 2,365,122  | 2,071,355  | 1,207,230   |
| Supreme Court Publications Revolving Fund                              | 123,808    | 55,495     | 164,475    | 107,458    | 77,956      |
| Temporary Assistance for Needy Families - Federal Fund                 | 1,683,056  | 9,207,324  | N/A        | N/A        | N/A         |
| Third State Building Bond Interest and Sinking -<br>Pre Tax Act 1986   | N/A        | 0          | 8,346,665  | 19,057,093 | 19,034,787  |
| Third State Building Bond Interest and Sinking -<br>Series A 1992      | 29,421,485 | 28,938,855 | 26,202,771 | 16,227,273 | 16,230,411  |
| Third State Building Bond Interest and Sinking -<br>Series A 1993      | 17,349,164 | 17,180,207 | 9,247,568  | 9,171,988  | 9,196,722   |
| Third State Building Bond Interest and Sinking -<br>Series A&B 1991    | 8,969,707  | 9,068,155  | 8,952,861  | 8,960,669  | 8,939,204   |
| Third State Building Fund - Pre Tax Act 1986                           | 987,552    | 926,596    | 1,527,368  | 2,827,434  | 4,525,613   |
| Third State Building Trust Fund - Pre Tax Act 1986                     | 1,575      | 335,363    | 1,004,688  | 1,546,361  | 1,765,619   |
| Title XIX - Federal Fund   | 2,566,423  | 7,136,851  | 17,044,258 | 5,133,396  | 11,631,653  |
| Title XIX - Patient Placement Fund                                     | 5,016,569  | 3,319,385  | 3,864,811  | 1,454,105  | 3,063,798   |
| Tort Victims' Compensation Fund  | 7,428,138  | 4,873,135  | 56,830     | 40,141     | 30,576      |
| Tourism Marketing Fund   | 1,966      | 966        | 503        | 1,543      | 1,318       |
| Treasurer's Information Fund   | 4,809      | 2,681      | 746        | 15,065     | 457         |



|  |                         |                      |                      |                      |                      |
|--|-------------------------|----------------------|----------------------|----------------------|----------------------|
| U.S. Department of Higher Education / Coordinating Board<br>for Higher Education Interest Account Fund | 1,031,332               | N/A                  | N/A                  | N/A                  | N/A                  |
| U.S. Department of Higher Education / Coordinating Board<br>for Higher Education Recall Account Fund   | 12,968,668              | N/A                  | N/A                  | N/A                  | N/A                  |
| Uncompensated Care Fund  | 18,823,094              | 14,739,134           | 12,621,465           | 15,439,026           | 6,179,212            |
| Underground Storage Tank Insurance Fund  | 55,840,164              | 55,019,305           | 45,568,063           | 32,947,845           | 30,747,232           |
| Underground Storage Tank Regulation Program Fund   | 595,891                 | 455,758              | 37,428               | 178,221              | 354,060              |
| Unemployment Compensation Administration Fund  | 1,140,482               | 1,126,469            | 1,026,091            | 1,298,863            | 884,746              |
| Utilecare Stabilization Fund   | 31,998                  | N/A                  | N/A                  | N/A                  | N/A                  |
| Veterans' Homes Capital Improvement Fund   | N/A                     | N/A                  | 0                    | 2,581,749            | 2,445,658            |
| Veterans' Homes Capital Improvement Trust Fund   | 79,684,925              | 58,083,977           | 4,939,437            | 5,414,434            | 0                    |
| Veterans' Trust Fund   | 412,256                 | 380,257              | 348,061              | 324,970              | 297,794              |
| Veterinary Medical Board Fund  | 665,422                 | 583,004              | 564,802              | 468,773              | 375,453              |
| Video Instructional Development and<br>Education Opportunity Fund                                      | 769,992                 | 1,984,912            | 2,225,407            | 1,865,336            | 3,500,172            |
| Vocational Rehabilitation Fund - Federal   | 2,539,197               | 683,865              | 81,094               | 1,792,044            | 1,090,698            |
| Water and Waste Water Loan Fund  | 898,398                 | 1,178,862            | 541,002              | 455,804              | 355,093              |
| Water and Waste Water Loan Revolving Fund  | 160,115,759             | 144,832,782          | 132,167,436          | 89,565,959           | 84,251,584           |
| Water Pollution Control - Series A 1993 - 37C  | N/A                     | N/A                  | 0                    | 1,546,353            | 4,956,449            |
| Water Pollution Control - Series A 1993 - 37E  | N/A                     | N/A                  | N/A                  | N/A                  | 1,109,595            |
| Water Pollution Control - Series A 1995 - 37C  | N/A                     | N/A                  | 0                    | 5,279,419            | 5,036,547            |
| Water Pollution Control - Series A 1995 - 37E  | N/A                     | N/A                  | 0                    | 9,334,815            | 25,315,114           |
| Water Pollution Control - Series A 1996 - 37C  | 3,869,128               | 7,485,335            | 10,246,584           | N/A                  | N/A                  |
| Water Pollution Control - Series A 1996 - 37E  | 66,554                  | 9,555,983            | 18,843,900           | N/A                  | N/A                  |
| Water Pollution Control - Series A 1998 - 37C  | 7,827,707               | 7,529,154            | N/A                  | N/A                  | N/A                  |
| Water Pollution Control - Series A 1998 - 37E  | 28,802,973              | 27,582,241           | N/A                  | N/A                  | N/A                  |
| Water Pollution Control Bond and Interest - Pre Tax Act 1986   | 0                       | 664,322              | 3,208,841            | 8,999,496            | 9,047,857            |
| Water Pollution Control Bond and Interest - Series A 1989  | 1,133,070               | 1,122,958            | 1,135,853            | 1,136,875            | 1,149,186            |
| Water Pollution Control Bond and Interest - Series A 1991  | 1,215,692               | 1,103,703            | 1,122,456            | 1,128,281            | 1,147,318            |
| Water Pollution Control Bond and Interest - Series A 1992  | 2,738,955               | 2,719,053            | 2,747,870            | 2,743,716            | 2,771,140            |
| Water Pollution Control Bond and Interest - Series A 1993  | 2,213,339               | 2,198,539            | 2,225,274            | 2,225,889            | 2,253,654            |
| Water Pollution Control Bond and Interest - Series A 1995  | 2,433,225               | 2,406,415            | 2,408,933            | 2,381,787            | 2,323,451            |
| Water Pollution Control Bond and Interest - Series A 1996  | 2,859,353               | 2,855,101            | 2,832,868            | N/A                  | N/A                  |
| Water Pollution Control Bond and Interest - Series A 1998  | 2,647,523               | 2,545,962            | N/A                  | N/A                  | N/A                  |
| Water Pollution Control Bond and Interest - Series B 1992  | 5,270,746               | 5,200,576            | 5,191,531            | 3,132,043            | 3,109,733            |
| Water Pollution Control Bond and Interest - Series B 1993  | 8,946,427               | 8,871,613            | 6,571,647            | 6,516,815            | 6,537,722            |
| Water Pollution Control Bond and Interest - Series B&C 1991  | 4,300,886               | 4,276,394            | 4,270,724            | 4,329,326            | 4,271,504            |
| Wolfner Library Trust Fund   | 570,875                 | 530,671              | 540,945              | 532,886              | 523,467              |
| Workers' Compensation Fund   | 22,757,405              | 12,036,207           | 11,976,492           | 12,416,417           | 23,108,162           |
| Working Capital Revolving Fund   | 9,463,500               | 13,972,594           | 9,548,151            | 7,908,042            | 4,487,925            |
| Youth Services and Conservation Corps Fund   | 0                       | 0                    | 121,054              | 52,077               | 27,398               |
| Total All Funds (Schedule 4)   | <u>\$ 3,472,343,788</u> | <u>3,728,569,598</u> | <u>3,571,689,002</u> | <u>3,086,989,955</u> | <u>2,605,066,857</u> |

N/A These funds were closed or had not been created for the years indicated.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Schedule 6

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF TRUST ACCOUNTS

|  | June 30,  |                    |           |                    |           |                    |           |                    |           |                    |
|--|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|
|  | 1999      |                    | 1998      |                    | 1997      |                    | 1996      |                    | 1995      |                    |
|  | Balance   | Amount<br>Invested | Balance   | Amount<br>Invested | Balance   | Amount<br>Invested | Balance   | Amount<br>Invested | Balance   | Amount<br>Invested |
| Capitol East Parking Facility                                      |           |                    |           |                    |           |                    |           |                    |           |                    |
| Bond Reserve Fund  | \$ N/A    | N/A                | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 40,704    | 40,704             |
| Depreciation and Replacement Fund                                  | N/A       | N/A                | N/A       | N/A                | 264,045   | 264,045            | 264,544   | 264,544            | 263,745   | 263,744            |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 16,986    | 16,986             | 12,088    | 12,088             |
| Operating Reserve Fund   | 6,762     | 6,762              | 195,832   | 195,830            | 211,389   | 211,389            | 211,621   | 211,621            | 211,072   | 211,072            |
| Corrections and Mental Health                                      |           |                    |           |                    |           |                    |           |                    |           |                    |
| Construction Fund  | 129,579   | 129,578            | 123,111   | 123,109            | 116,659   | 116,659            | 159,001   | 159,001            | 179,874   | 179,874            |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 764,052   | 764,051            | 94,462    | 94,462             |
| Kansas City State Office Building                                  |           |                    |           |                    |           |                    |           |                    |           |                    |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 385,772   | 385,772            | 314,489   | 314,489            |
| Midtown State Office Building                                      |           |                    |           |                    |           |                    |           |                    |           |                    |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 125,498   | 125,498            | 138,805   | 138,805            |
| Old Age, Survivors, Disability, and<br>Health Insurance Trust Fund | 3,910     | 0                  | 3,982     | 0                  | 3,764     | 0                  | 3,707     | 0                  | 2,917     | 0                  |
| Special Obligation Refunding Bond -                                |           |                    |           |                    |           |                    |           |                    |           |                    |
| Principal and Interest Fund  | 364,288   | 364,285            | 383,663   | 383,659            | 364,649   | 364,648            | 427,938   | 427,938            | 375,397   | 375,396            |
| Depreciation and Replacement Fund                                  | 7,016,978 | 7,016,918          | 7,406,769 | 7,406,705          | 7,393,260 | 7,393,249          | 7,405,538 | 7,405,533          | 7,387,529 | 7,387,519          |
| Bond Reserve Fund  | 105,280   | 105,279            | 105,988   | 105,987            | 108,576   | 108,576            | 105,793   | 105,793            | 105,536   | 105,536            |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 3,462     | 3,462              |
| Springfield State Office Building                                  |           |                    |           |                    |           |                    |           |                    |           |                    |
| Enterprise Fund  | N/A       | N/A                | 344       | 344                | 7,902     | 7,901              | 107,830   | 107,829            | 205,591   | 205,591            |
| State Building Special Obligation Bond 1988                        |           |                    |           |                    |           |                    |           |                    |           |                    |
| Arbitrage Rebate Escrow Fund                                       | 120,172   | 120,171            | 114,173   | 114,172            | 107,931   | 107,931            | 102,151   | 102,151            | 95,968    | 95,968             |
| Arbitrage Owed to IRS Escrow                                       | 7,613     | 7,613              | 7,232     | 7,233              | 6,838     | 6,838              | 6,476     | 6,476              | 6,123     | 6,123              |
| State Information Center   |           |                    |           |                    |           |                    |           |                    |           |                    |
| Construction Fund  | 43,195    | 43,194             | 83,261    | 83,261             | 215,564   | 215,564            | 222,985   | 222,985            | 232,069   | 232,068            |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 319,082   | 319,082            | 265,578   | 265,577            |
| St. Joseph State Office Building                                   |           |                    |           |                    |           |                    |           |                    |           |                    |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 202,317   | 202,317            | 177,332   | 177,332            |
| State Park Board Revenue Bond Fund                                 | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 793,569   | 793,568            |
| Truman State Office Building                                       |           |                    |           |                    |           |                    |           |                    |           |                    |
| Enterprise Fund  | N/A       | N/A                | N/A       | N/A                | N/A       | N/A                | 809,326   | 809,326            | 455,407   | 455,406            |

Wainwright State Office Building

|                                   |    |                         |                         |                         |                         |                         |                         |                          |                          |                          |                          |
|-----------------------------------|----|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Enterprise Fund                   |    | <u>N/A</u>              | <u>N/A</u>              | <u>N/A</u>              | <u>N/A</u>              | <u>N/A</u>              | <u>N/A</u>              | <u>96,997</u>            | <u>96,997</u>            | <u>142,917</u>           | <u>142,916</u>           |
| Total Trust Accounts (Schedule 4) | \$ | <u><u>7,797,777</u></u> | <u><u>7,793,800</u></u> | <u><u>8,424,355</u></u> | <u><u>8,420,300</u></u> | <u><u>8,800,577</u></u> | <u><u>8,796,800</u></u> | <u><u>11,737,614</u></u> | <u><u>11,733,900</u></u> | <u><u>11,504,634</u></u> | <u><u>11,501,700</u></u> |

N/A These accounts were closed for the indicated fiscal years.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Schedule 7

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON INVESTMENTS  
AND DISTRIBUTION BY FUND

|  | Year Ended June 30, |             |             |             |            |
|--|---------------------|-------------|-------------|-------------|------------|
|  | 1999                | 1998        | 1997        | 1996        | 1995       |
| <b>INTEREST RECEIPTS</b>                                     |                     |             |             |             |            |
| General and special funds                                    | \$ 182,225,423      | 183,708,819 | 161,789,785 | 134,781,598 | 93,755,598 |
| Debt retirement funds  | 6,368,513           | 5,434,788   | 5,428,457   | 4,620,803   | 4,372,437  |
| Total Appropriated Funds                                     | 188,593,936         | 189,143,607 | 167,218,242 | 139,402,401 | 98,128,035 |
| Trust funds  | 753,383             | 839,914     | 833,897     | 1,497,860   | 1,352,731  |
| Total Interest Receipts (Note 9)                             | \$ 189,347,319      | 189,983,521 | 168,052,139 | 140,900,261 | 99,480,766 |
| <b>INTEREST DISTRIBUTION (Note 9)</b>                        |                     |             |             |             |            |
| General and special funds:                                   |                     |             |             |             |            |
| General Revenue Fund   | \$ 84,086,064       | 94,091,911  | 81,130,143  | 64,887,135  | 39,726,542 |
| Budget Stabilization Fund                                    | 7,354,863           | 6,823,161   | 5,022,803   | 1,467,772   | 1,858,128  |
| Cash Operating Reserve Fund                                  | 15,066,578          | 13,953,430  | 12,716,720  | 12,166,856  | 10,624,657 |
| Abandoned Mine Reclamation Fund                              | 32,134              | 26,361      | 20,743      | 16,756      | 11,431     |
| Agricultural Development Fund                                | 1,369               | N/A         | N/A         | N/A         | N/A        |
| Agricultural Product Utilization Grant Fund                  | 9,079               | N/A         | N/A         | N/A         | N/A        |
| Alternative Care Trust Fund                                  | 102,488             | 112,992     | 114,643     | 133,079     | 109,633    |
| Animal Health Laboratory Fee Fund                            | 10,045              | 8,071       | 5,024       | 3,052       | 6,284      |
| Aviation Trust Fund  | 39,855              | 23,194      | 31,582      | 33,081      | 23,596     |
| Bingo Proceeds for Education Fund                            | 484,669             | 376,030     | 301,401     | 283,433     | 257,838    |
| Champ W. Smith & Mary C. Smith Memorial Endowment Trust Fund | 21,268              | 21,062      | 20,330      | 20,537      | 19,267     |
| Chemical Emergency Preparedness Fund                         | 34,853              | 37,867      | 44,551      | 44,926      | 35,480     |
| Children's Trust Fund  | 191,699             | 190,859     | 163,947     | 157,864     | 127,296    |
| Coal Mine Land Reclamation Fund                              | 46,167              | 85,440      | 125,046     | 161,400     | 154,931    |
| Concentrated Animal Feeding Operation Indemnity Fund         | 1,431               | 208         | N/A         | N/A         | N/A        |
| Confederate Memorial Park Fund                               | 6,347               | 5,940       | 5,455       | 5,237       | 4,467      |
| Conservation Commission Fund                                 | 998,586             | 860,371     | 1,480,048   | 1,628,195   | 1,484,082  |
| Correctional Substance Abuse Earnings Fund                   | 60                  | N/A         | N/A         | N/A         | N/A        |
| Crime Victims' Compensation Fund                             | 431,106             | 440,785     | 479,970     | 437,092     | 333,110    |
| Deaf Relay Service Fund                                      | 341,344             | 302,946     | 236,182     | 190,175     | 127,981    |
| Debt Offset Escrow Fund                                      | 84,693              | 48,992      | 47,867      | 62,499      | 41,296     |
| Department of Insurance Dedicated Fund                       | 482,642             | 445,085     | 399,110     | 354,531     | 291,657    |
| Department of Public Safety - JAIBG Fund                     | 45,964              | N/A         | N/A         | N/A         | N/A        |
| Division of Credit Unions Fund                               | 22,649              | 19,621      | 15,532      | 13,846      | 10,735     |
| Division of Finance Fund                                     | 165,199             | 155,071     | 127,405     | 136,157     | 110,193    |
| Division of Savings and Loan Supervision Fund                | 3,023               | 3,263       | 3,129       | 5,551       | 10,378     |
| Doctor Edmund A. Babler Memorial State Park Fund             | 53,686              | 48,822      | 42,687      | 36,509      | 29,305     |
| Early Childhood Development, Education, and Care Fund        | 62,048              | N/A         | N/A         | N/A         | N/A        |
| Endowed Care Cemetery Audit Fund                             | 15,114              | 24,190      | 22,695      | 20,161      | 13,071     |
| Energy Set-Aside Program Fund                                | 1,097,527           | 1,004,715   | 613,123     | 532,682     | 527,969    |
| Escheats Fund  | 318,966             | 306,688     | 296,100     | 305,186     | 284,205    |
| Excellence in Education Fund                                 | 86,306              | 99,990      | 100,955     | 124,138     | 124,966    |
| Facilities Maintenance Reserve Fund                          | 240,483             | 95,631      | N/A         | N/A         | N/A        |
| Federal Drug Seizure Fund                                    | 91,955              | 39,778      | 21,240      | 19,315      | N/A        |
| Federal Reimbursement Allowance Fund                         | 1,878,471           | 2,033,464   | 2,990,570   | 2,230,819   | 1,100,070  |
| Federal Surplus Property Fund                                | 88,924              | 77,499      | 71,862      | 82,744      | 75,915     |
| Fourth State Building - Series A 1995                        | N/A                 | N/A         | 1,391,386   | 3,211,685   | 655,002    |
| Fourth State Building - Series A 1996                        | 809,357             | 4,050,880   | 4,803,635   | N/A         | N/A        |
| Fourth State Building - Series A 1998                        | 2,026,578           | 237         | N/A         | N/A         | N/A        |
| Gaming Commission Bingo Fund                                 | 5,657               | 9,319       | 6,440       | 4,954       | 3,167      |
| Gaming Commission Fund                                       | 2,514,757           | 2,498,117   | 1,717,827   | 895,114     | 258,706    |
| Gaming Proceeds for Education Fund                           | 536,099             | 469,961     | 1,776,184   | 3,875,971   | 862,973    |
| Grain Inspection Fees Fund                                   | 38,245              | 43,886      | 36,551      | 40,352      | 53,013     |
| Hazardous Waste Fund   | 17,686              | 9,069       | 9,027       | 12,526      | 19,977     |
| Hazardous Waste Remedial Fund                                | 222,696             | 270,730     | 268,879     | 275,041     | 270,845    |
| Historic Preservation Revolving Fund                         | 14,957              | 15,962      | 16,592      | 13,923      | N/A        |
| Industrial/Commercial Energy Conservation Loan Fund          | N/A                 | N/A         | 136,145     | 172,477     | 159,917    |
| Legal Defense and Defender Fund                              | 22,018              | 7,790       | 13,694      | 13,526      | 7,507      |
| Livestock Dealer Law Enforcement and Administration Fund     | 338                 | 343         | 246         | 130         | 204        |
| Local Government Energy Conservation Loan Fund               | N/A                 | N/A         | 143,099     | 176,704     | 173,516    |
| Mental Health Earnings Fund                                  | 47,645              | 60,126      | 236,692     | 1,174,109   | 687,061    |
| Mental Health Housing Trust Fund                             | 195                 | 176         | 19          | N/A         | N/A        |
| Mental Health Trust Fund                                     | 235,691             | 207,383     | 217,976     | 211,252     | 178,305    |

|  |            |            |            |            |           |
|--|------------|------------|------------|------------|-----------|
| Meramec-Onondaga State Parks Fund                    | 52,744     | 50,259     | 46,948     | 45,997     | 41,835    |
| Metallic Minerals Waste Management Fund              | 11,653     | 11,608     | 10,642     | 9,579      | 7,209     |
| Mined Land Reclamation Fund                          | 204,581    | 157,130    | 68,159     | 78,990     | 90,584    |
| Missouri Air Pollution Control Fund                  | 61,734     | 53,451     | 44,671     | 34,653     | 42,585    |
| Missouri Arts Council Trust Fund                     | 868,759    | 646,287    | 360,162    | 40,758     | N/A       |
| Missouri Breeders Fund                               | 4,119      | 3,976      | 3,732      | 3,619      | 3,321     |
| Missouri Children's Service Commission Fund          | 861        | 858        | 746        | 722        | 577       |
| Missouri College Guarantee Fund                      | 8,033      | N/A        | N/A        | N/A        | N/A       |
| Missouri Horse Racing Fund                           | N/A        | N/A        | 0          | 88         | 104       |
| Missouri Housing Trust Fund                          | 149,636    | 158,958    | 131,669    | 135,476    | 32,966    |
| Missouri Humanities Council Trust Fund               | 18,909     | 10,445     | 6,687      | N/A        | N/A       |
| Missouri National Guard Trust Fund                   | 11,183     | N/A        | N/A        | N/A        | N/A       |
| Missouri Veterans Homes Fund                         | 113,160    | 170,644    | 192,155    | 188,418    | 135,173   |
| Motor Fuel Tax Fund                                  | 2,155,315  | 3,536,397  | 0          | N/A        | N/A       |
| Natural Resources Protection Fund                    | 11,326     | 21,753     | 30,124     | 35,621     | 27,800    |
| Natural Resources Protection Fund - Air Pollution    |            |            |            |            |           |
| Asbestos Fee Subaccount Fund                         | 49,590     | 53,928     | 46,205     | 38,920     | 27,972    |
| Natural Resources Protection Fund - Air Pollution    |            |            |            |            |           |
| Permit Fee Subaccount Fund                           | 934,057    | 896,414    | 800,008    | 728,310    | 546,156   |
| Natural Resources Protection Fund - Water            |            |            |            |            |           |
| Pollution Permit Fee Subaccount Fund                 | 407,488    | 278,843    | 198,261    | 155,430    | 132,151   |
| Nursing Facility Quality of Care Fund                | 167,637    | 135,845    | 83,198     | 33,464     | 2,872     |
| Outstanding Schools Trust Fund                       | 19,830,070 | 18,753,652 | 14,204,300 | 10,068,818 | 5,080,844 |
| Pansy Johnson-Travis Memorial State Gardens          |            |            |            |            |           |
| Trust Fund   | 43,161     | 40,209     | 36,818     | 35,405     | 31,656    |
| Peace Officers Standards and Training                |            |            |            |            |           |
| Commission Fund                                      | 38,838     | 25,035     | 22,570     | 20,097     | 6,596     |
| Petroleum Inspection Fund                            | 95,179     | 97,190     | 83,740     | 68,667     | 39,874    |
| Petroleum Violation Escrow Fund                      | 1,199,858  | 1,255,124  | 1,227,621  | 1,160,240  | 1,114,858 |
| Post-Closure Fund                                    | 14,645     | 45,676     | N/A        | N/A        | N/A       |
| Property Reuse Fund                                  | 188,312    | 181,324    | 107,322    | N/A        | N/A       |
| Prosecuting and Circuit Attorneys' Retirement Fund   | N/A        | N/A        | N/A        | N/A        | 4,139     |
| Residential Mortgage Licensing Fund                  | 23,427     | 16,669     | 1,538      | N/A        | N/A       |
| Safe Drinking Water Fund                             | 215,352    | 191,367    | 174,745    | 155,709    | 111,564   |
| School Building Revolving Fund                       | 874        | N/A        | N/A        | N/A        | N/A       |
| School District Trust Fund                           | 2,584,864  | 2,484,889  | 2,236,969  | 2,187,374  | 1,976,800 |
| Second Injury Fund                                   | 359,716    | 651,105    | 1,653,827  | 2,694,486  | 3,390,390 |
| Secretary of State Institutional Gift Trust Fund     | 46,963     | 53,653     | 55,081     | 58,510     | 58,105    |
| Secretary of State's - Technology Trust Account Fund | 125,392    | 113,276    | 118,030    | 117,846    | 21,789    |
| Single-Purpose Animal Facilities Loan Program Fund   | 18,364     | 14,154     | 5,271      | 183        | N/A       |
| Soil and Water Sales Tax Fund                        | 694,499    | 717,272    | 1,184,943  | 1,604,840  | 1,802,626 |
| State Document Preservation Fund                     | 1,371      | 1,089      | 38         | N/A        | N/A       |
| State Guaranty Student Loan Fund                     | 2,010,473  | 2,646,123  | 2,436,421  | 2,440,750  | 2,232,944 |
| State Highways and Transportation Department Fund    | 1,349,440  | 862,693    | 543,604    | N/A        | N/A       |
| State Lottery Fund                                   | 1,314,027  | 845,562    | 963,241    | 1,040,481  | 887,285   |
| State Parks Sales Tax Fund                           | 1,006,782  | 1,046,845  | 1,076,417  | 1,044,960  | 845,548   |
| State Road Fund                                      | 5,730,039  | 4,628,340  | 5,076,291  | 5,979,859  | 5,367,610 |
| State Transportation Assistance Revolving Fund       | 23,333     | 212        | N/A        | N/A        | N/A       |
| Third State Building Fund - Pre Tax Act 1986         | 70,179     | 120,177    | 199,935    | 301,821    | 395,324   |

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|   |             |             |             |             |            |
|---|-------------|-------------|-------------|-------------|------------|
| U.S. Department of Higher Education/ Coordinating Board |             |             |             |             |            |
| for Higher Education Interest Account Fund              | 950,650     | N/A         | N/A         | N/A         | N/A        |
| Underground Storage Tank Insurance Fund                 | 3,178,749   | 2,706,826   | 1,997,607   | 1,714,704   | 1,541,318  |
| Utilecare Stabilization Fund                            | 5,731       | N/A         | N/A         | N/A         | N/A        |
| Veterans' Homes Capital Improvement Fund                | N/A         | N/A         | 47,801      | 136,090     | 117,004    |
| Veterans' Homes Capital Improvement Trust Fund          | 3,233,103   | 1,391,613   | 275,570     | 68,831      | 0          |
| Veterans' Trust Fund                                    | 21,303      | 19,191      | 17,038      | 15,993      | 13,711     |
| Water and Waste Water Loan Fund                         | 82,566      | 56,048      | 62,319      | 46,293      | 37,301     |
| Water and Waste Water Loan Revolving Fund               | 8,954,944   | 7,187,534   | 6,161,659   | 4,136,840   | 4,259,194  |
| Water Pollution Control - Series A 1993 - 37C           | N/A         | N/A         | 34,581      | 162,446     | 373,031    |
| Water Pollution Control - Series A 1993 - 37E           | N/A         | N/A         | N/A         | 15,445      | 362,961    |
| Water Pollution Control - Series A 1995 - 37C           | N/A         | N/A         | 112,250     | 242,872     | 43,756     |
| Water Pollution Control - Series A 1995 - 37E           | N/A         | N/A         | 313,244     | 1,004,170   | 218,860    |
| Water Pollution Control - Series A 1996 - 37C           | 385,688     | 484,911     | 502,103     | N/A         | N/A        |
| Water Pollution Control - Series A 1996 - 37E           | 476,226     | 880,504     | 844,571     | N/A         | N/A        |
| Water Pollution Control - Series A 1998 - 37C           | 331,862     | 36          | N/A         | N/A         | N/A        |
| Water Pollution Control - Series A 1998 - 37E           | 1,220,809   | 130         | N/A         | N/A         | N/A        |
| Wolfner Library Trust Fund                              | 30,533      | 18,088      | N/A         | N/A         | N/A        |
| Workers' Compensation Fund                              | 647,742     | 578,090     | 563,698     | 1,089,331   | 1,474,529  |
| Total General and Special Funds                         | 182,225,423 | 183,708,819 | 161,789,785 | 134,781,598 | 93,755,598 |

Debt retirement funds:

|   |         |         |         |         |        |
|---|---------|---------|---------|---------|--------|
| Fourth State Building Bond and Interest - |         |         |         |         |        |
| Series A 1995                             | 357,726 | 311,714 | 322,451 | 273,396 | 45,231 |

|  |             |             |             |             |            |
|--|-------------|-------------|-------------|-------------|------------|
| Fourth State Building Bond and Interest - Series A 1996                  | 603,493     | 526,591     | 372,751     | N/A         | N/A        |
| Fourth State Building Bond and Interest - Series A 1998                  | 159,749     | 9           | N/A         | N/A         | N/A        |
| Third State Building Bond Interest and Sinking - Post Tax Act 1986       | N/A         | N/A         | N/A         | N/A         | 33,485     |
| Third State Building Bond Interest and Sinking - Pre Tax Act 1986        | N/A         | 8,298       | 646,518     | 1,033,963   | 971,377    |
| Third State Building Bond Interest and Sinking - Series A&B 1991         | 515,075     | 674,779     | 483,718     | 489,089     | 414,162    |
| Third State Building Bond Interest and Sinking - Series A 1992           | 1,738,890   | 1,456,912   | 1,254,351   | 762,647     | 824,491    |
| Third State Building Bond Interest and Sinking - Series A 1993           | 1,026,372   | 756,003     | 496,347     | 432,507     | 468,106    |
| Water Pollution Control Bond and Interest - Pre Tax Act 1986             | 32,919      | 125,400     | 395,046     | 484,563     | 487,568    |
| Water Pollution Control Bond and Interest - Series A 1989                | 67,823      | 59,432      | 62,204      | 54,675      | 59,018     |
| Water Pollution Control Bond and Interest - Series A 1991                | 67,228      | 58,239      | 61,186      | 54,011      | 59,038     |
| Water Pollution Control Bond and Interest - Series A 1992                | 161,759     | 141,689     | 148,120     | 129,903     | 141,453    |
| Water Pollution Control Bond and Interest - Series A 1993                | 130,887     | 114,512     | 120,046     | 105,473     | 115,424    |
| Water Pollution Control Bond and Interest - Series A 1995                | 143,096     | 124,739     | 128,950     | 111,403     | 49,068     |
| Water Pollution Control Bond and Interest - Series A 1996                | 169,018     | 147,390     | 104,408     | N/A         | N/A        |
| Water Pollution Control Bond and Interest - Series A 1998                | 111,824     | 6           | N/A         | N/A         | N/A        |
| Water Pollution Control Bond and Interest - Series B 1987                | N/A         | N/A         | N/A         | N/A         | 15,586     |
| Water Pollution Control Bond and Interest - Series B 1992                | 311,930     | 270,072     | 247,412     | 147,111     | 157,927    |
| Water Pollution Control Bond and Interest - Series B 1993                | 528,406     | 420,455     | 352,439     | 307,088     | 332,589    |
| Water Pollution Control Bond and Interest - Series B&C 1991              | 242,318     | 238,548     | 232,510     | 234,974     | 197,914    |
| Total Debt Retirement Funds  | 6,368,513   | 5,434,788   | 5,428,457   | 4,620,803   | 4,372,437  |
| Total Appropriated Funds   | 188,593,936 | 189,143,607 | 167,218,242 | 139,402,401 | 98,128,035 |
| Trust funds:   |             |             |             |             |            |
| Capitol East Parking Facility Bond Reserve Fund                          | N/A         | N/A         | N/A         | 739         | 5,962      |
| Capitol East Parking Facility Depreciation and Replacement Fund          | N/A         | 9,192       | 14,045      | 14,545      | 13,745     |
| Capitol East Parking Facility Enterprise Fund                            | N/A         | N/A         | N/A         | 1,499       | 2,448      |
| Capitol East Parking Facility Principal and Interest Fund                | N/A         | N/A         | N/A         | N/A         | 34,742     |
| Capitol East Parking Facility Operating Reserve Fund                     | 5,517       | 11,640      | 11,389      | 11,621      | 11,072     |
| Corrections and Mental Health Construction Fund                          | 6,469       | 6,739       | 6,703       | 9,715       | 9,872      |
| Corrections and Mental Health Enterprise Fund                            | N/A         | N/A         | 5,252       | 148,198     | 84,063     |
| Kansas City State Office Building Enterprise Fund                        | N/A         | N/A         | 2,578       | 60,083      | 56,655     |
| Midtown State Office Building Enterprise Fund                            | N/A         | N/A         | 537         | 35,293      | 31,188     |
| Special Obligation Refunding Bond - Bond Reserve Fund                    | 5,280       | 5,988       | 8,576       | 5,793       | 5,536      |
| Special Obligation Refunding Bond - Depreciation and Replacement Fund    | 362,829     | 406,769     | 393,260     | 405,538     | 387,529    |
| Special Obligation Refunding Bond - Enterprise Fund                      | N/A         | N/A         | N/A         | 17          | 3,462      |
| Special Obligation Refunding Bond - Principal and Interest Fund          | 364,287     | 383,663     | 364,649     | 422,938     | 375,397    |
| Springfield State Office Building Enterprise Fund                        | N/A         | N/A         | 497         | 37,077      | 31,322     |
| State Building Special Obligation Bond 1988 Arbitrage Rebate Escrow Fund | 5,999       | 6,242       | 5,781       | 6,183       | 5,021      |
| Arbitrage Owed to IRS Escrow Fund  | 380         | 395         | 362         | 353         | 2,033      |
| State Information Center Construction Fund                               | 2,622       | 9,286       | 12,296      | 12,621      | 12,311     |
| State Information Center Enterprise Fund                                 | N/A         | N/A         | 1,658       | 48,020      | 39,805     |
| State Park Board Revenue Bond Fund                                       | N/A         | N/A         | N/A         | 52,646      | 48,939     |
| St. Joseph State Office Building Enterprise Fund                         | N/A         | N/A         | 1,292       | 24,384      | 18,843     |
| Truman State Office Building Construction Fund                           | N/A         | N/A         | N/A         | N/A         | 71         |
| Truman State Office Building Enterprise Fund                             | N/A         | N/A         | 4,462       | 146,472     | 124,573    |
| Wainwright State Office Building Enterprise Fund                         | N/A         | N/A         | 560         | 54,125      | 48,142     |

|                    |                              |                           |                           |                           |                          |
|--------------------|------------------------------|---------------------------|---------------------------|---------------------------|--------------------------|
| Total Trust Funds  | <u>753,383</u>               | <u>839,914</u>            | <u>833,897</u>            | <u>1,497,860</u>          | <u>1,352,731</u>         |
| Total Distribution | \$ <u><u>189,347,319</u></u> | <u><u>189,983,521</u></u> | <u><u>168,052,139</u></u> | <u><u>140,900,261</u></u> | <u><u>99,480,766</u></u> |

N/A These funds did not receive interest for the years indicated due to the fund not being established at the time, or due to the lack of legislation that would require the interest to remain in the fund.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

## Schedule 8

OFFICE OF STATE TREASURER  
ANALYSIS OF INVESTMENTS  
APPROPRIATED FUNDS

|  |    | Year Ended June 30,          |                        |                              |                        |                              |                        |                              |                        |                              |                        |
|--|----|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|
|  |    | 1999                         |                        | 1998                         |                        | 1997                         |                        | 1996                         |                        | 1995                         |                        |
|  |    | Average<br>Daily<br>Balances | Investment<br>Earnings | Average<br>Daily<br>Balances | Investment<br>Earnings | Average<br>Daily<br>Balances | Investment<br>Earnings | Average<br>Daily<br>Balances | Investment<br>Earnings | Average<br>Daily<br>Balances | Investment<br>Earnings |
| INVESTMENTS (Note 9)   |    |                              |                        |                              |                        |                              |                        |                              |                        |                              |                        |
| Time deposits  | \$ | 449,465,898                  | 21,330,976             | 435,724,377                  | 20,775,864             | 432,685,370                  | 20,962,339             | 421,520,562                  | 19,029,812             | 338,681,327                  | 10,361,554             |
| U.S. government securities, commercial<br>paper, and repurchase agreements                       |    | 2,932,164,153                | 167,262,960            | 3,105,448,004                | 168,367,743            | 2,865,324,055                | 146,255,903            | 2,339,245,207                | 120,372,589            | 1,710,288,163                | 87,766,482             |
| Other investments (Note 8)   |    | 10,130                       | 1,197                  | 10,130                       | 1,120                  | 10,130                       | 1,050                  | 10,130                       | 990                    | 15,909                       | -1,116                 |
| Total Invested Balance   | \$ | <u>3,381,640,181</u>         | <u>188,595,133</u>     | <u>3,541,182,511</u>         | <u>189,144,727</u>     | <u>3,298,019,555</u>         | <u>167,219,292</u>     | <u>2,760,775,899</u>         | <u>139,403,391</u>     | <u>2,048,985,399</u>         | <u>98,126,920</u>      |
| Total fund balance excluding<br>collection, concentration,<br>and restricted balance accounts    | \$ | 3,234,401,797                |                        | 3,416,907,704                |                        | 3,197,423,958                |                        | 2,667,586,324                |                        | 1,952,852,304                |                        |
| Collection and concentration<br>accounts   |    | 7,360,797                    |                        | 6,268,682                    |                        | 6,202,391                    |                        | 5,765,087                    |                        | 6,087,033                    |                        |
| Restricted balance accounts  |    | <u>19,251,318</u>            |                        | <u>16,104,141</u>            |                        | <u>13,947,824</u>            |                        | <u>15,101,093</u>            |                        | <u>17,887,984</u>            |                        |
| Total Fund Balance Including<br>Collection, Concentration,<br>and Restricted Balance<br>Accounts | \$ | <u>3,261,013,912</u>         |                        | <u>3,439,280,527</u>         |                        | <u>3,217,574,173</u>         |                        | <u>2,688,452,504</u>         |                        | <u>1,976,827,321</u>         |                        |
| PERCENTAGE OF FUND BALANCE IN<br>INVESTMENTS   |    |                              |                        |                              |                        |                              |                        |                              |                        |                              |                        |
| Excluding collection, concentration,<br>and restricted balance accounts                          |    | 104.55%                      |                        | 103.64%                      |                        | 103.15%                      |                        | 103.49%                      |                        | 104.92%                      |                        |
| Including collection, concentration,<br>and restricted balance accounts                          |    | 103.70%                      |                        | 102.96%                      |                        | 102.50%                      |                        | 102.69%                      |                        | 103.65%                      |                        |
| INVESTMENT YIELD   |    |                              |                        |                              |                        |                              |                        |                              |                        |                              |                        |
| Time deposits  |    |                              | 4.75%                  |                              | 4.77%                  |                              | 4.84%                  |                              | 4.51%                  |                              | 3.06%                  |
| U.S. government securities, commercial<br>paper, and repurchase agreements                       |    |                              | 5.70%                  |                              | 5.42%                  |                              | 5.10%                  |                              | 5.15%                  |                              | 5.13%                  |
| Other investments  |    |                              | 11.82%                 |                              | 11.06%                 |                              | 10.37%                 |                              | 9.77%                  |                              | -7.01%                 |
| Average investment yield (Note 10)   |    |                              | 5.58%                  |                              | 5.34%                  |                              | 5.07%                  |                              | 5.05%                  |                              | 4.79%                  |

The accompanying Notes to the Supplementary Data are an integral part of this statement.



## Notes to the Financial Statements and Supplementary Data

OFFICE OF STATE TREASURER  
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Office of State Treasurer.

The Central Check Mailing Service Revolving Fund, presented in Exhibits A through C, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the fund's activities.

Expenses presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the fund or applicable program.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit D for the Abandoned Fund Account Fund and the Treasurer's Information Fund. Appropriations from these funds are expended by or for the office for restricted purposes.

Appropriations, presented in Exhibit E, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Central Check Mailing Service Revolving Fund, Exhibits A through C, are prepared in conformity with generally accepted accounting principles. These statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Fixed assets (equipment) of the Central Check Mailing Service Revolving Fund are recorded at cost and depreciated on a straight-line basis with a useful life of ten years and no salvage value.

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit D, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit E, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance

method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

#### C. Fiscal Authority and Responsibility

The office administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Central Check Mailing Service Revolving Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. The State Treasurer is administrator and custodian of the fund and receives funds paid or transferred to the office by state agencies for centralized check mailing services. The initial funding for this fund was provided by a transfer of \$50,000 from the General Revenue Fund - State on October 23, 1978. Appropriations from the fund are used for check mailing service expenses.

Abandoned Fund Account Fund: This fund receives monies from banking or financial institutions, business associations, insurance corporations, utilities, courts and other governmental entities, and proceeds from the sale of abandoned property representing abandoned or unclaimed funds.

This fund is established and governed under Section 447.543.2, RSMo Cumulative Supp. 1999. Under Sections 447.500 through 447.595, RSMo, various financial, business, and governmental entities, unless otherwise exempted, are to remit to the State Treasurer all funds which have been presumed abandoned or unclaimed for the required dormancy period, less any reasonable costs of complying with the law incurred during the required notification or report process. The State Treasurer is to deposit these funds in the Abandoned Fund Account Fund. Claims may be filed at any time and are paid upon proof of an approved claim. At any time when the balance of the fund exceeds one-twelfth of the previous fiscal year's total disbursement from the Abandoned Fund Account Fund, the State Treasurer may, and at least once every fiscal year shall, transfer to the state's General Revenue Fund the balance of the Abandoned Fund Account Fund which exceeds one-twelfth of the previous fiscal year's total disbursement from the Abandoned Fund Account Fund. If any claim or refund reduces the balance of the fund to less than one-twenty-fourth of the previous fiscal year's total disbursement from the Abandoned Fund Account Fund, the State Treasurer shall transfer from the state's General Revenue Fund an amount which is sufficient to restore the balance to one-twelfth of the previous fiscal year's total

disbursement from the Abandoned Fund Account Fund. Appropriations from this fund authorize disbursements for the payment of claims of abandoned funds.

Treasurer's Information Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. This fund, established by Section 30.610, RSMo 1994, may receive monies from governmental entities or the general public for the preparation, reproduction, or dissemination of information or publications of the State Treasurer. Appropriations from this fund shall be used to pay for personal service, equipment and other expenses of the office necessary for the preparation, reproduction or dissemination of information or publications of the State Treasurer.

General Revenue Fund-State: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

Highway Department Fund: The office receives appropriations from this fund and does not maintain a propriety interest in the fund. Appropriations from the fund are used for that portion of the basic operation of the office which relates to the administration of highway department funds.

Worker's Compensation - Second Injury Fund: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for that portion of basic operations which relate to the administration of Second Injury Fund claims.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus, are not presented in the financial statement at Exhibit E.

2. Cash and Investments

The balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, and Treasurer's Information Fund are pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit D reconcile to appropriated expenditures on Exhibit E as follows:

|                             |    | Year Ended June 30,       |                                    |                           |                                    |
|-----------------------------|----|---------------------------|------------------------------------|---------------------------|------------------------------------|
|                             |    | 1999                      |                                    | 1998                      |                                    |
|                             |    | Abandoned<br>Fund Account | Treasurer's<br>Information<br>Fund | Abandoned<br>Fund Account | Treasurer's<br>Information<br>Fund |
| DISBURSEMENTS PER EXHIBIT D | \$ | 5,054,734                 | 1,502                              | 4,400,527                 | 1,175                              |
| Employee fringe benefits    |    |                           |                                    |                           |                                    |
| Lapse period expenditures:  |    |                           |                                    |                           |                                    |
| 1999                        |    | 121,823                   | 0                                  | 0                         | 0                                  |
| 1998                        |    | (330,480)                 | (952)                              | 330,480                   | 952                                |
| 1997                        |    | 0                         | 0                                  | (184,785)                 | (865)                              |
| Accounts payable, June 30:  |    |                           |                                    |                           |                                    |
| 1999                        |    | 56,077                    | 0                                  | 0                         | 0                                  |
| 1998                        |    | (15,977)                  | (42)                               | 15,977                    | 42                                 |
| 1997                        |    | 0                         | 0                                  | (8,416)                   | 0                                  |
| EXPENDITURES PER EXHIBIT E  | \$ | 4,886,177                 | 508                                | 4,553,783                 | 1,304                              |

Notes to the Supplementary Data:

4. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

5. Basis of Presentation

The amounts presented in Schedules 4 through 8 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subjected to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

6. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U. S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U. S. government or any agency or instrumentality thereof maturing or becoming payable not more than five years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within ninety days secured by U. S. Treasury obligations or obligations of U. S. government agencies or instrumentalities of any maturity, as provided by law. The treasurer may also invest in banker's

acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency and in commercial paper issued by domestic corporations which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than one hundred eighty days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain and adhere to a written investment policy which shall include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

### Deposits

The State Treasurer maintains approximately 1,400 bank accounts throughout the state. These accounts include time deposits, collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 1999 were entirely covered by federal depository insurance or by collateral securities held by custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo 1994, require depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

### Investments

The State Treasurer's investments at June 30, 1999 are listed by type below to give an indication of the level of risk assumed by the state at year-end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

|                            |    | Carrying<br>Amount   | Fair<br>Value        |
|----------------------------|----|----------------------|----------------------|
| Repurchase agreements      | \$ | 160,578,600          | 160,578,600          |
| U.S. government securities |    | 2,299,678,256        | 2,296,520,743        |
| Commercial paper           |    | 734,288,488          | 734,006,550          |
| Other investments          |    | 10,130               | 46,340               |
| Total Investments          | \$ | <u>3,194,555,474</u> | <u>3,191,152,233</u> |

Investments are recorded at acquisition cost except other investments which are recorded at par. Investments in repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U. S. government securities are acquired at fair value and mature at face value.

## 7. Demand Deposit and Collection Accounts

The demand deposits with Mercantile Bank on Schedule 4 consist of one central demand account in 1999 and 1998. The demand deposits with Central Bank consist of ten central demand accounts in 1999, seven in 1998, 1997 and 1996, and five in 1995. The Lottery Concentration Account was at Central Bank in 1999, 1998, 1997, 1996, and 1995. The Conservation Concentration Account was at Central Bank in 1999, 1998, 1997, and 1996.

The book balances as presented include deposits and transfers in transit of \$0, \$0, \$0, \$0, and \$5,075,083 at June 30, 1999, 1998, 1997, 1996, and 1995 for Central Bank. Bank balances were \$18,081,868 and \$28,187,539 at June 30, 1999 and 1998 for Mercantile Bank and \$32,573,546, \$22,567,839, \$58,791,756, \$34,932,976, and \$20,414,570 at June 30, 1999, 1998, 1997, 1996, and 1995 for Central Bank.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

8. Other Investments

The amounts presented in the appropriated funds as other investments represent investments in corporate common stocks and U.S. Government securities for the Pansy Johnson-Travis Memorial State Gardens Trust Fund that were transferred to the State Treasurer from the previous trustee of the fund.

9. Investments of Other Agencies

Schedules 7 and 8 do not include those funds which are invested directly by other agencies; e.g., the Agricultural Development Fund and the Department of Revenue non-state (local) funds. The State Treasurer does not have investment authority for these funds and is not responsible for the efficiency of the investment of these funds or for the collection and distribution of the interest income.

10. Amount and Yield on Investment Earnings

The amount and yield on investments earnings on Schedule 8 are presented on a cash basis. However, approximate accrued amounts were \$36,028,000, \$44,990,000, \$39,100,000, \$29,200,000, and \$19,900,000 at June 30, 1999, 1998, 1997, 1996, and 1995, respectively, giving approximate yield rates of 5.31 percent, 5.51 percent, 5.37 percent, 5.39 percent, and 5.19 percent for the same corresponding periods on an accrual basis.

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Current Recommendations

OFFICE OF STATE TREASURER  
SUMMARY OF FINDINGS

1. Bank Reconciliation Procedures (pages 42-44)

The reconciliation of the Electronic Receipt/Payment Account is not being performed timely.

2. Unclaimed Property Procedures (pages 44-45)

The owner information from holder reports has not been entered into the unclaimed property management system database timely.

OFFICE OF STATE TREASURER  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Office of State Treasurer as of and for the year ended June 30, 1999, and have issued our report thereon dated December 20, 1999.

The following Management Advisory Report presents our finding and recommendation arising from our audit of the office's special-purpose financial statements. During our audit, we also identified a certain management practice which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                                       |
|-----------|---------------------------------------|
| <b>1.</b> | <b>Bank Reconciliation Procedures</b> |
|-----------|---------------------------------------|

The State Treasurer's Office (STO) maintains numerous bank accounts to handle state monies. Due to the volume of activity, and the number and complexity of reconciling items, many of the main operating accounts are normally reconciled daily. However, one of these accounts, the Electronic Receipt/Payment Account, was not being reconciled on a timely basis. A similar condition was noted in our prior report.

The Electronic Receipt/Payment Account is used to process many of the state's electronic transactions, such as wire transfer receipts of federal monies, credit card receipts, direct deposits of payroll checks, and electronic vendor payments. In response to our prior report, the STO did increase their efforts in reconciling the account for a period of time. During our audit, we noted that the daily bank reconciliations for this account were current at July 23, 1999; however, the reconciliations were not performed again until December 6, 1999 when we discussed the issue with the STO. The reconciliations were still five and one-half months behind at March 2, 2000.

The June 30, 1999 reconciliation identified approximately \$7,400,000 in reconciling items, one-third of which had been outstanding for more than a month. Many such items require further research to determine what corrections or additional actions are necessary to resolve them. To allow errors and other reconciling items to be identified, researched, and corrected in a timely manner, bank reconciliations should be kept up-to-date.

**WE AGAIN RECOMMEND** the STO ensure reconciliations of all bank accounts are done on a timely basis.

**AUDITEE'S RESPONSE**

*The STO is committed to ensuring the timely performance of all bank reconciliations. With the exception of the state's Electronic Receipt/Payment Account ("electronic account"), the STO has routinely and successfully reconciled all state accounts on a timely basis.*

*The STO recognizes that additional measures are necessary to ensure the timely reconciliation of the state's electronic account. Transactions in the electronic account alone increased 10 percent from fiscal year 1998 to fiscal year 1999. In addition, the complexities of the transactions have increased significantly, resulting in a greater number of reconciling items that require research.*

*In July 1999, Missouri's Office of Administration implemented a new statewide accounting system, SAM II. At the same time, the STO implemented a new Y2K-compliant internal accounting system, Fundware. A significant amount of additional time was required by the STO to learn the new processes involved in SAM II, and to determine procedures to balance the old statewide accounting system to the two new systems, SAM II and Fundware.*

*In addition, the SAM II conversion was implemented without automated interfaces in place between systems. As a result, many of the processes that were automated between the old statewide accounting system and the old STO accounting system required manual processing during the period of transition to the new system.*

*During this same time period, all agencies were implementing the transition to SAM II. Many had difficulty obtaining the information necessary from SAM II to accomplish their internal accounting procedures. As a result, the agencies looked to the STO to provide them with the data they could not otherwise obtain. This data was available through Fundware, but required a redirecting of STO resources to obtain and disseminate. All this occurred while the STO was also struggling to balance its own accounts to SAM II.*

*As a function of reconciliation, the STO depends upon outside agencies to supply timely and accurate data on a daily basis in order to accurately balance the accounts held by the STO. Several of those agencies encountered great difficulties in trying to implement their internal interfaces to SAM II. The STO had to dedicate significant resources to researching transactions that were posting incorrectly to SAM II.*

*Following the 1998 audit, which also included a recommendation to ensure that the electronic account was reconciled on a timely basis, the STO successfully implemented procedures to bring the reconciliation of the electronic account up-to-date. The account was timely reconciled through July 23, 1999. However, management changes and difficulties resulting from the transition to a new statewide accounting system and a new internal accounting system strained STO resources and resulted in a lapse in timely reconciliation of the electronic account.*

*Now that the transition to the financial phase of SAM II has been completed, the STO has revisited its previous plan for ensuring the timely reconciliation of the electronic account, and has begun to implement the following measures to ensure compliance with the State Auditor's recommendations. However, the transition to SAM II is not complete, and it is unforeseen what demands the remaining elements of transition will place on STO resources.*

*The audit recommendations specifically address the issue of timely reconciliation of the electronic account. In addition to the long-term measures outlined above, the STO has implemented many of the following measures, and will complete implementation of all measures listed below within three months to ensure compliance with the audit recommendations.*

- 1. The STO recognized that management changes were necessary in order to ensure improved oversight of all accounts. Those changes have been implemented and, as a result, specific attention at the management level is now being given to the electronic account.*
- 2. Reconciliation software has been purchased and will be implemented by the end of June 2000. The software will assist in reconciling all other accounts, thereby freeing up additional resources to research outstanding items and dedicate time to other areas of account reconciliation.*

3. *The duties of the Trust Accounts Coordinator have been reassigned in order to prioritize reconciliation of the electronic account. This is a permanent change in this position's responsibilities designed to bring the electronic account up-to-date, and keep it reconciled in the future.*
4. *The STO is seeking to implement additional electronic interfaces from the Office of Administration SAM II system, which will allow resources currently dedicated to interfacing with the SAM II system to be redirected and used, as necessary, for account reconciliation.*
5. *Interns will be utilized to assist with researching outstanding items, and to provide assistance in other areas to STO staff, thereby freeing up additional resources that can be dedicated to account reconciliation.*

*It is anticipated that reconciliation of the electronic account will be current by May 1, 2000, and that the short-term and long-term measures outlined above will ensure full compliance with the audit recommendations.*

|   |
|---|
| <b>2. Unclaimed Property Procedures</b> |
|---|

Certain entities holding unclaimed property for persons they cannot locate are periodically required to send such property, along with available information about the owners, to the State Treasurer's Office. The Unclaimed Property Division (UPD) receives and records the unclaimed property and deposits unclaimed monies to the credit of the Abandoned Fund Account Fund. While the UPD deposits unclaimed funds and enters information about the holders into the UPD's unclaimed property management system database as it is received, the related individual owner information is not always entered in a timely manner.

At June 30, 1999, the UPD had approximately \$3,524,000 in holder reports for which the owner information had not been entered, as compared to approximately \$2,019,000 at June 30, 1998. Some of these reports had been submitted as much as eight months earlier. In addition, as of October 1, 1999 the amount had increased to approximately \$3,821,000. The two main reporting periods during which unclaimed property is remitted to the UPD begin on May 1 and November 1 of each year.

The timely entry of owner information on the unclaimed property management system is critical to returning unclaimed funds to the original owners in a timely manner. While the UPD uses many marketing tools to publicize unclaimed funds and to encourage owners to inquire about monies possibly due them, owners can only identify and claim the amounts recorded in their name on the unclaimed property management system. Without the most current data, the value of this marketing is reduced.

**WE RECOMMEND** the STO enter owner information in a timely manner.

**AUDITEE'S RESPONSE**

*The two major functions of the Unclaimed Property Division are: 1) receipt and entry of unclaimed property, and 2) handling of inquiries and disbursement to unclaimed property owners. These two functions must compete for the same personnel resources.*

*The STO\Unclaimed Property Division has experienced a sizeable increase in volume due to heightened awareness of the unclaimed property laws and increased national attention on states' efforts to return unclaimed property to the rightful owners. In fiscal year 1999, the Unclaimed Property Division entered over 180 percent more owners and handled over 1500 percent more inquiries than fiscal year 1998, with the same size staff.*

*Coupled with the increased volume of remitted funds anticipated due to the changes in the Unclaimed Property law under H.B. 1510 (see below), the resources of the Unclaimed Property Division may ultimately be inadequate to address the rapid growth in owner information being reported. However, the STO is committed to exhausting every resource before requesting additional FTEs, and has a plan in place to maximize existing resources through the use of new technology.*

*The STO is fully committed to ensuring that owner information is entered in a timely manner. In 1998, H.B. 1510 was passed and signed into law. The abandonment period for most types of property was changed from seven years to five years, effective January 1, 2000. Companies will remit owners for three reporting periods in May and November 2000, effectively tripling the amount of owner information reported.*

*The STO is addressing the increased demands on the Unclaimed Property Division's resources by utilizing technology. The STO has implemented an electronic reporting function which allows holders to submit their information on diskette. The diskette reporting requires much less time to upload to the unclaimed property management system than to manually key. This, along with increased automation in the claims process, should help the division shift additional resources to the entry of owner information.*

*The STO plans to use several methods to encourage companies to remit owners on diskette reports. The owner backlog will depend on the number of reports received on diskette and the amount of publicity unclaimed property receives statewide and nationally. The STO fully intends to manage resources to maximize the amount of money returned on a timely basis to the rightful owners.*

*The STO expects to have the owner backlog reduced to 90 days by July 1, 2000, and to be fully compliant with the audit recommendations, as of that date. However, as noted above, the issue of seeking additional FTEs to address the increasing demands on the Unclaimed Property Division, due to increased national awareness and changes in the law, may need to be revisited in the future.*

*This report is intended for the information of the management of the Office of State Treasurer and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.*

## Follow-Up on State Auditor's Prior Recommendations

OFFICE OF STATE TREASURER  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Office of State Treasurer on recommendations made in the Management Advisory Report (MAR) of our report issued for the year ended June 30, 1998. The prior recommendation which has not been implemented is repeated in the current MAR.

1. Bank Reconciliations

The Electronic Receipt/ Payment Account was not reconciled on a timely basis.

Recommendation:

The STO ensure reconciliations of all bank accounts are done on a timely basis.

Status:

Not implemented. The daily reconciliations were performed through July 23, 1999, but were not performed again until December 1999. See MAR No. 1.

2. Abandoned Fund Account Fund Transfers

The transfer of excess balances from the Abandoned Fund Account Fund to the state's General Revenue Fund was not performed as required by state law.

Recommendation:

The STO continue to monitor the cash balance of the Abandoned Fund Account Fund and ensure that the necessary transfer is made at least once each fiscal year to reduce the balance to the level required by state law.

Status:

Implemented.

3. Missouri First Linked Deposit Program

Audits and other reviews of deposits and loans related to several components of the Missouri First Linked Deposit Program were not being performed on a timely basis or in accordance with written procedures.

Recommendation:



The STO ensure that audits and other reviews of the Missouri First Linked Deposit Program are performed on a timely basis. In addition, the audits should conform to the STO's written guidelines.

Status:

Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

## OFFICE OF STATE TREASURER HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U. S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services; 2) disbursements and records; 3) investments and deposit programs; and 4) unclaimed property.

The accounting and banking services area: 1) maintains a fund accounting system for the purpose of allocating investment interest to funds; 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances; 3) controls receipt of state monies collected by fee agents and state agencies and deposited in local banks throughout the state; 4) reconciles bank activity to receipt and disbursement activity reflected on the state books; and 5) determines the amount of state monies not needed for current operating expenses.

The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) confirms daily disbursements with the bank as certified by the Office of Administration; 2) provides storage and retrieval of state checks; and 3) controls and processes outlawed checks and processes and verifies claims for replacement checks.

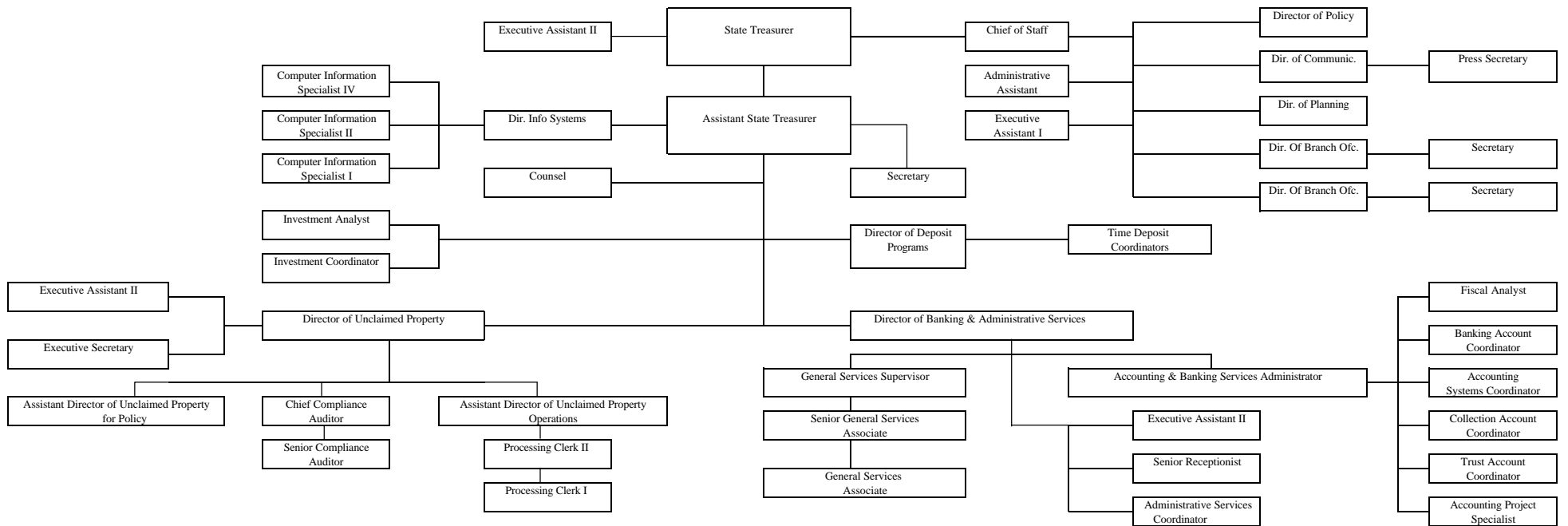
The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Section administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Section is responsible for: 1) ensuring unclaimed property is reported; 2) receiving and recording reports of unclaimed property; 3) depositing unclaimed funds to the Abandoned Fund Account Fund; 4) maintaining custody and safekeeping of abandoned or unclaimed physical property; and 5) processing owner claims for abandoned funds or physical property.

On January 13, 1997, Bob Holden was inaugurated for his second term as the forty-second Treasurer of the state of Missouri. Bob Holden's term will expire in January 2001.

As of June 30, 1999, the office had forty-five full-time and six part-time employees. An organization chart follows.

OFFICE OF STATE TREASURER  
ORGANIZATION CHART  
JUNE 30, 1999





GENERAL ASSEMBLY  
AND SUPPORTING FUNCTIONS

SENATE

THREE YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

# AUDIT REPORT

Report No. 2000-34  
May 12, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The following findings were noted as a result of an audit conducted by our office of the General Assembly – Senate.**

---

The Senate does not have written job descriptions for many support staff employment positions and does not periodically evaluate many support staff employees. The Senate support staff personnel policy does not address how leave should be requested, approved, and documented, and these employees are not required to prepare time sheets. There is no personnel policy for senators' personal staff and there are not centralized leave records for these employees.

There is no segregation of duties over the payroll function, with the Senate payroll clerk handling all payroll duties. In addition, personnel files are not complete and various problems were noted pertaining to accumulated leave and the related records.

The Senate has not established a written procurement policy. Also, during the three years ended June 30, 1999, the Senate authorized the purchase and delivery of over \$150,000 in postage stamps to the various senators to be used for official business. No controls have been implemented to ensure the postage stamps are used properly or that any unused stamps are returned. In addition, the Senate printed calendars for distribution by most of the senators at a cost totaling \$21,750 for the three years ended June 30, 1999.

During the audit period, the Senate sold used office furniture and equipment items with an original acquisition cost of approximately \$52,000 to senators, their staff, or outside parties for approximately \$6,800. The Senate has not established a policy on how to value these items for sale. It was recommended that the Senate consider turning all used assets being disposed of over to State Surplus Property.

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**Most of the findings reported had also been reported in the previous audit of the Senate (covering the three years ended June 30, 1993) with the exception of the following:**

Our previous audit noted the Senate did not reconcile its manual postage meter usage log to the computer log attached to the postage meter, and the balance of postage on the postage meter on account at the post office appeared to be excessive based on the amount of postage used annually.

(over)

YELLOW SHEET

We recommended the manual log be reconciled to the computer log to ensure the postage meter usage was properly recorded to each senator's allowance. Furthermore, we recommended that the postage balances be monitored in all postage accounts. The Senate did implement these recommendations.

Also noted in the previous audit report, we found documentation of prior approval was not found for all out-of-state trips. Administration Committee policy in the Senate required prior approval for all out-of-state travel. It was recommended that the Senate document prior approval of out-of-state travel in the committee's minutes. This recommendations has also been implemented.



GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE

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GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Members of the Senate  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Senate as of and for the years ended June 30, 1999, 1998, and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the Senate's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the Senate Revolving Fund, and the appropriations and expenditures of the various funds of the Senate and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the Senate.

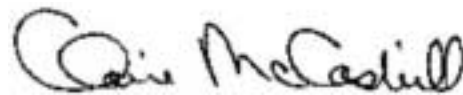
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Senate Revolving Fund, and the appropriations and expenditures of the various funds of the Senate as of and for the years ended June 30, 1999, 1998, and 1997, in conformity with

the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 22, 1999, on our consideration of the Senate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Senate's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

October 22, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                               |
|---------------------|-------------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA        |
| Audit Manager:      | Gregory A. Slinkard, CPA, CIA |
| In-Charge Auditor:  | Robert McArthur               |
| Audit Staff:        | Christy Stoelting             |
|                     | Tara Shah                     |
|                     | Patrick Corbett               |
|                     | Kurt Gentry                   |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Members of the Senate  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Senate as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated October 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

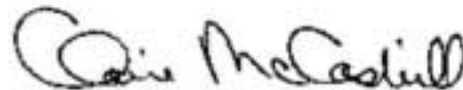
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Senate are free of material misstatement, we performed tests of the Senate's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Senate, we considered the Senate's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Senate's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Senate and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

October 22, 1999 (fieldwork completion date)



## Financial Statements

Exhibit A

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

SENATE

SENATE REVOLVING FUND

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND INVESTMENTS

|   | Year Ended June 30, |                |                |
|---|---------------------|----------------|----------------|
|   | 1999                | 1998           | 1997           |
| RECEIPTS  |                     |                |                |
| Sales   | \$ 12,277           | 9,437          | 41,053         |
| Refunds and reimbursements                            | 5,562               | 2,937          | 54,408         |
| Miscellaneous   | 50                  | 991            | 1,558          |
| Total Receipts  | <u>17,889</u>       | <u>13,365</u>  | <u>97,019</u>  |
| DISBURSEMENTS   |                     |                |                |
| Expense and equipment                                 | 0                   | 30,060         | 0              |
| Transfers to General Revenue Fund -<br>State (Note 3) | <u>1,966</u>        | <u>77,608</u>  | <u>1,001</u>   |
| Total Disbursements                                   | <u>1,966</u>        | <u>107,668</u> | <u>1,001</u>   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                   | <u>15,923</u>       | <u>-94,303</u> | <u>96,018</u>  |
| CASH AND INVESTMENTS, JULY 1                          | <u>20,331</u>       | <u>114,634</u> | <u>18,616</u>  |
| CASH AND INVESTMENTS, JUNE 30                         | <u>\$ 36,254</u>    | <u>20,331</u>  | <u>114,634</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|   |    |              |                 | Year Ended June 30, |            |              |                 |                |           |              |                 |
|---|----|--------------|-----------------|---------------------|------------|--------------|-----------------|----------------|-----------|--------------|-----------------|
| 1999  |    |              |                 | 1998                |            |              |                 | 1997           |           |              |                 |
| Appropriations  |    | Expenditures | Lapsed Balances | Appropriations      |            | Expenditures | Lapsed Balances | Appropriations |           | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND - STATE  |    |              |                 |                     |            |              |                 |                |           |              |                 |
| Senate contingent expenses  | \$ | 8,896,266    | 8,356,820       | 539,446             | 8,101,396  | 7,556,769    | 544,627         | 7,715,877      | 7,271,095 | 444,782      |                 |
| Salaries of members   |    | 994,299      | 982,814         | 11,485              | 945,271    | 942,963      | 2,308           | 916,803        | 916,801   | 2            |                 |
| Members' per diems  |    | 226,100      | 169,318         | 56,782              | 226,100    | 173,789      | 52,311          | 119,000        | 86,170    | 32,830       |                 |
| Members' mileage  |    | 56,435       | 51,663          | 4,772               | 56,435     | 53,288       | 3,147           | 56,435         | 52,270    | 4,165        |                 |
| General Assembly:   |    |              |                 |                     |            |              |                 |                |           |              |                 |
| Joint contingent expenses   |    | 831,572      | 254,009         | 577,563             | 1,117,769  | 534,885      | 582,884         | 1,120,947      | 426,406   | 694,541      |                 |
| Legislators' dues for professional organizations and other general expenses |    | 264,378      | 259,148         | 5,230               | 256,269    | 248,476      | 7,793           | 247,473        | 247,143   | 330          |                 |
| Joint Committee on Administrative Rules                                     |    | 111,855      | 86,992          | 24,863              | 0          | 0            | 0               | 104,022        | 97,302    | 6,720        |                 |
| Joint Committee on Public Employee Retirement                               |    | 198,731      | 133,373         | 65,358              | 0          | 0            | 0               | 183,651        | 117,499   | 66,152       |                 |
| Joint Committee on Capital Improvements and Lease Oversight                 |    | 110,429      | 101,606         | 8,823               | 0          | 0            | 0               | 101,701        | 71,623    | 30,078       |                 |
| Joint Committee on Economic Development Policy and Planning                 |    | 0            | 0               | 0                   | 0          | 0            | 0               | 57,546         | 16,957    | 40,589       |                 |
| Joint Committee on Health Care Policy and Planning                          |    | 104,533      | 0               | 104,533             | 0          | 0            | 0               | 96,113         | 29,811    | 66,302       |                 |
| Total General Revenue Fund - State  |    | 11,794,598   | 10,395,743      | 1,398,855           | 10,703,240 | 9,510,170    | 1,193,070       | 10,719,568     | 9,333,077 | 1,386,491    |                 |
| SENATE REVOLVING FUND   |    |              |                 |                     |            |              |                 |                |           |              |                 |
| Contingent expenses   |    | 40,000       | 0               | 40,000              | 40,000     | 0            | 40,000          | 40,000         | 30,060    | 9,940        |                 |
| Total All Funds   | \$ | 11,834,598   | 10,395,743      | 1,438,855           | 10,743,240 | 9,510,170    | 1,233,070       | 10,759,568     | 9,363,137 | 1,396,431    |                 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Supplementary Data

## Schedule 1

## GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

## SENATE

## COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30,  |                  |                  |                  |                  |
|--|----------------------|------------------|------------------|------------------|------------------|
|  | 1999                 | 1998             | 1997             | 1996             | 1995             |
| Personal service                             | \$ 7,683,434         | 7,320,681        | 6,982,653        | 6,006,207        | 5,746,120        |
| Travel and vehicle expense                   | 371,272              | 411,682          | 318,270          | 289,237          | 262,502          |
| Transportation equipment purchases           | 26,500               | 22,043           | 13,686           | 0                | 0                |
| Office expense                               | 389,930              | 398,383          | 415,186          | 390,788          | 380,824          |
| Office and communication equipment purchases | 278,488              | 102,025          | 248,752          | 272,181          | 122,330          |
| Communication expense                        | 588,355              | 488,585          | 419,945          | 451,263          | 385,735          |
| Institutional and physical plant:            |                      |                  |                  |                  |                  |
| Expense                                      | 135,020              | 180,765          | 147,102          | 141,594          | 121,397          |
| Purchases                                    | 7,122                | 19,375           | 9,606            | 31,189           | 68,877           |
| Data processing expense and equipment        | 510,569              | 226,912          | 434,578          | 212,198          | 240,831          |
| Professional services                        | 98,799               | 37,394           | 75,655           | 5,702            | 28,217           |
| Other expense                                | 306,254              | 302,325          | 297,704          | 294,533          | 244,887          |
|  | <u>\$ 10,395,743</u> | <u>9,510,170</u> | <u>9,363,137</u> | <u>8,094,892</u> | <u>7,601,720</u> |

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

|                        | Furniture<br>and<br>Equipment | Vehicles      | Building | Total            |
|------------------------|-------------------------------|---------------|----------|------------------|
| Balance, July 1, 1996  | \$ 3,438,903                  | 38,341        | 10,000   | 3,487,244        |
| Additions              | 391,839                       | 25,160        | 0        | 416,999          |
| Dispositions           | -69,155                       | -25,835       | -10,000  | -104,990         |
| Balance, June 30, 1997 | 3,761,587                     | 37,666        | 0        | 3,799,253        |
| Additions              | 86,770                        | 22,042        | 0        | 108,812          |
| Dispositions           | -169,500                      | -12,506       | 0        | -182,006         |
| Balance, June 30, 1998 | 3,678,857                     | 47,202        | 0        | 3,726,059        |
| Additions              | 378,016                       | 26,000        | 0        | 404,016          |
| Dispositions           | -392,027                      | 0             | 0        | -392,027         |
| Balance, June 30, 1999 | <u>\$ 3,664,846</u>           | <u>73,202</u> | <u>0</u> | <u>3,738,048</u> |

The accompanying Note to the Supplementary Data is an integral part of this statement.

## Notes to the Financial Statements and Supplementary Data

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE  
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Senate.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Senate Revolving Fund. Appropriations from this fund are expended by or for the Senate for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the Senate's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Senate and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.



The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Senate administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Senate Revolving Fund: This fund was established by Section 21.235, RSMo 1994, to receive funds paid or transferred to the Senate for printing, duplicating, postage, computer services, surplus property sales, refunds from vendors, personal reimbursements, or any other goods or services for which a fee is charged. Expenditures are authorized by appropriation and by the Senate Administration Committee. The unexpended balance exceeding \$5,000 at the end of the biennium is transferred to the General Revenue Fund-State.

General Revenue Fund-State: The Senate receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the Senate, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash

The balance of the Senate Revolving Fund is pooled with other state funds and invested by the state treasurer.

3. Transfers to General Revenue Fund-State

In accordance with Section 21.235, RSMo 1994, the unexpended balance of the Senate Revolving Fund not exceeding \$5,000 is exempt from the provisions of Section 33.080, RSMo 1994. That statute states the state treasurer will make a biennial transfer of unexpended funds to the state's General Revenue Fund. The amount presented for the year ended June 30, 1998, represents the excess balance over \$5,000, and the fund's proportional share of fiscal year 1996 and 1995 refunds required by Article X, Section 18 of the Missouri Constitution. The amounts presented for the years ended June 30, 1999 and 1997, represent fiscal year 1997 refunds required by Article X, Section 18 of the Missouri Constitution and an adjustment made to correct a previous transfer, respectively.

4. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures of the Senate Revolving Fund on Exhibit B as follows:

|                                   |    | Year Ended June 30, |          |               |
|-----------------------------------|----|---------------------|----------|---------------|
|                                   |    | 1999                | 1998     | 1997          |
| DISBURSEMENTS PER EXHIBIT A       | \$ | 1,966               | 107,668  | 1,001         |
| Lapsed period expenditures - 1997 |    | 0                   | (30,060) | 30,060        |
| Transfers                         |    | (1,966)             | (77,608) | (1,001)       |
| EXPENDITURES PER EXHIBIT B        | \$ | <u>0</u>            | <u>0</u> | <u>30,060</u> |

5. Other Collections

As part of hosting the 1996 Annual Meeting of the National Conference of State Legislatures (NCSL) in St. Louis, the Missouri General Assembly established the Missouri Host State Committee (Committee) to raise funds necessary to cover the projected expenses of the meeting. The NCSL acted as the fiscal agent of the Committee and in that capacity received all revenues and paid all expenses related to the meeting.

In fiscal year 1995, the Missouri General Assembly approved a joint appropriation to cover the projected in-state expenses of both the Senate and House of Representatives, (ie. staff payroll, travel, supplies, phone charges, rentals, etc.) related to conducting and hosting the meeting. These expenses were to be reimbursed by the NCSL from any remaining funds after all other expenses of the annual meeting had been paid.

After the conclusion of the meeting and the finalization of the Committee's responsibilities in hosting the meeting, it was determined Senate staff had incurred expenses totaling \$228,035. This amount was reimbursed by the NCSL and received during the year ended June 30, 1997. Of this amount, \$47,541 was deposited into the Senate Revolving Fund and the remaining \$180,494 was transmitted to the General Revenue Fund-State. The monies turned over directly to the General Revenue Fund-State are not presented in the financial statements.

Note to the Supplementary Data:

6. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE  
SUMMARY OF FINDINGS

1. Personnel Policies (pages 21-23)

The Senate does not have written job descriptions for many support staff employment positions and does not periodically evaluate many support staff employees. The Senate support staff personnel policy does not address how leave should be requested, approved, and documented and these employees are not required to prepare time sheets. There is no personnel policy for senators' personal staff and there are no centralized leave records for these employees.

2. Payroll Records and Procedures (pages 23-26)

Payroll duties are not properly segregated and personnel files are not always complete. Leave records are not maintained for some senate support staff and leave records are not submitted to the payroll clerk in a timely manner. Some employees have been allowed to retain and accumulate a significant amount of annual leave in excess of the leave policy limits, while other employees were allowed to accrue negative annual, sick, and compensatory leave balances.

3. Expenditures (pages 26-28)

The Senate has not established a written procurement policy. A significant amount of postage stamps were purchased and delivered to the various senators without controls in place to ensure they were used for official business. Approximately \$21,750 was spent printing calendars for senators to send to friends and constituents.

4. Sale of Surplus Property (page 28)

Used office furniture and equipment is sold to senators, their staff, and outside parties for significantly less than the original requisition costs, instead of surplusizing it for use by state agencies.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Senate as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated October 22, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the Senate's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                           |
|-----------|---------------------------|
| <b>1.</b> | <b>Personnel Policies</b> |
|-----------|---------------------------|

The Senate has two groups of employees. Senate support staff work for the Senate overall. Research analysts, print shop employees, accounting staff, maintenance employees, and the Senate carpenter are examples of senate support staff. Senators' personal staff work exclusively for a senator. Attorneys and secretaries are examples of senators' personal staff. The following concerns were noted in our review of the Senate's personnel policies:

- A. The Senate does not have written job descriptions to document the responsibilities and qualifications for many Senate support staff employment positions. In addition, we noted written performance appraisals are not prepared periodically to evaluate the performance of many support staff employees.

Job descriptions are necessary to ensure that individuals are aware of their duties and responsibilities and are qualified for the position for which they are hired. In addition, job descriptions can be used as objective criteria in the evaluation of potential employees. Written performance appraisals can lead to improvement in employee performance, and may be used to evaluate employees for salary increases, promotions, and other personnel actions.

- B. The Senate has a personnel policy addressing the accrual, use, and lapsing of annual leave, sick leave, and compensatory time for support staff; however, the policy does not address how the use of leave should be requested, approved, and documented (ie. leave slips). In addition, support staff are not required to prepare time sheets documenting hours worked and/or leave taken.

Proper control over payroll requires documentation, such as time sheets or leave slips, signed by the employees and approved by their supervisors, to provide evidence of time worked and/or leave taken each month.

- C. There is no personnel policy for senators' personal staff and there is no centralized record of leave earned and taken by personal staff. Each senator is responsible for maintaining time sheets and/or leave records for their employees. Upon termination or at other times throughout the year, each senator decides what amount, if any, of annual leave or overtime to pay their personal staff. During our review, we noted several extra payments ranging from \$200 to \$3,500 to senators' personal staff for accumulated leave or overtime. The only documentation provided to the Senate authorizing this extra compensation is a letter from the senator.

A written personnel policy for personal staff employees is necessary to provide assurance employees are treated equitably and to prevent misunderstandings. In addition, without centralized records, the Senate cannot ensure that employees' annual leave, sick leave, and compensatory time balances are accurate. Centralized leave records also aid in determining final compensation for employees leaving Senate employment.

Conditions B. and C. were similarly noted in the prior report.

**WE RECOMMEND** the Senate:

- A. Prepare written job descriptions that establish the responsibilities and qualifications for all support staff positions. In addition, written performance appraisals should be prepared for each support staff employee on a periodic basis.
- B. Revise the personnel policy for support staff to provide guidance as to how the use of leave should be requested, approved, and documented (ie. leave slips). In addition, support staff should be required to prepare monthly time sheets documenting hours worked and/or leave taken.
- C. Establish a written personnel policy for senators' personal staff. In addition, the payroll records for all Senate employees should be centralized, with personal staff required to submit time sheets or leave slips.

**AUDITEE'S RESPONSE**

- A. *With the exception of some of the professional staff, the Senate does not maintain written job descriptions for many support staff positions. As support staff openings arise, an evaluation is done to determine the skills or qualifications needed to fulfill the responsibilities of the particular job being filled. New support staff are made aware of their responsibilities and how they are expected to fulfill them when hired. Written performance*



*appraisals can be useful if developed and administered properly. The identification of appropriate performance dimensions for each job and the establishment of appropriate performance standards for each dimension is key to the development of accurate performance measures. The Senate agrees to review current policy for potential improvements in employee development and performance measurement.*

*B&C. Senators do their own staffing. Senators establish the working hours, duties, salary, and any leave accrual rates for their employees. Therefore, it has not been practical for us to maintain leave records for this group of employees.*

*Accumulated leave which is to be paid upon termination is generally documented with a letter from the senator with the stipulation that supporting documentation be available upon request. Any accumulated leave reimbursement is limited to the maximum that could have been accrued by a support staff employee with comparable state service.*

*The Senate typically does not allow overtime payments. Previously when such payments were allowed they were required to be documented with a letter with the stipulation that supporting documentation be available upon request.*

*As to extra payments made to senators' salaried personal staff, the overtime reimbursements noted by your staff took place in 1996 and were for one senator's staff. The other extra payments noted in your review can be classified as either corrections or adjustments. The corrections were typically a result of salary not being adjusted when a change was to take place (i.e., a new rate was not correctly entered on the payroll when it should have taken effect). The adjustments were relatively minor fluctuations in pay authorized by the senator on his employee authorization form; some were increases while some were decreases.*

*The Senate recognizes the importance of the consistent interpretation and application of agency personnel policies across employee groups. With the upcoming implementation of the HR/Personnel phase of SAM II, we plan to perform a thorough review of our current personnel policies and procedures for both support staff and senators' personal staff during the upcoming interim.*

## **2.**

### **Payroll Records and Procedures**

A. There is no segregation of duties to provide necessary internal controls over the payroll function. The Senate payroll clerk handles all payroll duties including payroll preparation, record keeping, timekeeping, disbursing payroll checks, distributing employee W-2s, and maintaining the personnel files. While the Secretary of the Senate and the President Pro Tem review and approve the payroll processed, this does not appear to be a sufficient independent review of the payroll function considering the various duties performed by the payroll clerk.

A proper segregation of duties provides a means of establishing controls over assets, thus minimizing the risk for loss, theft, or misuse of funds. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll requisition by an independent individual would provide another supervisory review to minimize the risk for loss, theft, or misuse of funds.

- B. Personnel files maintained by the payroll clerk are not complete. The personnel files do not contain all employee authorizations of withholdings and deductions (ie. W-4 forms, forms for insurance deductions, etc.) or signed payroll transaction records.

Complete personnel files should be maintained to adequately document each individual's employment status and pay information, including authorization of withholdings and deductions, and to avoid possible errors and misunderstandings.

- C. Senate support staff are required to maintain records of leave and compensatory time earned, accumulated, and used. These records are submitted to the payroll clerk who posts them to the employee's accumulated leave records. During our review of these records, we noted the following concerns:

- 1) Leave records are not maintained for the Senate Administrator, the Director of Operations, or the Secretary of the Senate. Without these records, the Senate cannot adequately monitor leave taken and would be unable to determine the amount of leave to be paid upon termination.
- 2) Leave records for many support staff are not submitted to the Senate payroll clerk in a timely manner (ie. monthly) as required by the Senate's leave policy. According to Senate personnel, records for some employees have not been submitted and updated for approximately three years; therefore, complete and accurate accumulated leave balances are not being maintained.
- 3) The Senate has established a leave policy whereby employees are not allowed to accumulate annual leave in excess of the maximum amount which can be earned in two years, and does not allow for carryover of more than that amount. However, at June 30, 1999, a number of support staff employees had accumulated annual leave that exceeded the maximum allowed by that policy. We noted 23 employees with leave exceeding the limit by a total of 3,366 hours. For one employee, the annual leave balance exceeded the limit by 837 hours.

As a result, the Senate is not in compliance with its policy regarding the accumulated annual leave limits. Allowing the accumulated leave limits to be exceeded could result in additional costs to the state.

- 4) The Senate has allowed employees to accrue negative balances for annual leave, sick leave, and compensatory leave. At June 30, 1999, one employee had a negative annual leave balance totaling 91 hours, two employees had negative sick leave balances totaling 594 hours, and two employees had negative compensatory leave totaling 9 hours. The employees accruing negative sick leave and negative compensatory leave had accrued annual leave they were not required to take.

The Senate's leave policy requires that leave be earned prior to the time it is taken. All available leave should be used, rather than allowing employees to accrue negative leave balances. Should an employee require leave in excess of their balances, it appears the employee should be placed on leave without pay status.

Complete and accurate accumulated leave records, updated timely, allow for leave balances to be adequately monitored to ensure employees are not incurring a negative leave balance and employees are not accumulating leave in excess of the maximum balance allowed. In addition, such leave records provide support for the amount of accumulated leave to be paid to an employee upon termination.

Conditions similar to those noted above were also noted in the prior report.

**WE RECOMMEND** the Senate:

- A. Adequately segregate duties related to the payroll function. At a minimum, an adequate independent review of the duties performed by the payroll clerk should be performed on a periodic basis.
- B. Maintain complete personnel files, including employee authorization of withholdings and deductions and a record of all authorized payroll transaction records.
- C. Ensure all employees submit leave records on a timely basis and maintain complete and accurate accumulated leave records. In addition, leave balances should be monitored to ensure the established leave policies are being followed.

**AUDITEE'S RESPONSE**

- A. *We believe our payroll function has a more than sufficient independent review and approval process. In addition to the Secretary of Senate and President Pro Tem's formal review and approval of the payroll, the Administrator and the Assistant Director of General Operations review the payroll prior to it being submitted. Furthermore, each month the accounting staff reconciles the employees' payroll authorizations with the current earnings register. (Started 1/99).*

*We agree that the lack of segregation of duties of the payroll clerk has been less than optimal. Revisions in our payroll procedures were already planned for the interim to accommodate SAM II, Phase II. Effective immediately, another staff person will assist the payroll clerk by comparing the checks with the requisition and then distributing the checks to alleviate any perceived weakness in control.*

- B. With regard to the personnel files, the exceptions noted resulted from a change in our payroll processing procedures and a back log of filing which has since been updated. Since going on-line with our payroll processing, some of the input documents which were formerly hard copy with signature lines are not longer used. Currently, information is entered directly on-line and the resulting output documents once received are filed. We will review our processing procedures for possible changes to improve our documentation trail.*
- C. We will reinforce the importance of the timely submission of leave reports for all employees during the interim. We will also make an effort to clarify any questions which may exist or arise with regard to the handling of certain leave situations.*

|                        |
|------------------------|
| <b>3. Expenditures</b> |
|------------------------|

During our review of expenditures, we noted the following concerns:

- A. The Senate manages its own purchasing functions. Section 34.010, RSMo 1994, exempts legislative departments from the procurement and bidding requirements which apply to most state agencies. While it appears most of the purchases reviewed were handled in an appropriate manner, the Senate has not established a written procurement policy.

Formal bidding procedures for major purchases provide a framework for economical management of state resources and help ensure fair value is received by contracting with bidders offering the best service and quality for the lowest cost. Competitive bidding helps ensure all parties are given an equal opportunity to participate in the Senate's business. Various bidding approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected. A written bid policy would clarify the Senate's intentions and provide employees with a policy to follow.

- B. During the three years ended June 30, 1999, the Senate passed resolutions authorizing the Senate Administrator to purchase and deliver postage stamps to the various senators at a total cost of \$151,665, or an average of \$4,460 per senator. These resolutions required that the stamps be used for official business.

Senators have access to the Senate postage machine and receive a yearly allowance for meter postage. The postage machine provides a means to control the use of postage

stamps. However, there are no controls implemented to ensure the postage stamps purchased and distributed to the senators are used properly or that any unused stamps are returned to the Senate Administrator to be given to the new senator coming into office. The Senate does not keep a record of whether senators turn in stamps, or if so, how many. Therefore, it is difficult for the Senate to determine the disposition or use of any unused stamps.

- C. The Senate print shop printed calendars for distribution by most of the senators each year as follows:

| <u>Year Ended June 30,</u> | <u>Calendars Printed</u> |
|----------------------------|--------------------------|
| 1997                       | 20,325                   |
| 1998                       | 20,025                   |
| 1999                       | 18,450                   |

The Director of Purchasing estimated the material cost for the calendars for the three years ending June 30, 1999, totaled approximately \$21,750. This does not include the labor and postage costs that were incurred during the printing and mailing of these calendars.

While the cost of these calendars was less than that noted in the prior audit, it appears the benefits associated with providing these items may not merit the costs involved. The Senate has a responsibility of ensuring state resources are used for the benefit of the general public.

Similar conditions were also noted in the prior report.

**WE AGAIN RECOMMEND** the Senate:

- A. Develop a written procurement policy detailing bid requirements.
- B. Use the postage machine whenever possible and the use of postage stamps should be kept to a minimum. In addition, the Senate should maintain a log documenting the number of stamps returned by senators when they leave office.
- C. Discontinue the printing of calendars at state expense.

**AUDITEE'S RESPONSE**

- A. *Although exempt from state purchasing laws, we take our procurement and bidding responsibilities very seriously. We will look at developing written procurement procedures during the upcoming interim.*

- B. *We agree that the purchase of postage stamps for senators should be kept to a minimum due to the inherent lack of control over their use. This distribution of postage stamps continues due to the amount of correspondence sent from district offices.*

*Though a permanent record of stamps returned by senators leaving office is not kept, we do note the number of stamps received and recycle as many as possible (quantity of new stamps purchased reduced by the number of stamps returned) in the next stamp distribution. We agree that effective immediately a log will be kept documenting the number of stamps returned by senators when they leave office.*

- C. *The current Administration Committee has continued to follow the tradition of printing a limited number of calendars for distribution by senators that depict features of Missouri and its history. The Committee has felt that the calendars provide a useful service to citizens at a fairly minimal cost.*

|                                    |
|------------------------------------|
| <b>4. Sale of Surplus Property</b> |
|------------------------------------|

The Senate allows the sale of surplus property including used office furniture and equipment through the Senate Administrator's office. During the three years ended June 30, 1999, the Senate sold fixed assets with an original acquisition cost of approximately \$52,000 to senators, their staff, or outside parties for approximately \$6,800. The average age of these assets was eight years. Many of the purchases were to senators buying some of their office furniture or equipment when they left office. In addition, other senators purchased older items which were being replaced with new items. For example, we noted two computers with an average age of 3.25 years and a total original cost of \$2,378 were sold to a senator for approximately \$575. The Senate has not established a policy on how to value these items for sale and it may not be handling the disposition of these assets in the most cost efficient manner.

Although the extent of property sales to senators, their staff, and outside parties was less than that noted in the prior audit, the Senate should consider using State Surplus Property for disposing of all used assets. This procedure would allow the items to be used by state agencies or, if sold, would provide more assurance that fair value is obtained and all parties are given an equal opportunity to acquire these assets.

This condition was also noted in prior reports.

**WE AGAIN RECOMMEND** the Senate consider turning all used assets being disposed of over to State Surplus Property.

**AUDITEE'S RESPONSE**

*The Senate utilizes State Surplus Property on a regular basis for the disposition of idle/outdated assets and will continue to do so. The Administration Committee recently directed the Senate Administrator to cease the sale of surplus property to sitting senators.*

This report is intended for the information of the management of the Senate and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations



GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Senate on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1993. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the Senate should consider implementing these recommendations.

1. Payroll Procedures

- A. Neither the Senate support staff nor the senators' personal staff maintained time sheets showing hours worked and leave taken.
- B. The Senate had no policy for the senators' personal staff, and therefore, no record of leave earned and taken by personal staff.
- C.1. No leave records were maintained for the Senate Administrator, the Director of Operations, or the Secretary of the Senate. In addition, leave records for some employees were not turned in for posting on a timely basis.
- 2. Some support staff were allowed to accumulate annual leave in excess of established limits.
- 3. Some support staff had negative annual and sick leave balances.
- D. The Senate did not have a written policy regarding the employment of related personnel. In addition, the Senate did not maintain a list of related personnel.

Recommendation:

- A. Require all employees to maintain and submit time sheets of actual hours worked and leave taken.
- B. Establish written policies for annual, compensatory, and sick leave for senators' personal staff, and maintain records of leave earned and taken.
- C.1. Require all employees to submit monthly leave reports to the payroll clerk on a timely basis.
- 2&3. Follow established policies on the accrual of leave.

- D. Establish a written policy regarding the employment and supervision of related parties. In addition, the Senate should identify current related employees and review for evidence of incompatible job assignments.

Status:

A&B. Not implemented. See MAR No. 1.

C. Not implemented. See MAR No. 2.

- D. Partially implemented. The Senate still does not have a formal policy regarding the employment of related personnel; however, we noted no instances where an employee supervised a relative or where there was some other incompatible job assignment. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Postage

- A. The Senate did not reconcile its manual postage meter usage log to the computer log attached to the postage meter.
- B. The Senate purchased over \$141,610 of stamps during the three years ended June 30, 1993, which were delivered to each senator to be used for official business. There were no controls over the usage of these stamps.
- C. The balance of postage on the postage meter or on account at the post office appeared to be excessive based on the amount of postage used annually.

Recommendation:

- A. Reconcile the manual log to the computer log to ensure postage meter usage is properly recorded to each senator's allowance.
- B. Use the postage machine whenever possible. The use of postage stamps should be kept to a minimum. In addition, the Senate should maintain a log listing the number of stamps returned by senators when they leave office.
- C. Monitor postage balances in all postage accounts to ensure only reasonable balances are maintained.

Status:

A&C. Implemented

B. Not implemented. See MAR No. 3.

3. Expenditures and Purchasing Procedures

- A. A written bid policy had not been established and instances noted where significant expenditures were made without bids being obtained.
- B. No written contract could be located to support \$128,000 in legal services.
- C. The Senate Administration Committee did not obtain detailed plans when pre-approving individual renovation projects. In addition, bids were not obtained for the renovation work.
- D. The Senate obtained phone credit cards from the old long distance carrier rather than the new carrier which had been awarded the state contract.

Recommendation:

- A. Develop a written bid policy detailing bid requirements.
- B. Ensure all consulting projects are supported by written contracts specifying duties to be performed and compensation to be paid.
- C. Require detailed budgets to be submitted for all renovation projects prior to approval by the committee, and obtain bids for the related work.
- D. Utilize the long-distance carrier awarded the state contract.

Status:

- A. Not implemented. A written bid policy has still not been established. See MAR No. 3.
- B. Partially implemented. We noted one consulting project which was not supported by a written contract; however, a resolution was adopted by the applicable joint committee specifying the initiation of the agreement, length of the agreement, and compensation. A copy of the resolution was forwarded to the consultant. Based on our review, it appears that billings for services rendered during the audit period were made in accordance with this resolution. Although, not repeated in our current MAR, our recommendation remains as stated above.
- C. Partially implemented. Detailed budgets were not obtained prior to approval; however, we noted that most renovations were either bid, the state contract was used, or a state agency performed the renovation. In addition, the actual costs incurred for these

renovations were comparable with the estimated costs previously approved by the Administrative Committee. Although, not repeated in our current MAR, our recommendation remains as stated above.

D. Implemented.

4. Administration Committee

- A. In 1992, additional staff were assigned to two senators not in leadership positions. There was no documentation in the Administrative Committee minutes authorizing these senators to hire additional staff and exceed their personal service allowance.
- B. Administration Committee policy required prior approval for all out-of-state travel. Documentation of prior approval was not found for all out-of-state trips.

Recommendation:

- A. Formally approve any additional staff allowed. Such approval should document why additional staff is needed. The salaries of additional staff should be added to the senator's personal service allowance to document compliance with the committee's decisions.
- B. Document prior approval of out-of-state travel in the minutes.

Status:

A&B. Implemented.

5. Use of State Resources

The Senate print shop printed calendars and Christmas cards for various senators at the state's expense.

Recommendation:

The Senate not provide or print Christmas cards and calendars at state expense. Additionally, the Senate should determine if any reimbursement to the state is necessary.

Status:

Partially implemented. Christmas cards are no longer printed; however, the Senate still spent approximately \$22,000, not including labor or postage, to print calendars during the current audit period. See MAR No. 3.

6. Sale of State Property

- A. Senators and their staff were allowed to purchase used office furniture and equipment through the Senate Administrator's office at prices significantly below the original acquisition cost.
- B. The Senate sold to local businesses in the Jefferson City area used typesetting equipment without advertising the sales. In addition, documentation of phone bids received for the equipment was not retained.

Recommendation:

The Senate consider turning used assets over to State Surplus Property.

Status:

Partially implemented. It appears the Senate has been turning more of its used assets over to State Surplus Property; however, senators, their staff, and others are still being allowed to purchase other used items at prices significantly below the original cost. See MAR No. 4.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
SENATE  
HISTORY, ORGANIZATION, AND STATISTICAL SECTION

Legislative power in Missouri is vested by Article III, Section 1 of the 1945 Constitution in the General Assembly, more commonly known as the legislature, composed of the Senate and the House of Representatives.

The Senate consists of thirty-four members who are elected for four-year terms. Senators from odd-numbered districts are elected in presidential election years. Senators from even-numbered districts are chosen in the "off-year" elections. Each senator must be at least thirty years of age, a qualified voter of the state for three years, and of the district he represents for one year. The lieutenant governor is president and presiding officer of the Senate. In his absence, the president pro tem, who is elected by the Senate members, presides. The Senate convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30 with no consideration of bills after 6:00 p.m. on the first Friday after the second Monday in May.

Senate leadership positions are classified as either leadership or committee chairman. Senators in leadership positions include the president pro tem and the majority and minority floor leaders. Effective January 1, 1998, the assistant minority floor leader position receives the same allotments as a committee chairman position. In addition to their normal clerical hire, the president pro tem, majority floor leader, minority floor leader, the senior member of each party, and the chairman of the Appropriations Committee are allowed to hire an administrative assistant. The president pro tem is authorized to hire a secretary for his administrative assistant.

Senators received salaries as follows:

| <u>Positions</u>       |    | <u>Year Ended June 30,</u> |             |             |
|------------------------|----|----------------------------|-------------|-------------|
|                        |    | <u>1999</u>                | <u>1998</u> | <u>1997</u> |
| President pro tem      | \$ | 31,580                     | 30,136      | 29,302      |
| Floor leaders          |    | 30,580                     | 29,140      | 28,302      |
| All remaining senators |    | 29,080                     | 27,640      | 26,802      |

Senators were authorized per diems and mileage reimbursement as follows:

| <u>Effective Dates</u>              | <u>Per Diem</u> | <u>Mileage Rate</u> |
|-------------------------------------|-----------------|---------------------|
| July 1, 1996 - December 31, 1997    | \$35.00         |                     |
| January 1, 1998 - December 31, 1998 | 65.60           |                     |
| January 1, 1999 - December 31, 1999 | 68.80           |                     |
| July 1, 1996 - June 30, 1997        |                 | \$0.280             |
| July 1, 1997 - June 30, 1998        |                 | 0.285               |
| July 1, 1998 - June 30, 1999        |                 | 0.295               |



Each senator is paid a per diem each day the senator is in attendance at the legislative session. In addition, senators are reimbursed for each mile traveled when commuting to and from Jefferson City for each week the legislature is in session.

Senators receive various annual allowances to be utilized in the performance of their official duties. These allowances are established by the Administration Committee and are subject to the limitations imposed by the appropriation authorizing these expenditures. Maximum allowances have been set by category of expense with the provision that total expenditures for each senator do not exceed the maximum total allowance. In addition, with approval of the Administrative Committee, senators may spend over the maximum allowance by category or in total, carry unused allowances to subsequent years. The annual allowances for the year ended December 31, 1998 were as follows:

| Allowance                      | Leadership<br>Positions | Committee<br>Chairman<br>Positions | All<br>Remaining<br>Senators |
|--------------------------------|-------------------------|------------------------------------|------------------------------|
| Maximum allowance by category: |                         |                                    |                              |
| Personal service               | \$ 93,035               | 83,747                             | 76,581                       |
| Home office expense            | 7,200                   | 7,200                              | 7,200                        |
| Postage                        | 27,500                  | 27,500                             | 27,500                       |
| Travel                         | 4,800                   | 4,800                              | 4,800                        |
| Office expense                 | 2,000                   | 2,000                              | 2,000                        |
| Maximum Total Allowance        | \$ 108,521              | 96,705                             | 89,922                       |

The personal service allowance is used to pay the salaries of the senators' capitol and district staff. Expenses to maintain a district office, such as rent, telephone charges, and answering services are charged against the home office expense allowance. This postage allowance is primarily used to pay the cost of mailing newsletters. In addition, various senators received by senate resolution postage stamps totaling \$71,825, \$31,840, and \$48,000 during the fiscal years ended June 30, 1999, 1998, and 1997, respectively. Travel expenses incurred in connection with the duties of a state senator are reimbursable from the travel allowance and each senator is allowed to make office purchases of \$2,000 per year without being cleared through the Administration Committee. Each senator has a credit card for telephone calls regarding senate business when not at their capitol office.

The Senate determines its own rules and procedures, and rules may not be dispensed without at least one day's notice and only by a vote of at least a majority of the Senate. However, a rule may be suspended for a special purpose by a vote of a two-thirds majority of the members. This suspension shall remain only until the Senate proceeds to the consideration of business other than that for which the rule was suspended. The Senate is required to keep a daily journal (or record) of its proceedings. At the end of the session, the journals are bound by the Office of the Secretary of State.

The Senate receives appropriations for various commissions and committees as follows:

- A. The Missouri Commission on Interstate Cooperation (MCIC) was created by Chapter 16, RSMo 1994. The commission was repealed by statute in 1995; however, the Senate continues to receive appropriations to pay legislators' dues of professional organizations, approximating \$250,000 a year. The commission does not have a formal committee, rather it consists of two commissioners in which MCIC disburses approximately \$3,000 a year for both commissioners to attend annual Commission on Uniform State Law meetings.
- B. The Joint Committee on Administrative Rules (JCAR) was created by Section 536.037, RSMo Cumulative Supp. 1999. This committee is composed of five members each from the House of Representatives and Senate. The members are appointed by the president pro tem of the Senate and speaker of the House of Representatives for the respective bodies. The function of JCAR is to review all rules promulgated by state agencies after January 1, 1976, except rules promulgated by the Public Service Commission and the Labor and Industrial Labor Relations Commission.
- C. The Joint Committee on Public Employee Retirement (JCPER) was created by Section 21.553, RSMo 1994. The committee is composed of six members each from the House of Representatives and the Senate. The members are appointed by the president pro tem of the Senate and speaker of the House of Representatives for the respective bodies. The function of JCPER is to make a continuing study and analysis of all state and local government retirement systems, devise a standard reporting system for public employee retirement systems, determine the need for changes in statutory law, and make recommendations necessary to provide adequate retirement benefits to state and local government employees.
- D. The Joint Committee on Capital Improvements and Lease Oversight (JCCILO) was created by Concurrent Resolution No. 8 of the 84th General Assembly. This committee is composed of five members each from the House of Representatives and the Senate. The members are appointed by the president pro tem of the Senate and speaker of the House of Representatives for the respective bodies. The function of JCCILO is to review the design intent, scope, bids, contracts, and other pertinent information on capital improvement projects that may affect current capital spending and the development of future capital and/or operating appropriations.
- E. The Joint Committee on Economic Development Policy and Planning (JCEDPP) was created by Section 620.602, RSMo 1994. The committee is composed of five members each from the House of Representatives and the Senate. The members are appointed by the president pro tem of the Senate and speaker of the House of Representatives for the respective bodies. The function of the JCEDPP is to review the annual report produced by the Department of Economic Development, and plan, develop, and evaluate a long-term economic development policy for the state to ensure the state's competitive status with other states. This committee received no appropriations in fiscal years 1999 and 1998. This section of law expired on July 1, 1999.
- F. The Joint Committee on Health Care Policy and Planning (JHCPP) was created by Section 191.825, RSMo 1994. The committee is composed of five members each from the House of Representatives and the Senate. The members are appointed by the president pro tem of the

Senate and the speaker of the House for the respective bodies. The functions of JCHCPP are as follows: to monitor the effect of legislative action on health care services, analyze and develop policy proposals to improve the delivery of health care services, make recommendations for changes in the management or organization of the state agencies which provide or regulate the delivery of health care services, and develop health care plans for spending. This section of law is due to expire on December 31, 1999.

Five members of the Senate are appointed by the president pro tem to serve on the Administration Committee. This committee has sole control of all financial obligations and business affairs of the Senate. The committee employs an administrator. The administrator has general supervisory capacity over employees who prepare the Senate budget, maintain the accounting records, acquire machinery and supplies, control inventory, maintain the physical plant, prepare the payroll, coordinate renovation projects, pay bills, and provide objective, nonpartisan research to all members of the Senate.

The Senate has 34 senators and approximately 219 full-time employees.

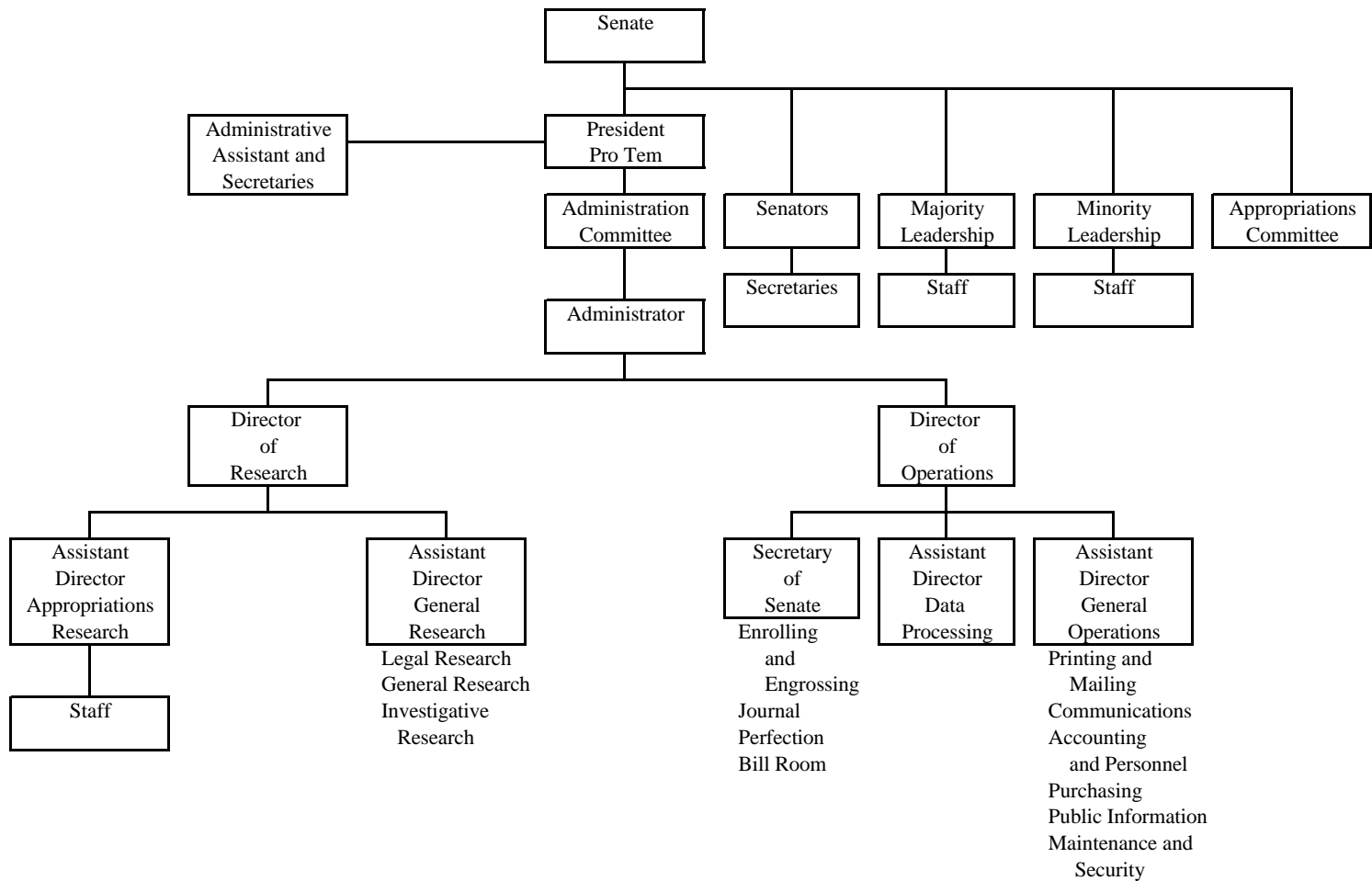
An organization chart follows.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

SENATE

ORGANIZATION CHART

JUNE 30, 1999



\* \* \* \* \*



GENERAL ASSEMBLY  
AND SUPPORTING FUNCTIONS

HOUSE OF REPRESENTATIVES

THREE YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-33  
May 12, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The following findings were noted as a result of an audit conducted by our office of the General Assembly - House of Representatives.**

---

Improvements were noted in the operations and procedures of the House of Representatives during the three years ended June 30, 1999. All the recommendations made in the previous audit of the House (covering the three years ended June 30, 1993) had been either fully or substantially implemented.

Current findings included:

- The personnel files of central staff employees did not contain any performance appraisals as required by House policy.
- There was not a policy regarding the employment and supervision of related parties. It was noted that a supervisory employee directly supervised two close relatives.
- During a review of the expenses accounts, we noted certain incidental or miscellaneous items claimed and reimbursed which may not follow guidelines established by the House. Also a limit has not been set on the number or dollar value that can be reimbursed for such things as memberships or subscriptions.

It appears the House policy needs to be more specific as to what incidental or miscellaneous items are reimbursable. In addition, the House should consider revising its policy to limit the number or amount of additional memberships and subscriptions that will be reimbursed to a representative.

In its responses to the related recommendations, the House indicated that it agrees performance appraisals lead to improvement in employee performance and are useful management tools. During the period covered by the audit, the House had discontinued the old "check-the-box" performance instrument and worked on developing a much improved appraisal instrument. All department directors, supervisors, and central staff have been evaluated under the new system. In addition, the House responded that new or revised related-party and expense account reimbursement policies have recently been adopted to address the concerns noted.

YELLOW SHEET

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES

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HOUSE OF REPRESENTATIVES

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Members of the House of Representatives  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the House's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

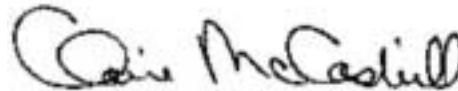
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the House of Representatives Revolving Fund; and the appropriations and expenditures of the various funds of the House of Representatives and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the House.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the House of Representative Revolving Fund; and the appropriations and expenditures of the various funds of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 3, 1999, on our consideration of the House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the House's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 3, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                               |
|---------------------|-------------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA        |
| Audit Manager:      | Gregory A. Slinkard, CPA, CIA |
| In-Charge Auditor:  | Robert McArthur               |
| Audit Staff:        | Tara Shah                     |
|                     | Patrick Corbett               |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Members of the House of Representatives  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated December 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

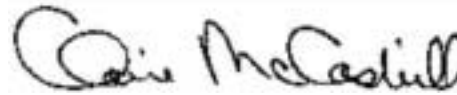
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the House of Representatives are free of material misstatement, we performed tests of the House's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the House of Representatives, we considered the House's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing

their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the House of Representatives and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

December 3, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

HOUSE OF REPRESENTATIVES

HOUSE OF REPRESENTATIVES REVOLVING FUND

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND INVESTMENTS

|                                     |    | Year Ended June 30,  |                      |                      |
|-------------------------------------|----|----------------------|----------------------|----------------------|
|                                     |    | 1999                 | 1998                 | 1997                 |
| <b>RECEIPTS</b>                     |    |                      |                      |                      |
| Sales                               | \$ | 18,950               | 18,675               | 20,400               |
| Refunds and reimbursements          |    | 663                  | 914                  | 30,495               |
| Miscellaneous                       |    | 12,918               | 13,802               | 14,372               |
| Total Receipts                      |    | <u>32,531</u>        | <u>33,391</u>        | <u>65,267</u>        |
| <b>DISBURSEMENTS</b>                |    |                      |                      |                      |
| Expense and equipment               |    | 35,998               | 25,186               | 39,209               |
| Transfers to General Revenue Fund - |    |                      |                      |                      |
| State (Note 4)                      |    | 1,107                | 29,597               | 0                    |
| Total Disbursements                 |    | <u>37,105</u>        | <u>54,783</u>        | <u>39,209</u>        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | (4,574)              | (21,392)             | 26,058               |
| CASH AND INVESTMENTS, JULY 1        |    | <u>16,135</u>        | <u>37,527</u>        | <u>11,469</u>        |
| CASH AND INVESTMENTS, JUNE 30       | \$ | <u><u>11,561</u></u> | <u><u>16,135</u></u> | <u><u>37,527</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Exhibit B

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|                                    |    |            |            | Year Ended June 30, |              |                 |                |              |                 |           |
|------------------------------------|----|------------|------------|---------------------|--------------|-----------------|----------------|--------------|-----------------|-----------|
|                                    |    |            |            | 1999                |              |                 | 1998           |              |                 |           |
|                                    |    |            |            |                     |              |                 |                |              |                 |           |
|                                    |    |            |            | 1997                |              |                 |                |              |                 |           |
|                                    |    |            |            | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |           |
|                                    |    |            |            | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |           |
| GENERAL REVENUE FUND - STATE       |    |            |            |                     |              |                 |                |              |                 |           |
| House contingent expenses:         |    |            |            |                     |              |                 |                |              |                 |           |
| Representatives' expense vouchers  | \$ | 1,956,000  | 1,491,175  | 464,825             | 1,173,600    | 831,885         | 341,715        | 1,173,600    | 882,212         | 291,388   |
| Leadership aides and secretaries   |    | 4,142,433  | 3,751,181  | 391,252             | 3,935,403    | 3,542,449       | 392,954        | 3,688,288    | 3,230,654       | 457,634   |
| House mailing                      |    | 0          | 0          | 0                   | 489,000      | 460,376         | 28,624         | 489,000      | 479,347         | 9,653     |
| House research staff               |    | 884,169    | 803,419    | 80,750              | 708,965      | 705,777         | 3,188          | 675,865      | 641,993         | 33,872    |
| Committee operations               |    | 260,298    | 230,057    | 30,241              | 260,298      | 215,008         | 45,290         | 260,298      | 147,274         | 113,024   |
| House staff                        |    | 4,736,769  | 3,624,607  | 1,112,162           | 4,819,146    | 3,476,220       | 1,342,926      | 4,467,312    | 3,744,256       | 723,056   |
| Appropriations Committee staff     |    | 421,793    | 312,156    | 109,637             | 404,298      | 320,466         | 83,832         | 387,637      | 301,040         | 86,597    |
| Salaries of members                |    | 4,747,416  | 4,604,994  | 142,422             | 4,512,371    | 4,471,528       | 40,843         | 4,375,893    | 4,342,400       | 33,493    |
| Members' per diems                 |    | 1,083,950  | 790,856    | 293,094             | 1,083,950    | 819,832         | 264,118        | 496,335      | 416,150         | 80,185    |
| Members' mileage                   |    | 342,660    | 250,231    | 92,429              | 334,160      | 252,599         | 81,561         | 328,298      | 254,631         | 73,667    |
| Total General Revenue Fund - State |    | 18,575,488 | 15,858,676 | 2,716,812           | 17,721,191   | 15,096,140      | 2,625,051      | 16,342,526   | 14,439,957      | 1,902,569 |
| HOUSE OF REPRESENTATIVES           |    |            |            |                     |              |                 |                |              |                 |           |
| REVOLVING FUND                     |    |            |            |                     |              |                 |                |              |                 |           |
| House contingent expenses          |    | 45,000     | 36,893     | 8,107               | 45,000       | 23,418          | 21,582         | 45,000       | 39,378          | 5,622     |
| Total All Funds                    | \$ | 18,620,488 | 15,895,569 | 2,724,919           | 17,766,191   | 15,119,558      | 2,646,633      | 16,387,526   | 14,479,335      | 1,908,191 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

## Schedule 1

## GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS

## HOUSE OF REPRESENTATIVES

## COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30,  |                   |                   |                   |                   |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|
|  | 1999                 | 1998              | 1997              | 1996              | 1995              |
| Personal service                             | \$ 11,537,193        | 10,993,278        | 10,280,828        | 9,358,108         | 8,667,382         |
| Travel and vehicle expense                   | 1,485,770            | 1,480,738         | 1,010,098         | 1,035,830         | 1,038,264         |
| Transportation equipment purchases           | 0                    | 0                 | 16,873            | 0                 | 18,928            |
| Office expense                               | 995,078              | 865,495           | 779,771           | 615,850           | 614,646           |
| Office and communication equipment purchases | 92,249               | 97,015            | 118,713           | 90,100            | 235,290           |
| Communication expense                        | 1,134,189            | 1,041,921         | 983,180           | 1,000,972         | 874,242           |
| Institutional and physical plant:            |                      |                   |                   |                   |                   |
| Expense                                      | 115,632              | 85,112            | 106,130           | 180,355           | 229,692           |
| Purchases                                    | 10,755               | 3,453             | 7,211             | 31,429            | 11,089            |
| Data processing expense and equipment        | 387,161              | 395,467           | 1,026,593         | 820,548           | 435,835           |
| Professional services                        | 19,350               | 20,790            | 40,284            | 49,420            | 24,611            |
| Other expense                                | 118,192              | 136,289           | 109,654           | 57,224            | 32,125            |
|  | <u>\$ 15,895,569</u> | <u>15,119,558</u> | <u>14,479,335</u> | <u>13,239,836</u> | <u>12,182,104</u> |

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

|                        | Furniture<br>and<br>Equipment | Vehicles | Total     |
|------------------------|-------------------------------|----------|-----------|
| Balance, July 1, 1996  | \$ 4,346,147                  | 36,448   | 4,382,595 |
| Additions              | 786,772                       | 16,873   | 803,645   |
| Dispositions           | (58,220)                      | (17,520) | (75,740)  |
| Balance, June 30, 1997 | 5,074,699                     | 35,801   | 5,110,500 |
| Additions              | 1,366,035                     | 0        | 1,366,035 |
| Dispositions           | (627,893)                     | 0        | (627,893) |
| Balance, June 30, 1998 | 5,812,841                     | 35,801   | 5,848,642 |
| Additions              | 455,924                       | 0        | 455,924   |
| Dispositions           | (499,372)                     | 0        | (499,372) |
| Balance, June 30, 1999 | \$ 5,769,393                  | 35,801   | 5,805,194 |

The accompanying Note to the Supplementary Data is an integral part of this statement.

## Notes to the Financial Statements and Supplementary Data

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the House of Representatives.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the House of Representatives Revolving Fund. Appropriations from this fund are expended by or for the House for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the House's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the House and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting, which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The House administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

House of Representatives Revolving Fund: This fund was established by Section 21.232, RSMo 1994, to receive funds paid or transferred to the House of Representatives for printing, duplicating, surplus property sales, refunds from vendors, personal reimbursements, or any other service for which a fee is charged. Expenditures are authorized by appropriation of the General Assembly and by the House of Representatives' Operations Committee. The unexpended balance exceeding \$5,000 at the end of the biennium is transferred to the General Revenue Fund-State.

General Revenue Fund-State: The House receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the House, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash

The balance of the House of Representatives Revolving Fund is pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures of the House of Representatives Revolving Fund on Exhibit B as follows:

|                                 | Year Ended June 30, |               |               |
|---------------------------------|---------------------|---------------|---------------|
|                                 | 1999                | 1998          | 1997          |
| DISBURSEMENTS PER EXHIBIT A     | \$ 37,105           | 54,783        | 39,209        |
| Lapse period expenditures:      |                     |               |               |
| 1999                            | 895                 | 0             | 0             |
| 1998                            | 0                   | (1,142)       | 1,142         |
| 1997                            | 0                   | 0             | (1,599)       |
| Accounts payable, June 30, 1997 | 0                   | (626)         | 626           |
| Transfers                       | (1,107)             | (29,597)      | 0             |
| EXPENDITURES PER EXHIBIT B      | \$ <u>36,893</u>    | <u>23,418</u> | <u>39,378</u> |

4. Transfers to General Revenue Fund-State

In accordance with Section 21.232, RSMo 1994, the unexpended balance of the House of Representatives Revolving Fund not exceeding \$5,000 is exempt from the provisions of Section 33.080, RSMo 1994. That statute provides that the state treasurer will make a biennial transfer of unexpended funds to the state's General Revenue Fund. The transfer amount presented for the year ended June 30, 1998, represents the excess balance over \$5,000, and the fund's proportional share of fiscal year 1996 and 1995 refunds required by Article X, Section 18 of the Missouri Constitution. The transfer amount presented for the year ended June 30, 1999, represents fiscal year 1997 refunds required by Article X, Section 18 of the Missouri Constitution.



Note to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
SUMMARY OF FINDINGS

1. Personnel Matters (pages 21-22)

Performance appraisals have not been prepared for central staff in accordance with House policy. The House does not have a policy regarding the employment and supervision of related parties.

2. Expense Reimbursements (pages 22-23)

The House should clarify its expense account reimbursement policy regarding incidental and miscellaneous expenses and consider limiting the number of memberships and subscriptions, which will be reimbursed.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated December 3, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the House's special-purpose financial statements. During our audit, we also identified certain management practices, which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                          |
|-----------|--------------------------|
| <b>1.</b> | <b>Personnel Matters</b> |
|-----------|--------------------------|

- A. The House of Representatives' Administrative Manual provides that all new central staff employees are to be evaluated by their supervisor at the end of a six-month probationary period. In addition, performance appraisals are to be completed annually on the anniversary date of each employee's employment. However, the personnel files we reviewed of central staff employees did not contain any performance appraisals for the three years of the audit period; therefore, it is apparent the House has not complied with this policy.

Written performance appraisals can lead to improvement in employee performance and are useful in evaluating employees for salary increases, promotions, and other personnel actions. Performance appraisals may also be used as documentation and support in the decision to terminate an employee.

It should be noted that in September 1999, the House of Representatives instituted a new performance appraisal system, and it appears efforts have recently been made to remind supervisors of the need to prepare the appraisals on a timely basis.

- B. The House of Representatives does not have a policy regarding the employment and supervision of related parties. During our review, we noted that a supervisory employee directly supervises two close relatives. This individual's position requires him to interview prospective candidates and make recommendations in regard to the hiring of employees, to evaluate staff performance, and to approve time sheets. When related personnel supervise one another or if related employees work with financial operations, there is increased potential for problems or misappropriation.

The House of Representatives has a nepotism policy which prohibits the hiring of any person related to any representative within the fourth degree by blood or marriage; however, this policy relates only to the employment of relatives related to a representative and does not take into consideration the family relationship between employees.

A formal policy should be established to address the employment and supervision of individuals who are related to each other.

**WE RECOMMEND** the House of Representatives:

- A. Ensure written employee performance appraisals are prepared in accordance with House policy.
- B. Establish and adopt a written related party policy which restricts related employees from directly supervising each other and/or working with financial operations.

**AUDITEE'S RESPONSE**

- A. *The House of Representatives agrees that performance appraisals lead to improvement in employee performance and are useful management tools. To this end, the House has committed over two years to a complete revision of its performance appraisal program for central staff. During this revision period the old performance instrument, a "check-the-box" form, was discontinued. This period coincided with the audit period. Concurrently with the audit period, supervisors attended OA training on collaborative goals setting and techniques for coaching to improve employee performance. Also at the same time, the content and form of performance appraisal documents was changed to an "essay" system, and automated. The new system was implemented at the management level during the audit period (May and June 1999), and subsequently evaluated for its application to central staff. It was then implemented during the fall of 1999 for all central staff employees. All department directors, supervisors, and central staff have been evaluated under the new system.*
- B. *The House of Representatives has recently adopted a written, related-party policy, which restricts related employees from directly supervising each other as well as expands the House nepotism policy to include family relationships between employees.*

|                                  |
|----------------------------------|
| <b>2. Expense Reimbursements</b> |
|----------------------------------|

According to House policy, representatives are allowed to pay for expenses out-of-pocket, request reimbursement on their expense account, and receive reimbursement in accordance with the limits imposed on their \$1,000 monthly expense allowance. All transactions are subject to internal review procedures and approval of the Chief Clerk.

House policy allows for reimbursement of travel, meals, lodging, equipment, telephone charges, postage, district office space and staff, office supplies, and other incidental or miscellaneous expenses. The incidental or miscellaneous expenses are defined as picture frames, flags, and expenses that generally conform to State of Missouri Travel Regulations as published by the Office of Administration. Expenses allowed by the State Travel Regulations include telephone charges, postage, small emergency supplies, and other incidental expenses that are reasonable and related to state business. Items such as clothing, plants, pictures, decorative items, and alcoholic beverages are specifically prohibited.

During our review of the expense accounts, we noted certain incidental or miscellaneous items claimed and reimbursed which may not follow the guidelines described above. These items included gifts to a foreign delegation, various books and magazine subscriptions, and caucus dues. Some other questionable items were claimed but not reimbursed after review by the House. We also noted that the House policy has not set a limit on the number or dollar value that can be reimbursed for such things as memberships or subscriptions.

It appears the House policy may need to be more specific as to what incidental or miscellaneous items are reimbursable. In addition, the House should consider revising its policy to limit the number or amount of additional memberships and subscriptions that will be reimbursed to a representative.

**WE RECOMMEND** the House of Representatives review its expense account reimbursement policy regarding incidental or miscellaneous expenses and consider revising the policy to clarify what expenses will or will not be reimbursed. While reviewing the policy, the House should consider revising the policy to limit the number or dollar amount of memberships and subscriptions that will be reimbursed to a representative.

### **AUDITEE'S RESPONSE**

*The House has recently adopted a revision to its expense account reimbursement policies detailing the purpose of the expense account, allowable, limited and non-allowable reimbursements, travel, mailings, leasing and subscription services. Limits have been established for memberships and guidelines established for allowable subscriptions.*

This report is intended for the information of the management of the House of Representatives and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations



GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the House of Representatives on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1993. Although the partially implemented recommendation has not been repeated, the House of Representatives should consider implementing this recommendation.

1. Expenditures and Purchasing Procedures

- A. The House's bid policy required bids to be obtained for all purchases in excess of \$2,000. Bids were not solicited for some purchases meeting this requirement. In addition, the bid policy did not address purchases less than \$2,000.
- B. Written contracts could not be located related to outside legal services.
- C. Some equipment purchased and received did not meet the bid specifications.
- D. An instance was noted where the purchase order issued for a piece of equipment was for considerably more than the original price quote. In addition, the interest rate charged on the lease purchase related to this equipment was unreasonable.

Recommendation:

The House of Representatives:

- A. Ensure current bid policies are followed or reasons for deviations from the policy are documented and develop a written policy detailing purchasing requirements for purchases less than \$2,000.
- B. Ensure all legal services are supported by written contracts specifying duties to be performed and compensation to be paid.
- C. Review equipment purchased to ensure it complies with the bid specification.
- D. Monitor all transactions to ensure the proper price and a reasonable rate of interest are paid.

Status:

A&B. Implemented.

C&D. No similar transactions were noted during the current audit period.

2. Sale of Property

Representatives and their staff were allowed to purchase used office furniture and equipment at amounts significantly below the original cost.

Recommendation:

The House of Representatives consider turning idle assets over to State Surplus Property.

Status:

Implemented.

3. Sick Leave Policy

House employees earned 16 hours of sick leave per month, rather than the 10 hours earned by most state employees. As a result, the accumulated sick leave reported for terminating House employees for retirement purposes exceeded the amounts authorized by state law.

Recommendation:

The House of Representatives amend its sick leave policy so House employees earn the standard 10 hours of sick leave per month. Regardless, accumulated sick leave certified to the retirement system should be reported on a 10 hour per month accrual basis.

Status:

Implemented.

4. Use of State Resources

Representatives were given a \$600 monthly allowance to cover travel expenses, office expenses, district personnel, etc. Reimbursement claims were noted for Christmas cards and various advertisements that did not appear to be for necessary state business.

Recommendation:

The House of Representatives discontinue these practices. Additionally, the House of Representatives should review all expense accounts to determine if reimbursements to the state are necessary.

Status:

Partially implemented. The House has discontinued the practice of reimbursing claims for Christmas cards and advertisements that do not appear to be related to state business;

however, the House did not review prior expenses to determine if any reimbursements to the state were necessary. Although, not repeated in the current MAR, our recommendation remains as stated above.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
HISTORY, ORGANIZATION, AND STATISTICAL SECTION

Legislative power in Missouri is vested by Article III, Section 1 of the 1945 Constitution in the General Assembly, more commonly known as the legislature. The legislature is composed of the Senate and the House of Representatives.

The House of Representatives consists of 163 members elected for two-year terms at each general election. The House of Representatives convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30 with no consideration of bills after 6:00 p.m. on the first Friday after the second Monday in May.

Each representative must be at least twenty-four years of age, a qualified voter of the state for two years, and of the district he/she represents for one year. The speaker of the House of Representatives is the presiding officer.

Representatives received salaries as follows:

| <u>Positions</u>                  | <u>Year Ended June 30,</u> |             |             |
|-----------------------------------|----------------------------|-------------|-------------|
|                                   | <u>1999</u>                | <u>1998</u> | <u>1997</u> |
| Speaker of the house              | \$ 31,580                  | 30,104      | 29,303      |
| Speaker pro tem and floor leaders | 30,580                     | 29,140      | 28,303      |
| All remaining representatives     | 29,080                     | 27,640      | 26,803      |

Representatives were authorized to receive per diems and mileage reimbursement as follows:

| <u>Effective Dates</u>              | <u>Per Diem</u> | <u>Mileage Rate</u> |
|-------------------------------------|-----------------|---------------------|
| July 1, 1996 - December 31, 1997    | \$35.00         |                     |
| January 1, 1998 - December 31, 1998 | 65.60           |                     |
| January 1, 1999 - June 30, 1999     | 68.80           |                     |
| July 1, 1996 - June 30, 1997        |                 | \$0.280             |
| July 1, 1997 - June 30, 1998        |                 | 0.285               |
| July 1, 1998 - June 30, 1999        |                 | 0.295               |

Members do not receive per diems or statutory mileage allowances during technical sessions; however, mileage expenses are reimbursed from the House of Representatives' contingency funds. Each member is also credited with \$1,000 a month (effective July 1, 1998; previously \$600 a month) to cover the cost of office supplies, district staff salaries, postage, mileage incurred and not paid for by statute, and other incidental expenses. In addition, prior to July 1, 1998, members also received an annual allowance of \$3,000 to cover the costs of printing and postage of legislative mailings to members' constituents. Any amounts exceeding this allowance were charged against the monthly expense allowance. Effective July 1, 1998, this allowance was combined with the members' \$600 account to establish the current \$1,000 account.

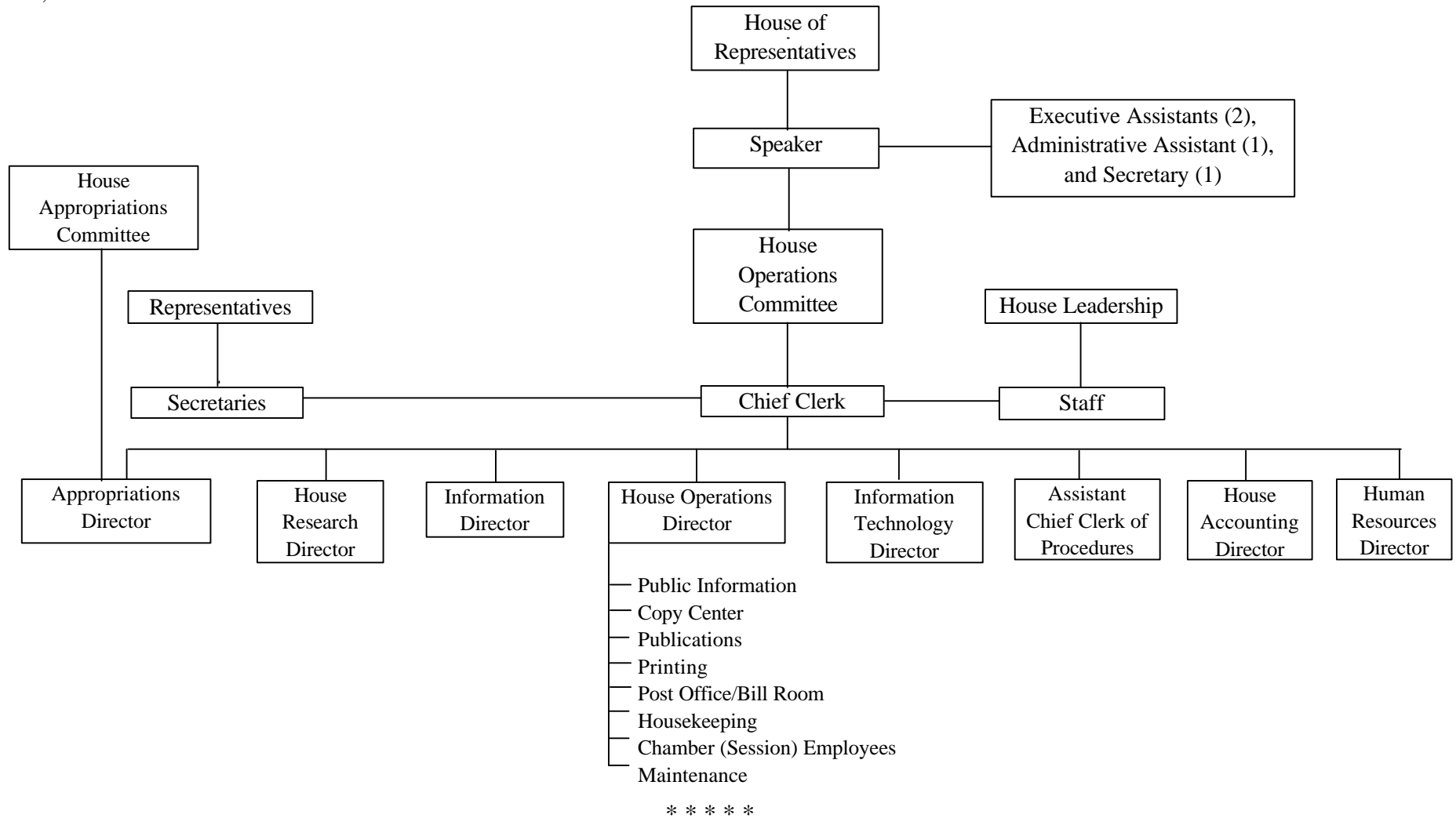
In 1973, the General Assembly was authorized full-time staffing as a result of a 1970 constitutional amendment creating annual legislative sessions.

In 1975, the positions of chief clerk and house administrator were merged into one position, which is currently filled by a full-time chief clerk. The House of Representatives is organized into eight divisions consisting of: appropriations, information technology, accounting, research, human resources, information, operations, and procedures.

The House of Representatives has approximately 105 full-time employees, 156 legislator assistants, and 104 part-time employees.

An organization chart follows.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS  
HOUSE OF REPRESENTATIVES  
ORGANIZATION CHART  
JUNE 30, 1999







REVIEW OF THE  
DEPARTMENT OF AGRICULTURE

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-32  
May 11, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The following problems were discovered as a result of a review conducted by our office of the Department of Agriculture.**

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As noted in our three previous audits, the Department of Agriculture has established several bank accounts outside the state treasury. The monies were deposited into bank accounts to fund various conferences, process payments to exhibitors at the state fair, and facilitate the operation of the AgriMissouri Market at the state fair. The audit noted seven bank accounts with deposits to these accounts totaling more than \$294,000 annually. The department has no authority to open accounts outside the state treasury. Constitutional and statutory provisions require state funds to be held and disbursed by the State Treasurer. By maintaining program funds outside the state treasury, the department increases the risk that monies may be misused. Problems were noted regarding these various accounts.

- Cash collected for registration fees and the monies used for change at the 1998 Governor's Conference on Agriculture were not deposited to the bank account resulting in a shortage of at least \$1,713. Control weaknesses such as untimely depositing, not reconciling receipt records to deposits, not recording all receipts to the registration system, and a lack of supervision allowed this shortage to occur and remain undetected until our audit.
- The annual Governor's Conference on Agriculture is funded in part by donations. The department actively solicits these contributions, and according to department records, totaled \$19,400 during fiscal year 1999. Many of the companies and organizations on the list of contributors are licensed, inspected, and/or regulated by the department. Actively soliciting donations from these companies gives the appearance of, and may result in, a potential conflict of interest.
- Receipts records related to the AgriMissouri Market bank account were not adequate. One person was primarily responsible for preparing and making deposits, preparing and signing checks, and performing bank reconciliations. This person was also responsible for contacting and placing orders with companies, computing retail prices, tracking product inventory, and settling with companies after the fair by returning unsold products and issuing checks for products sold. Because of the minimal supervision and inadequate controls and records, the department has no assurance all monies received were deposited and payments to companies were appropriate.

(over)

YELLOW SHEET

The Agriculture Development Fund (ADF) was established with Rural Rehabilitation Program assets of the United States Department of Agriculture (USDA). An agreement between the USDA Farmers Home Administration and the Missouri Department of Agriculture requires the funds to be used for direct or indirect assistance to Missouri farmers. Assistance programs include interest rebates, loans, loan guarantees, and scholarships. On June 30, 1999, the ADF balance totaled approximately \$4.2 million and approximately 1,590 loans and loan guarantees were outstanding. We noted some concerns with the administration of the fund and the related programs.

- One crop and livestock loan recipient is the daughter of a Department of Agriculture employee who serves as an ADF loan representative. Although the recipient appears to have met all award criteria and employees were aware of the relationship, the department did not clearly document the relationship in the applicant's file.
- In one instance, the department awarded a \$500 scholarship to an applicant who reported no family farm income, although family farm income is required for participation. While the department indicated information was obtained to resolve questions as to eligibility, this additional information was not documented in the applicant's file.
- In another case, a \$20,000 alternative agricultural enterprise loan to an applicant for a retail hog venture was noted which does not appear to meet the department's criteria for an alternative agricultural enterprise. Additionally, the use agreement with the USDA prohibits the purchase of conventional livestock.
- No written agreement exists with the custodial bank for the fund's investments.

The purpose of the Livestock Enforcement Program is to ensure the control of livestock diseases in Missouri. Livestock enforcement officers may issue citations to those suspected of violating animal health regulations. The citations are reviewed by the Enforcement Officer Supervisor and State Veterinarian, the appropriate fine determined, and a letter sent to the offender. The offender is given the option of paying the fine by a specified date or appearing at an administrative hearing to contest the citation. Our review revealed that some citations are not reviewed on a timely basis. Additionally, the numerical sequence and ultimate disposition of citations are not accounted for properly.

The Missouri Department of Agriculture, Division of Weights and Measures did not perform some of its required inspections of commercial scales and petroleum dispensing meters at service stations.

The department has not formally evaluated its vehicle needs despite obtaining significant funding to replace a portion of its vehicle fleet, vehicle usage logs are not prepared for some vehicles, and the assignment of department vehicles to specific employees appears unnecessary or inefficient in some cases.

REVIEW OF THE  
DEPARTMENT OF AGRICULTURE

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
John Saunders, Director  
Department of Agriculture

We have conducted a review of the Department of Agriculture, excluding the Missouri State Fair and the State Milk Board, which are reported on separately. The scope of our review included, but was not necessarily limited to, the year ended June 30, 1999. The objectives of this review were to:

1. Review management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations and administrative rules as we deemed necessary or appropriate in the circumstances.
2. Review the efficiency and the effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the department.

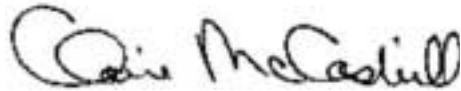
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the department's revenues, expenditures, rules, regulations, and other pertinent procedures and documents and interviewed department personnel.

As part of our review, we assessed the Department of Agriculture's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on these controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the review of the Department of Agriculture.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Department of Agriculture.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 13, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Regina Pruitt, CPA     |
| In-Charge Auditor:  | John Lieser, CPA       |
| Audit Staff:        | Brenda Gierke, CPA     |
|                     | Jennifer Roderick      |
|                     | LaToya Smith           |

## MANAGEMENT ADVISORY REPORT SECTION



REVIEW OF THE  
DEPARTMENT OF AGRICULTURE  
SUMMARY OF FINDINGS

1. Missing Funds and Conference Receipting Procedures (pages 6-8)

Cash collected for registration fees and the funds used for change at the 1998 Governor's Conference on Agriculture (GCA) were not deposited to the bank account established for these funds resulting in a shortage of at least \$1,713. Registration fees of the GCA were not always promptly deposited to the bank account, receipt amounts were not always reconciled to the amounts deposited, and fees collected were not always recorded on the registration system.

2. Unauthorized Bank Accounts (pages 8-10)

The Missouri Department of Agriculture (MDA) maintains various bank accounts outside the state treasury. The method for soliciting donations to the Governor's Conference on Agriculture may constitute a conflict of interest. Records and procedures related to the AgriMissouri Market bank account were not adequate.

3. Receipt Procedures (pages 10-11)

The duties of handling and accounting for receipts are not properly segregated. The various license, inspection, and registration documents of some divisions of the department are not accounted for and reconciled to the related receipts.

4. State Vehicles (pages 11-13)

Vehicle usage logs are not prepared for some vehicles, the department has not formally evaluated its vehicle needs, and the assignment of department vehicles appears inefficient.

5. Division of Animal Health Livestock Enforcement Program (pages 13-14)

Citations issued to persons in violation of Missouri health laws are not reviewed on a timely basis. Additionally, citations issued are not accounted for properly.

6. Agriculture Development Fund (pages 14-16)

The MDA has not established procedures for identification and approval of assistance applications from relatives of MDA employees. Some program recipients did not appear to meet the qualification criteria. No written agreement exists with the custodial bank regarding the investments of the fund.

7. Division of Weights and Measures Inspections (page 16)

The MDA did not perform some of its required inspections of scales and petroleum dispensing meters at service stations.

REVIEW OF THE  
DEPARTMENT OF AGRICULTURE  
MANAGEMENT ADVISORY REPORT

|  |
|--|
| <b>1. Missing Funds and Conference Receipting Procedures</b> |
|--|

The Missouri Department of Agriculture (MDA) handles the receipts and disbursements for the annual Governor's Conference on Agriculture (GCA). The MDA has a bank account for processing the receipts and disbursements of the GCA. The 1998 GCA was held December 13 through December 15, 1998. Department records indicate registration fees collected for participants of the 1998 GCA totaled approximately \$52,000. Pre-registration payments were received by mail prior to the conference, walk-in registration payments were received at the conference, and invoice payments from sponsoring agencies were received after the conference. Amounts collected from GCA participants were recorded on a computerized registration system. Our review of the registration fee records and bank deposits revealed missing funds and control weaknesses.

- A. We compared the receipt listing produced by the registration system (which details receipt transactions for the time period November 9, 1998, through May 3, 1999) for the 1998 GCA to the corresponding bank deposits (various dates ranging from November 12, 1998, through May 10, 1999) and noted that at least \$1,413 of registration fees were not deposited. The monies that are missing appear to represent cash receipts for walk-in registration fees collected at the conference and recorded but not deposited. In several instances, checks or money orders were deposited but not recorded and apparently substituted for recorded cash receipts collected at the conference. Additionally, \$300 in cash from the GCA bank account which was used for change at the conference was not redeposited. These missing funds went undetected due to various internal control weaknesses as discussed below.
- B.1. Registration fees were not always deposited timely and intact. For example, receipts totaling \$7,454 and with receipt dates ranging from December 11, 1998 through January 21, 1999, were not deposited until January 26, 1999. This deposit consisted of receipts received prior to, during, and subsequent to the conference. Cash receipts totaling \$1,413 and receipted during this same time period were not deposited.
- 2. With the exception of the January 26, 1999 deposit discussed above, the MDA procedure is to compare the receipt listing to the actual monies collected, photocopy the check or money order receipts, and retain the bank deposit receipt, deposit slip, copies, and receipt listing together to support the deposit. For this January 26, 1999 deposit, only the bank deposit receipt was retained and there was no documented evidence that actual monies collected were compared to the receipt listing and deposit.

3. No receipt slip or other evidence of the transmittal of registration fees from one person to another is prepared. As a result, there is a breakdown in the audit trail and accountability over these funds.
4. Registration collections totaling approximately \$2,000 were not recorded on the MDA's registration system. Many of these payments were apparently received after the conference from agencies making payment from MDA invoices for the conference participants from the agencies.
5. Receipt slip numbers are not accounted for properly. While reviewing the receipt records we noted unexplained gaps in the receipt slip numbers and an instance where the same receipt slip number was used twice.

Supervision of the GCA receipting and depositing procedures was not adequate. Although the conference records provide the necessary information, no one independent of the receipting, recording, and depositing processes reconciled the composition of deposits back to the initial receipt records or ensured that all the usual records were prepared and retained. This comparison could be performed by the person that prepares the monthly bank reconciliation for the conference account. Had such independent procedures been performed, the discrepancies could have been detected in a timely manner.

To ensure that registration fees are properly handled, the MDA should ensure the collections are deposited daily or when accumulated collections exceed \$100. Additionally, the MDA should ensure all receipts and their method of payment are accurately recorded and reconciled to the amounts and composition of monies deposited, all appropriate documentation is maintained, evidence of transmittals are prepared, and receipt slip numbers are accounted for fully.

**WE RECOMMEND** the MDA:

- A. Work with law enforcement officials regarding restitution of the missing monies and any criminal prosecution considered necessary.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100, reconcile the amount and composition of monies transmitted and deposited to the receipt listing and deposit, prepare receipt documents as evidence of monies transmitted, record all monies received, and account for prenumbered receipt slips. In addition, the MDA needs to ensure that improved and independent supervision of these functions is implemented.

**AUDITEE'S RESPONSE**

*The department concurs with recommendations A and B. New receipts processing procedures addressing each issue cited in recommendation B were developed and implemented for the 1999 Governor's Conference on Agriculture. Regarding recommendation A, the department has*

*completed an internal investigation, has consulted with legal counsel to determine appropriate action, and has requested an independent external investigation.*

**2.**

**Unauthorized Bank Accounts**

As similarly noted in our three previous audits, the MDA has established several checking and money market accounts outside of the state treasury. Donations and registration fees were paid to the MDA for the purpose of organizing conferences regarding agricultural issues. These monies were deposited into bank accounts to fund the Governor's Conference on Agriculture (GCA), the Agriculture Buffet, and the AgriExpo 2000 Conference. During fiscal year 1999, monies deposited into the GCA and Agriculture Buffet bank accounts totaled approximately \$107,785 and \$3,250, respectively. Monies deposited into the AgriExpo 2000 Conference bank account during early 2000 totaled approximately \$5,675. Several bank accounts also exist to process payments to exhibitors participating in the steer, barrow, and lamb carcass shows held each year at the Missouri State Fair. Monies deposited into these bank accounts for the 1999 Fair totaled approximately \$96,627, \$44,865, and \$16,986, respectively. In addition, a bank account has been established to facilitate the operation of the AgriMissouri Market at the Missouri State Fair. Sales receipts, operational costs, and payments to companies for their products sold are processed through this bank account. Monies totaling approximately \$18,865 were deposited into this bank account for the 1999 Fair. The following items were noted regarding these accounts.

- A. The MDA has no authority to open bank accounts outside the state treasury. Article IV, Section 15, of the Missouri Constitution and Section 30.240, RSMo 1994, require state funds to be held and disbursed by the state treasurer. Furthermore, by maintaining program funds outside the state treasury, the department increases the risk that state monies may be misused.
- B. As noted above, the annual GCA is funded in part by donations from various agriculture-related companies and organizations. While organizing the conference each year, the MDA actively solicits these contributions. According to department records, contributions totaling \$19,400 were received during the year ended June 30, 1999. We examined the list of contributors and noted that many of the companies and organizations are licensed, inspected, and/or regulated by the department. Actively soliciting donations from these companies gives the appearance of, and may result in, a potential conflict of interest.
- C. Monies deposited into the AgriMissouri Market bank account primarily result from product sales. Disbursements from the account relate to costs of operating the market and payments to companies for their products sold. Other than documentation of a cash count performed at the end of each day, no records of receipts (such as prenumbered receipt slips, daily receipt logs, or cash register tapes) are prepared to support each day's sales amount. Each day at closing, a cash count is to be performed and documented. However, department records did not contain this cash count documentation for some days during

the 1998 Fair or any days during the 1999 Fair. Monies are generally deposited the following day.

While several department employees work in the market during the fair and have access to cash receipts, one individual is primarily responsible for preparing and making deposits, preparing and signing checks, and performing month-end bank reconciliations. This individual is also primarily responsible for contacting companies, placing orders with the companies, computing retail prices, tracking the product inventory, and settling with the companies after the fair by returning unsold products and paying for products sold. Supervision of these procedures was minimal. Because of the minimal supervision, and inadequate receipt records and control systems in place, the department has no assurance all monies received are deposited and that payments to companies are appropriate.

The establishment of these various bank accounts and the department's failure to implement adequate internal controls and supervision procedures lessens the assurance that monies received and disbursed are adequately accounted for and increases the possibility of the loss or misuse of funds.

The department needs to clarify its role in organizing these events. If these are legitimate department functions, the department should seek legislative authority for handling the funds. In addition, needed funding should be requested through the appropriations process. However, if these are not departmental functions, the MDA coordination and management should cease.

**WE AGAIN RECOMMEND** the MDA:

- A. Close all bank accounts outside the state treasury. The balances remaining in any of these accounts should be deposited to the state treasury or transferred to the appropriate entity. The department should review how to best account for these programs through the state treasury if they are to be continued.
- B. Discontinue the practice of soliciting contributions from entities which are licensed, regulated, and/or inspected by the MDA.
- C. Implement adequate records and supervision procedures for the AgriMissouri Market.

**AUDITEE'S RESPONSE**

*The department believes strongly that the conferences and activities identified by the State Auditor serve an appropriate public policy interest. However, in light of the State Auditor's recommendations, alternative methods for handling funds for these events are being established. All of the outside accounts will be closed by August 31, 2000. The department is seeking additional appropriation authority that will allow any balances or future revenues to be deposited into the state treasury per the State Auditor's recommendations. In addition, the department's fiscal staff are*

*implementing new procedures to ensure that appropriate record keeping and supervision procedures are in place for the next AgriMissouri Market in August 2000.*

### **3. Receipt Procedures**

Each of the programs within the various divisions of the MDA is responsible for collecting its own revenues, transmitting these revenues to the fiscal office or Department of Revenue for deposit, and preparing and maintaining the accounting records. Receipts for the year ended June 30, 1999, totaled approximately \$14.4 million. Because each division establishes its own procedures there is a lack of standardization in handling receipts.

- A. We noted a lack of segregation of duties in various divisions. The duties of record keeping and custody of receipts are not always adequately segregated. One individual generally handles the receipts, prepares the revenue transmittals, and maintains the accounting records. In some divisions, this same individual also performs the functions of billing for services, monitoring past due accounts, and processing of refunds.

To protect against possible loss or misuse of funds, internal controls should provide reasonable assurance through segregation of duties that all transactions are accounted for properly. Failure to adequately segregate these functions increases the potential for misappropriation of funds and the concealment of this misappropriation. As noted in prior audit reports, adequate segregation of duties could possibly be achieved by the MDA by establishing a centralized receiving location. Alternatively, if the MDA chooses to continue to receive collections at the divisions, proper segregation could be achieved by assigning the receipt and transmittal responsibilities to an employee within each division with no responsibilities for posting payments to the accounting records, preparing billings, monitoring past due accounts, or processing of refunds.

- B. The various license, inspection, and registration documents of the divisions of the MDA are not always accounted for and reconciled to the related receipts. The numerical sequence of plant pest inspection reports are not accounted for properly. Blocks of reports are assigned to the inspectors but the numerical sequence of reports issued are not accounted for and reconciled to the related receipts. Additionally, feed licenses, seed permits, pesticide licenses, and product registration forms issued are not reconciled to the related receipts.

To provide assurance that receipts are proper and complete, the MDA should ensure that inspection reports are accounted for and reconciled to the related receipts. Additionally, licenses, product registrations, and permits issued should be reconciled to the related receipts to provide assurance that these receipts are properly recorded and handled.

**WE RECOMMEND** the MDA:

- A. Review the internal controls and procedures in the various divisions and ensure the duties of receiving and transmitting receipts are adequately segregated from the duties of posting payments to the accounting records, preparing billings, monitoring past due accounts, and processing of refunds. If adequate segregation of duties cannot be achieved, there should be periodic independent supervisory reviews of records and reconciliations.
- B. Account for plant pest inspection reports issued and reconcile these reports to the related revenues. Additionally, the MDA should reconcile pesticide and feed licenses, seed permits, and product registration forms to the related revenues.

**AUDITEE'S RESPONSE**

*The department concurs with recommendations A and B. Although we believe that our receipts have been adequately protected, our fiscal staff are implementing new procedures to ensure segregation of duties for cash receipts and providing supervisory review of records and reconciliations per the State Auditor's recommendations. These procedures are expected to be finalized and implemented by the end of calendar year 2000.*

**4.**

**State Vehicles**

The MDA maintains a fleet of 226 vehicles for use by both field and central office employees. The vehicles are assigned to the various divisions and the Director's Office. The vehicles are assigned as follows:

|                 |            |
|-----------------|------------|
| Field employees | 177        |
| Jefferson City  | 49         |
| Total           | <u>226</u> |

Of the 49 vehicles assigned to Jefferson City, 32 are assigned to division vehicle pools, 13 are assigned to specific employees (including nine vehicles that are also used by the assigned employee for personal commuting), and four are specialized vehicles. The MDA has received appropriations totaling approximately \$1.3 million for significant replacement of many of the vehicles in its fleet for the year ending June 30, 2000. We reviewed the use and applicable documentation for the vehicles and noted the following concerns.

- A. Vehicle usage logs are not maintained for some vehicles. No vehicle usage logs are maintained for the pool vehicles of the Grain Inspection and Warehousing, and Animal Health divisions, and no vehicle usage records are maintained for vehicles assigned to specific employees in the Market Development division, Animal Health division, and the

Director's Office. Additionally, the vehicle usage documentation, where maintained, varies among the various divisions and the Director's Office. Vehicle usage for personally assigned vehicles is documented on weekly field activity reports while usage of pool vehicles is maintained on vehicle operation records which lack an indication of the purpose of each trip.

Vehicle usage logs documenting the date, destination, purpose of the trip, and mileage should be maintained for all vehicles and periodically reviewed to ensure vehicles are properly used for business purposes. The MDA should establish standard and consistent documentation for recording vehicle usage throughout the department.

- B. Despite the substantial appropriation discussed above and the replacement of a significant number of vehicles, the MDA has not formally evaluated the vehicle needs of the department or determined the most effective allocation of vehicles among its employees.

The MDA does not have a centralized vehicle pool. Each division and the Director's Office maintains pool vehicles and monitors the assignment and use of these vehicles. While some of the pool vehicles are used as replacements for field personnel when their assigned vehicle is inoperable, many pool vehicles are not regularly used.

Some vehicles are assigned specifically to central office staff who have job assignments which appear to require little or no regular business travel. These vehicles apparently are often used primarily for commuting between the MDA and the personal residences of the employees. We noted the total monthly mileage for two vehicles specifically assigned to central office staff was frequently less than 750 miles.

To more efficiently utilize its fleet of vehicles the MDA should consider establishing a centralized vehicle pool to help eliminate unnecessary vehicles while more efficiently using the remaining pool vehicles and should assign specific vehicles only to those employees whose positions require regular business travel. In addition, the MDA needs to periodically review vehicle needs and assignments, especially prior to the purchase of a significant number of replacement vehicles.

Similar conditions have been noted in our two previous audit reports.

**WE RECOMMEND** the MDA:

- A. Require standard usage logs be completed and maintained for all state vehicles. The logs should include beginning and ending odometer readings, purpose of the trip, person making the trip, destination and date of travel. The ending mileage reported should be reconciled on a periodic basis to the vehicle odometer readings.



- B. Review and determine the vehicle needs of the department. Consideration should be given to establishing a central vehicle pool to reduce the number of vehicles needed and evaluate the needs of central office employees for assignment to specific vehicles.

### **AUDITEE'S RESPONSE**

*The department concurs with recommendations A and B. Vehicle logs are currently maintained for nearly all the department's vehicles. The department is implementing procedures to ensure that vehicle logs are maintained for the remaining vehicles. Given the diverse and widespread responsibilities of the department we are reviewing both individual and overall vehicle needs, including the State Auditor's recommendation to establish a central vehicle pool. Any fleet management procedures that are revised as a result of this review will be implemented by the end of calendar year 2000.*

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| <b>5. Division of Animal Health Livestock Enforcement Program</b> |
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The purpose of the Livestock Enforcement Program is to ensure the control of livestock diseases in Missouri. Livestock enforcement officers may issue citations to those suspected of violating animal health regulations. If a citation is issued, the citations are reviewed by the Enforcement Officer Supervisor and State Veterinarian (who is also the Director of the Division of Animal Health). After they determine the appropriate fine for the violation, a letter is sent to the offender informing him or her of the amount. The offender is given the option of paying the fine by a specified date or appearing at an administrative hearing to contest the citation.

Our review of the program revealed the following deficiencies.

- A. Some citations have not been processed in a timely manner. We noted four citations had been outstanding more than one year. For three of these citations, the fines had been assessed and letters had been sent to the violators; however, the deadline for paying the fines had lapsed and the MDA had taken no further action to collect the fines or bring the cases to administrative hearings. The other citation had been misfiled and the MDA had not reviewed the case. This citation was located after we brought this to the division's attention.

To ensure the livestock enforcement program is fulfilling its intended purpose and is adequately enforcing citations issued, the department should develop procedures to process citations on a timely basis.

A similar condition was noted in our prior audit report.

- B. The MDA does not adequately account for the numerical sequence of citations issued. The MDA records the disposition of the citations on an issuance log. However, we noted

several citations that were not recorded on the issuance log. The MDA investigated these citations upon our request and found some of the citations had been voided or dismissed.

Without a proper accounting for the numerical sequence and ultimate disposition of citations, the MDA cannot be assured all citations issued are properly processed. Properly maintained logs would account for of all citations as well as the ultimate disposition of each document.

**WE RECOMMEND** the MDA:

- A. Develop procedures to process all citations on a timely basis.
- B. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all citations issued.

**AUDITEE'S RESPONSE**

*The department concurs and has already made efforts to implement these recommendations. The supervisor of the Livestock Enforcement Program has been directed to work closely with the Attorney General's office to review and ensure the timely implementation of the following citation policies:*

- *Record Keeping*
- *Fine Assessment*
- *Administrative Hearing Procedures*
- *Final Disposition*

*As of January 2000, quarterly citation logs are being sent to each enforcement officer for verification.*

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| <b>6. Agriculture Development Fund</b> |
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The Agriculture Development Fund (ADF) was established with Rural Rehabilitation Program assets of the United States Department of Agriculture (USDA). An agreement between the USDA Farmers Home Administration and the MDA requires the funds to be used for direct or indirect assistance to Missouri farmers. The specific assistance programs developed by the MDA, and approved by the USDA, to assist Missouri farmers are interest rebates and loan guarantees for crop and livestock projects; interest rebates for farm mechanics projects; loans for alternative agricultural enterprises; grants for FFA chapters and 4-H clubs; and college scholarships to high school seniors. On June 30, 1999, the ADF balance totaled approximately \$4.2 million and approximately 1,590 loans and loan guarantees were outstanding. We noted the following concerns with the administration of this fund and the related programs.

- A. The MDA has not established procedures for identification and approval of applications from relatives of MDA employees. The MDA does not require applicants to disclose in their applications any relatives working for the MDA. We noted one crop and livestock loan recipient is the daughter of an MDA ADF loan representative. Although the recipient appears to have met all award criteria and employees of the MDA were aware of the relationship, the MDA did not clearly document the relationship in the applicant's file. Additionally, although the MDA had indicated to us that applications from any related parties require additional approval from the division director, we noted no documentation for this applicant indicating the division director was made aware of and approved the application. The MDA should consider requiring applicants to disclose any related MDA employees in the application to ensure that related applicants are identified and disclosed, and require appropriate reviews of the application to ensure that no undue influence is exercised over the award process and each applicant is judged equitably.
- B. We noted two program recipients who do not appear to be qualified participants based on the award criteria of the MDA, and the MDA did not maintain documentation explaining why it considered the recipient qualified despite the apparent disqualification.
- 1) In one instance, the MDA awarded a \$500 scholarship to an applicant who reported no family farm income, although family farm income is required for participation. The MDA indicated that it had approved the loan after contacting the applicant and learning the applicant had reported no farm income because the farm had suffered a financial loss. However, the MDA had not documented this information in the applicant's file.
  - 2) In another case, we noted a \$20,000 alternative agricultural enterprise loan to an applicant for a retail hog venture which does not appear to meet the MDA's criteria for an alternative agricultural enterprise. Additionally, the use agreement with USDA prohibits the purchase of conventional livestock.

To ensure equitable treatment among applicants, the MDA should require each recipient to fully meet all of its eligibility criteria or maintain explanatory documentation to support the decision to exempt the applicant from the criteria.

- C. Many of the assets of the ADF are invested by a local bank in government securities based on recommendations of the MDA's investment advisory committee. The MDA has no written agreement with the bank for these services. A written agreement, signed by the parties involved, should specify the role of the bank in investment acquisitions and custody, clarify the MDA's rights and responsibilities, and provide protection to both parties.

**WE RECOMMEND** the MDA:

- A. Require applicants for ADF programs to disclose any relationships to MDA employees and obtain approval from the division director for any applications from related parties.
- B. Require each recipient to fully meet all of its eligibility criteria or maintain explanatory documentation to support the decision to exempt the applicant from the criteria.
- C. Execute a written agreement with the local bank regarding the ADF's investments.

**AUDITEE'S RESPONSE**

*The department concurs and the recommendations have been implemented.*

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| <b>7. Division of Weights and Measures Inspections</b> |
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The MDA inspects and tests commercial measuring and weighing devices to ensure the devices are accurate, properly installed and maintained, and suitable for their intended use. We reviewed the MDA's reports of its inspections performed and noted that inspections were sometimes not performed with the required frequency.

- A. Inspections of some of the measuring devices for petroleum dispensers at service stations were only performed once during the year ending December 31, 1998. The MDA's inspection reports indicate that one or no inspections were performed for many stations in 1998 for three regions of the state covering 19 counties. The MDA indicated the inspectors assigned to those regions had long absences due to illness and it was unable to reassign inspectors to those regions. Section 414.072, RSMo 1994, requires the MDA to test and inspect these devices at least every six months.
- B. We noted the commercial scales at approximately 480 businesses, or about 5 percent of the total businesses requiring inspection, were not inspected during the year ending December 31, 1998. Of these 480 businesses, 253 were located in regions of the state assigned to three inspectors. Approximately 22 percent of the inspections assigned to these three inspectors were not performed. The MDA indicated that turnover or reassignments in these three inspector positions contributed to the delinquencies. The MDA is required by 2 CSR 90-21.025 to inspect all commercial weighing and measuring devices annually.

To ensure the accuracy of petroleum dispensers and commercial scales, the MDA should perform inspections of these devices with the frequencies required by state law and regulation.

**WE RECOMMEND** the MDA inspect and certify commercial weighing and measuring devices as frequently as required by state law and regulation.

**AUDITEE'S RESPONSE**

*The department concurs and has implemented procedures to ensure timely inspections.*

This report is intended for the information of the management of the Department of Agriculture and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

## History, Organization, and Statistical Information

## DEPARTMENT OF AGRICULTURE HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Agriculture was created in 1933 by an act of the legislature to replace the Missouri State Board of Agriculture. The Reorganization Act of 1974 had little impact on the department, extending its authority to cover LP-gas and motor fuel inspections. The State Milk Board was assigned to the department as a vehicle for budgeting appropriations and, accordingly, is not included herein. The Agricultural and Small Business Development Authority was created by State Law in 1981, and its governing body consists of members who are residents of this state are appointed by the Governor with the advice and consent of the Senate.

Operating under the director, the department's divisions are charged with enforcing state laws regulating the handling and marketing of agribusiness products, as well as protecting producers, processors, distributors, and consumers of food and fiber and promoting Missouri's agricultural economy.

The following are the various responsibilities of the Office of Director, the five divisions of the department, and the Agricultural and Small Business Development Authority:

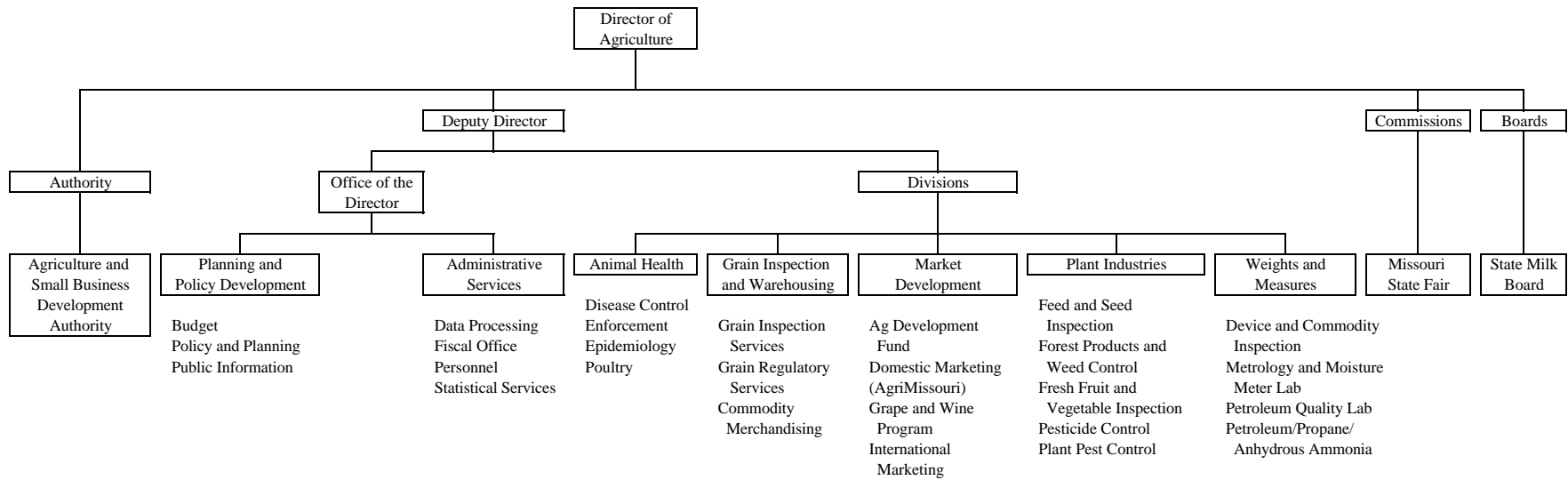
1. The Office of the Director determines department policy, assigns duties among departmental units, obtains financial and personnel resources to discharge department responsibilities, and monitors departmental performance.
2. The Division of Animal Health, directed by the state veterinarian, administers the laws and regulations pertaining to livestock and poultry health and sanitation.
3. The Division of Grain Inspection and Warehousing is responsible for the enforcement of the Missouri grain dealers and grain warehouse laws and U.S. Grain Standards Act. The Grain Inspection Program serves as a disinterested third-party which, upon request, will determine the grade, weight, and protein content of grain for any interested party. The Grain Regulatory Services Program oversees the regulation of the storage, purchase and sale of grain in Missouri. Additionally, the division administers the commodity checkoff programs.
4. The Division of Market Development is responsible for obtaining maximum participation in domestic and international markets for Missouri agricultural products. The programs of this division are expected to improve the economic well-being of Missouri's agriculture agribusiness industry. The division also administers the Agriculture Development Fund Program which provides youth and youth development programs, scholarships, as well as loans and grants for the betterment of rural agriculture.
5. The Division of Plant Industries is responsible for all plant disease surveillance and quarantines. The division administers regulations concerning the use of pesticides, herbicides, and other chemical products, and is responsible for fruit and vegetable inspection, feed and seed inspection, and treated timber and Johnson grass programs.



6. The Division of Weights and Measures maintains surveillance of commercial weighing and measuring devices to ensure accuracy and fair dealing in the exchange of commodities. The division carries out its duties through small-scale inspection, large-scale inspection, commodities inspection, grain moisture meter inspection, motor fuel inspections and testing, and the Liquefied Petroleum Gas Authority.
7. The Agricultural and Small Business Development Authority issues tax-free bonds to lenders who make low-interest loans to farmers and small businesses and administers the animal Waste Treatment System Loan program, the Single-Purpose Animal Facilities Loan Guarantee program, the Missouri Value-Added Grant program, and the Missouri Value-Added Loan Guarantee program.

John L. Saunders serves as director of the department. The department employed approximately 460 full-time employees as of June 30, 1999. An organization chart follows.

DEPARTMENT OF AGRICULTURE  
ORGANIZATION CHART  
JUNE 30, 1999



## Appendix A

DEPARTMENT OF AGRICULTURE  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND - STATE   |                     |              |                 |                |              |                 |
| Refunds of erroneous receipts due to errors in application for licenses, registrations, permits, certificates, subscriptions or other fees   | \$ 6,000            | 5,021        | 979             | 7,600          | 7,155        | 445             |
| Office of Director - Vehicle Replacement - Expense and Equipment   | 108,600             | 104,581      | 4,019           | 0              | 0            | 0               |
| Office of Director - Personal Service  | 1,206,911           | 1,158,186    | 48,725          | 1,150,774      | 1,088,558    | 62,216          |
| Office of Director - Expense and Equipment   | 415,600             | 415,597      | 3               | 551,494        | 551,494      | 0               |
| Operational maintenance and repairs for state owned facilities   | 94,689              | 94,686       | 3               | 94,689         | 94,689       | 0               |
| Ethanol Commission Expenses  | 5,000               | 0            | 5,000           | 5,000          | 15           | 4,985           |
| Research and related activities of the Food and Agriculture Policy Research Institute (FAPRI)  | 250,000             | 242,500      | 7,500           | 0              | 0            | 0               |
| Administration of value-added agriculture programs - Personal Service  | 34,166              | 33,141       | 1,025           | 0              | 0            | 0               |
| Administration of value-added agriculture programs - Expense and Equipment   | 43,830              | 42,514       | 1,316           | 0              | 0            | 0               |
| Indemnity payments   | 0                   | 0            | 0               | 100,000        | 30,154       | 69,846          |
| Animal Health - Personal Service   | 1,905,767           | 1,847,547    | 58,220          | 1,850,409      | 1,749,623    | 100,786         |
| Animal Health - Expense and Equipment  | 582,653             | 582,653      | 0               | 571,557        | 571,557      | 0               |
| Indemnifying producers and owners of livestock and poultry for the purpose of preventing the spread of disease during emergencies declared by the state veterinarian, subject to approval by the Department of Agriculture of a State match rate up to 50 percent        | 0                   | 0            | 0               | 500,000        | 0            | 500,000         |
| ::   |                     |              |                 |                |              |                 |
| Indemnity payment and indemnifying producers and owners of livestock and poultry for preventing the spread of disease during emergencies declared by the state veterinarian, subject to approval by the Department of Agriculture of a State match rate up to 50 percent | 100,000             | 95,646       | 4,354           | 0              | 0            | 0               |
| Brucellosis eartags  | 10,925              | 8,660        | 2,265           | 10,925         | 8,660        | 2,265           |
| Grain Inspection and Warehousing - Personal Service  | 727,795             | 595,908      | 131,887         | 669,577        | 645,110      | 24,467          |
| Grain Inspection and Warehousing - Expense and Equipment   | 181,556             | 181,556      | 0               | 132,460        | 132,460      | 0               |

|   |           |           |        |           |           |        |
|---|-----------|-----------|--------|-----------|-----------|--------|
| Plant Industries - Personal Service   | 1,665,908 | 1,585,169 | 80,739 | 1,587,297 | 1,502,014 | 85,283 |
| Demonstration projects that utilize renewable inputs  | 69,000    | 69,000    | 0      | 69,000    | 69,000    | 0      |
| Purpose of funding gypsy moth control, including education, research and management activities, and for the receipt and disbursement of funds donated for gypsy moth control, including education, research and management activities - Personal Service      | 19,861    | 19,640    | 221    | 19,605    | 19,605    | 0      |
| Purpose of funding gypsy moth control, including education, research and management activities, and for the receipt and disbursement of funds donated for gypsy moth control, including education, research and management activities - Expense and Equipment | 69,710    | 12,733    | 56,977 | 43,160    | 16,831    | 26,329 |
| One-time boll weevil eradication project  | 0         | 0         | 0      | 153,434   | 147,618   | 5,816  |
| ::  |           |           |        |           |           |        |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment  | 1,754     | 1,622     | 132    | 1,754     | 1,620     | 134    |
| Contractual services related to commercial agriculture crop research  | 0         | 0         | 0      | 180,000   | 180,000   | 0      |
| Plant Industries - Expense and Equipment  | 274,545   | 274,545   | 0      | 280,493   | 280,493   | 0      |
| Weights and Measures - Personal Service   | 1,154,157 | 1,094,726 | 59,431 | 1,013,548 | 983,142   | 30,406 |
| Weights and Measures - Expense and Equipment  | 274,197   | 271,840   | 2,357  | 264,583   | 264,583   | 0      |
| Grape and Wine Market and Development Program   | 50,000    | 48,500    | 1,500  | 50,000    | 48,500    | 1,500  |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment  | 6,086     | 5,903     | 183    | 6,086     | 5,903     | 183    |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment  | 2,476     | 2,402     | 74     | 2,476     | 2,402     | 74     |
| New Farmers Program - Contract services to administer a program to provide a link between the production of agricultural products and the welfare to work initiative.   | 240,000   | 232,800   | 7,200  | 0         | 0         | 0      |
| Agriculture Development Program - Personal Service  | 43,394    | 42,092    | 1,302  | 0         | 0         | 0      |
| ::  |           |           |        |           |           |        |
| Agriculture Development Program -   |           |           |        |           |           |        |

|   |            |            |         |            |            |         |
|---|------------|------------|---------|------------|------------|---------|
| Expense and Equipment   | 7,190      | 6,974      | 216     | 0          | 0          | 0       |
| Market Development - Personal Service   | 925,460    | 887,115    | 38,345  | 889,028    | 867,333    | 21,695  |
| Market Development - Expense and Equipment  | 709,746    | 698,454    | 11,292  | 608,223    | 594,976    | 13,247  |
| AgriMissouri Marketing Program  | 280,000    | 271,600    | 8,400   | 280,000    | 271,600    | 8,400   |
| Total General Revenue Fund - State  | 11,466,976 | 10,933,311 | 533,665 | 11,093,172 | 10,135,095 | 958,077 |
| DEPARTMENT OF AGRICULTURE - FEDERAL FUND  |            |            |         |            |            |         |
| Office of Director - Personal Service   | 1,542      | 0          | 1,542   | 2,253      | 2,253      | 0       |
| Office of Director - Expense and Equipment  | 1,186      | 0          | 1,186   | 19,657     | 14,140     | 5,517   |
| Office of Director - Personal Service and/or Expense and Equipment  | 0          | 0          | 0       | 25,000     | 0          | 25,000  |
| Agricultural Awareness Program - Expense and Equipment  | 25,000     | 0          | 25,000  | 0          | 0          | 0       |
| Animal Health - Personal Service  | 35,628     | 13,129     | 22,499  | 90,862     | 20,769     | 70,093  |
| Animal Health - Expense and Equipment   | 25,000     | 24,979     | 21      | 15,897     | 0          | 15,897  |
| Plant Industries - Personal Service   | 225,671    | 177,828    | 47,843  | 216,118    | 173,853    | 42,265  |
| Plant Industries - Expense and Equipment  | 499,453    | 293,640    | 205,813 | 499,453    | 233,360    | 266,093 |
| Purpose of funding gypsy moth control, including education, research and management activities, and for the receipt and disbursement of funds donated for gypsy moth control, including education, research and management activities | 100,000    | 0          | 100,000 | 100,000    | 0          | 100,000 |
| Weights and Measures - Expense and Equipment  | 26,624     | 10,396     | 16,228  | 26,624     | 1,804      | 24,820  |
| Market Development - Personal Service   | 70,497     | 12,034     | 58,463  | 67,823     | 18,581     | 49,242  |
| Market Development - Expense and Equipment  | 100,000    | 0          | 100,000 | 100,000    | 59,286     | 40,714  |
| Total Department of Agriculture - Federal Fund  | 1,110,601  | 532,006    | 578,595 | 1,163,687  | 524,046    | 639,641 |
| ::  |            |            |         |            |            |         |
| ANIMAL HEALTH LABORATORY FEE FUND   |            |            |         |            |            |         |
| Office of Director - Expense and Equipment  | 1,839      | 0          | 1,839   | 17,756     | 17,756     | 0       |
| Agricultural Awareness Program - Personal Service   | 168        | 0          | 168     | 0          | 0          | 0       |
| Animal Health - Personal Service  | 33,362     | 19,608     | 13,754  | 32,274     | 18,390     | 13,884  |
| Animal Health - Expense and Equipment   | 206,700    | 206,615    | 85      | 206,700    | 206,692    | 8       |
| Total Animal Health Laboratory Fee Fund   | 242,069    | 226,223    | 15,846  | 256,730    | 242,838    | 13,892  |
| ANIMAL CARE RESERVE FUND  |            |            |         |            |            |         |
| Office of Director - Personal Service   | 1,676      | 0          | 1,676   | 1,512      | 144        | 1,368   |
| Office of Director - Expense and Equipment  | 341        | 0          | 341     | 3,392      | 3,392      | 0       |
| Animal Health - Personal Service  | 210,134    | 110,440    | 99,694  | 203,838    | 151,411    | 52,427  |
| Animal Health - Expense and Equipment   | 90,651     | 47,198     | 43,453  | 90,651     | 66,695     | 23,956  |
| Total Animal Care Reserve Fund  | 302,802    | 157,638    | 145,164 | 299,393    | 221,642    | 77,751  |
| LIVESTOCK BRANDS FUND   |            |            |         |            |            |         |
| Office of Director - Expense and Equipment  | 121        | 0          | 121     | 3,674      | 3,674      | 0       |
| Support the Livestock Brands Program - Expense and Equipment  | 41,010     | 9,414      | 31,596  | 41,010     | 33,254     | 7,756   |
| Total Livestock Brands Fund   | 41,131     | 9,414      | 31,717  | 44,684     | 36,928     | 7,756   |
| COMMODITY COUNCIL MERCHANDISING FUND  |            |            |         |            |            |         |
| Office of Director - Personal Service   | 502        | 0          | 502     | 462        | 365        | 97      |
| Office of Director - Expense and Equipment  | 80         | 0          | 80      | 1,524      | 1,524      | 0       |
| Grain Inspection and Warehousing - Personal Service   | 61,618     | 41,127     | 20,491  | 59,659     | 42,270     | 17,389  |

|  |           |         |           |            |           |         |
|--|-----------|---------|-----------|------------|-----------|---------|
| Grain Inspection and Warehousing - Expense and Equipment               | 23,000    | 11,502  | 11,498    | 23,000     | 11,766    | 11,234  |
| Refunds to individuals and reimbursements to commodity councils (Note) | 8,000,000 | 335,866 | 7,664,134 | 10,000,000 | 9,744,445 | 255,555 |
| Total Commodity Council Merchandising Fund                             | 8,085,200 | 388,495 | 7,696,705 | 10,084,645 | 9,800,370 | 284,275 |

Note: Commodity Council Assessments - Based on changes to RSMo 275.350, checkoff funds collected by the various commodity councils are no longer considered state funds and are to be administered by the state Department of Revenue (DOR) and accounted for within a DOR account. As a result, fiscal year 1999 expenditures exclude commodity assessment distributions now processed through the DOR.

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SINGLE-PURPOSE ANIMAL FACILITIES LOAN PROGRAM FUND

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| Office of Director - Personal Service                    | 53,917 | 49,980 | 3,937  | 51,044 | 35,517 | 15,527 |
| Office of Director - Expense and Equipment               | 22,371 | 7,989  | 14,382 | 22,580 | 22,580 | 0      |
| Total Single-purpose Animal Facilities Loan Program Fund | 76,288 | 57,969 | 18,319 | 73,624 | 58,097 | 15,527 |

SINGLE-PURPOSE ANIMAL FACILITIES LOAN GUARANTEE FUND

|   |           |   |           |           |   |           |
|---|-----------|---|-----------|-----------|---|-----------|
| Funding loan guarantees in accordance with Section 348.190 RSMo | 2,000,000 | 0 | 2,000,000 | 2,000,000 | 0 | 2,000,000 |
| Loan guarantees in accordance with Section 348.190, RSMo        | 1,000,000 | 0 | 1,000,000 | 1,000,000 | 0 | 1,000,000 |
| Loan guarantees as provided in Section 348.190 RSMo             | 1,100,000 | 0 | 1,100,000 | 0         | 0 | 0         |
| Total Single-purpose Animal Facilities Loan Guarantee Fund      | 4,100,000 | 0 | 4,100,000 | 3,000,000 | 0 | 3,000,000 |

STATE FAIR FEES FUND

|  |        |   |        |        |   |        |
|--|--------|---|--------|--------|---|--------|
| Office of Director - Vehicle Replacement - Expense and Equipment | 36,200 | 0 | 36,200 | 17,220 | 0 | 17,220 |
| Total State Fair Fees Fund                                       | 36,200 | 0 | 36,200 | 17,220 | 0 | 17,220 |

AGRICULTURAL PRODUCT UTILIZATION AND BUSINESS DEVELOPMENT LOAN GUARANTEE FUND

|  |           |   |           |   |   |   |
|--|-----------|---|-----------|---|---|---|
| Establishment and initial funding of loan guarantees as provided in Section 348.409 RSMo | 1,000,000 | 0 | 1,000,000 | 0 | 0 | 0 |
| Total Agricultural Product Utilization and Business Development Loan Guarantee Fund      | 1,000,000 | 0 | 1,000,000 | 0 | 0 | 0 |

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AGRICULTURAL PRODUCT UTILIZATION GRANT FUND

|  |         |         |         |   |   |   |
|--|---------|---------|---------|---|---|---|
| Establishment and initial funding of the agriculture products utilization grants as provided in Section 348.409 RSMo | 500,000 | 132,036 | 367,964 | 0 | 0 | 0 |
| Total Agricultural Product Utilization Grant Fund  | 500,000 | 132,036 | 367,964 | 0 | 0 | 0 |

MISSOURI QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND

|  |           |   |           |           |   |           |
|--|-----------|---|-----------|-----------|---|-----------|
| Missouri Ethanol Producer Incentive Payments   | 3,000,000 | 0 | 3,000,000 | 3,000,000 | 0 | 3,000,000 |
| Missouri Ethanol Producer Incentive Payments in accordance with Section 142.028 through Section 142.029 RSMo | 3,000,000 | 0 | 3,000,000 | 3,000,000 | 0 | 3,000,000 |

Appendix B

DEPARTMENT OF AGRICULTURE  
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30, |            |            |            |            |
|--|---------------------|------------|------------|------------|------------|
|  | 1999                | 1998       | 1997       | 1996       | 1995       |
| Salaries for permanent employees             | \$ 9,776,308        | 9,476,241  | 8,993,592  | 8,303,346  | 8,066,844  |
| Wages for temporary employees                | 0                   | 0          | 12,613     | 8,041      | 15,018     |
| Per diem                                     | 80,542              | 78,669     | 58,278     | 46,343     | 38,916     |
| Total personal services                      | 9,856,850           | 9,554,910  | 9,064,483  | 8,357,730  | 8,120,778  |
| Miscellaneous programs (Note)                | 854,209             | 9,847,207  | 11,309,543 | 9,035,452  | 9,122,885  |
| Recipient Payments                           | 0                   | 0          | 140        | 0          | 0          |
| Refunds                                      | 30,340              | 0          | 0          | 50,739     | 10,000     |
| Total program specific                       | 884,549             | 9,847,207  | 11,309,683 | 9,086,191  | 9,132,885  |
| Travel and vehicle expense                   | 840,703             | 869,877    | 805,020    | 754,658    | 689,156    |
| Transportation equipment purchases           | 471,152             | 173,042    | 499,687    | 524,257    | 493,380    |
| Office expense                               | 551,267             | 433,055    | 559,715    | 465,632    | 353,451    |
| Office and communication equipment purchases | 80,936              | 109,269    | 75,502     | 60,107     | 152,941    |
| Communication expense                        | 434,695             | 383,457    | 401,916    | 348,754    | 365,218    |
| Institution and physical plant expense       | 765,975             | 718,502    | 707,246    | 667,617    | 564,773    |
| Institution and physical plant purchases     | 134,334             | 275,114    | 226,315    | 279,785    | 319,423    |
| Data processing expense and equipment        | 391,071             | 751,186    | 276,285    | 322,723    | 302,257    |
| Professional services                        | 1,050,682           | 1,021,402  | 734,485    | 569,900    | 675,102    |
| Other expense                                | 777,821             | 618,817    | 848,588    | 1,171,275  | 1,167,804  |
| Total expense and equipment                  | 5,498,636           | 5,353,721  | 5,134,759  | 5,164,708  | 5,083,505  |
| Total expenditures                           | \$ 16,240,035       | 24,755,838 | 25,508,925 | 22,608,629 | 22,337,168 |

Note: Commodity Council Assessments - Based on changes to RSMo 275.350, checkoff funds collected by the various commodity councils are no longer considered state funds and are to be administered by the state Department of Revenue (DOR) and accounted for within a DOR account. As a result, fiscal year 1999 expenditures exclude commodity assessment distributions now processed through the DOR.

|  |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Missouri Qualified Fuel Ethanol Producer Incentive Fund  | 6,000,000 | 0         | 6,000,000 | 6,000,000 | 0         | 6,000,000 |
| AQUACULTURE MARKETING DEVELOPMENT FUND   |           |           |           |           |           |           |
| Missouri Aquaculture Council   | 25,000    | 10,597    | 14,403    | 25,000    | 10,837    | 14,163    |
| Personal Service   | 0         | 0         | 0         | 6,075     | 0         | 6,075     |
| Total Aquaculture Marketing Development Fund   | 25,000    | 10,597    | 14,403    | 31,075    | 10,837    | 20,238    |
| LIVESTOCK SALES AND MARKETS FEES FUND  |           |           |           |           |           |           |
| Office of Director - Expense and Equipment   | 179       | 0         | 179       | 1,227     | 1,227     | 0         |
| Expenses incurred in regulating Missouri livestock markets   | 32,565    | 19,084    | 13,481    | 32,565    | 5,431     | 27,134    |
| Total Livestock Sales and Markets Fees Fund  | 32,744    | 19,084    | 13,660    | 33,792    | 6,658     | 27,134    |
| APPLE MERCHANDISING FUND   |           |           |           |           |           |           |
| Research, promotion and market development of apples   | 12,000    | 3,973     | 8,027     | 12,000    | 3,936     | 8,064     |
| Total Apple Merchandising Fund   | 12,000    | 3,973     | 8,027     | 12,000    | 3,936     | 8,064     |
| ::   |           |           |           |           |           |           |
| LIVESTOCK DEALER LAW ENFORCEMENT AND ADMINISTRATION FUND   |           |           |           |           |           |           |
| Office of Director - Expense and Equipment   | 26        | 0         | 26        | 463       | 463       | 0         |
| Enforcement activities related to the Livestock Dealer Law   | 12,250    | 1,619     | 10,631    | 12,250    | 3,752     | 8,498     |
| Total Livestock Dealer Law Enforcement and Administration Fund   | 12,276    | 1,619     | 10,657    | 12,713    | 4,215     | 8,498     |
| MILK INSPECTION FEES FUND  |           |           |           |           |           |           |
| Office of Director - Personal Service  | 1,051     | 0         | 1,051     | 1,074     | 0         | 1,074     |
| Office of Director - Expense and Equipment   | 387       | 0         | 387       | 3,595     | 3,595     | 0         |
| Total Milk Inspection Fees Fund  | 1,438     | 0         | 1,438     | 4,669     | 3,595     | 1,074     |
| GRAIN INSPECTION FEES FUND   |           |           |           |           |           |           |
| Office of Director - Vehicle   |           |           |           |           |           |           |
| Replacement - Expense and Equipment  | 72,400    | 0         | 72,400    | 51,660    | 0         | 51,660    |
| Office of Director - Personal Service  | 30,981    | 20,078    | 10,903    | 28,964    | 1,470     | 27,494    |
| Office of Director - Expense and Equipment   | 1,356     | 0         | 1,356     | 14,699    | 14,699    | 0         |
| Grain Inspection and Warehousing - Expense and Equipment   | 414,794   | 154,725   | 260,069   | 306,402   | 173,903   | 132,499   |
| Payment of real property leases, related services, utilities and systems furniture; and structural modifications for new FTE - Expense and Equipment | 78,902    | 65,436    | 13,466    | 94,994    | 64,236    | 30,758    |
| Grain Inspection and Warehousing - Personal Service  | 1,687,424 | 1,045,153 | 642,271   | 1,626,412 | 1,066,156 | 560,256   |
| Payment of Federal User Fee  | 100,000   | 52,880    | 47,120    | 100,000   | 52,189    | 47,811    |
| Total Grain Inspection Fees Fund   | 2,385,857 | 1,338,272 | 1,047,585 | 2,223,131 | 1,372,653 | 850,478   |
| PETROLEUM INSPECTION FUND  |           |           |           |           |           |           |
| Office of Director - Vehicle   |           |           |           |           |           |           |
| Replacement - Expense and Equipment  | 144,800   | 144,800   | 0         | 34,440    | 32,857    | 1,583     |
| Office of Director - Personal Service  | 10,168    | 9,414     | 754       | 9,667     | 0         | 9,667     |
| Office of Director - Expense and Equipment   | 3,872     | 3,000     | 872       | 47,194    | 46,193    | 1,001     |
| Weights and Measures - Expense and Equipment   | 485,944   | 458,091   | 27,853    | 483,077   | 469,389   | 13,688    |
| ::   |           |           |           |           |           |           |
| Weights and Measures - Personal Service  | 1,024,135 | 951,616   | 72,519    | 919,924   | 860,460   | 59,464    |
| Total Petroleum Inspection Fund  | 1,668,919 | 1,566,921 | 101,998   | 1,494,302 | 1,408,899 | 85,403    |



|   |               |            |            |            |            |            |
|---|---------------|------------|------------|------------|------------|------------|
| MARKETING DEVELOPMENT FUND                      |               |            |            |            |            |            |
| Grape and Wine Market and Development           |               |            |            |            |            |            |
| Program - Personal Service                      | 550,000       | 550,000    | 0          | 550,000    | 376,032    | 173,968    |
| Total Marketing Development Fund                | 550,000       | 550,000    | 0          | 550,000    | 376,032    | 173,968    |
| AGRICULTURE BOND TRUSTEE FUND                   |               |            |            |            |            |            |
| Processing livestock market bankruptcy          |               |            |            |            |            |            |
| claims  | 135,000       | 30,140     | 104,860    | 135,000    | 0          | 135,000    |
| Total Agriculture Bond Trustee Fund             | 135,000       | 30,140     | 104,860    | 135,000    | 0          | 135,000    |
| BOLL WEEVIL SUPPRESSION AND ERADICATION FUND    |               |            |            |            |            |            |
| Ongoing boll weevil suppression and eradication |               |            |            |            |            |            |
| through a cotton growers' organization          |               |            |            |            |            |            |
| in accordance with Sections 263.050 - 263.537   |               |            |            |            |            |            |
| RSMo  | 622,848       | 0          | 622,848    | 622,848    | 0          | 622,848    |
| Total Boll Weevil Suppression and Eradication   | 622,848       | 0          | 622,848    | 622,848    | 0          | 622,848    |
| Fund  | 622,848       | 0          | 622,848    | 622,848    | 0          | 622,848    |
| AGRICULTURE DEVELOPMENT FUND                    |               |            |            |            |            |            |
| Office of Director - Vehicle                    |               |            |            |            |            |            |
| Replacement - Expense and Equipment             | 0             | 0          | 0          | 34,440     | 0          | 34,440     |
| Agriculture Development Program -               |               |            |            |            |            |            |
| Personal Service                                | 148,493       | 39,465     | 109,028    | 218,545    | 136,394    | 82,151     |
| Agriculture Development Program -               |               |            |            |            |            |            |
| Expense and Equipment                           | 41,232        | 18,535     | 22,697     | 61,430     | 44,104     | 17,326     |
| All moneys in the Agriculture                   |               |            |            |            |            |            |
| Development Fund for investment,                |               |            |            |            |            |            |
| reinvestment, and for emergency                 |               |            |            |            |            |            |
| agricultural relief and rehabilitation          |               |            |            |            |            |            |
| as provided by law                              | 4,959,070     | 213,304    | 4,745,766  | 5,000,000  | 369,499    | 4,630,501  |
| Total Agriculture Development Fund              | 5,148,795     | 271,304    | 4,877,491  | 5,314,415  | 549,997    | 4,764,418  |
| ::  |               |            |            |            |            |            |
| INSTITUTION GIFT TRUST FUND                     |               |            |            |            |            |            |
| Personal Service and/or Expense and             |               |            |            |            |            |            |
| Equipment                                       | 0             | 0          | 0          | 25,000     | 0          | 25,000     |
| A feasibility study of an Agricultural          |               |            |            |            |            |            |
| Learning Center featuring a Living              |               |            |            |            |            |            |
| History Farm exhibit                            | 0             | 0          | 0          | 25,000     | 0          | 25,000     |
| Agricultural Awareness Program -                |               |            |            |            |            |            |
| Expense and Equipment                           | 25,000        | 10,201     | 14,799     | 0          | 0          | 0          |
| Expenditure of contributions, gifts, and        |               |            |            |            |            |            |
| grants in support of relief efforts to          |               |            |            |            |            |            |
| reduce the suffering of abandoned               |               |            |            |            |            |            |
| animals   | 5,000         | 832        | 4,168      | 5,000      | 0          | 5,000      |
| Total Institution Gift Trust Fund               | 30,000        | 11,033     | 18,967     | 55,000     | 0          | 55,000     |
| Total All Funds                                 | \$ 43,586,144 | 16,240,035 | 27,346,109 | 42,522,100 | 24,755,838 | 17,766,262 |

Note: The appropriations presented above are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly. The department administers transactions in the funds presented above. However, the state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Appendix C

DEPARTMENT OF AGRICULTURE  
COMPARATIVE SCHEDULE OF RECEIPTS - ALL FUNDS

|   | Year Ended June 30, |            |            |            |            |
|---|---------------------|------------|------------|------------|------------|
|   | 1999                | 1998       | 1997       | 1996       | 1995       |
| Animal Health   | \$ 716,848          | 643,625    | 591,891    | 608,965    | 539,088    |
| Grain Inspection and Warehousing                                  | 10,421,117          | 11,391,671 | 12,742,375 | 11,006,095 | 10,476,898 |
| Plant Industry  | 1,756,583           | 1,679,091  | 1,567,759  | 1,547,058  | 1,575,668  |
| Market Development  | 843,651             | 1,266,569  | 1,457,976  | 1,304,654  | 1,741,656  |
| Weight and Measures   | 441,293             | 383,245    | 359,119    | 381,301    | 345,446    |
| Missouri Agricultural and Small<br>Business Development Authority | 139,666             | 152,851    | 223,030    | 54,146     | 0          |
| Miscellaneous   | 42,601              | 27,325     | 30,668     | 69,141     | 27,762     |
| Total   | \$ 14,361,759       | 15,544,377 | 16,972,818 | 14,971,360 | 14,706,518 |

\* \* \* \* \*



TWENTY-FIRST JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-31  
May 4, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

The following audit report presents our findings and recommendations for certain municipal divisions of the Twenty-First Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

|                                 |                    |
|---------------------------------|--------------------|
| <b>City of Clarkson Valley</b>  | <i>page 21</i>     |
| <b>City of Creve Coeur</b>      | <i>page 22</i>     |
| <b>City of Eureka</b>           | <i>pages 23-26</i> |
| <b>City of Frontenac</b>        | <i>page 27</i>     |
| <b>City of Richmond Heights</b> | <i>pages 27-29</i> |
| <b>City of University City</b>  | <i>pages 29-35</i> |
| <b>City of Winchester</b>       | <i>page 35</i>     |

YELLOW SHEET

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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| Exhibit   | Comparative Statement of Receipts, Disbursements, and<br>Changes in Cash, Years Ended June 30, 1999 and 1998 |
|   | City of Clarkson Valley .....  |
|   | City of Creve Coeur .....  |
|   | City of Eureka .....   |
|   | City of Frontenac .....  |
|   | City of Richmond Heights .....   |
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TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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## FINANCIAL SECTION

## State Auditor's Reports





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge  
and  
Municipal Judges  
Twenty-First Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions (other than the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, as identified by municipality in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as discussed in paragraph four, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Twenty-First Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

Prenumbered bond forms or receipt slips were not issued for bond monies collected by the police department for the city of Eureka Municipal Division. In addition, bonds were sometimes refunded in cash by the municipal division. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to bond receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended June 30, 1999 and 1998.

In our opinion, except for the effects, if any, on the financial statements of the matter discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions (other than the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

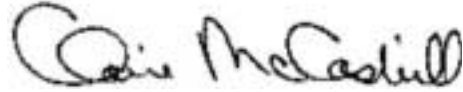
We also had planned to audit the accompanying special-purpose financial statement of the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998. This special-purpose financial statement is the responsibility of the municipal division's management.

Internal controls and accounting records of the city of University City Municipal Division were inadequate. Amounts shown as received on the court's cash register did not always match the amounts transmitted to the city for deposit. Adjustments were made to cash register entries without proper support. Also, records accounting for the numerical sequence and ultimate disposition of each traffic ticket issued by the police department were not maintained. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1999 and 1998. In addition, we were unable to assure ourselves of the amount of cash bonds held in trust at June 30, 1999 and 1998.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 24, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

November 24, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA  |
| Audit Manager:      | Alice M. Fast, CPA, CIA |
| In-Charge Auditor:  | Darrick A. Fulton       |
| Audit Staff:        | Douglas E. Brewer       |
|                     | Scott L. Fontana        |
|                     | Monique Williams        |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
and  
Municipal Judges  
Twenty-First Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated November 24, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the city of Eureka Municipal Division for the years ended June 30, 1999 and 1998. Except as discussed in the report on the financial statement of the municipal division referred to in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We also had planned to audit the special-purpose financial statement of the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated November 24, 1999. In that report we did not express an opinion on the special-purpose financial statement.

Compliance

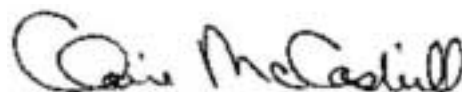
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Twenty-First Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

## Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Twenty-First Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

November 24, 1999 (fieldwork completion date)

## Financial Statements

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Clarkson Valley |         |
|-------------------------------------|----|-------------------------|---------|
|                                     |    | Year Ended June 30,     |         |
|                                     |    | 1999                    | 1998    |
| RECEIPTS                            |    |                         |         |
| Fines, costs, bonds, and other      | \$ | 139,714                 | 138,443 |
| Total Receipts                      |    | 139,714                 | 138,443 |
| DISBURSEMENTS                       |    |                         |         |
| City treasury                       |    | 134,069                 | 132,941 |
| State of Missouri (Note 3)          |    | 0                       | 0       |
| Refunds and other                   |    | 5,711                   | 2,732   |
| Total Disbursements                 |    | 139,780                 | 135,673 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | -66                     | 2,770   |
| CASH, JULY 1                        |    | 6,876                   | 4,015   |
| CASH, JUNE 30                       | \$ | 6,810                   | 6,785   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Creve Coeur<br>Year Ended June 30, |         |
|-------------------------------------|--|---------|
|                                     | 1999                                       | 1998    |
| RECEIPTS                            |  |         |
| Fines, costs, bonds, and other      | \$ 574,549                                 | 492,258 |
| Total Receipts                      | 574,549                                    | 492,258 |
| DISBURSEMENTS                       |  |         |
| City treasury                       | 529,311                                    | 451,517 |
| State of Missouri (Note 3)          | 0  | 0       |
| Refunds and other                   | 36,754                                     | 31,717  |
| Total Disbursements                 | 566,065                                    | 483,234 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 8,484                                      | 9,024   |
| CASH, JULY 1                        | 48,920                                     | 39,896  |
| CASH, JUNE 30                       | \$ 57,404                                  | 48,920  |

The accompanying Notes to the Financial Statements are an integral part of this statement.



Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Eureka (Note 4) |         |
|-------------------------------------|----|-------------------------|---------|
|                                     |    | Year Ended June 30,     |         |
|                                     |    | 1999                    | 1998    |
| RECEIPTS                            |    |                         |         |
| Fines, costs, bonds, and other      | \$ | 309,058                 | 283,796 |
| Total Receipts                      |    | 309,058                 | 283,796 |
| DISBURSEMENTS                       |    |                         |         |
| City treasury                       |    | 234,388                 | 229,301 |
| State of Missouri (Note 3)          |    | 0                       | 0       |
| Refunds and other                   |    | 63,265                  | 53,438  |
| Total Disbursements                 |    | 297,653                 | 282,739 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 11,405                  | 1,057   |
| CASH, JULY 1                        |    | 26,791                  | 25,734  |
| CASH, JUNE 30                       | \$ | 38,196                  | 26,791  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Frontenac (Note 5) |         |
|-------------------------------------|----------------------------|---------|
|                                     | Year Ended June 30,        |         |
|                                     | 1999                       | 1998    |
| RECEIPTS                            |                            |         |
| Fines, costs, bonds, and other      | \$ 128,863                 | 130,211 |
| Total Receipts                      | 128,863                    | 130,211 |
| DISBURSEMENTS                       |                            |         |
| City treasury                       | 119,085                    | 124,188 |
| State of Missouri (Note 3)          | 0                          | 0       |
| Refunds and other                   | 9,037                      | 8,268   |
| Total Disbursements                 | 128,122                    | 132,456 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 741                        | -2,245  |
| CASH, JULY 1                        | 5,918                      | 8,163   |
| CASH, JUNE 30                       | \$ 6,659                   | 5,918   |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     |    | City of Richmond Heights |         |
|-------------------------------------|----|--------------------------|---------|
|                                     |    | Year Ended June 30,      |         |
|                                     |    | 1999                     | 1998    |
| RECEIPTS                            |    |                          |         |
| Fines, costs, bonds, and other      | \$ | 424,664                  | 381,087 |
| Total Receipts                      |    | 424,664                  | 381,087 |
| DISBURSEMENTS                       |    |                          |         |
| City treasury                       |    | 363,978                  | 334,127 |
| State of Missouri (Note 3)          |    | 0                        | 0       |
| Refunds and other                   |    | 50,763                   | 31,383  |
| Total Disbursements                 |    | 414,741                  | 365,510 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS |    | 9,923                    | 15,577  |
| CASH, JULY 1                        |    | 32,862                   | 17,285  |
| CASH, JUNE 30                       | \$ | 42,785                   | 32,862  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

(UNAUDITED)

|                                     | City of University City (Note 6) |         |
|-------------------------------------|----------------------------------|---------|
|                                     | Year Ended June 30,              |         |
|                                     | 1999                             | 1998    |
| RECEIPTS                            |                                  |         |
| Fines, costs, bonds, and other      | \$ 644,658                       | 529,026 |
| Total Receipts                      | 644,658                          | 529,026 |
| DISBURSEMENTS                       |                                  |         |
| City treasury                       | 610,648                          | 500,659 |
| State of Missouri (Note 3)          | 0                                | 0       |
| Refunds and other                   | 34,010                           | 28,367  |
| Total Disbursements                 | 644,658                          | 529,026 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0                                | 0       |
| CASH, JULY 1                        | 0                                | 0       |
| CASH, JUNE 30                       | \$ 0                             | 0       |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Winchester  |        |
|-------------------------------------|---------------------|--------|
|                                     | Year Ended June 30, |        |
|                                     | 1999                | 1998   |
| RECEIPTS                            |                     |        |
| Fines, costs, bonds, and other      | \$ 42,506           | 27,220 |
| Total Receipts                      | 42,506              | 27,220 |
| DISBURSEMENTS                       |                     |        |
| City treasury                       | 37,624              | 22,512 |
| State of Missouri (Note 3)          | 0                   | 0      |
| Refunds and other                   | 6,207               | 4,974  |
| Total Disbursements                 | 43,831              | 27,486 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -1,325              | -266   |
| CASH, JULY 1                        | 2,850               | 3,116  |
| CASH, JUNE 30                       | \$ 1,525            | 2,850  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by seven municipal divisions of the Twenty-First Judicial Circuit of the state of Missouri. The remaining municipal divisions of the Twenty-First Judicial Circuit are reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality and are not included in these financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses; and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At June 30, 1999 and 1998, all bank account balances reported for the municipal divisions of the Twenty-First Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the judgment for the Motorcycle Safety Trust Fund; and the surcharges for the Crime Victims' Compensation and Services to Victims Funds, and the Peace Officer Standards and Training Commission Fund. The state's portions of these amounts are deposited into the city treasury for all municipal divisions. Amounts remitted by the cities to the state are not included in the financial statements.

4. City of Eureka

Bonds posted by defendants for the city of Eureka Municipal Division are deposited directly into the city treasury. A check is immediately written to the defendant for the amount of the bond and held until the disposition of the case. The amount of checks being held by the city at year end could not be readily determined. The financial statements present the bank balance as of June 30, 1999 and 1998.

In addition, these checks are sometimes endorsed by the defendant back to the city to be used to pay fines and costs assessed. Amounts in excess of the fines and costs assessed are then refunded to the defendant in cash. The amounts refunded to defendants in cash could not be readily determined. The refund amount reflected in the financial statements would include the entire amount of the original check, less the amount the Court Clerk indicated was applied for fines and costs.

5. City of Frontenac

The city of Crystal Lakes Park contracts with the city of Frontenac Municipal Division to collect all monies for its court. The receipts and disbursements of the city of Crystal Lakes Park Municipal Division are included in the city of Frontenac Municipal Division's financial statements.

6. City of University City



Bonds posted by defendants for the city of University City Municipal Division are transmitted directly to the city Finance Department for deposit to the city treasury. The amounts held by the city at year-end could not be determined and, therefore, are not included in the financial statements.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions (other than the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998) of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated November 24, 1999. That report expressed a qualified opinion on the special-purpose financial statements of the city of Eureka Municipal Division for the years ended June 30, 1999 and 1998.

We also had planned to audit the special-purpose financial statement of the city of University City Municipal Division as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated November 24, 1999. In that report we did not express an opinion on the special-purpose financial statement.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

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| <b>1.</b> | <b>City of Clarkson Valley Municipal Division</b> |
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Receipt slips are not obtained for court monies transmitted to the city. To provide assurance all monies have been transmitted and allow reconciliation of municipal division transmittals to city records, a receipt slip should be obtained from the city for each transmittal of court monies.

**WE RECOMMEND** the city of Clarkson Valley Municipal Division obtain receipt slips for all monies transmitted to the city.

**AUDITEE'S RESPONSE**

*The Court Clerk responded that the City Clerk will begin immediately to acknowledge at the bottom of the daily balance form her receipt of the cash and checks represented.*

- A. Prenumbered receipt slips are not issued by the Court Clerk for some monies received. While monies received through the mail are recorded in the Court's receipt ledger, receipt slips are not issued for these payments. To adequately account for all receipts and ensure all receipts are properly deposited in the city treasury, a prenumbered receipt slip should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly.
- B. Bond monies are not retrieved from the police department and deposited on a timely basis. Twice a week the Court Clerk retrieves bond money from the police department and transmits the money directly to the city treasury. For those tested, the average transmitted amount was approximately \$600. To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.

This condition was also noted in our two prior reports.

**WE RECOMMEND** the city of Creve Coeur Municipal Division:

- A. Issue prenumbered receipt slips for all monies received.
- B. Transmit bond monies daily or when accumulated receipts exceed \$100.

**AUDITEE'S RESPONSE**

*The Court Clerk provided the following responses:*

- A. *This procedure has already been implemented based on comments made by the auditors at the exit interview. Prenumbered one-write receipt slips are written for every payment received (both through the mail and those made in person). For those cases paid through the mail, only the defendant's that pay by money order or cashier's checks are mailed receipt slips (as done in the past). For all other payments received through the mail, the receipt slips are attached to the case file since the defendant can refer to their canceled check for proof of payment and postage is not a budgeted item for this purpose.*
- B. *Arrangements have been made with the police department to implement this recommendation immediately.*

A. During our review, we noted the following concerns relating to bonds:

- 1) Bond forms issued by the police department serve as the receipt slip to the defendant. However, these bond forms are not prenumbered. To properly account for all bond receipts, prenumbered receipt slips or bond forms should be issued for all bonds and their numerical sequence accounted for properly.
- 2) The police department accepts cash, checks, and money orders for bonds. Bond forms issued by the police department do not indicate the method of payments received. To ensure all bond monies are deposited intact, the method of payment for all bond monies received should be indicated on the bond forms. The composition of bond forms issued should be reconciled to the composition of transmittals and deposits.
- 3) The Court Clerk does not issue receipt slips to the police department for bonds turned over to the court. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.
- 4) Refund checks for the full amount of the bond are prepared at the time a bond is received and are held by the Court Clerk pending court disposition. During court, the Court Clerk refunds the full amount of the bond to the defendant. If the bond refund check is to be applied to the fines and court costs, the defendant endorses the check over to the court and receives any refund in cash. This procedure of cashing bond refund checks does not allow fines and court costs to be transmitted intact.

To ensure fines and court costs are transmitted intact, the court should discontinue the practice of cashing bond refund checks. To accomplish this, the court should issue the refund checks only for the amount of the difference between the fines and court costs due and the total bond posted. The amounts applied toward the fines and court costs should be separately transferred from the bond account to the city treasury.

- 5) The court does not maintain a bond ledger on a current basis. The court has not consistently recorded the disposition of bonds received, and does not prepare a monthly listing of open items (liabilities).

To ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities, the disposition of all bonds should be

recorded in the bond ledger, and monthly listings of open items (liabilities) should be prepared by the court and reconciled to the bond ledger.

- 6) Outstanding checks have remained in the city's bond account in excess of one year, with one check being outstanding since July 1991. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If payees cannot be located, Sections 447.550 through 447.585, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.
- 7) The municipal division has not implemented adequate procedures to follow up on bonds held for more than one year. As of June 30, 1999, the balance of the city's bond account included bond receipts totaling \$9,047 which have been held for at least one year.

An attempt should be made to determine the proper disposition of these bonds. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which are held on closed cases and remain unclaimed, Section 447.550 through 447.585, RSMo 1994, which relate to unclaimed property, should be used to disburse these monies.

Conditions similar to 1) thru 6) were also noted in our two prior reports.

B. During our review, we noted the following concerns relating to receipts:

- 1) Monies collected are not transmitted to the city on a timely basis. Transmittals are generally made once a week and average approximately \$2,000. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.
- 2) The municipal division accepts cash, checks, and money orders for fines and court costs. Receipt slips issued by the court do not always indicate the method of payment received. To ensure receipts are transmitted intact, the method of payment received should be indicated on the receipt slips. The composition of receipt slips issued should be reconciled to the composition of transmittals.
- 3) Checks and money orders are not restrictively endorsed upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

Similar conditions were also noted in our two prior reports.

- C. The municipal division accepts cash, checks, and money orders for payment of restitution. Monies collected for restitution are disbursed to the appropriate party in the form received from the defendant. No documentation is maintained of these disbursements. In addition, we noted instances where receipt slips were not issued for all restitution receipts. We also noted instances where voided restitution receipt slips were not properly retained.

To adequately account for all restitution payments and to ensure all receipts are properly disbursed to the appropriate parties, all payments received should be deposited and disbursements made by check. Also, receipt slips should be issued for all monies received and voided receipt slips should be retained.

This condition was also noted in our prior report.

- D. In our report issued in 1997, we had a total of 13 recommendations to improve the controls and record keeping of the city of Eureka Municipal Division. During our current audit, we determined that only 2 of the 13 recommendations were fully implemented. The Municipal Judge and the Court Clerk need to ensure all of the recommendations made in this report are implemented.

**WE RECOMMEND** the city of Eureka Municipal Division:

- A.1. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for the numerical sequence.
2. Request the police department to indicate the method of payment on each bond form issued. The Court Clerk should reconcile the composition of bond forms issued to the composition of monies transmitted and deposited.
3. Issue prenumbered receipt slips to the police department for bonds transmitted to the court.
4. Issue separate checks to defendants for the amounts of the bond refunds and to the city for the amount of fines and court costs after case disposition is determined. In addition, the practice of cashing bond refund checks out of other court collections should be discontinued.
5. Maintain a bond ledger on a current basis and reconcile this ledger to a monthly listing of open items (liabilities).
6. Periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section in accordance with state law.



7. Implement adequate procedures to follow up on bonds being held and dispose of them in accordance with state law.
- B.1. Transmit receipts intact daily or when accumulated receipts exceed \$100.
2. Record the method of payment on all receipt slips issued and ensure someone at the city reconciles the composition of receipt slips issued to the composition of monies transmitted.
3. Restrictively endorse all checks and money orders immediately upon receipt.
- C. Deposit all monies received by the court and make all disbursements by check. In addition, receipt slips should be issued for all monies received and voided receipt slips should be retained.
- D. Ensure the recommendations made in this report are implemented.

### **AUDITEE'S RESPONSE**

*The Court Clerk provided the following responses:*

- A.1. *We will do this when we reorder bond forms. This will be done within three months.*
2. *We will add this when we reorder bond forms. This will be done within three months.*
3. *We will begin issuing prenumbered receipt slips to the police department. This will be done within three months.*
4. *We do not think we can implement this recommendation. We are comfortable with our current procedures. We will, however, investigate this matter.*
5. *We will begin maintaining a bond ledger on a current basis and will attempt to prepare a monthly listing of open items. This will be done within three months.*
6. *We will follow up on old outstanding checks. This will be done within three months.*
7. *We will send out letters and attempt to properly dispose of these bonds. This will be done within three months.*
- B.1. *We will transmit monies on a more timely basis. This will be done within three months.*
- B.2,3,  
& C. *We have implemented these recommendations.*

- D. *We will implement these recommendations in the next three months, except for recommendation A.4.*

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| <b>4. City of Frontenac Municipal Division</b> |
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The duties of receiving, recording, and depositing bond, fine, and court cost monies collected by the municipal division are not adequately segregated. While the City Finance Director performs the bond account bank reconciliation, the Court Clerk performs all other accounting duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited or transmitted.

A similar condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the city of Frontenac Municipal Division establish a documented periodic review of municipal division records by an independent person.

**AUDITEE'S RESPONSE**

*The Court Clerk responded that as of March 2000, the Finance Officer will perform monthly checks on all court deposits and the general ledger sheets to ensure the amounts coincide with the court records.*

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| <b>5. City of Richmond Heights Municipal Division</b> |
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- A. Bond monies are not deposited intact or when accumulated receipts exceed \$100. During a cash count conducted on August 2, 1999, we noted approximately \$2,000 on hand. In addition, the Court Clerk had cashed a \$300 personal check out of bond receipts.

Bonds collected after regular office hours are collected by the police department. A receipt slip is issued and the bond money is placed in a lock box to be picked up and deposited by the Court Clerk approximately two times a week. The Court Clerk then receipts the bond monies in a one-write ledger and deposits the monies. To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, transmittals should be made intact daily or when accumulated receipts exceed \$100. Furthermore, the cashing of personal checks out of court receipts should be prohibited.

- B. The municipal division accepts cash, checks, and money orders for fines and court costs. Receipt slips issued by the court do not indicate the method of payments received. In addition, there is no independent comparison of the composition of receipt slips issued to the composition of monies transmitted to the city.

To provide assurance all monies received have been properly transmitted, the method of payment should be accurately recorded for all monies received, and the composition of receipt slips issued should be compared to the composition of transmittals to the city.

- C. Neither the police department nor the municipal division account for the numerical sequence or ultimate disposition of traffic and parking tickets and housing code violations.

Without a proper accounting for the numerical sequence and disposition of all tickets, violations, and complaint forms, the police department and the municipal division cannot be assured that all documents issued were properly submitted to the court for processing. A log listing the documents assigned, each document issued in numerical sequence, the date issued, and the violator's name and the ultimate disposition would help ensure all documents issued were submitted to the municipal division for processing, properly voided, or not prosecuted.

A similar condition was noted in our prior report.

- D. Crime Victims Compensation (CVC) and Peace Officers Standards and Training Commission (POSTC) fees are collected and turned over to the city. However, the city remits the state's share of these collections every two months. Section 595.045.5, RSMo Cumulative Supp. 1999, requires 95 percent of the CVC fee to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.

**WE RECOMMEND** the city of Richmond Heights Municipal Division:

- A. Ensure bond monies collected by the police department are deposited by the Court Clerk daily. The municipal division should deposit bond monies intact and discontinue the practice of cashing personal checks out of bond monies.
- B. Record the method of payment on all receipt slips issued by the Court Clerk and reconcile the composition of receipt slips issued to the composition of transmittals.
- C. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all traffic and parking tickets, housing code violations, and complaint forms issued.
- D. Request the city to properly remit CVC and POSTC fees to the state in accordance with state law.

## **AUDITEE'S RESPONSE**

*The Municipal Judge, the Court Clerk, and the City Finance Director provided the following responses:*

- A. The city's court division has implemented the State Auditor's recommendation and is depositing bond monies daily Monday through Friday. As the court division does not have normal work hours on Saturday or Sunday any bond monies collected after Friday at 6:00 p.m. and before Monday at 8:30 a.m. are deposited on the first Monday morning after receipt. All bond monies collected are deposited intact.*
- B. The city's court division has implemented the State Auditor's recommendation effective the first week of April 2000 and is recording the method of payment on all receipt slips. The following business day an accounting clerk in the finance division balances all daily receipts from the previous day to a computer-generated report which indicates method of payment.*
- C. As violation notice books are assigned to each officer, it is the responsibility of the officer to review all tickets within the assigned books for verification of sequential numbering. The officer then signs a violation book assignment sheet and notes any irregularities. A computer-generated listing from the municipal court program is being produced quarterly to identify gaps in ticket numbers in order to track missing numbers.*
- D. The city's court division has implemented the State Auditor's recommendation and is submitting these fees in a more timely manner.*

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| <b>6. City of University City Municipal Division</b> |
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- A. The municipal division enters fine and court cost monies received into a cash register. The cash register prepares a detail tape which shows the fine and cost amount collected for each case number and a summary tape which shows the total amount of fines and costs collected each day. From the summary tape, the daily deposit is prepared which is given to the city finance department for deposit into a city bank account. A transmittal form to support the amount transmitted to the city is also prepared from the summary tape and given to the city finance department. We noted the following concerns with the receipt tape and transmittal forms:
  - 1) The daily summary cash register tapes are not reconciled to the transmittal forms. We noted numerous instances where the amount of receipts on the cash register tape did not reconcile to the amount transmitted to the city for deposit. In a few cases, hand written adjustments were made to the summary tape to reconcile it to

the transmittal form; however, explanations for the adjustments were not documented.

In total, for the fiscal year ended June 30, 1999, we noted apparent collections of \$2,682 on the court's cash register tapes that were not transmitted to the city. These possible missing funds went undetected throughout the audit period due to numerous internal control weaknesses, little or no independent review, and a lack of adequate record keeping.

- 2) The assistant court clerks are allowed to make negative adjustments to the detail cash register tapes. Many of these negative adjustments to the detail cash register tapes were not supported and could not be explained by court personnel. For the month of April, 1999, we noted total negative adjustments of \$3,985. Of this amount, \$3,090 did not appear reasonable or was not supported on the detail tape. These negative adjustments reduced the amount the cash register indicated as receipted for the day, and thus the amount required to be transmitted to the city. There was no documentation on the detail tape to indicate that these negative adjustments had been reviewed and approved by the Court Clerk.
- 3) The numerical sequence of all receipt numbers according to the cash register tape was not accounted for properly. We noted instances in which there were gaps in the cash register receipt numbers. To properly account for fines and cost receipts, the numerical sequence of all receipt numbers should be accounted for properly.

To adequately account for court fines and costs monies received, the amount shown as received on the summary cash register tape should be reconciled with the amount transmitted to the city for deposit. In addition, the detail cash register tape should be reviewed for unusual items. The Court Clerk should review and approve negative adjustments to ensure that adjustments made are proper and account for the numerical sequence of all receipt numbers.

- B. Bonds posted with the police department are transmitted to the Court Clerk, who in turn transmits the money to the city's finance department for deposit to the city's General Revenue Fund bank account. Bond monies held by the city are segregated on the city records by use of a specific account number. Monthly listings of open items (liabilities) are prepared by the city's finance department. During our review, we noted the following concerns relating to bonds:

- 1) The open items list prepared at June 30, 1999 indicated the total of the open items was \$33,614 more than the balance of bonds in the bond account. In addition, neither the city nor the court reconcile the open items list to records of active bonds on a monthly basis. Reconciliation of open items is necessary to ensure

accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

- 2) Bonds collected by the police department are not transmitted to the Court Clerk on a timely basis. Bonds are transmitted to the Court Clerk approximately once a week. During a cash count conducted on August 16, 1999, we noted \$3,700 of bond monies were being held in a lock box by the police department. To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.
- 3) Prenumbered bond forms issued by the police department serve as the receipt slip to the defendant. However, the original copies of voided bond forms were not retained. To account for all monies received, copies of voided bond forms should be retained.

C. During our review, we noted the following concerns related to tickets issued by the police department and other city departments:

- 1) Neither the police department nor the municipal division account for the numerical sequence or ultimate disposition of tickets or complaints issued for violations of municipal ordinances. The police department does have a computer system where they enter traffic and parking tickets issued. The computer has the capability to list the tickets in numerical sequence. However, no one reviews this for missing ticket numbers. Furthermore, complaints are not entered into the computer system, the police department does not maintain a copy of complaints issued, and the court does not file complaints numerically.
- 2) Neither the housing, planning, and development department nor the court account for all tickets issued for housing code violations. The department does not issue prenumbered tickets. In addition, this department is receiving payments for fines without issuing prenumbered receipts slips. These payments are then transmitted to the court for processing. Without issuing prenumbered tickets, the court and the department cannot ensure a proper accounting of tickets issued. Without issuing prenumbered receipt slips, the department and the court cannot properly account for monies received.
- 3) Neither the sanitation department nor the court account for the numerical sequence or ultimate disposition of tickets or complaints issued for all violations issued by the sanitation department.
- 4) The police department submits a list of traffic tickets turned over to the court. There is no documentation that the list is compared to the tickets given to the court to ensure that the listing is accurate. The Court Clerk should ensure they have a

complete listing of all tickets received from the police department and sign the list to indicate her review and approval.

Without a proper accounting of the numerical sequence and disposition of tickets and complaints, the police department, the housing, planning, and development department, the sanitation department, and the court cannot be assured that all documents issued were properly processed. A log listing each ticket or complaint in numerical order, the date issued, the violator's name, and the ultimate disposition would ensure all tickets and complaints issued have been submitted to the court for processing, properly voided, or not prosecuted.

- D.1. We noted numerous instances in which the municipal division could not readily locate parking tickets issued or paid. Parking tickets are filed by the date paid, and are entered on the computer or recorded in a log of parking tickets received, noting the date they were paid. As a result, no cross reference exists between the parking tickets issued by the police department and the parking ticket files maintained by the court. Such a cross reference is necessary to ensure that all parking tickets issued by the police department have been turned over to the court for processing.
- 2. The municipal division does not have a listing of unpaid parking tickets due to the court and has not established adequate procedures to follow-up on unpaid parking tickets. A listing of unpaid parking tickets is necessary to facilitate monitoring of amounts due to the court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court. The court should institute additional procedures to collect amounts owed. In addition, the court should consider implementing procedures for writing off old uncollectible parking tickets.
- E. The Municipal Judge does not sign the dockets after dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the disposition of each case should be noted and the Municipal Judge should sign the court dockets.
- F. While a schedule of fines and court costs to be collected at the traffic violations bureau (TVB) for certain offenses is available, there was no schedule to assess a penalty for late payment of parking tickets. We noted various amounts assessed for late penalties. The court should prepare a schedule for late penalties and consistently assess these amounts.
- G. Checks and money orders are not restrictively endorsed upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- H. The court maintains a computerized docket of all receipts and accounts receivable due to the court. However, payments received are not always posted to this computerized record. Current financial records are necessary to facilitate monitoring of amounts due the

court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court.

- I. The municipal division or the city finance department does not properly disburse the state's portion of the crime victims compensation (CVC) fee on cases for which it is collected. Based on our review of city records as of June 30, 1999, there was \$10,500 of CVC fees that had been collected but not properly remitted to the state. Section 595.045, RSMo Cumulative Supp. 1999, requires 95 percent of such fees be paid to the state at least monthly.

Conditions similar to B., C., D., and E. were also noted in our prior reports.

**WE RECOMMEND** the city of University City Municipal Division:

- A.1. Along with the city, review the situation and take any necessary legal action to recover funds determined to be missing. In the future, the municipal division should reconcile summary cash register receipt tapes to the amount transmitted to the city for deposit and promptly investigate any differences.
2. Provide for review and approval of negative adjustments by the Court Clerk to ensure they are reasonable.
3. Account for the numerical sequence of cash register receipt numbers.
- B.1. Reconcile the monthly listing of open items prepared by the city finance department to the court's records of active bonds.
2. Request the police department transmit bond receipts daily or when accumulated receipts exceed \$100.
3. Retain all copies of voided bond forms.
- C. Work with all departments to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and complaints issued. In addition, the municipal division should ensure the listing of tickets and complaints issued is reviewed and any missing documents are accounted for properly. The Court Clerk should sign the listing of tickets to indicate her review and approval of the listing.
- D.1. Maintain parking ticket files, or a log, which would enable parking tickets to be located by parking ticket number.
2. Establish adequate procedures to collect parking fines owed the court and write off uncollectible amounts.



- E. Require the judge's signature on the court dockets and ensure the disposition of all cases is noted on the court dockets.
- F. Prepare a schedule of late penalties and assess late penalty fees consistently.
- G. Restrictively endorse all checks and money orders immediately upon receipt.
- H. Ensure all amounts received and accounts receivable amounts are properly posted to the computer receipt docket.
- I. Ensure CVC fees collected are remitted to the state in accordance with state law. In addition, the municipal division should determine the amount of unremitted CVC fees due to the state and make the appropriate payment.

### **AUDITEE'S RESPONSE**

*The Assistant City Manager provided the following responses:*

- A.1. *We agree. The clerk of the municipal court ensures daily balance summary cash receipts are reconciled to the transmittal forms. Regarding unaccounted for funds, the city will promptly begin an investigation into this matter.*
- 2. *We agree. The clerk of the municipal court now reviews and approves all negative adjustments made by court clerk assistants to ensure they are reasonable.*
- 3. *We agree. The clerk of the municipal court accounts for the numerical sequence of all receipts issued by the new software program.*
- B.1. *The finance department will work with the clerk of the municipal court to reconcile on a monthly basis the cash bond list to the court's records of active bonds. An immediate reconciliation of these records will occur to resolve the discrepancies between the active bond list and the balance of bonds in the bonds account. This will be done within six months.*
- 2. *The police department now transmits bond receipts daily.*
- 3. *All copies of voided bond forms are being retained.*
- C. *We agree. The police, housing, and sanitation departments are tracking all tickets going to and from the court division. In addition, the clerk of the municipal court signs the listing of tickets to indicate her review and approval of the listing.*

- D.1. *We agree. A new parking ticket system will be established within a year that will track all tickets issued and allow for the parking tickets to be located by ticket number.*
- 2. *We will continue to improve our process for collecting parking tickets.*
- E. *We agree. This recommendation has been implemented.*
- F. *We agree. A schedule of late penalties will be prepared within a month and we will consistently assess late penalty fees.*
- G. *We agree. All checks and money orders are being restrictively endorsed upon receipt.*
- H. *We agree. The clerk of the municipal court now ensures all amounts received on accounts receivable amounts are properly posted to the computer receipt docket.*
- I. *We agree. All CVC fees collected are now remitted to the state in accordance with state law. In addition, any CVC unremitted fees due the state shall be remitted to the state in accordance with state law within one month.*

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| <b>7.</b> | <b>City of Winchester Municipal Division</b> |
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- A. Court receipts are not transmitted to the city treasury on a timely basis. The Court Clerk transmits receipts approximately twice per week with the average transmittal totaling approximately \$447. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, monies should be transmitted daily or when accumulated receipts exceed \$100.
- B. The Municipal Judge does not sign all court dockets after case dispositions are recorded. To ensure the proper disposition of all cases has been entered in the court records, the judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

A condition similar to A. was noted in our prior report.

**WE RECOMMEND** the city of Winchester Municipal Division:

- A. Transmit receipts intact daily or when accumulated receipts exceed \$100.
- B. Ensure that the judge reviews and signs all court dockets after the final disposition has been recorded.

**AUDITEE'S RESPONSE**

*The Municipal Judge, Court Clerk, and City Administrator provided the following responses:*

- A. Due to the small size of our office staff, it is not always possible for us to maintain the segregation of duties when creating the deposits and transporting them to the bank, if it is done on a daily basis. Because of part-time personnel, vacation, sick leave, etc., there are times when we have only been able to deposit the funds twice during the week. We will endeavor to transmit the receipts daily or when accumulated receipts exceed \$100.*
- B. The Court Clerk will ensure that the Judge reviews and signs all court dockets after the final disposition has been recorded each court night.*

This report is intended for the information of the management of the various municipal divisions of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Twenty-First Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our reports issued for the two years ended June 30, 1996, and June 30, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Clarkson Valley Municipal Division

- A.1. Bond forms issued by the Ballwin police department served as the receipt slip to the defendant; these bond forms were not prenumbered.
- 2. The municipal division bond account required two signatures for all disbursements; however, the checks were sometimes signed in advance by the Mayor.
- B. Receipt slips issued by the court did not always indicate the correct method of payment received.
- C. Monies collected were not transmitted intact on a timely basis.
- D. The municipal division did not include all cases on the court docket.

Recommendation:

The municipal division:

- A.1. Request the Ballwin police department to issue prenumbered receipt slips or bond forms for all bond monies received and account for the numerical sequence.
- 2. Discontinue the practice of signing checks in advance.
- B. Indicate the correct method of payment on each receipt slip issued, and reconcile the composition of receipt slips issued to the composition of monies transmitted.
- C. Transmit receipts intact daily or when accumulated receipts exceed \$100.
- D. Include all cases on the court docket as required by state law.

Status:

A-D. Implemented.

2. City of Creve Coeur Municipal Division

- A.1. Bond monies were not retrieved from the police department and deposited on a timely basis.
- 2. The municipal division did not maintain a running balance in the checkbook register for the bond account.
- 3. Monthly listings of open items (liabilities) were not reconciled to the bank balance and retained.
- 4. Old outstanding checks totaling \$1,866 had remained in the city's bond bank account in excess of one year.

B. Receipt slips were not obtained for court monies transmitted to the city.

Recommendation:

The municipal division:

- A.1. Transmit bond monies daily or when accumulated receipts exceed \$100.
  - 2. Maintain a running balance of the bond account in the checkbook register.
  - 3. Prepare a monthly listing of open items (liabilities) and reconcile it to the bank balance.
  - 4. Periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section in accordance with state law.
- B. Obtain receipt slips for all monies transmitted to the city.

Status:

A.1. Not implemented. See MAR No. 2.

A.2-3.

& B. Implemented.

A.4. Not implemented. Although not repeated in our current MAR, our recommendation remains as stated above.

3. City of Eureka Municipal Division

- A.1. Bond forms issued by the police department served as the receipt slip to the defendant. The bond forms were not prenumbered.
- 2. Bond forms issued by the police department did not indicate the method of payments received. The composition of bond forms issued was not reconciled to the composition of transmittals and deposits.
- 3. The Court Clerk did not issue receipt slips to the police department for cash bonds turned over to the court.
- 4. Refund checks for the full amount of the bond were prepared in advance at the time a bond was received and were held by the Court Clerk pending court disposition. The Court Clerk made cash refunds to the defendant on court night.
- 5. The Court Clerk did not maintain a bond ledger.
- 6. Outstanding checks totaling \$1,740 had remained in the city's bond account in excess of one year.
- B.1. Monies collected were not transmitted on a timely basis.
- 2. Receipt slips issued by the court did not indicate the method of payments received. The composition of receipt slips issued was not reconciled to the composition of transmittals.
- 3. Voided receipt slips were not retained.
- 4. Checks and money orders were not restrictively endorsed upon receipt.
- 5. The duties of receiving, recording, and transmitting fine and court cost monies collected by the municipal division were not adequately segregated.
- C. The Municipal Judge did not sign court dockets after case dispositions were recorded.
- D. Monies collected for restitution were disbursed to the appropriate party in the form received from the defendant, resulting in cash disbursements.

Recommendation:

The municipal division:

- A.1. Request the police department to issue prenumbered receipt slips or bond forms for all bond monies received and account for the numerical sequence.
  2. Request the police department to indicate the method of payment on each bond form issued. The Court Clerk should reconcile the composition of receipt slips issued to the composition of monies transmitted and deposited.
  3. Issue prenumbered receipt slips to the police department for cash bonds transmitted.
  4. Issue separate checks to the defendant for the amount of the bond refund and to the city for the amount of fines and court costs after case disposition is determined. In addition, the practice of cashing bond refund checks out of other cash collections should be discontinued.
  5. Maintain a bond ledger indicating date and amount of receipt and date and method of disbursement for all bonds received.
  6. Periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section in accordance with state law.
- B.1. Transmit receipts intact daily or when accumulated receipts exceed \$100.
  2. Record the method of payment on all receipt slips issued and ensure someone at the city reconciles the composition of receipt slips issued to the composition of monies transmitted.
  3. Retain all voided receipt slips.
  4. Restrictively endorse all checks and money orders immediately upon receipt.
  5. Establish a documented periodic review of municipal division records by an independent person.
- C. Require the Municipal Judge to review all court dockets for propriety and sign the dockets.
  - D. Deposit all monies received by the court and make all disbursements by check.

Status:



A,B.1-4,  
&D. Not implemented. See MAR No. 3.

B. 5.  
&C. Implemented.

4. City of Frontenac Municipal Division

- A.1. The Court Clerk did not account for the numerical sequence of all police department receipt slips.
- 2. Receipt slips issued by the court did not indicate the method of payments received.
- B. The duties of receiving, recording, and depositing/transmitting bond, fine, and court cost monies collected by the municipal division were not adequately segregated.
- C. Neither the police department nor the municipal division accounted for the numerical sequence of tickets issued.

Recommendation:

The municipal division:

- A.1. Account for the numerical sequence of all police department receipt slips.
- 2. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of monies deposited.
- B. Establish a documented periodic review of municipal division records by an independent person.
- C. Work with the police department to account for the numerical sequence of tickets issued and investigate any gaps in the numerical sequence.

Status:

A&C. Implemented.

B. Not implemented. See MAR No. 4.

5. City of Richmond Heights Municipal Division

- A. Neither the police department nor the court maintained a record of summonses assigned to officers.
- B. Outstanding checks totaling \$427 were in the municipal division's bank account in excess of one year.
- C. The Municipal Judge had not issued a court order to formally establish the TVB.
- D. The Municipal Judge did not sign the docket after dispositions were recorded.

Recommendation:

The municipal division:

- A. Maintain a log of summonses assigned to officers.
- B. Periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section in accordance with state law.
- C. Issue a court order to formally establish the TVB.
- D. Require the judge's signature on the court dockets.

Status:

- A. Not implemented. See MAR No. 5.
- B. Not implemented. Although not repeated in our current MAR, our recommendation remains as stated above.

C&D. Implemented.

6. City of University City Municipal Division

- A.1. The open items list prepared at June 30, 1994 indicated the total of the open items was \$926 more than the balance of bonds that was in the bond account. The Court Clerk did not reconcile the open items list to records of active bonds on a monthly basis. The June 30, 1994, balance of bonds in the bond account included bond receipts totaling \$7,694 which had been held in excess of one year.
- 2. Bonds collected by the police department were not transmitted to the Court Clerk on a timely basis.

3. Bond forms issued by the police department which served as the receipt slip to the defendant, were not prenumbered.
- B. Neither the police department nor the court accounted for the numerical sequence or ultimate disposition of tickets or complaints issued for all violations of municipal ordinances.
- C. The municipal division could not readily locate parking tickets issued or paid.
- D. The composition of the receipt slips issued was not reconciled to the composition of transmittals.
- E. Receipts were not always transmitted to the city on a timely basis.
- F. The municipal judge did not sign the dockets after dispositions were recorded.
- G. A court order to formally establish the TVB could not be located by city or court personnel.

Recommendation:

The municipal division:

- A.1.a. Reconcile the monthly listing of open items prepared by the finance department to the court's records of active bonds. In addition, the reason for the apparent \$926 shortage should be investigated by reviewing all open bonds on the open items list. In the event cash is determined to be insufficient to meet bond liabilities, the court will need to review this matter with the city to determine the proper resolution.
- b. Dispose of unclaimed bonds in accordance with state law.
2. Request the police department to transmit bond receipts daily or when accumulated receipts exceed \$100.
3. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for their numerical sequence.
- B. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and complaints issued. In addition, the municipal division should ensure the listing of tickets and complaints issued is reviewed and any missing documents are accounted for properly.

- C. Maintain parking ticket files, or a log, which would enable parking tickets to be located by parking ticket number.
- D. Reconcile the composition of receipts issued to the composition of transmittals.
- E. Enter all receipts on the cash register immediately upon receipt.
- F. Require the judge's signatures on the court dockets and ensure the disposition of all cases is noted on the court dockets.
- G. Issue a court order to formally establish the TVB.

Status:

A.1.a.,  
A.2.,B,  
C&D. Not implemented. See MAR No. 6.

A.1.b.,E,  
F&G. Implemented.

A.3. Partially implemented. The police department issues prenumbered bond forms; however, voided bond forms are not retained. See MAR No. 6.

7. City of Winchester Municipal Division

- A.1. The June 30, 1996, balance in the municipal division's bond account included bond receipts totaling \$2,755 which had been held in excess of one year.
- 2. Bond forms issued by the Ballwin police department served as the receipt slip to the defendant; these bond forms were not prenumbered.
- B. Monies collected for fines and court costs were not transmitted on a timely basis.
- C. The duties of receiving, recording, and depositing/transmitting bond, fine, and court cost monies collected by the municipal division were not adequately segregated.
- D. Neither the police department nor the court accounted for the numerical sequence of tickets or summonses issued.

Recommendation:

The municipal division:

- A.1. Forfeit any bonds for persons who failed to make the required court appearance, and attempt to locate those defendants who have a cash bond due back to them and remit the bond amount. Any bond monies remaining unclaimed should be remitted to the state in accordance with state law. Procedures should be established to routinely follow-up on cash bonds remaining on hand over a period of time.
- 2. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received.
- B. Transmit receipts intact daily or when accumulated receipts exceed \$100.
- C. Establish a documented periodic review of municipal division records by an independent person.
- D. Work with the police department to account for the numerical sequence of all tickets and summonses issued and investigate any gaps in the numerical sequence.

Status:

A,C,  
& D. Implemented.

B. Not implemented. See MAR No. 7.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

TWENTY-FIRST JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organization

The Twenty-First Judicial Circuit is composed of St. Louis County. The Honorable Robert Cohen serves as Presiding Judge. This report includes seven of the eighty-two municipal divisions within the Twenty-First Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality.

Municipal Division Organization, Personnel, and Caseload Information

1. City of Clarkson Valley

The Court Clerk is responsible for recording transactions as well as handling collections. The city of Ballwin police department collects bond monies. The police department transmits any bond collections to the Court Clerk twice weekly. Fines and court costs collected are transmitted by the Court Clerk directly to the City Clerk for deposit into the city treasury weekly. Bond monies are transmitted weekly by the Court Clerk to the City Clerk for deposit into a municipal division bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

|                 |                 |
|-----------------|-----------------|
| Municipal Judge | Rene' E. Lusser |
| Court Clerk     | Donna Guentz*   |

\* Donna Guentz retired December 31, 1999 and Susan Pritchard was hired as Court Clerk in January 2000.



### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 1,742                      | 1,510       |

## 2. City of Creve Coeur

The Court Clerk and Deputy Court Clerk are responsible for recording transactions as well as handling collections. The police department collects bond monies. The police department transmits bond collections to the Court Clerk approximately twice a week. The Deputy Court Clerk transmits fines, court costs, and bonds directly to the city finance department daily for deposit to the city treasury. Bond monies are deposited in a city bank account pending disposition. Court is held three times a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

### Personnel

|                    |                 |
|--------------------|-----------------|
| Municipal Judge    | Donald L. Wolff |
| Court Clerk        | Tina Harris     |
| Deputy Court Clerk | Claudia Meyer   |

### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 7,583                      | 6,670       |

## 3. City of Eureka

### Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The police department collects bond monies. Bond monies are placed in a safe by the police department. The Court Clerk retrieves the bond monies from the safe daily. Fines and court costs collected are transmitted by the Court Clerk directly to the City Clerk's office approximately weekly for deposit into the city treasury. Bond monies are transmitted by the Court Clerk directly to the City Clerk's office several times a month for deposit in a city bank account pending disposition. Court is held twice a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

### Personnel

|                 |               |
|-----------------|---------------|
| Municipal Judge | Rick Berry    |
| Court Clerk     | Arlene Hafley |

Caseload Information

|                          |                            |             |
|--------------------------|----------------------------|-------------|
|                          | <u>Year Ended June 30.</u> |             |
|                          | <u>1999</u>                | <u>1998</u> |
| Number of tickets issued | 1,838                      | 2,077       |

4. City of Frontenac

Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The police department collects bond monies when the Court Clerk is not available. Bond monies are placed in a lock box by the police department. The Court Clerk retrieves and deposits the bond monies daily. Fines and court costs collected are deposited by the Court Clerk into the city treasury approximately twice a week. Bond monies are deposited daily by the Court Clerk in a municipal division bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

|                 |                  |
|-----------------|------------------|
| Municipal Judge | Tom W. DePriest* |
| Court Clerk     | Leesa Ross**     |

\*James F. McMullin served as Judge from April, 1998 to June, 1998 and Michael M. Frank served as Judge until April, 1998.

\*\* Leesa Ross became Assistant City Clerk on February 14, 2000, and Tina Flowers was appointed as Court Clerk.

Caseload Information

|                          |                            |             |
|--------------------------|----------------------------|-------------|
|                          | <u>Year Ended June 30.</u> |             |
|                          | <u>1999</u>                | <u>1998</u> |
| Number of tickets issued | 2,315                      | 2,308       |

5. City of Richmond Heights

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Bond monies are placed in a lock box by the police department. The Court Clerk retrieves and deposits the bond monies to a city bank account approximately twice a week. Fines and court costs are transmitted directly to the City Clerk daily for deposit to the city treasury. Bond monies are deposited in the city treasury pending disposition. Court is held three times a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

|                    |                  |
|--------------------|------------------|
| Municipal Judge    | Donald Gunn, Jr. |
| Court Clerk        | Janice Behrens   |
| Deputy Court Clerk | Kelly Case       |

Caseload Information

|                       | <u>Year Ended June 30.</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 7,806                      | 8,016       |

6. City of University City

Organization

The Court Clerk and Assistant Court Clerks are responsible for recording transactions as well as handling collections. The police department collects bond monies. The police department transmits collections to the Court Clerk approximately once a week. Fines, court costs, and bonds are transmitted directly to the city finance department daily for deposit to the city treasury. Bond monies are deposited in a city bank account pending disposition. Court is held four times a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

Personnel

|                       |                     |
|-----------------------|---------------------|
| Municipal Judge       | Frank Hankin        |
| Court Clerk           | Kathy Matthews      |
| Assistant Court Clerk | Wilhelmina Watkins  |
| Assistant Court Clerk | Lafondia Cherry     |
| Assistant Court Clerk | Jessica Sloan-McCoy |

### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 29,590                     | 28,728      |

### 7. City of Winchester

#### Organization

The Court Clerk is responsible for recording transactions as well as handling collections. The city of Ballwin police department collects bond monies. The police department transmits bond collections to the Court Clerk twice weekly. Fines and court costs collected are transmitted by the Court Clerk directly to the City Bookkeeper for deposit into the city treasury twice weekly. Bond monies are deposited upon receipt by the Court Clerk in a city bank account pending disposition. Court is held once a month. A TVB has been established to receive payments of fines and court costs at times other than during court.

#### Personnel

|                 |                     |
|-----------------|---------------------|
| Municipal Judge | Peter J. Maniscalco |
| Court Clerk     | Merne Earl*         |

\*Carolyn Popp served as Court Clerk until April 1997.

### Caseload Information

|                       | <u>Year Ended June 30,</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 710                        | 502         |

\* \* \* \* \*



FORTY-FOURTH JUDICIAL CIRCUIT

CITY OF MANSFIELD, MISSOURI

MUNICIPAL DIVISION

PERIOD APRIL 1 TO AUGUST 31, 1999, AND  
TWO YEARS ENDED MARCH 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-30  
May 4, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**During our audit of the Forty-Fourth Judicial Circuit, City of Mansfield, Missouri, Municipal Division, we identified the following problems.**

The City of Mansfield Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. The Court Clerk is responsible for receiving, recording, and depositing court monies as well as preparing disbursements and reconciling bank statements. Prenumbered receipt slips are issued for monies received, and deposits are made into a municipal court bank account.

Court records indicate \$3,898 was collected by the court but not deposited into the court bank account. In addition, \$64 cash was reported stolen on August 8, 1999 in a break-in at city hall. As a result, undeposited receipts total \$3,962.

The monies that are missing appear to represent cash receipts which were received between July 1998 and June 1999 and recorded but not deposited. The cash percentage of deposits decreased approximately 20 percent during July 1998 through June 1999.

Two receipt books containing a total of 300 municipal court receipts could not be located by the court. We located 84 duplicate copies of these receipt slips. It appears that receipt slips were issued from these two receipt books at the same time other receipt books were in use. The "missing receipt books" included court monies that were received but not deposited into the court's bank accounts. The use of these additional receipt books helped to conceal the misappropriation. Because 216 receipt slips are still missing, it appears likely additional monies have been misappropriated.

Information gathered during our review has been provided to the Wright County Prosecuting Attorney and Sheriff.

The duties of receiving, recording, depositing, and disbursing court receipts are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

Receipt slips are not deposited on a timely basis. Receipts were deposited approximately once or twice a month. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

Fines and court costs are not disbursed monthly to the state and city treasury. As of August 1999 the former court clerk had not disbursed fines and court costs to the city since September 1998. Crime Victim's Compensation (CVC) and Police Officer Standards and Training Commission (POSTC) fees have not been turned over to the state since February 1999. State law requires 95 percent of the CVC to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.

YELLOW SHEET

FORTY-FOURTH JUDICIAL CIRCUIT  
CITY OF MANSFIELD, MISSOURI  
MUNICIPAL DIVISION

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## FINANCIAL SECTION



## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge  
Forty-Fourth Judicial Circuit  
and  
Municipal Judge  
Mansfield, Missouri

We had planned to audit the accompanying special-purpose financial statement of the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit as of and for the period April 1 to August 31, 1999, and the years ended March 31, 1999 and 1998, as identified in the table of contents. This special-purpose financial statement is the responsibility of the municipal division's management.

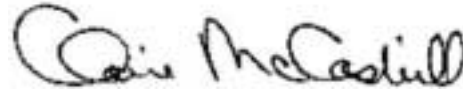
The accompanying special-purpose financial statement was prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit and is not intended to be a complete presentation of the financial position and results of operations of the municipal division.

As a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the period April 1 to August 31, 1999, and the years ended March 31, 1999 and 1998.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Mansfield Municipal Division as of and for the period April 1 to August 31, 1999, and the years ended March 31, 1999 and 1998.

In accordance with Government Auditing Standards, we also have issued our report dated December 9, 1999, on our consideration of the municipal division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to auditing procedures.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 9, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                      |
|---------------------|----------------------|
| Director of Audits: | Karen Laves, CPA     |
| Audit Manager:      | Donna Christian, CPA |
| Audit Staff:        | Jody Vernon          |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
Forty-Fourth Judicial Circuit  
and  
Municipal Judge  
Mansfield, Missouri

We had planned to audit the special-purpose financial statement of the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit as of and for the period April 1 to August 31, 1999, and the years ended March 31, 1999 and 1998, and have issued our report thereon dated December 9, 1999. In that report we did not express an opinion on the special-purpose financial statement; as a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs and bonds for the periods indicated above. However, we were able to perform certain procedures regarding the municipal division's compliance with legal provisions and internal control, and these procedures are discussed below.

Compliance

As part of our attempts to obtain reasonable assurance about whether the special-purpose financial statement of the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit is free of material misstatement, we performed tests of the municipal division's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our procedures, and accordingly, we do not express such an opinion. The results of our tests disclosed material instances of noncompliance that are required to be reported under Government Auditing Standards and which are presented in the accompanying Management Advisory Report. We also noted certain other instances of noncompliance which are presented in that report.

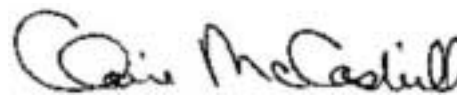
Internal Control Over Financial Reporting

In planning and performing our procedures related to the special-purpose financial statement of the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit, we considered the municipal division's internal controls over financial reporting. Our consideration was performed in connection with our attempts to determine whether an opinion could be expressed on the special-purpose financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting

and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the municipal division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statement.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 9, 1999 (fieldwork completion date)

## Financial Statement

Exhibit

FORTY-FOURTH JUDICIAL CIRCUIT  
CITY OF MANSFIELD, MISSOURI  
MUNICIPAL DIVISION  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

(UNAUDITED)

|                                     | Period April 1<br>to August 31,<br>1999 | Year Ended March 31, |               |
|-------------------------------------|---|----------------------|---------------|
|                                     |   | 1999                 | 1998          |
| RECEIPTS                            |   |                      |               |
| Fines, costs, bonds, and other      | \$ 6,636                                | 21,611               | 23,623        |
| Total Receipts                      | <u>6,636</u>                            | <u>21,611</u>        | <u>23,623</u> |
| DISBURSEMENTS                       |   |                      |               |
| City treasury                       | 0                                       | 9,153                | 22,457        |
| State of Missouri                   | 0                                       | 625                  | 738           |
| Refunds and others                  | 225                                     | 2,057                | 1,328         |
| Unaccountable (Note 3)              | 1,506                                   | 2,456                | 0             |
| Total Disbursements                 | <u>1,731</u>                            | <u>14,291</u>        | <u>24,523</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 4,905                                   | 7,320                | -900          |
| CASH, APRIL 1                       | 7,570                                   | 250                  | 1,150         |
| CASH, END OF PERIOD                 | \$ <u>12,475</u>                        | <u>7,570</u>         | <u>250</u>    |

The accompanying Notes to the Financial Statement are an integral part of this statement.

## Notes to the Financial Statement



FORTY-FOURTH JUDICIAL CIRCUIT  
CITY OF MANSFIELD, MISSOURI  
MUNICIPAL DIVISION  
NOTES TO THE FINANCIAL STATEMENT

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statement presents only selected data for the funds administered by the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for the municipal division. The operating costs of the division are paid by the city of Mansfield and are not included in the financial statement.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases in the custody of the municipal division are included in the financial statement.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash is prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal division accounts for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking offenses; and other violations for which amounts are received by the municipal division and remitted to the city treasury. The municipal division also may account for restitutions received and disbursed through the division.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. The division maintains a bank account into which fines, court costs, and bonds are deposited and later remitted to the city treasury.

At August 31, 1999 and March 31, 1999 and 1998, the bank account balance reported for the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit was entirely covered by federal depositary insurance.

3. Missing Funds

Fines, court costs, and bonds totaling at least \$3,962 which court records indicate were received by the municipal division but not deposited, are included in receipts and are presented as unaccountable disbursements on the financial statement for the period April 1 to August 31, 1999, and the year ended March 31, 1999.

## MANAGEMENT ADVISORY REPORT SECTION

## Executive Summary

FORTY-FOURTH JUDICIAL CIRCUIT  
CITY OF MANSFIELD, MISSOURI  
MUNICIPAL DIVISION  
EXECUTIVE SUMMARY

Cash receipts for fines, court costs and bonds totaling at least \$3,898 were received and not deposited during the period April 1, 1998 through June 30, 1999. Two receipt books used during this period cannot be located and court monies had not been remitted to the city since September 1998, which helped to conceal the misappropriation of funds.

These misappropriations could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and internal controls, as noted in the prior Management Advisory Report (MAR) and repeated in the current MAR, had been established.

Bradford E. Ellsworth currently serves as the Municipal Judge of the city of Mansfield. Angela Turney was appointed Court Clerk in January 1998, and in April 1998 she was also appointed City Clerk. Angela left employment in August 1999. She was responsible for receiving, recording, depositing, and disbursing monies and preparing bank reconciliations.

**Management Advisory Report -  
State Auditor's Current Recommendations**

FORTY-FOURTH JUDICIAL CIRCUIT  
CITY OF MANSFIELD, MISSOURI  
MUNICIPAL DIVISION  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We had planned to audit the special-purpose financial statement of the city of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit as of and for the period April 1 to August 31, 1999, and the years ended March 31, 1999, and 1998, and have issued our report thereon dated December 9, 1999. In that report, we did not express an opinion on the special-purpose financial statement; as a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the period indicated above.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal division's special-purpose financial statement. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                      |
|-----------|----------------------|
| <b>1.</b> | <b>Missing Funds</b> |
|-----------|----------------------|

The city of Mansfield Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. The Court Clerk is responsible for receiving, recording, and depositing court monies as well as preparing disbursements and reconciling bank statements. Prenumbered receipt slips are issued for monies received, and deposits are made into a municipal court bank account.

Court records indicate the following monies that were collected by the court but not deposited into the court bank account:

|  | Period April 1<br>to June 30,<br>1999 | Year Ended<br>March 31, 1999 | Total |
|--|---------------------------------------|------------------------------|-------|
| Fines, court costs, and<br>bonds not deposited | \$ 1,442                              | 2,456                        | 3,898 |

In addition, \$64 cash was reported stolen on August 8, 1999 in a break-in at city hall. As a result, undeposited receipts total \$3,962.

The monies that are missing appear to represent cash receipts which were received between July 1998 and June 1999, and were recorded but not deposited. The cash percentage of deposits decreased approximately 20 percent during the period July 1998 through June 1999.

Two receipt books containing a total of 300 municipal court receipts could not be located by the court. We located 84 duplicate copies of these receipt slips. It appears that receipt slips were issued from these two receipt books at the same time other receipt books were in use. The “missing receipt books” included court monies that were received but not deposited into the court’s bank accounts. The use of these additional receipt books helped to conceal the misappropriation. Because 216 receipt slips are still missing, it appears likely additional monies have been misappropriated.

Lack of internal controls, inadequate segregation of duties, and little or no independent review, as discussed in the remainder of the Management Advisory Report (MAR), allowed this misappropriation to go undetected.

Information gathered during our review has been provided to the Wright County Prosecuting Attorney and Sheriff.

**WE RECOMMEND** the municipal division, along with the city, work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.

**AUDITEES RESPONSE:**

*The Municipal Judge and Court Clerk responded:*

*We agree to cooperate with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds. A public office is a public trust. All current city officials are committed to recovery of any and all funds wrongfully withheld or taken.*

|  |
|--|
| <b>2. Accounting Controls and Procedures</b> |
|--|

- A. The duties of receiving, recording, depositing, and disbursing court receipts are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the bank reconciliations and a comparison of court receipt slips issued to amounts deposited.

- B. Beginning in July 1998, receipt slips were not issued or retained for some monies received. In addition, the numerical sequence of receipt slips was not accounted for properly. Some receipt slips were not issued in order and other receipt slips were backdated.



To adequately account for all monies received, receipt slips should be issued for all monies as they are received, and the composition of receipt slips should be reconciled to the composition of bank deposits. In addition, receipt slips should be issued in order.

- C. Receipts were not deposited on a timely basis. Receipts were deposited approximately once or twice a month. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.
- D. The municipal division allowed defendants to make partial payments on fines and costs. However, procedures had not been established to properly account for partial payments received and balances due. Defendants were required to sign a payment agreement form to document the amounts due and establish a payment schedule. However, partial payments received were not always documented on the payment agreement forms. In addition, cases with balances due were not maintained on a balance due docket or other summary listing which can be reviewed by the Judge on a periodic basis.

Periodic supervisory review of balances due and adequate documentation of partial payments received are necessary to ensure that all amounts due are collected or that appropriate follow up action is taken.

- E. Monthly listings of open items (liabilities) were not prepared and reconciled to the available cash balance. Monthly open items listings should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities.
- F. Fines and court costs were not disbursed monthly to the state and city treasury. As of August 1999 the former court clerk had not disbursed fines and court costs to the city since September 1998. Crime Victim's Compensation (CVC) and Police Officer Standards and Training Commission (POSTC) fees had not been remitted to the state since February 1999. Section 479.080, RSMo 1994, requires fines and court costs be transmitted at least monthly to the city treasury. Section 595.045.5, RSMo Cumulative Supp. 1999, requires 95 percent of the CVC to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.
- G. Some case files selected for review could not be located. Supreme Court Administrative Rule 8 requires all municipal ordinance case files be maintained ~~three~~ years after the date of filing and all financial records be maintained for five years or upon completion of an audit. Retention of applicable records is necessary to properly account for all municipal monies received.
- H. The final disposition was not adequately documented in many of the case files we reviewed. In addition, the Municipal Judge did not review individual court dockets to ensure approval of the disposition of cases handled through the Traffic Violations Bureau (TVB). To ensure the proper disposition of all cases, case files should be updated to reflect all activity, and the Municipal Judge should review each court docket and sign the docket to indicate approval of the recorded disposition.

- I. The Court Clerk did not file a monthly report with the city of all cases heard in court. Section 479.080.0, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the TVB, including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

**WE RECOMMEND** the municipal division:

- A. Adequately segregate the duties of receiving, recording, depositing, and disbursing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.
- B. Issue receipt slips for all monies received and reconcile the composition of receipt slips issued to the composition of bank deposits. In addition, receipt slips should be issued in order.
- C. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- D. Establish a balance due docket or other summary listing which can be reviewed by the Municipal Judge on a periodic basis, and ensure adequate documentation is maintained of partial payments received.
- E. Prepare monthly open items listings and reconcile these listings to monies held in trust.
- F. Ensure fines and court costs are transmitted to the state and the city treasury at least monthly.
- G. Retain all case files in accordance with Supreme Court Administrative Rule 8.
- H. Ensure the case disposition is adequately documented in all case files and require the Municipal Judge to review and sign all court dockets to indicate approval of all recorded dispositions.
- I. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

**AUDITEES RESPONSE:**

*The Municipal Judge and Court Clerk Responded:*

- A. *The City Clerk will begin reviewing bank reconciliations and comparing receipts to deposits. This will be in place by September 1, 2000.*
- B, C &  
F-I. *This has been implemented.*
- D. *The Court Clerk will add summary information to the payment docket. This will be in place*

*by May 19, 2000.*

- E. The Court Clerk is currently keeping an open bond list and will begin reconciling this to the bank account. This will be in place by September 1, 2000.*

This report is intended for the information of the management of the City of Mansfield Municipal Division of the Forty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

FORTY-FOURTH JUDICIAL CIRCUIT  
CITY OF MANSFIELD, MISSOURI  
MUNICIPAL DIVISION  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the city of Mansfield Municipal Division on recommendations made in the Management Advisory Report (MAR) of our report on the Forty-Fourth Judicial Circuit Municipal Divisions issued for the two years ended March 31, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR.

City of Mansfield Municipal Division

- A.1. Receipt slips were not consecutively numbered and did not bear the court's or police department's names.
- 2. Receipt slips did not consistently indicate the method of payment received.
- 3. Receipts were not always deposited in a timely manner.
- B. The Municipal Judge did not sign the court dockets after case dispositions were recorded.
- C. The Crime Victim's Compensation (CVC) fee was charged on nonmoving traffic violations.
- D. The court did not charge the Independent Living Center (ILC) Fund fees on drug-related traffic offenses.

Recommendation:

- A.1. Issue official prenumbered receipt slips and account for the numerical sequence.
- 2. Indicate the method of payment on all receipt slips issued and reconcile total cash, checks, and money orders received to bank deposits.
- 3. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- B. Require the Municipal Judge's signature on the court dockets.
- C. Discontinue collecting CVC fees on nonmoving traffic violations in accordance with state law.
- D. Assess and collect the ILC fee in accordance with state law.

Status:

- A.1. Partially implemented. Receipt slips are prenumbered, however, the numerical sequence is not accounted for. See MAR No. 2.

- A.2. Partially implemented. The method of payment is indicated on receipt slips; however beginning in July 1998, receipt slips were not issued or retained for all monies received and reconciled to bank deposits. See MAR No. 2.
- A.3,  
& B. Not implemented. See MAR No. 2.
- C. Based on statutory changes effective July 1, 1997, CVC fees are to be collected on all cases including non-moving traffic violations.
- D. Based on statutory changes effective July 1, 1997, the ILC fee is no longer required to be collected by municipal divisions.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information



FORTY-FOURTH JUDICIAL CIRCUIT  
CITY OF MANSFIELD, MISSOURI  
MUNICIPAL DIVISION  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

The city of Mansfield Municipal Division is one of six municipal divisions within the Forty-Fourth Judicial Circuit, which includes Douglas, Ozark, and Wright counties. The Honorable John G. Moody serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Organization

The Court Clerk is responsible for recording transactions and handling collections and disbursements. Fines, court costs, and bonds are deposited into a court bank account and are paid by check to the city treasury and the state periodically. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

|                         |                       |
|-------------------------|-----------------------|
| Municipal Judge         | Bradford E. Ellsworth |
| City Clerk/Court Clerk* | Angela Turney         |

\* Angela Turney terminated employment in August 1999. Betty Dean was hired as City Clerk/Court Clerk in August 1999. Linda Elliott was hired as Court Clerk in September 1999.

Caseload Information

|                       | <u>Year Ended March 31,</u> |             |
|-----------------------|-----------------------------|-------------|
|                       | <u>1999</u>                 | <u>1998</u> |
| Number of cases filed | 306                         | 283         |

\* \* \* \* \*



CITY OF GAINESVILLE, MISSOURI

YEAR ENDED SEPTEMBER 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-29  
April 27, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Gainesville, Missouri.**

---

The city improperly claimed and received reimbursement of approximately \$22,000 from a federal grant to which it was not entitled.

The city received federal assistance from the U.S. Department of Justice under the COPS program for three additional full time officers which increased the number of city officers to four.

In February 1999, the city received reimbursement totaling \$43,393 for the period April 1997 through December 1998. During this period, the city employed only two or three officers (including the original officer) but included the salary of the original officer in the reimbursement request. Because the grant agreement required the city to fund 100 percent of the first officer, excess disbursements of approximately \$22,000 were claimed.

City ordinance 97-301 requires all purchases over \$100 to be bid. The City Clerk indicated that a \$500 threshold is used, rather than the \$100 requirement. Although the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained in some instances. Examples include \$26,928 for asphalt, \$26,462 for trash service, \$2,600 for a sewer pump and basin, \$1,938 for surveying, \$1,872 for health insurance, and \$1,410 for water tower inspection and treatment. In addition, the city did not document the proposals received for auditing services.

The city returned funds reserved for the repair of the city's gazebo to an original donor without the consent of all donors. The Mayor and the board of Aldermen do not always review related invoices and supporting documentation prior to signing checks and some invoices did not contain an indication of receipt of goods or services. Mileage or maintenance logs are not maintained for any of the vehicles and equipment owned by the city.

The city purchased a sewer pump and basin for \$2,600 for a citizen to use at his home and allowed the citizen to reimburse the city for the purchase. By purchasing the item in this manner, the citizen may have received it at special city prices and avoided paying sales tax. The city should not allow such expenditures to be incurred using its sales tax-exempt status. Doing so violates the terms of the city's sales tax exemption letter. A similar comment was made by the city's auditor during the previous annual audit.

(over)

Board minutes are not always prepared for closed meetings. Documentation of notice for several of the board meetings could not be located and board minutes were not always signed by the City Clerk and Mayor. The city has not established a formal policy regarding public access to city records.

YELLOW SHEET

Budgets were not prepared in accordance with statutory requirements and the city approved expenditures in excess of budgeted amounts.

The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements.

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information.

Procedures have not been established to ensure expenditures are properly allocated among the various funds benefiting from the expenditures and to ensure restricted revenues are expended only for their intended purposes. The city pays wage and retirement benefit expenses from the general fund, street fund, water fund, and sewer fund. In addition, the city pays health insurance and worker's compensation benefit expenses from the general fund only. No documentation is available to support the method of allocation used. A similar comment was made by the city's auditor during the previous annual audit.

Law enforcement training fees are not accounted for separately or maintained in a separate fund.

The city maintains twenty-nine bank accounts. Except for separate accounts for Sewerage System Revenue Fund, Bond Reserve Fund, Replacement and Extension Fund, and Sinking Fund accounts required by the revenue bond covenants, it appears that the remaining bank accounts could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled. A similar comment was made by the city's auditor during the previous annual audit.

The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The City Collector prepares monthly utility cards for each customer which reports the number of gallons billed and the maintenance supervisor records meter readings of the city's four water wells, so information is available to perform such reconciliations. A formal review of the city's water and sewer rates has not been performed since 1986.

The city's ordinances are not complete and up-to-date, and ordinances have not been established in all instances where needed.

Controls over receipts of the municipal court are not adequate. Neither the police department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of parking and traffic tickets issued. Records of convictions on traffic offenses are not always forwarded to the Missouri State Highway Patrol. Court costs due to the state are not disbursed on a timely basis and have not been remitted for the Peace Officer Standards and Training Commission fees. Accounts receivable records are not adequately maintained.

CITY OF GAINESVILLE, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Gainesville  
Gainesville, Missouri 65655

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Gainesville, Missouri. Our audit of the city included, but was not limited to, the year ended September 30, 1999. The objectives of this audit were to:

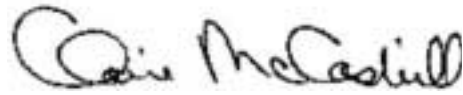
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Gainesville, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 28, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                     |
|---------------------|---------------------|
| Director of Audits: | Karen Laves, CPA    |
| Audit Manager:      | David Holtmann, CPA |
| In-Charge Auditor:  | Pam Crawford, CPA   |
| Audit Staff:        | Amy Fast            |

## HISTORY AND ORGANIZATION



CITY OF GAINESVILLE, MISSOURI  
HISTORY AND ORGANIZATION

The city of Gainesville is located in Ozark County. The city was incorporated in 1896 as a fourth-class city. The population of the city in 1990 was 716.

The city government consists of a mayor and a six-member board of aldermen. The six board members are elected for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at September 30, 1999 were:

| <u>Elected Officials</u>             | <u>Term Expires</u> | <u>Actual Compensation for the Year Ended September 30, 1999</u> | <u>Bond</u> |
|--------------------------------------|---------------------|--|-------------|
| B. F. McClendon, Mayor               | April 2000          | \$ 2,653   | \$          |
| Laurie J. Miller, Alderwoman         | April 2000          | 0  |             |
| Frank Skeeter Stevens, Alderman      | April 2000          | 0  |             |
| Donnis Taylor, Alderwoman            | April 2000          | 0  |             |
| Gary W. Simmons, Alderman            | April 2001          | 0  |             |
| Betty L. Hickey (Zamora), Alderwoman | April 2001          | 0  |             |
| Steve Neal, Alderman (1)             | April 2001          | 0  |             |
| <u>Other Principal Officials</u>     |                     |  |             |
| David Ford, City Clerk               |                     | 11,470   | 125,000     |
| Anna Whisnant, Deputy City Clerk     |                     | 6,481  |             |
| Alta Young, City Collector           |                     | 12,205   | 3,000       |
| Butch Winslow, Police Chief          |                     | 16,334   |             |

(1) Steve Neal passed away in September 1999. Ves Phelan was appointed to the Board of Aldermen in November 1999.

Assessed valuation and tax rate information for 1999 and 1998 are as follows:

ASSESSED VALUATION

|                   | <u>1999</u>      | <u>1998</u>      |
|-------------------|------------------|------------------|
| Real estate       | \$ 4,762,700     | 4,382,578        |
| Personal property | 1,396,608        | 1,143,160        |
| Total             | <u>6,159,308</u> | <u>5,525,738</u> |

TAX RATE PER \$100 ASSESSED VALUATION

|              |         |      |
|--------------|---------|------|
| General Fund | \$ 0.47 | 0.47 |
|--------------|---------|------|

The city also has the following sales tax; rate is per \$1 of retail sales:

|         | <u>Rate</u> | <u>Expiration Date</u> |
|---------|-------------|------------------------|
| General | 0.01        | None                   |

A summary of the financial activity for the city of Gainesville for the year ended September 30, 1999, is presented on the next page.

Year Ended September 30, 1999

|                                     | General<br>Fund   | Water<br>Fund | Sewer<br>Fund  | Street<br>Fund | Park<br>Fund  | Total          |
|-------------------------------------|-------------------|---------------|----------------|----------------|---------------|----------------|
| RECEIPTS:                           |                   |               |                |                |               |                |
| Motor fuel and motor vehicle fees   | \$ 0              | 49,726        | 0              | 26,443         | 0             | 76,169         |
| Sales taxes                         | 137,274           | 0             | 0              | 0              | 5,239         | 142,513        |
| Property taxes                      | 35,474            | 0             | 0              | 0              | 0             | 35,474         |
| Interest                            | 16,645            | 2,022         | 3,880          | 25             | 620           | 23,192         |
| User fees                           | 0                 | 0             | 69,408         | 0              | 0             | 69,408         |
| Franchise taxes                     | 4,646             | 0             | 0              | 0              | 0             | 4,646          |
| COPS grant                          | 43,393            | 0             | 0              | 0              | 0             | 43,393         |
| CDBG                                | 0                 | 5,159         | 0              | 0              | 0             | 5,159          |
| Other                               | 12,754            | 269           | 18             | 157            | 0             | 13,198         |
| Transfer in                         | 0                 | 0             | 0              | 7,100          | 0             | 7,100          |
| Total Receipts                      | <u>250,186</u>    | <u>57,176</u> | <u>73,306</u>  | <u>33,725</u>  | <u>5,859</u>  | <u>420,252</u> |
| DISBURSEMENTS:                      |                   |               |                |                |               |                |
| Salaries                            | 11,111            | 30,102        | 35,112         | 14,423         | 0             | 90,748         |
| Trash contract                      | 26,462            | 0             | 0              | 0              | 0             | 26,462         |
| Maintenance and repairs             | 827               | 3,174         | 2,603          | 1,407          | 0             | 8,011          |
| Professional services               | 10,795            | 0             | 0              | 0              | 0             | 10,795         |
| Insurance and bonding               | 18,844            | 0             | 0              | 0              | 0             | 18,844         |
| Postage, shipping and publications  | 1,632             | 0             | 0              | 0              | 0             | 1,632          |
| Supplies                            | 2,760             | 6,403         | 4,094          | 4,944          | 116           | 18,317         |
| Utilities                           | 5,069             | 12,166        | 17,045         | 12,823         | 862           | 47,965         |
| Bond payment                        | 0                 | 0             | 8,515          | 0              | 0             | 8,515          |
| Policing                            | 42,919            | 0             | 0              | 0              | 0             | 42,919         |
| Fire department                     | 7,103             | 0             | 0              | 0              | 0             | 7,103          |
| Airport                             | 1,767             | 0             | 0              | 0              | 0             | 1,767          |
| Other                               | 52,880            | 719           | 951            | 420            | 1,528         | 56,498         |
| Transfer out                        | 7,100             | 0             | 0              | 0              | 0             | 7,100          |
| Total Disbursements                 | <u>189,269</u>    | <u>52,564</u> | <u>68,320</u>  | <u>34,017</u>  | <u>2,506</u>  | <u>346,676</u> |
| Receipts Over (Under) Disbursements | 60,917            | 4,612         | 4,986          | -292           | 3,353         | 73,576         |
| Cash Balance, January 1,            | <u>154,890</u>    | <u>94,789</u> | <u>171,230</u> | <u>7,308</u>   | <u>13,209</u> | <u>441,426</u> |
| Cash Balance, December 31,          | <u>\$ 215,807</u> | <u>99,401</u> | <u>176,216</u> | <u>7,016</u>   | <u>16,562</u> | <u>515,002</u> |

## MANAGEMENT ADVISORY REPORT

CITY OF GAINESVILLE  
SUMMARY OF FINDINGS

1. Community Oriented Policing Services (COPS) Grant (page 10)

The city improperly claimed and received reimbursement of approximately \$22,000 from a federal grant to which it was not entitled.

2. Expenditures (pages 10-13)

Bids were either not solicited or bid documentation was not retained for some expenditures. The city has contracted with the same trash service company since 1972 without soliciting proposals from any other providers. City streets were paved without the approval of the board at a cost of \$26,928. The city returned funds reserved for the repair of the city's gazebo to an original donor without the consent of all donors. The Mayor and the Board of Aldermen do not always review related invoices and supporting documentation prior to signing checks and some invoices did not contain an indication of receipt of goods or services. Mileage or maintenance logs are not maintained for any of the vehicles and equipment owned by the city. Christmas bonuses were paid to various city officials and employees and items were purchased through the city for the personal use of a citizen.

3. Board Meetings and Records (pages 13-14)

Board minutes are not always prepared for closed meetings. Documentation of notice for several of the board meetings could not be located and board minutes were not always signed by the City Clerk and Mayor. The city has not established a formal policy regarding public access to city records.

4. Budgeting, Planning and Published Financial Statements (pages 14-15)

Budgets were not prepared in accordance with statutory requirements and the city approved expenditures in excess of budgeted amounts. Semi-annual financial statements are not published. An annual maintenance plan for city streets has not been prepared.

5. Restricted Revenues (pages 15-16)

The allocation of some expenditures from restricted funds is not documented, and a separate accounting for law enforcement training fees has not been established.

6. Accounting Controls and Procedures (pages 16-17)

The city maintains an excessive number of bank accounts. The City Clerk also serves as City Treasurer. Some individuals authorized to sign checks are not bonded.

7. Water and Sewer System Procedures (pages 17-19)

The number of gallons of water billed to customers is not reconciled to the gallons of water pumped by the city. A formal review of the city's water and sewer rates has not been performed since 1986. Sufficient funds have not been transferred to the bond replacement account. Special arrangements made with the lessee of the city's airport hanger were not made in writing. The city's maintenance supervisor is responsible for collection of water and sewer hook-up fees, but is not bonded.

8. Ordinances (pages 19-21)

The city's ordinances are not complete and up-to-date, and ordinances have not been established in all instances where needed.

9. Personnel Records and Policies (pages 21-22)

The city has not formalized its personnel policy in writing. Retirement and health insurance benefits are provided for only one of eight full time employees. Time sheets are not prepared for all city employees.

10. Property Records (page 22)

The city does not maintain complete records to account for all property owned by the city.

11. Municipal Court (pages 23-24)

Controls over receipts are not adequate. Neither the police department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of parking and traffic tickets issued. Records of convictions on traffic offenses are not always forwarded to the Missouri State Highway Patrol. Court costs due to the state are not disbursed on a timely basis and have not been remitted for the Peace Officer Standards and Training Commission fees. Accounts receivable records are not adequately maintained.

CITY OF GAINESVILLE  
MANAGEMENT ADVISORY REPORT

|           |  |
|-----------|--|
| <b>1.</b> | <b>Community Oriented Policing Services (COPS) Grant</b> |
|-----------|--|

The city received federal assistance from the U.S. Department of Justice under the COPS program for three additional full time officers which increased the number of city officers to four. Since March 1995, the city has received grant awards totaling \$91,815. Under the grant provisions, the city was required to provide 25 percent of the cost of employing the additional officers until the grant expires on March 31, 2000, in addition, to continuing to provide 100 percent of the cost of employing the original officer.

In February 1999, the city received reimbursement totaling \$43,393 for the period April 1997 through December 1998. During this time period, the city employed only two or three officers (including the original officer) but included the salary of the original officer in the reimbursement request. Because the grant agreement required the city to fund 100 percent of the first officer, excess disbursements of approximately \$22,000 were claimed.

The Board of Aldermen should contact the applicable federal grantor agency to resolve this issue. In addition, the city should ensure future compliance with all federal regulations.

**WE RECOMMEND** the Board of Aldermen consult with the grantor agency to resolve this issue. In addition, the Board of Aldermen should ensure future compliance with all federal regulations and only claim reimbursement for allowable costs.

**AUDITEE'S RESPONSE**

*We agree with the recommendation and will follow up with the U.S. Department of Justice.*

|           |                     |
|-----------|---------------------|
| <b>2.</b> | <b>Expenditures</b> |
|-----------|---------------------|

- A. City ordinance 97-301 requires all purchases over \$100 to be bid. The City Clerk indicated that a \$500 threshold is used, rather than the \$100 requirement. Although the city did solicit bids for some purchases, bids were either not solicited or bid documentation was not retained in some instances. Examples include \$26,928 for asphalt, \$26,462 for trash service, \$2,600 for a sewer pump and basin, \$1,938 for surveying, \$1,872 for health insurance, and \$1,410 for water tower inspection and treatment. In addition, the city did not document the proposals received for auditing services.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various

approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The city has contracted with the same trash service company since 1972. In December 1998, the city entered into an additional five year franchise agreement for these services without soliciting proposals from any other providers. During the year ended September 30, 1999, the city paid the trash service company \$26,462 (See Part A. above).

We contacted two other local trash services that indicated they were interested in competing for the city's business. The businesses contacted offered lower rates to nearby cities of a similar size, than those being charged by the city's current trash service. Considering the exclusive nature of this contract, the city should ensure all parties are given the opportunity to participate in the city's business. Competitive bidding helps ensure the city receives fair value by contracting with the lowest and best bidders.

- C. Mayor McClendon and Alderman Stevens signed a contract with an asphalt company to pave city streets on April 20, 1999, without board approval. Since the work had been completed and the asphalt company demanded payment, the board met in an emergency session on July 2, 1999, to approve the contract and authorize payment to the asphalt company totaling \$26,928. (See part A. above)

City business should be approved by the board prior to the work beginning.

- D. The city received donations from various citizens six to eight years ago to maintain a gazebo constructed on county property. The city returned the remaining monies, which totaled approximately \$850, to one of the original donors in September 1999, at the donor's request.

These monies were public funds placed in the trust of the city to be used for repairs to the gazebo. The city had no basis for returning the money without the consent of all of the original donors. The city should ensure all funds entrusted for a specific purpose are utilized for their intended use. At a minimum, the city should have required a written agreement with the original donor to ensure the monies would be utilized for repairs to the gazebo.

- E. The City Clerk prepares and signs checks. In addition, the Mayor and a member of the board also sign the checks; however, the Mayor and Board of Aldermen do not review the related invoices or supporting documentation prior to signing the checks. To ensure all expenditures are properly reviewed and approved, the board should designate the Mayor or a board member to review the related invoices before the checks are signed.
- F. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. The documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services being paid.
- G. The city does not maintain mileage or maintenance logs for any of the seven (7) vehicles and equipment owned by the city. Mileage logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The mileage and maintenance logs

should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

- H. The Mayor and all city employees received a \$43 Christmas bonus in December 1999. The bonuses appear to represent additional compensation for services previously rendered and violate Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."
- I. The city purchased a sewer pump and basin for \$2,600 for a citizen to use at his home and allowed the citizen to reimburse the city for the purchase. (See Part A. above) By purchasing the item in this manner, the citizen may have received it at special city prices and avoided paying sales tax. The city should not allow such expenditures to be incurred using its sales tax-exempt status. Doing so violates the terms of the city's sales tax exemption letter. A similar comment was made by the city's auditor during the previous annual audit.

**WE RECOMMEND** the Board of Aldermen:

- A. Revise or follow the city ordinance regarding formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Ensure proposals are solicited for trash services from all providers in the future.
- C. Ensure contracts are approved by the board.
- D. Maintain funds entrusted to the city for their specific purpose.
- E. Designate the Mayor or a board member to review all supporting invoices before the checks are signed.
- F. Ensure the receipt of goods or services is indicated on invoices prior to approving them for payment.
- G. Maintain mileage and maintenance logs for all city vehicles and equipment.
- H. Discontinue paying Christmas bonuses to the Mayor and employees.
- I. Prohibit individuals from purchasing items for personal use through the city and with the city's sales tax exemption.

**AUDITEE'S RESPONSE**

A,B,



*F,H*

*& I. We agree with these recommendations.*

*C. We are working to open the lines of communication between all of the board members.*

*D. We agree with the recommendation and will ensure written agreements are entered into in the future regarding restricted monies.*

*E. We are currently reviewing all invoices.*

*G. The police department is currently maintaining vehicle logs. We will develop logs for our other vehicles.*

*Mayor McClendon and Alderman Stevens provided a separate response for Part C:*

*C. The board had given approval up to \$30,000 for paving roads. We completed the project for several thousand dollars less.*

|                                      |
|--------------------------------------|
| <b>3. Board Meetings and Records</b> |
|--------------------------------------|

A. The Board of Aldermen frequently hold closed meetings. Minutes are not always prepared to document matters discussed in closed meetings, and it is not clear that the final disposition is made public. Section 610.021, RSMo Cumulative Supp. 1999, requires certain matters discussed in closed session to be made public upon final disposition. In addition, closed session minutes are necessary to document and record official board decisions and actions affecting city government and the public, and to ensure compliance with the Sunshine Law.

B. Documentation that proper notice was given for several of the Board of Aldermen meetings held could not be located.

State law requires all public governmental bodies to give advance notice of meetings either through the news media or posting notice of the meeting. The notice is to include the time, date, and place of the meeting, as well as the tentative agenda. To document compliance, the city clerk should document the date, time, and location the notice was posted and retain this with the minutes.

C. The board minutes are prepared by the City Clerk, but some minutes were not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings. A similar comment was made by the city's auditor during the previous annual audit.

D. The city does not have a formal policy regarding public access to city records. A formal policy would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact, provide an address to mail requests for access to records, and establish a cost to provide copies of public

records. Section 610.023, RSMo Cumulative Supp. 1999, lists requirements for making city records available to the public.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure minutes are prepared for all closed meetings, and the final disposition of applicable matters discussed at closed meetings is made public.
- B. Retain adequate supporting documentation to demonstrate that the board provided proper notice for each of its meetings.
- C. Ensure the board minutes are signed by the preparer and Mayor or a designated member of the board to attest to their accuracy.
- D. Establish formal written policies and procedures regarding public access to city records.

**AUDITEE'S RESPONSE**

*We agree with these recommendations.*

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| <b>4. Budgeting, Planning, and Published Financial Statements</b> |
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- A. The budgets for the years ended September 30, 2000 and 1999 do not include a budget message, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or the beginning and the estimated ending available resources. The budgets showed only anticipated revenue and expenditure activity. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- B. Actual expenditures exceeded budgeted expenditures for the General Fund for the years ended September 30, 1999 and 1998, by \$5,846 and \$36,298, respectively. In addition, actual expenditures exceeded budgeted expenditures for the Park Fund for the year ended September 30, 1998, by \$2,407.

Section 67.040, RSMo 1994, indicates a political subdivision shall not increase the total amount authorized for expenditure from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures.

- C. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.
- D. An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Periodically compare year-to-date expenditures with budgeted amounts to monitor the city finances and to ensure actual expenditures do not exceed budgeted amounts.
- C. Publish semi-annual financial statements as required by state law.
- D. Prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

**AUDITEE'S RESPONSE**

*We agree with these recommendations.*

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| <b>5. Restricted Revenues</b> |
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- A. Procedures have not been established to ensure expenditures are properly allocated among the various funds benefitting from the expenditures and to ensure restricted revenues are expended only for their intended purposes. The city pays wage and retirement benefit expenses from the general fund, street fund, water fund, and sewer fund. In addition, the city pays health insurance and worker's compensation benefit expenses from the general fund only. No documentation is available to support the method of allocation used. A similar comment was made by the city's auditor during the previous annual audit.

Time sheets are prepared by some employees, indicating the total hours worked. However, no documentation is maintained to separately indicate the number of hours related to streets, water and sewer, or other activities.

Allocation of expenses is necessary for the city to ensure the water and sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the uses of state motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses is useful for both management and compliance purposes.

- B. Law enforcement training fees are not accounted for separately or maintained in a separate fund. During the year ended September 30, 1999, the city received approximately \$72 in training fees and identified no training-related expenses. Section 590.140, RSMo Supp. 1999, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

**WE RECOMMEND** the Board of Aldermen ensure all allocations of expenditures are supported by adequate documentation and establish a separate accounting for law enforcement training fees to ensure compliance with the Missouri Constitution and state law.

#### **AUDITEE'S RESPONSE**

*We agree with these recommendations.*

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|--|
| <b>6. Accounting Controls and Procedures</b> |
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- A. The city maintains twenty-nine bank accounts. Except for separate accounts for Sewerage System Revenue Fund, Bond Reserve Fund, Replacement and Extension Fund, and Sinking Fund accounts required by the revenue bond covenants, it appears that the remaining bank accounts could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled. A similar comment was made by the city's auditor during the previous annual audit.
- B. The City Clerk also serves as the City Treasurer, and this individual is responsible for most of the record keeping duties of the city. These duties include preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing monthly financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the City Clerk. A similar comment was made by the city's auditor during the previous annual audit.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the segregation of duties necessary for

a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not feasible, the Board of Aldermen should, at a minimum, require someone having no access to cash and no record keeping responsibilities receive and review the bank statements and bank reconciliations.

- C. The City Clerk, the Mayor, and one of the Aldermen are authorized to sign checks; however, the City Clerk and City Collector are the only city officials that are bonded. In addition, the deputy City Clerk occasionally collects city receipts in the absence of the City Collector. The City Clerk indicated the city had a blanket bond to cover all employees and board members; however, the city's bonding company confirmed that only the City Collector and City Clerk were bonded. Failure to bond all persons with access to assets exposes the city to risk of loss.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider consolidating the city's twenty-nine bank accounts.
- B. Provide for an adequate segregation of duties or the performance of independent reconciliations and reviews of the accounting records.
- C. Obtain bond coverage for all persons with access to city assets.

**AUDITEE'S RESPONSE**

*We agree with these recommendations.*

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|---|
| <b>7. Water and Sewer System Procedures</b> |
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- A. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The City Collector prepares monthly utility cards for each customer which reports the number of gallons billed and the maintenance supervisor records meter readings of the city's four water wells, so information is available to perform such reconciliations.

During July 1999 through October 1999, the gallons of water pumped exceeded the total gallons billed by 10,496,820 gallons, or 49 percent. The city's maintenance supervisor indicated that he believed the loss was due to local fire departments filling fire trucks, water used at the city park and airport hanger where water meters are not read, and water used at some local businesses where the water meters are buried under asphalt.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences. The Public

Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

- B. The city has not performed a formal review of the adequacy of the water and sewer rates since 1986. The city's audited financial statements show an operating loss of approximately \$80,000 in the Water and Sewer Funds during the year ending September 30, 1998.

City ordinance 86-421 requires water and sewer user charges to be reviewed every two years. Water and sewer fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The city should perform a detailed review of its water and sewer costs, including depreciation and debt service costs, and set rates to cover the total costs of operation.

- C. Revenue bond covenants and city ordinance 86-421 require the bond replacement account to be funded in the amount of \$5,000 annually from the operation and maintenance account. The balance of the bond replacement account at September 30, 1999, should be \$80,612. While the city has sufficient funds in other water and sewer accounts the balance in the bond replacement account was only \$10,102. The city should make appropriate transfers and ensure future funding requirements are made. A similar comment was made by the city's auditor during the previous annual audit.

- D. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts remaining unpaid for water and sewer services.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support conclusions and any corrections made, and to facilitate independent reviews.

- E. The city leases its airport hanger to a local citizen for \$1,200 annually. A water meter is maintained which monitors water used inside the airport hanger; however, this individual's meter is not normally read by the maintenance department, and water and sewer usage is not billed. The Mayor indicated special arrangements were made with this individual to not pay for water and sewer use. A meter reading on November 4, 1999, showed 15,110 gallons of water usage since the last documented meter reading performed by the maintenance department in April 1999. The city does not have a written lease agreement with this individual addressing this arrangement or lease payments.

The city should review the propriety of this special water and sewer usage arrangement and document the basis for this arrangement. Any billing arrangements which differ from the city's standard rates and procedures should be supported by written agreements between the applicable parties. In addition, lease agreements should be supported by written agreements between the applicable parties.

- F. Although the maintenance supervisor is responsible for collection of water and sewer hook-up fees, this individual is not bonded. Failure to bond city employees that handle monies exposes the city to the risk of loss.

**WE RECOMMEND** the Board of Aldermen:

- A. Compare the gallons of water pumped to the gallons billed on a monthly basis and investigate significant differences.
- B. Review water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing this service.
- C. Transfer sufficient funds to the bond replacement account as required by the bond covenants and city ordinance.
- D. Perform monthly reconciliations of the amounts billed to amounts collected and delinquent accounts.
- E. Review the special arrangements made with airport hanger lessee, and enter into written lease agreements.
- F. Consider obtaining bond coverage for the maintenance supervisor.

**AUDITEE'S RESPONSE**

- A. *We agree that these differences need to be investigated and corrected.*
- B. *We will review the water and sewer rates and take appropriate action.*
- C-F. *We agree with these recommendations.*

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| <b>8. Ordinances</b> |
|----------------------|

- A. Many of the city's ordinances are old and outdated. The city maintains an index of all ordinances passed by the city; however, several ordinance numbers are not included, several ordinances included on the index were missing, and ordinance numbers are not assigned consecutively. In addition, several ordinances have not been signed and/or dated by the Mayor. Section 79.130, RSMo 1994, states "no bill shall become an ordinance until it shall have been signed by the mayor or person exercising the duties of the mayor's office, or shall have been passed over the mayor's veto".

Since the ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner.

- B. The city has not adopted ordinances to establish the compensation and duties of all of the city's elected officials and the City Clerk. Sections 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials and employees to be set by ordinance.
- C. During our review of salary and expenses paid to the Mayor, the following concerns were noted:

1. The city has not updated the ordinance related to the salary and expenses of the Mayor. During the year ended September 30, 1999, the Mayor was paid \$2,653. In addition, the Mayor received an expense allowance of \$100 per month. Documentation was not required to support the expense allowance and it was not reported on the Mayor's W-2 forms for 1999 and 1998.

City ordinance 63, dated April 10, 1973, established the annual salary of the Mayor at \$1,200 and reimbursement for all expenses. In addition, Internal Revenue Code (IRC) Ruling 12-110 specifically requires expense allowances that are not accounted for to the employer to be considered gross income. To comply with the IRC, all compensation paid to city officials/employees should have the required payroll taxes withheld and be properly reported.

2. The Mayor receives a cost of living raise annually. Article VII, Section 13 of the Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition, Section 79.270, RSMo 1994, states that the salary of a municipal officer shall not be changed during the time for which he was elected or appointed.

- D. The city has not prepared ordinances to document the approved tax levy for each year. In addition, the Board of Aldermen has not held public hearings on the city's proposed property tax rates. Section 94.210, RSMo 1994, states the board of aldermen shall fix the annual rate of tax levy by ordinance for each tax year. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.
- B. Establish the duties and compensation of all city officials and employees by ordinance as required by statute.
- C.1. Ensure city ordinances outlining officials' salaries are properly updated and wages are properly reported on the Mayor's W-2 forms. In addition, the city should file amended W-2's to include expense allowances.
2. Ensure the salaries of the city's elected officials are not changed during their term of office.
- D. Hold public hearings on proposed property tax rates, and establish the annual tax levy by ordinance as required by law.

**AUDITEE'S RESPONSE**

*A&B. We agree our ordinances need to be reviewed and updated.*

*C&D. We agree with these recommendations.*



**9.****Personnel Records and Policies**

- A.1. The city has not formalized its personnel policy in writing. Although a city ordinance outlines personnel policies pertaining to vacation leave, additional areas to be addressed in a personnel policy may include other benefits offered to employees such as retirement and health benefits, hiring and firing procedures; description of job duties and qualifications for various positions; regular work hours and official holidays; maintenance of attendance records; and fringe benefits.

A comprehensive personnel policy manual would provide guidance and control for the effective and consistent management of the city's employees.

2. The city provides retirement and health insurance benefits to only one of eight full time employees. The retirement contract requires the city to provide retirement benefits to all eligible employees that work over 1,500 hours per year. Additionally, since health insurance is only provided to one full time employee, the benefit could be considered taxable for income purposes.

To ensure equitable treatment of all employees, the city should establish formal guidelines for providing retirement and health insurance benefits to all eligible employees.

- B. The City Clerk, Maintenance Supervisor, Police Chief, and police officers do not prepare time sheets. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked. In addition, a portion of the police officers' salaries are reimbursed to the city from the federal government through a COPS FAST grant. The grant requires payroll expenditures to be supported by time and attendance records.

To support payroll expenditures and ensure compliance with grant requirements, the city should require all employees to prepare detailed time sheets which are reviewed and approved by a supervisor.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Prepare and maintain a personnel policy manual to provide documentation of the city's procedures and policies.
2. Establish formal guidelines for providing retirement and health insurance benefits to all eligible employees.
- B. Require all city employees to prepare time sheets which are approved by a supervisor.

**AUDITEE'S RESPONSE**

- A. *The city agrees with the recommendation. We are in the process of defining the specific duties of each employee, and will address other areas related to employment in the future.*
- B. *We agree with the recommendation.*

**10.**

**Property Records**

The city does not maintain complete records to account for all property owned by the city. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The record should include a detailed description of the assets including the name, make and model numbers, an asset identification number, the physical location of the assets, and the date and method of disposition of the assets when disposed of. In addition, all property items should be identified with a tag or other similar device, and the city should conduct annual inventories.

Adequate general fixed asset records are necessary to secure better internal control and safeguard city assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on city property.

**WE RECOMMEND** the Board of Aldermen ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally the city should properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.

**AUDITEE'S RESPONSE**

*We agree with the recommendation.*

**11.**

**Municipal Court**

- A.1. The Court Clerk accepts cash, checks, and money orders for the payment of fines, court costs, and bonds. The Court Clerk does not consistently record the method of payment on receipt slips. To ensure receipts are deposited intact, the method of payment should be indicated on all receipt slips. The composition of receipt slips issued should be reconciled to the composition of deposits.
2. Receipt slips are not always issued on a timely basis nor are the proceeds transmitted to the city intact or on a timely basis. For example, two money orders totaling \$90 and dating back to 1994 and 1995 were not issued a receipt slip and transmitted to the city until September 1999. The deputy court clerk indicated she had found these two receipts in old court files. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits and transmittals should be made intact daily or when accumulated receipts exceed \$100.
3. Checks and money orders are not restrictively endorsed until deposits are prepared by the city. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- B. Neither the police department nor the municipal division maintains adequate records to account for parking and traffic tickets issued and their ultimate disposition. Without a proper accounting of the numerical sequence and ultimate disposition of parking and traffic tickets, the police department and the municipal division cannot be assured all tickets issued are submitted to the court for processing.

During the audit, nine of the tickets selected for review could not be located. Since tickets and supporting documentation could not be reviewed, the court can not determine the disposition of these tickets and whether they were properly reflected in the records. All municipal court records should be adequately retained in accordance with Supreme Court Administration Rule 8.

- C. The Court Clerk indicated that he had not forwarded the required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP) for several years. Section 302.225, RSMo Cumulative Supp. 1999, requires any plea or finding of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.
- D. Court costs which are due to the state are transmitted to the city. The city does not always disburse these monies to the state on a timely basis. Court costs collected in February 1997 through February 1998 were not disbursed to the state until February 1998, and court costs collected in March 1998 through December 1998 were not disbursed to the state until January 1999. Sections 595.045.3, 476.053, and 561.035, RSMo Cumulative Supp. 1999, require applicable collections to be remitted at least monthly to the state Department of Revenue.

Conditions similar to Parts A-D. were also noted in our prior audit report of the municipal division.

- E. The municipal division has not remitted Peace Officer Standards and Training Commission (POST) fees to the state. The city has collected \$45 in POST fees during the two years ending September 30, 1999. Section 590.140, RSMo Cumulative Supp. 1999, requires collections of POST fees to be remitted at least monthly to the state Department of Revenue.
- F. The court allows defendants to make partial payments on fines and court costs. The court does not maintain adequate control records to account for total amounts owed to the court. Without adequate accounts receivable records, the court cannot effectively monitor and collect monies owed to the court.

**WE RECOMMEND** the Municipal Division:

- A.1. Record the method of payment on all receipt slips issued and reconcile the composition of receipt slips issued to the composition of deposits.
2. Transmit fines and costs to the city daily or when accumulated receipts exceed \$100.
3. Restrictively endorse all checks and money orders immediately upon receipt

- B. Work with the police department to account for the numerical sequence and ultimate disposition of all parking and traffic tickets and retain all records as required by Supreme Court Administrative Rule 8.
- C. Forward records of convictions on traffic offenses to the MSHP as required by state law. In addition, court files should be reviewed for applicable tickets that should be forwarded to the MSHP.
- D&E. And the city ensure court costs are remitted monthly to the state in accordance with state law.
- F. Maintain adequate account receivable records including signed payment agreements and a control ledger. Periodically the control ledger balance should be reconciled to the balances on the individual payment agreements.

**AUDITEE'S RESPONSE**

*A,B*

*& F. We agree with these recommendations.*

*C&D. This has been implemented.*

*E. We are in the process of turning over these monies.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



TWENTY-SECOND JUDICIAL CIRCUIT

ST. LOUIS CITY, MISSOURI

CIRCUIT CLERK FUND

SIX MONTHS ENDED DECEMBER 31, 1998

AND YEAR ENDED JUNE 30, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-28  
April 25, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**During our audit of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, Circuit Clerk Fund, we identified certain management practices which we believe could be improved. This audit reflects the audit period ending December 31, 1998, the end of the prior Circuit Clerk's term.**

**These audit findings are in addition to those noted in an earlier report which uncovered a theft in the Circuit Clerk's office. The employee who committed the theft has subsequently been terminated, prosecuted, pleaded guilty and paid full restitution.**

**The earlier report (Report No. 99-39) noted discrepancies between receipt records for cash bonds, monies deposited into the Finance Department's bank account, and other supporting bond records. Cash bonds of at least \$9,300 were taken and receipt records were altered to conceal the shortages. All thefts reported in our earlier audit occurred prior to January 1, 1999.**

-----

Criminal Division – Cashier's Office

The Criminal Division's safe was not always locked during the day. The numerical sequence of receipt slips was not accounted for properly, several unexplained changes were made to receipt slips and receipts were not always deposited timely. Some accounting duties were not adequately segregated, adequate information on payments received was not always entered on the computer and reconciliations between receipt slips issued and payments posted on the computer were not always performed. Monthly bank reconciliation procedures were inadequate. An independent reconciliation of receipts, disbursements, and transfers posted to the general ledger was not performed. An open-items listing was not prepared for some items, the Criminal Division had \$107,757 in unidentified monies and the bond open-items listing at December 31, 1998, included numerous old bonds.

Costs for Criminal Cases

A listing of accrued costs and restitution was not maintained and some monies were not disbursed properly. Criminal costs billings were not sent on a timely basis, nor was the city reimbursing appropriate criminal cost bills. Crime Victim's Compensation judgments were not collected from defendants assigned to St. Louis City's Medium Security Institution (MSI). The court did not prorate partial payments received on court costs.

Child Support Department

Receipts were not posted to the cash control records timely, nor were they deposited daily. Deposit report totals were not agreed to bank deposits or monies on hand. Bank reconciliations had not been prepared timely. Some accounting duties were not adequately segregated or reviewed by a supervisor. The cash balance exceeded the open-items listing by \$281,000 at December 31, 1998 and open-items listings for the Parent Locator and Dissolution bank accounts were not prepared. Listings of held payments were not periodically reviewed. Adjustments totaling \$32,890 were made to the November 1998 bank reconciliation for duplicate checks that were issued and cashed.

### Missing Records

Various accounting records maintained by the Child Support Department including deposit reports, check registers, and canceled checks for September 1998 to December 1998 were missing. In addition, various accounting records prepared by the Criminal Division including the June 30, 1998, open-items lists, deposit slips, deposit records, canceled checks and case files were missing.

### Civil Division

The open-items listing was not accurate and was not periodically reconciled to the applicable cash and investment balance. Computer records and manual records for each case did not always agree and case files did not include some pertinent financial information. Controls over the Cashier's drawers were not adequate and the name of the payor was not entered for each receipt. A printout of non-posted transactions was not periodically printed and reviewed and the mail log was not reconciled to the receipts entered for the day. Disbursements to the city were not always made timely and the court was holding old outstanding checks. Correction forms were not prenumbered and documentation was not maintained in the case files to support changes to the computer. Sixteen checks could not be located and returned checks were not always voided on the computer timely. There was no supervisory review of the disbursements prepared by the Assistant Finance Manager.

### Costs for Civil Cases

Upon case closure, civil case files are sent through various departments in the Circuit Clerk's Office and then sent to the Taxing Department. The Taxing Department calculates which charges are due on the case. The taxing information is entered on the inside back cover of each case to summarize charges and disbursements of the case. Once the charges have been taxed, the case file is sent to the File Room.

If the filing fees are equal to or greater than the charges taxed and the plaintiff was ordered to pay court costs, the court costs are applied to the applicable funds for distribution and a refund check is issued, if necessary. For most cases, if the filing fee is less than the charges or the defendant was ordered to pay courts costs, a billing is generated by the Taxing Department and sent to the applicable party. However, monies on hand were not disbursed or refunded until all costs were collected from the proper party.

The court was holding over \$8.5 million on cases that had already been finalized or on which additional costs were still due. In addition, second bills for costs due were not sent and court costs were not applied and disbursed on a timely basis. Records were not maintained to document total amounts due to the court and the court did not have procedures to review accrued costs, prorate amounts collected, and write off amounts deemed uncollectible.

**The current Circuit Clerk has provided responses throughout the report which are in agreement with our audit's recommendations.**

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND

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TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge and Court en banc  
and  
The Circuit Clerk of the  
Twenty-Second Judicial Circuit  
St. Louis City, Missouri

We have audited the special-purpose financial statements of the Circuit Clerk Fund of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, as of and for the six months ended December 31, 1998, and as of and for the year ended June 30, 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraphs four and five, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the Circuit Clerk Fund of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the Circuit Clerk Fund.

As discussed in Note 4 to the financial statements, there was evidence of fraud in the Criminal Division. Also, the internal control procedures and accounting records of the Circuit Clerk's Criminal Division were not adequate. As noted in our report on our Special Review of the Circuit Criminal Division - Finance Department - Cash Bond Deposits, Report No. 99-39, we found evidence of fraud concerning bond monies received by the Finance Department. Also, the Circuit Clerk's - Criminal

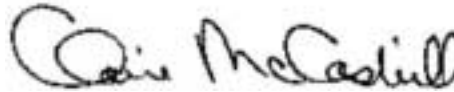
Division - Finance Department did not always account for the numerical sequence of receipt slips and duties were not adequately segregated. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to the receipts and disbursements of the Criminal Division beyond amounts recorded in the Criminal Division's records for the six months ended December 31, 1998, and the year ended June 30, 1998.

Internal controls and accounting records of the Child Support Division for the six months ended December 31, 1998, were inadequate. The December 1998 bank reconciliation was not completed until December 1999 and duties were not adequately segregated. The accounting records were not adequately maintained and certain deposit reports, check registers, and canceled checks could not be located or recreated. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to the receipts and disbursements of the Child Support Division beyond amounts recorded in the Child Support Division's records for the six months ended December 31, 1998.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding two paragraphs, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Circuit Clerk Fund of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, as of and for the six months ended December 31, 1998, and as of and for the year ended June 30, 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 19, 1999, on our consideration of the Office of the Circuit Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, St. Louis City, and the Twenty-Second Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 19, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                          |
|---------------------|--------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA   |
| Audit Manager:      | Douglas J. Porting, CPA  |
| In-Charge Auditor:  | Kenneth Steinkamp        |
| Audit Staff:        | Jennifer Redenbaugh, CPA |
|                     | Francis Verslues         |
|                     | Terrance Sneed           |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge and Court en banc  
and  
The Circuit Clerk of the  
Twenty-Second Judicial Circuit  
St. Louis City, Missouri

We have audited the special-purpose financial statements of the Circuit Clerk Fund of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, as of and for the six months ended December 31, 1998, and for the year ended June 30, 1998, and have issued our report thereon dated August 19, 1999. That report expressed a qualified opinion on the special-purpose financial statements. Except as discussed in that report, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Circuit Clerk Fund of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

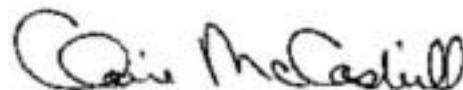
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Circuit Clerk Fund of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to

provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the judicial circuit's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Office of Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 19, 1999 (fieldwork completion date)



## Financial Statements

Exhibit A

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND INVESTMENTS  
SIX MONTHS ENDED DECEMBER 31, 1998

|  | Civil<br>Account | Child<br>Support<br>Account | Criminal<br>Account | Garnishment<br>Account | Special<br>Interest<br>Account | Total<br>(Memorandum<br>Only) |
|--|------------------|-----------------------------|---------------------|------------------------|--------------------------------|-------------------------------|
| RECEIPTS                                   |                  |                             |                     |                        |                                |                               |
| Court deposits, fees, bonds,<br>and others | \$ 2,781,779     | 0                           | 874,021             | 2,202,535              | 198                            | 5,858,533                     |
| Child support                              | 0                | 17,020,756                  | 0                   | 0                      | 0                              | 17,020,756                    |
| Interest income                            | 303,886          | 0                           | 6,673               | 3,238                  | 4,757                          | 318,554                       |
| Transfers in                               | 0                | 0                           | 0                   | 0                      | 259,273                        | 259,273                       |
| Total Receipts                             | 3,085,665        | 17,020,756                  | 880,694             | 2,205,773              | 264,228                        | 23,457,116                    |
| DISBURSEMENTS                              |                  |                             |                     |                        |                                |                               |
| State of Missouri:                         |                  |                             |                     |                        |                                |                               |
| Court fees                                 | 362,303          | 0                           | 94,255              | 0                      | 0                              | 456,558                       |
| Title IV-D                                 | 0                | 4,170,697                   | 0                   | 0                      | 0                              | 4,170,697                     |
| City officials                             | 643,543          | 0                           | 89,825              | 0                      | 250,000                        | 983,368                       |
| Child support                              | 0                | 12,018,927                  | 0                   | 0                      | 0                              | 12,018,927                    |
| Supplies and equipment                     | 0                | 0                           | 0                   | 0                      | 70,464                         | 70,464                        |
| Refunds and other                          | 1,940,014        | 0                           | 735,606             | 2,079,448              | 0                              | 4,755,068                     |
| Transfers out                              | 248,784          | 0                           | 6,327               | 4,162                  | 0                              | 259,273                       |
| Total Disbursements                        | 3,194,644        | 16,189,624                  | 926,013             | 2,083,610              | 320,464                        | 22,714,355                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | -108,979         | 831,132                     | -45,319             | 122,163                | -56,236                        | 742,761                       |
| CASH AND INVESTMENTS, JULY 1               | 13,792,675       | 396,886                     | 892,842             | 67,834                 | 224,965                        | 15,375,202                    |
| CASH AND INVESTMENTS, DECEMBER 31          | \$ 13,683,696    | 1,228,018                   | 847,523             | 189,997                | 168,729                        | 16,117,963                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND INVESTMENTS  
YEAR ENDED JUNE 30, 1998

|  | Civil<br>Account | Child<br>Support<br>Account | Criminal<br>Account | Garnishment<br>Account | Special<br>Interest<br>Account | Total<br>(Memorandum<br>Only) |
|--|------------------|-----------------------------|---------------------|------------------------|--------------------------------|-------------------------------|
| <b>RECEIPTS</b>                            |                  |                             |                     |                        |                                |                               |
| Court deposits, fees, bonds,<br>and others | \$ 7,209,098     | 0                           | 1,815,024           | 3,288,271              | 26,648                         | 12,339,041                    |
| Child support                              | 0                | 34,514,627                  | 0                   | 0                      | 0                              | 34,514,627                    |
| Interest income                            | 588,459          | 0                           | 11,187              | 3,965                  | 9,375                          | 612,986                       |
| Transfers in                               | 0                | 0                           | 0                   | 0                      | 570,347                        | 570,347                       |
| Total Receipts                             | 7,797,557        | 34,514,627                  | 1,826,211           | 3,292,236              | 606,370                        | 48,037,001                    |
| <b>DISBURSEMENTS</b>                       |                  |                             |                     |                        |                                |                               |
| State of Missouri:                         |                  |                             |                     |                        |                                |                               |
| Court fees                                 | 502,069          | 0                           | 185,094             | 0                      | 0                              | 687,163                       |
| Title IV-D                                 | 0                | 7,377,191                   | 0                   | 0                      | 0                              | 7,377,191                     |
| City officials                             | 714,421          | 0                           | 137,097             | 0                      | 475,000                        | 1,326,518                     |
| Child support                              | 0                | 27,220,943                  | 0                   | 0                      | 0                              | 27,220,943                    |
| Supplies and equipment                     | 0                | 0                           | 0                   | 0                      | 98,039                         | 98,039                        |
| Refunds and other                          | 3,552,339        | 0                           | 1,070,355           | 3,294,224              | 0                              | 7,916,918                     |
| Transfers out                              | 530,523          | 0                           | 39,824              | 0                      | 0                              | 570,347                       |
| Total Disbursements                        | 5,299,352        | 34,598,134                  | 1,432,370           | 3,294,224              | 573,039                        | 45,197,119                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | 2,498,205        | -83,507                     | 393,841             | -1,988                 | 33,331                         | 2,839,882                     |
| CASH AND INVESTMENTS, JULY 1               | 11,294,470       | 480,393                     | 499,001             | 69,822                 | 191,634                        | 12,535,320                    |
| CASH AND INVESTMENTS, JUNE 30              | \$ 13,792,675    | 396,886                     | 892,842             | 67,834                 | 224,965                        | 15,375,202                    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND  
NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the Circuit Clerk Fund, Twenty-Second Judicial Circuit, St. Louis City, Missouri.

Receipts, disbursements, and changes in cash and investments are presented for the Circuit Clerk Fund administered by the Office of the Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri. The operating costs of the office are paid directly from appropriations authorized by the St. Louis City Board of Aldermen and the state of Missouri, and are not included in these financial statements.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash and Investments for the Circuit Clerk Fund, Office of the Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Office of the Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, includes the transactions of the circuit divisions, associate circuit divisions, and the juvenile office.

The Circuit Clerk has been charged with the responsibility of administering the transactions of the circuit divisions, associate circuit divisions and juvenile office.

The Office of the Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, administers transactions within the Circuit Division (Circuit Clerk) Fund. These

transactions include receipts and disbursements of the civil, child support, criminal, garnishment, and special interest accounts for the circuit and associate circuit divisions. The civil account includes transactions for the courthouse restoration account, family court account, juvenile office, refund accounts, restricted accounts and investments.

## 2. Cash and Investments

Section 483.310, RSMo Cumulative Supp. 1999, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

### Deposits

The Circuit Clerk's deposits at December 31, 1998 and June 30, 1998, were entirely covered by federal depositary insurance or by collateral securities held by the Federal Reserve in the Circuit Clerk's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

### Investments

The Circuit Clerk's only investments of the various funds at December 31, 1998, were repurchase agreements with reported amounts of \$1,337,316, which approximated fair value.

These investments represent uninsured and unregistered investments for which the securities were held by the Federal Reserve in the Circuit Clerk's name.

The Circuit Clerk's only investment at June 30, 1998, was a U.S. Treasury bill with a reported amount of \$101,454 (which approximated fair value). The investment was held by the court's custodial bank in the Circuit Clerk's name.

3. Transfers

Transfers during the year were as follows:

|  | <u>Civil<br/>Account</u> | <u>Criminal<br/>Account</u> | <u>Garnishment<br/>Account</u> | <u>Special<br/>interest<br/>Account</u> |
|--|--------------------------|-----------------------------|--------------------------------|---|
| Cash transferred to Special<br>Interest Account: |                          |                             |                                |   |
| Six months ended December 31, 1998               | \$ (248,784)             | (6,327)                     | (4,162)                        | 259,273                                 |
| Year ended June 30, 1998                         | \$ (530,523)             | (39,824)                    | 0                              | 570,347                                 |

4. Missing Funds

The State Auditor's report "Special Review of the Circuit Criminal Division - Finance Department - Cash Bond Deposits," Report No. 99-39, for the time period July 1, 1997 through December 31, 1998, noted a misappropriation of at least \$9,300 in the Criminal Division - Finance Department. These monies are not included in the receipts and disbursements on the financial statements.

5. Criminal Division Monies Held in Civil Account

Criminal Account monies totaling \$885,000 are included in the Civil Account cash balances. This money is currently being held in certificates of deposit which are included in the Civil Account balance.

## Supplementary Data



## Schedule 1

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
AND INVESTMENTS

## CIVIL ACCOUNT

SIX MONTHS ENDED DECEMBER 31, 1998

|  | Civil<br>Refund<br>Account | Restricted<br>Accounts | Family<br>Court<br>Account | Courthouse<br>Restoration<br>Account | Total<br>(Memorandum<br>Only) |
|--|----------------------------|------------------------|----------------------------|--------------------------------------|-------------------------------|
| RECEIPTS                                   |                            |                        |                            |                                      |                               |
| Court deposits, fees, bonds,<br>and others | \$ 2,403,081               | 44,848                 | 23,190                     | 310,660                              | 2,781,779                     |
| Child support                              | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Interest income                            | 255,091                    | 46,898                 | 484                        | 1,413                                | 303,886                       |
| Transfers in                               | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Total Receipts                             | 2,658,172                  | 91,746                 | 23,674                     | 312,073                              | 3,085,665                     |
| DISBURSEMENTS                              |                            |                        |                            |                                      |                               |
| State of Missouri:                         |                            |                        |                            |                                      |                               |
| Court fees                                 | 362,303                    | 0                      | 0                          | 0                                    | 362,303                       |
| Title IV-D                                 | 0                          | 0                      | 0                          | 0                                    | 0                             |
| City officials                             | 326,743                    | 0                      | 0                          | 316,800                              | 643,543                       |
| Child support                              | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Supplies and equipment                     | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Refunds and other                          | 1,624,199                  | 285,982                | 29,833                     | 0                                    | 1,940,014                     |
| Transfers out                              | 248,784                    | 0                      | 0                          | 0                                    | 248,784                       |
| Total Disbursements                        | 2,562,029                  | 285,982                | 29,833                     | 316,800                              | 3,194,644                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | 96,143                     | -194,236               | -6,159                     | -4,727                               | -108,979                      |
| CASH AND INVESTMENTS, JULY 1               | 11,149,993                 | 2,282,142              | 43,532                     | 317,008                              | 13,792,675                    |
| CASH AND INVESTMENTS, DECEMBER 31          | \$ 11,246,136              | 2,087,906              | 37,373                     | 312,281                              | 13,683,696                    |

## Schedule 2

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND

## COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH

## AND INVESTMENTS

## CIVIL ACCOUNT

YEAR ENDED JUNE 30, 1998

|  | Civil<br>Refund<br>Account | Restricted<br>Accounts | Family<br>Court<br>Account | Courthouse<br>Restoration<br>Account | Total<br>(Memorandum<br>Only) |
|--|----------------------------|------------------------|----------------------------|--------------------------------------|-------------------------------|
| <b>RECEIPTS</b>                            |                            |                        |                            |                                      |                               |
| Court deposits, fees, bonds,<br>and others | \$ 4,424,581               | 2,102,142              | 47,580                     | 634,795                              | 7,209,098                     |
| Child support                              | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Interest income                            | 509,134                    | 76,349                 | 993                        | 1,983                                | 588,459                       |
| Transfers in                               | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Total Receipts                             | 4,933,715                  | 2,178,491              | 48,573                     | 636,778                              | 7,797,557                     |
| <b>DISBURSEMENTS</b>                       |                            |                        |                            |                                      |                               |
| State of Missouri:                         |                            |                        |                            |                                      |                               |
| Court fees                                 | 502,069                    | 0                      | 0                          | 0                                    | 502,069                       |
| Title IV-D                                 | 0                          | 0                      | 0                          | 0                                    | 0                             |
| City officials                             | 394,451                    | 0                      | 0                          | 319,970                              | 714,421                       |
| Child support                              | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Supplies and equipment                     | 0                          | 0                      | 0                          | 0                                    | 0                             |
| Refunds and other                          | 2,302,148                  | 1,193,102              | 57,089                     | 0                                    | 3,552,339                     |
| Transfers out                              | 530,523                    | 0                      | 0                          | 0                                    | 530,523                       |
| Total Disbursements                        | 3,729,191                  | 1,193,102              | 57,089                     | 319,970                              | 5,299,352                     |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | 1,204,524                  | 985,389                | -8,516                     | 316,808                              | 2,498,205                     |
| CASH AND INVESTMENTS, JULY 1               | 9,945,469                  | 1,296,753              | 52,048                     | 200                                  | 11,294,470                    |
| CASH AND INVESTMENTS, JUNE 30              | \$ 11,149,993              | 2,282,142              | 43,532                     | 317,008                              | 13,792,675                    |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

TWENTY - SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND  
SUMMARY OF FINDINGS

1. Criminal Division - Cashier's Office (pages 22-28)

The Criminal Division's safe was not always locked during the day. The numerical sequence of receipt slips was not accounted for properly, several unexplained changes were made to receipt slips and receipts were not always deposited timely. Some accounting duties were not adequately segregated, adequate information on payments received was not always entered on the computer and reconciliations between receipt slips issued and payments posted on the computer were not always performed. Monthly bank reconciliation procedures were inadequate. An independent reconciliation of receipts, disbursements, and transfers posted to the general ledger was not performed. An open-items listing was not prepared for some items, the Criminal Division had \$107,757 in unidentified monies and the bond open-items listing at December 31, 1998, included numerous old bonds.

2. Costs for Criminal Cases (pages 29-33)

A listing of accrued costs and restitution was not maintained and some monies were not disbursed properly. Criminal costs billings were not sent on a timely basis, nor was the city reimbursing appropriate criminal cost bills. Crime Victim's Compensation judgments were not collected from defendants assigned to St. Louis City's Medium Security Institution (MSI). The court did not prorate partial payments received on court costs.

3. Child Support Department (pages 34-41)

Receipts were not posted to the cash control records timely, nor were they deposited daily. Deposit report totals were not agreed to bank deposits or monies on hand. Bank reconciliations had not been prepared timely. Some accounting duties were not adequately segregated or reviewed by a supervisor. The cash balance exceeded the open-items listing by \$281,000 at December 31, 1998 and open-items listings for the Parent Locator and Dissolution bank accounts were not prepared. Listings of held payments were not periodically reviewed. Adjustments totaling \$32,890 were made to the November 1998 bank reconciliation for duplicate checks that were issued and cashed. Manual records of control totals were not maintained to compare to the computer records and some monthly reports were not printed timely. Adequate information was not provided to the city to allow for the proper disbursement of the non IV-D record-keeping fee.

4. Computer Operations and Controls (pages 41-43)

Passwords were not kept confidential. Access to certain programs and data files were not adequately restricted and change reports were not generated.

5. Missing Records (page 43)

Various accounting records maintained by the Child Support Department and Criminal Division were missing.

6. Civil Division (pages 44-52)

The open-items listing was not accurate and was not periodically reconciled to the applicable cash and investment balance. Computer records and manual records for each case did not always agree and case files did not include some pertinent financial information. Controls over the Cashier's drawers were not adequate and the name of the payor was not entered for each receipt. A printout of non-posted transactions was not periodically printed and reviewed and the mail log was not reconciled to the receipts entered for the day. Disbursements to the city were not always made timely and the court was holding old outstanding checks. Correction forms were not prenumbered and documentation was not maintained in the case files to support changes to the computer. Sixteen checks could not be located and returned checks were not always voided on the computer timely. There was no supervisory review of the disbursements prepared by the Assistant Finance Manager.

7. Costs for Civil Cases (pages 53-56)

The court was holding over \$8.5 million on cases that had already been finalized or on which additional costs were still due. In addition, second bills for costs due were not sent and court costs were not applied and disbursed on a timely basis. Records were not maintained to document total amounts due to the court and the court did not have procedures to review accrued costs and write off amounts deemed uncollectible.

8. Certified Copies Department (pages 56-58)

Controls over copy monies received were inadequate.

9. Garnishment Office (pages 58-60)

Garnishment disbursements were not always made on a timely basis. Monthly open-items listings did not agree to the bank balance and old outstanding checks were being held.

10. Special Interest Account (pages 60-61)

Bids were not always solicited nor was bid documentation always retained for expenditures made from the Special Interest Account.

11. Juvenile Office (pages 61-64)

Accounting duties over accrued costs were not adequately segregated.

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Office of Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, as of and for the six months ended December 31, 1998, and as of and for the year ended June 30, 1998, and have issued our report thereon dated August 19, 1999. That report expressed a qualified opinion on the special-purpose financial statements.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the office's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|  |
|--|
| <b>1. Criminal Division - Cashier's Office</b> |
|--|

The Circuit Criminal Division accepts checks, money orders, and cash payments of fines, court costs, bonds, and restitution. There were normally four clerks in the office during the audit period. Three of these clerks served as cashiers, in addition to performing their regular duties as bookkeeper, cashier supervisor, and assistant finance manager. The Criminal Division handled receipts totaling approximately \$881,000 and \$1,826,000 for the six months ended December 31, 1998, and the year ended June 30, 1998, respectively.

A. Monies received are recorded on a manual one-write receipt system. Each cashier has a separate cash drawer and individual, unique codes are used to access the drawers. At the end of the day, each cashier balances their drawer to the receipts recorded on the one-write receipt ledger. The cashier's supervisor recounts the money and agrees the cash composition of receipts to the one-write ledger and prepares the deposit. Monies to be deposited are placed in envelopes and stored in a combination safe until the security officers arrive to pick up the deposit the next day. We noted the following concerns:

- 1) The door to the safe is frequently left open throughout the day. The cashier's supervisor and assistant finance manager are not always in the room to watch over the safe contents. Various court employees pass through the Cashier's Office each day. The safe should be locked at all times to ensure that cash is adequately safeguarded.
- 2) The numerical sequence of prenumbered receipt slips was not accounted for properly. We noted several receipt numbers which were not shown as used or



voided. Cashiers also frequently change information entered on receipt slips through the use of "white-out", carbon paper, or other means. Explanations of these changes were not adequately documented in the receipt records.

To ensure all monies receipted are properly handled, the numerical sequence of receipt slips should be accounted for properly and any changes made to receipt slips should be done by issuing a new receipt slip and voiding and retaining the old receipt slip. Any unusual problems in recording transactions should be clearly documented and thoroughly explained.

- 3) The supervisor was to perform a reconciliation to compare the daily one-write pages to the daily deposit. We noted numerous differences between the daily one-write pages and deposit totals which were not adequately documented or explained in the accounting records. In addition, the cashier supervisor frequently changed the payment information entered on receipt slips from cash to money order and vice-versa. Complete documentation of the reconciliation performed, and any necessary corrections, should be retained to support conclusions and any corrections made to facilitate independent reviews.
- 4) Receipts were not always deposited in a timely manner. We noted several instances where monies received were not deposited for three to four business days. The average daily collections between July 1, 1998 and December 31, 1998, totaled approximately \$6,600, half of which was cash.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.

B. The following concerns were noted regarding supervision and segregation of duties:

- 1) The bookkeeper is responsible for receiving payments, recording cash transactions, issuing and canceling warrants, generating and recording disbursement vouchers, reconciling receipts to deposits, maintaining open-items listings, and making adjustments to accounting records. In addition, there is no independent reconciliation between receipts, disbursements, and transfers posted to the general ledger accounts by the bookkeeper and totals recorded on the cash control records, one-write receipt ledgers, and disbursement vouchers.
- 2) The Criminal Division uses the Regional Justice Information System (REJIS) to track court costs assessed, amounts paid, and amounts due to the court for each criminal case. Warrants are also issued through the REJIS system. The duties for entering case payment information and issuing and canceling warrants are not adequately segregated. Cashiers record receipts in case files and the supervisor, assistant supervisor, and bookkeeper, who also frequently function as cashiers,

enter payment information on the REJIS system from the case files. In addition, when a payment is made by a defendant with an outstanding warrant, the cashiers can cancel the outstanding warrant on the REJIS system. The receipt slip number, amount paid, and the balance due do not have to be recorded on REJIS to cancel the warrant.

Cashiers should not have access to change or enter payment information to the computer system. At a minimum, the Circuit Clerk should designate an employee with no receipt handling responsibilities to reconcile payments recorded on the computer system to payments recorded in the one-write receipt ledgers.

- 3) Payments recorded on the REJIS system are not reconciled to payments recorded in the one-write receipt ledgers. To ensure all payments are recorded accurately on the computer, the department should agree payments recorded on the REJIS system to receipts recorded in the receipt ledgers.

The activity posted to the REJIS system serves as the case history. To ensure all payments are accounted for properly and can be reconciled to the receipt ledger and all case files are accurate and complete, the court should record the receipt slip number and amount paid to the REJIS system. The court should then complete and document the reconciliation on a timely basis.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent supervisory review.

- C. Monthly bank reconciliation procedures were inadequate. A reconciliation between the bank statement and the general ledger and cash control records was not performed. Instead, bank transactions were only reconciled with bank deposit slips and the check register prepared by the Data Processing Department. We noted several large differences between the bank statement and transactions recorded in the cash control records and general ledger, which were not investigated or reconciled. In addition, numerous errors were made by the bookkeeper when posting receipts and disbursements to the various accounting records. For example, daily receipt totals recorded in the one-write ledgers were often incorrectly posted to the receipts journal. Also, some check sequences and voided check sequences were never recorded in the disbursement journal or transfer journal. Adequate bank reconciliations would help ensure such errors are identified and corrected.

Accurate, complete bank reconciliations are necessary to ensure all monies are accounted for properly, accounting records are correct and to identify errors on a timely basis.

D. The Criminal Division deposits bond monies, restitution payments, court costs, and other monies it receives into one checking account. A general ledger is maintained to account for balances of monies held in trust by the court. The reconciled bank account balance at December 31, 1998, was \$847,522.

- 1) Approximately \$107,757 in unidentified monies is accounted for in the "Miscellaneous" general ledger liability account and has been held in the checking account for the past several years. In addition, the general ledger liability account balances are not periodically reconciled with the cash balance. At December 31, 1998, total liabilities exceeded the cash balance by \$42,643. Listings of open items should be prepared monthly and reconciled to the checking account balances to provide assurance that all records are in balance and sufficient funds are available to cover liabilities. Monies due to other parties should be distributed accordingly. Sections 447.500 through 447.585, RSMo Cumulative Supp. 1999 (which relate to unclaimed property), should be used to disburse any unidentified or unclaimed monies.
- 2) An open-items listing associated with collected partial payments held in trust is not prepared and consequently is not reconciled to the cash balance. When the Criminal Division - Finance Department receives a significant payment of fines and court costs, the amount paid is disbursed that same month. However, if a defendant makes a small payment on the fines and costs, the payment remains on deposit until another significant payment is made, the costs are paid in full, or the court determines the costs will probably not be collected.

To ensure that there is sufficient cash to cover all liabilities for open cases, accurate and complete open-items listings should be prepared monthly and reconciled to the cash balance.

- 3) The bond open-items listing at December 31, 1998, included numerous old bonds, some which had been held over fifteen years. Current procedures require sureties to physically appear to apply for a bond refund. The Finance Department is currently reviewing open bonds in the bond ledger to ensure they are open. Some old unclaimed bonds have been identified as closed and disbursed but many still remain open in the bond ledger. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo 1994, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

These conditions were noted in our prior report.

**WE RECOMMEND** the Circuit Clerk:

- A.1. Ensure the Criminal Division's safe remains locked at all times.
- 2. Ensure the numerical sequence of all receipt slips issued is accounted for properly. In addition, void and retain incorrectly written receipt slips and thoroughly document any changes to the receipt records.
- 3. Ensure a documented reconciliation of receipts slips issued to monies deposited is performed by someone independent of cash receiving or recording functions. All differences should be investigated in a timely manner and their resolution documented.
- 4. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- B. Provide for adequate segregation of duties and ensure that independent reconciliations and reviews of accounting records are performed. In addition, ensure the receipt slip number and amount paid is included for all receipts recorded into the computer and receipts recorded on REJIS are reconciled to receipts recorded in the one-write receipt ledgers.
- C. Prepare complete and accurate bank reconciliations. In addition, ensure transactions recorded in various accounting records agree with information recorded in source documents (such as the one-write ledger and check reports).
- D. Prepare and maintain a separate open-items listing for each general ledger account and reconcile balances to bank and book balances. In addition, all monies currently held in the old checking account should be identified and properly disbursed, if possible. Unclaimed bonds should be disposed of in accordance with state law. Any monies that cannot be identified should be disbursed to the State Treasurer's Unclaimed Property Section in accordance with state law.

**AUDITEE'S RESPONSE**

- A.1. *We agree. We will establish a written policy that the safe will remain locked at all times. A newly created supervisor position will perform spot checks of the safe to ensure compliance with the new policy. We will require the supervisor to document in her weekly report when the spot checks were performed and the results. In addition, we will establish a written policy that no one other than assigned finance personnel will be allowed in the Criminal Cashier's Office.*

*Our goal is to immediately implement these changes.*

- A.2. *We agree. In May 1999, the Criminal Finance Department automated the receipting of criminal monies. The computerized cashiering system will address the problem of changing or altering the information on the receipt slip. The Criminal Cashier Supervisor (CCS) will be responsible for the accounting of the pre-numbered computer generated receipt slips. The computer program retains all void transactions. The cashiers cannot void a transaction and they do not have access to the stored information on voids. Only the Assistant Finance Manager and the Receipting Supervisor (RS) can void a transaction, and neither of these managers ever directly handles receipts. The RS will be responsible for reconciling the voids and reporting weekly to the Finance Director the use of voids.*

*The computer program will be able to report, at desired intervals, the number of voids and who created the void. The void report and other reports will be reviewed by the Finance Director and be part of the Finance Director's monthly report to the Circuit Clerk.*

*This plan of action is dependent upon anticipated computer programming enhancements. When these enhancements will be implemented is dependent upon several circumstances, the availability of funds and the priority assigned to these enhancements in relationship to other planned computer changes. Therefore, we cannot give a date by which this goal will be met, but we anticipate implementation of this plan within one year.*

- A.3. *We agree. The RS will reconcile the computerized deposit report to the daily deposit slip. The reconciliation will include the comparison of the composition of the deposit report to the deposit slip. All differences will be documented or explained in the accounting records by the CCS.*

*Our goal is to have these fully implemented within six months.*

- A.4. *We agree. The RS will be responsible for ensuring that deposits are made daily and intact. In addition, the Bookkeeping Department will document the timeliness of deposits when the general ledger is reconciled.*

*The Bookkeeping Department's reorganization is part of the general reorganization of the Finance Department. As a result of the plan, Bookkeeping has a new supervisor and three newly assigned employees. It will take several months for Bookkeeping to overcome a backlog of work and the initial learning curve to become a cohesive and effective team. Therefore, our goal is to have this part of the plan implemented within six months.*

- B. *We agree. After the discovery of the missing bond monies, we segregated the Bookkeeper's duties. Currently, no cashier who receipts money has any bookkeeping function. Under the current system, there is a supervisor who presently supervises the three cashiers and is responsible for the receiving and depositing of cash and checks. Employees who do not report to either the CCS or the RS, do all bookkeeping functions.*

*Additionally, as part of the new automated system, the receipting of payments by the cashier creates by automation a minute entry of the payment into the REJIS case management system for that particular criminal case. The computerized criminal cashier system transmits payment minutes to REJIS nightly. The REJIS minute entry now includes the computerized receipt number and the amount paid.*

*These automated changes have been fully implemented. We are continuing to monitor this change to assure that it is functioning as planned. We continue to review accounting duties to ensure there is proper segregation.*

- C. *We agree. During our recent reorganization of the Finance Department, we expanded the responsibilities of the Bookkeeping Department. The Bookkeeping Department will be responsible for preparing bank reconciliations for all bank accounts. In addition, their duties will include ensuring the transactions recorded in the various accounting records agree with information recorded in source documents.*

*Given the state of the Bookkeeping Department, as discussed above, our goal is to have these changes fully implemented within one year.*

- D. *We agree. The computerized cashiering system has the ability of maintaining an open-items list for receipts after May 1999. We are in the process of making the system fully operational, adding the disbursement information and functionality to the open-items list. There are two other impediments to implementing this recommended action. First, as discussed in the general response that follows, the integrity of the records prior to May 1999 is questionable. As such, the office must be reasonably certain that the party identified in the record is entitled to the funds indicated by the records. Second, as the fiduciary, the Circuit Clerk not only has to be reasonably certain that the correct person and amount has been identified, the Circuit Clerk needs to take all appropriate measures to locate the payees so that the office can reissue the checks. Once the office knows who is owed what, and that the identified payees cannot be located, the office will properly disburse the unclaimed monies as required by state law.*

*Our goal is to have this policy fully implemented within one year for cases initiated after 1999. It is not possible to give a date for achievement of this goal with respect to cases filed prior to 1999, as we need to determine the extent of the problem and then prepare a plan of action to correct the deficiencies.*

Also, see "General Response to Findings in Criminal Finance" beginning on page 62.

## 2.

## Costs for Criminal Cases

- A. A listing of accrued costs and restitution owed to the court is not maintained by the Circuit Clerk and monitoring procedures related to accrued costs are not adequate. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.

A complete and accurate listing of accrued costs would allow the Circuit Clerk to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected on a timely basis.

- B. Fees and fines collected by the Circuit Clerk were not remitted in a timely manner. Section 488.023, RSMo Cumulative Supp. 1999, requires the Circuit Clerk to remit all fees collected monthly.

Each month, totals recorded on the one-write receipt ledgers are used to calculate the amounts due to the state, city, and Board of Education. These collections are then supposed to be remitted around the fifteenth of the next month. Monthly collections due to the State of Missouri, the City of St. Louis, and the St. Louis City Board of Education, based on selected months reviewed, averaged approximately \$17,200, \$13,200, and \$9,600, respectively. Though remittances of some fees and fines are made each month, the balances owed to each of these entities at December 31, 1998, amounted to five to eight times the average monthly remittance. As illustrated in the table below, balances began to accumulate in fiscal year 1995 and have remained relatively constant over the past two years.

| Date              | State |         | City |        | Board of Education |
|-------------------|-------|---------|------|--------|--------------------|
| June 30, 1995     | \$    | 31,592  | \$   | 294    | \$ 3,455           |
| June 30, 1996     |       | 139,197 |      | 53,774 | 50,089             |
| June 30, 1997     |       | 125,645 |      | 43,886 | 86,615             |
| June 30, 1998     |       | 125,559 |      | 59,967 | 91,850             |
| December 31, 1998 |       | 126,142 |      | 59,250 | 81,590             |

We identified several months in 1997 and 1998 where only a portion of fees and fines collected were remitted to the state, city, and Board of Education. In addition, based on the change in the balances from 1995 to 1996, it is likely some fees collected prior to the audit period were also not fully disbursed. At December 31, 1998, monies collected from these prior periods were still held in the Circuit Clerk's Criminal Division checking account.

- C. Section 550.020, RSMo 1994, allows for the reimbursement of costs in criminal cases from the state when the defendant is sentenced to imprisonment in the penitentiary. Section

550.030, RSMo 1994, allows for the reimbursement of costs in criminal cases from the county when the defendant is sentenced to imprisonment in the county jail.

- 1) The Criminal Division had not submitted criminal cost billings for the court costs to the state on a timely basis. During our review, we noted as of May 24, 1999, the division had not prepared the billings from March 1999. Section 33.120, RSMo Cumulative Supp. 1999, requires all bills of costs be submitted to the state's Office of Administration within two years of the date of judgement and sentence. Failure to bill these costs on a timely basis could result in lost revenue to the city.
- 2) Criminal cost bill reimbursements are not properly disbursed. When the Criminal Division sends a cost bill to the state for a defendant sentenced to the penitentiary, the state sends a cost reimbursement check directly to the Circuit Clerk's Office. The Circuit Clerk's Office transmits the entire check to the city without providing the information necessary for the city to allocate and disburse these monies to the appropriate parties.

In addition, an inventory of the Criminal Division's safe contents performed on April 14, 1999, uncovered a check for \$14,430 dated August 24, 1998, addressed to the St. Louis City Treasurer. This was a remittance from the State of Missouri for court costs billed to the state by the Circuit Clerk. The Assistant Finance Manager indicated the check was not turned over to the city because he believed that the amount billed to the state was incorrect and needed to be investigated.

- 3) The Criminal Division sends a criminal cost bill to the St. Louis City Comptroller's Office when a defendant is sentenced to St. Louis City's Medium Security Institution (MSI). However, the court never receives any reimbursement from the city.

Costs reimbursed by the state or billed to the city include clerk fees allowed by Section 483.530, RSMo Cumulative Supp. 1999, and court reporter fees allowed by Section 485.120, RSMo 1994. Clerk fees should be disbursed in accordance with Section 488.023, RSMo Cumulative Supp. 1999, which states that clerk fees shall be paid over by the responsible clerk not less frequently than monthly, with 80 percent of the fees paid to the director of the Missouri Department of Revenue (DOR), and 20 percent of the fees paid into the city treasury. Section 485.120, RSMo 1994, states court reporter fees should be paid back to the DOR. The Circuit Clerk's Office could not determine the amount of such fees billed directly to the city and never paid.

Since the city is retaining all criminal cost bill reimbursements from the state and is also not reimbursing the court for criminal costs billed for defendants sentenced to MSI, this results in a loss of revenue for the state.



Conditions 2. and 3. were also noted in our prior report.

- D. The Criminal Division does not collect Crime Victims' Compensation (CVC) judgments from defendants assigned to MSI. Section 595.045, RSMo Cumulative Supp. 1999, requires the court to enter a judgment against the defendant of \$68 for the conviction of a class A or B felony, \$46 for a class C or D felony, and \$10 for certain misdemeanors.

When a defendant is sentenced to a state prison, the state Department of Corrections collects the CVC judgment from the defendant and remits the monies to the Circuit Clerk. These monies are then remitted to the DOR. However, procedures have not been established to require MSI to collect and remit such judgments to the court.

Failure to establish procedures for the collection of CVC judgments from defendants assigned to MSI results in a loss of revenue to the state, noncompliance with the judge's orders, and an inequity to those defendants who do make payments.

This condition was also noted in our prior report.

- E. Judges sometimes allow defendants to make partial payments of fines and court costs. If the court receives a significant payment of fines and court costs, the amount paid is disbursed that same month. However, when making these disbursements, there are no set procedures as to which costs will be paid first and the amount paid is not prorated among the various costs. In addition, the court reviews felony case files with accrued costs once a year to determine uncollectibility and at that time, any monies still being held on that case are disbursed. Again, when making those disbursements, monies held are not prorated among the various costs. The court does not periodically review misdemeanor case files with accrued costs to determine uncollectibility.

For any partial payments received, the court should prorate the amount paid among the various costs. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance of monies held in the case to be prorated among the various costs. Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and city of the use of those monies.

This condition was also noted in our prior report.

**WE RECOMMEND** the Circuit Clerk:

- A. Maintain a complete listing of accrued costs and restitution and establish procedures to routinely follow-up and pursue timely collection.

- B. Ensure all fees and fines collected are remitted monthly in accordance with state law. In addition, verify and disburse all monies collected in prior periods due to the state, city, and Board of Education.
- C.1. Submit criminal cost billings to the state on a timely basis.
- 2. Provide St. Louis City with the information necessary to allow the Treasurer and Comptroller to allocate and disburse criminal cost reimbursements received from the state. In addition, the Circuit Clerk's Office should identify similar fees from prior years and ensure those additional amounts are properly disbursed. Ensure remittances from the State of Missouri for reimbursement of court costs are turned over to the city treasurer upon receipt.
- 3. Develop a system to monitor criminal costs billed to the city, including all past billings, and work with the city to ensure those criminal costs are disbursed to the appropriate parties, including the state.
- D. Establish procedures to ensure the collection of CVC judgments due from defendants sentenced to MSI and disburse these funds as required by state law.
- E. Prorate any partial payments received among the various costs. In addition, identify those cases which contain uncollectible additional court costs and obtain a court order to close those cases.

### **AUDITEE'S RESPONSE**

- A. *We agree. The computerized cashiering system has the ability to track accrued costs and restitution. We will establish procedures and guidelines for monitoring the accrued costs. With additional software development, the current system can act as an automated probation officer for financial compliance with a defendant's term of probation. The system can be designed to generate a notice to a defendant on probation that the defendant owes money, and if a payment is not receipted notify and place the defendant on a docket for a court appearance in advance of the expiration of that defendant's term of probation. The judges have been advised of this potential automation capability and we await their direction as to whether this is a function they would like to have available.*

*Our goal is to have this change fully implemented within one year from the date the judges indicate they would want to use this tool.*

- B. *We agree. Improvements have been made relative to monthly disbursements of fines and fees collected. As part of the reorganization of the Finance Department, a new department has been created, the Disbursement Department. The Disbursement Department is to disburse all monies received by the Circuit Clerk's Office on a timely basis. As in most*

*changes, we anticipate modifications to procedures which will become apparent as the office evaluates the department's experiences. Naturally, it will take time for the newly created department to develop cohesiveness and experience. Given these factors, our goal is to be current with payments within nine months.*

*C.1. We agree. The office intends to use automation as the lasting solution to the issues raised by the State Auditor. We are currently exploring ways to automate the compilation of costs once a case has been disposed. This process is made more difficult in criminal finance, because of the differences between the two computer systems used in the criminal courts; the REJIS case management system and the Karpel criminal finance system. As such, we anticipate implementing this plan within one year. In the interim, the office will redouble its efforts to timely compile these costs. Until the process is handled through automation, the Criminal Cashiers' office will calculate the costs and submit the proposed bills to the Assistant Finance Manager for review. Following the Assistant Manager's review, the request for payment will be sent to the judiciary and the Circuit Attorney's office for their respective approval, and thereafter submitted to the state for payment. At the time of this response, the office is current with its billing to the state.*

*C.2. We agree that checks received from the state that are payable to the city should be transmitted to the city on a timely basis. However, to eliminate the possibility of a delay in transmitting these checks to the city we will pursue with the state the option of having the checks sent directly to the city.*

*Until the procedures are changed, the Director of Finance will receive and record all reimbursement checks from the state which are payable to the City of St. Louis. The check will then be given to the Assistant Finance Manager so that he can prepare the Receipt Coding Form (RCF). After the RCF is prepared, the Director of Finance will review and approve the RCF. An intra-office carrier will hand deliver the check and the RCF to the City Treasurer's Office for deposit. The Director of Finance will compare the date stamped RCF to our receipt records so that the office can ensure the timely delivery of checks to the City of St. Louis.*

*Our goal is to have this policy fully implemented within nine months.*

*C.3. The office will ensure that its statutory obligation in submitting the bills referenced is met.*

*D. We agree. We will establish procedures for collecting Crime Victim's Compensation judgements from defendants assigned to MSI.*

*Given the fact that the accomplishment of this goal will require cooperation with outside agencies, we cannot state when this goal will be met.*

- E. *We agree. The computerized cashiering system is planned to have the ability of disbursing partial payments on a monthly basis. We are currently working with the system's designer to make this function fully operational.*

*Our goal is to have this policy fully implemented within one year, assuming the office has the funding to complete the work and the personnel to operate the system.*

Also, see "General Response to Findings in Criminal Finance" beginning on page 62.

### **3. Child Support Department**

The Child Support Department was divided into two sections until September 1998:

Parent Locator: Cases where child support rights had been assigned to the state of Missouri or where the Missouri Division of Child Support Enforcement (DCSE) was providing support enforcement services (Title IV-D). Receipts handled by the Parent Locator Department totaled approximately \$5,713,000 and \$31,380,000 for the six months ended December 31, 1998, and for the year ended June 30, 1998, respectively.

Dissolution and Uniform Support: Cases where child support was ordered to be paid through the court and reciprocal child support cases with other states. Receipts handled by the Dissolution and Uniform Support Department totaled approximately \$567,000 and \$3,402,000 for the six months ended December 31, 1998, and for the year ended June 30, 1998, respectively.

The Missouri Automated Child Support System (MACSS) was installed in September 1998 to record and manage the receipt and distribution of all child support payments. Prior to this, the Regional Justice Information System (REJIS) was used as the Child Support Department's accounting system. Receipts handled after the conversion to MACSS totaled approximately \$10,739,000 through December 31, 1998.

- A. Child support payments are batched shortly after they are received. Each batch total must be recorded to MACSS, which assigns a batch control number. Clerks then record individual receipts within the batch to the computer. The sum of the individually recorded receipts must reconcile to the batch total for the receipts to be recognized in the cash balance in MACSS. Deposit reports are generated the next day and are to list all individual receipts composing the reconciled batches. The individual receipts that are related to unreconciled batches are stored in the computer and a "Cash on Hand" report must be requested from the computer to view these. Our review of receipting and depositing procedures noted the following concerns:

- 1) Child support monies were not always recorded to the cash control records on a timely basis and reconciled to batch totals. Receipts were frequently not recorded to the system for two or three days after the batch date. An estimated \$152,000 in receipts batched in December were not recorded to the system until January 1999, resulting in an understatement of the December 31, 1998, system cash balance. Approximately \$83,000 of this was batched on December 30 and December 31, 1998. These receipts were not deposited and related checks prepared until they were recorded in January.

In addition, approximately \$12,000 remained unreconciled for weeks or months after payments were recorded and checks were issued to recipients. One batch, dated October 6, 1998, was not reconciled until July 1999. These monies were deposited into the bank despite their status as unreconciled, but they were not included in the system cash balance. The MACSS monthly system receipt total is the sum of deposit reports generated, not the sum of receipts recorded to the system. If a batch of receipts is not included on a daily deposit report, even though it has been deposited, MACSS will not recognize this batch in the system cash balance.

Bank deposits are to be reconciled to the MACSS reported receipt totals when the monthly bank reconciliations are prepared. The department does not perform any reconciliation of monies received with the reported receipt total to identify and account for unrecorded or unreconciled receipts. The MACSS monthly receipt total should be compared with reports of recorded receipts and unreconciled batches to ensure the system provides a complete and accurate total of receipts.

- 2) We noted thirty-four of sixty-three deposits made in September and October 1998 were not timely. Lags between batch dates and deposit dates ranged from three to ten business days.

Also, daily deposit reports often did not include all batches entered for the applicable day. For example, the deposit report generated on September 15, 1998, did not include four batches received the previous day. These four batches were excluded from that day's deposit, and were recorded, reconciled, and deposited at a later date.

- 3) The Child Support Department does not always agree deposit report totals to monies on hand for deposit. We noted several instances in September and October 1998 where actual amounts deposited differed from amounts recorded on deposit slips and deposit reports. In one instance, the actual monies deposited exceeded the reported deposit total by \$47,254. The daily deposit reports generated excluded several batches receipted that day. These batches, however,

were included in the bank deposit, resulting in an additional credit appearing on the bank statement. Someone independent of receipt and recording duties should compare monies on hand for deposit with deposit report totals and validated deposit slips to ensure monies received by the department are properly deposited.

To ensure receipts are accounted for properly, all receipts should be recorded to cash control records on a timely basis and receipts per the cash control records should be reconciled to bank deposits. In addition, to adequately safeguard child support receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100. The department should account for batch numbers when the deposit is prepared to ensure all receipts are properly recorded. Batches which have not been recorded to the system should be deposited and promptly recorded the next working day.

- B. Bank reconciliations have not been prepared on a timely basis since MACSS was implemented in September 1998. The December 1998 bank reconciliation was not completed until December 1999. Bank reconciliations should be prepared on a monthly basis to ensure all accounting records are in balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis.
- C.1. The duties of receiving, recording, depositing and disbursing monies are not always adequately segregated. The assigned job duties of the Child Support Department allow for adequate segregation of duties. However, due to the new computer program and increasing work loads, these controls sometimes broke down. The supervisor would enter receipts into the computer system and reconcile the deposits when the clerks were behind. In addition, adequate reconciliations of receipt information to deposits is not performed by the overall division supervisor.

A similar condition was also noted in our prior audit.

- 2. The MACSS system allows access to “back out” a receipt. A receipt can be backed out for several reasons, such as worker error or a bad check received. When the receipt is “backed out” after having been posted to the case payment history, a negative amount and the date of back out will appear on the case payment history. In addition, the amount is deducted from the system cash balance. When a receipt is “backed out” before having been posted to the case payment history, the amount is simply never added to the system cash balance. Three people in the Child Support Department have access to back out receipts; however, no supervisory review of back outs is conducted.
- 3. Updates made on the computer for payees are not properly reviewed. The same employees entering payments on the system can make changes to the payee's name or address on the computer. Disbursements are automatically made to the payee named on the computer. To ensure the updates made on the computer are proper, someone

independent of the receipting process and independent of entering updates on the computer should periodically review changes made to payees on the computer.

A similar condition was also noted in our prior audit.

4. Five individuals in the Child Support Department have access to issue "demand checks". Demand checks are issued for such things as checks voided from the inactive parent locator and dissolution accounts, or if a check does not print clearly. There is no supervisory review of demand checks issued, and supporting documentation for the checks is not retained in the case files.

To adequately safeguard assets, the cash custody and record-keeping functions should be segregated where possible. Good internal controls over assets require the segregation of duties when possible or, at a minimum, periodic reviews or reconciliations by an individual other than the one maintaining the records to limit the possibility of undetected errors and the loss or misuse of funds.

- D.1. The open-items balance generated by MACSS is not reconciled to the cash balance on a periodic basis. At December 31, 1998, the system cash balance exceeded the open-items balance by approximately \$281,000. This difference appears to have resulted from monies transferred from another account which do not appear in the open-items balance.
2. The Child Support Department relies on the MACSS system to correctly process payments and issue checks to child support recipients. After money is received, the system issues checks to recipients when the support payments are due, not immediately upon receipt of the payment. When child support is prepaid, monies are held in the court's bank account and disbursed when they become due. Payments are also held if a current address is not available for a recipient, proper case information was not included on the payment received, or if the case has not been established on the system by the DCSE. The increasing number of payments being held in the account resulted in the December 31, 1998 cash balance increasing by over 200% during the last six months of calendar year 1998. The department does not periodically review listings of held payments to ensure that monies held in the account are being distributed when due.
3. An open-items listing for the Parent Locator and Dissolution accounts was not prepared on a regular basis. The reconciled bank balances at December 31, 1998, were \$134,441 in the Parent Locator account and \$1,115 in the Dissolution account. In addition, at December 31, 1998, old outstanding checks totaling \$91,784 had remained in the Parent Locator bank account in excess of one year. Due to the conversion to MACSS, both accounts have been inactive since September 1998.

An open-items listing for all accounts should be prepared and reconciled to the cash balances to ensure accounting records are in balance and that sufficient funds are available for the payment of liabilities. Complete documentation of reconciliations should be prepared and retained to support

conclusions and any corrections made to facilitate independent reviews. In addition, outstanding checks and held payment listings should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If any payees cannot be located or monies remain unidentified, Sections 447.500 through 447.585, RSMo Cumulative Supp. 1999 (which relates to unclaimed property), should be used to disburse these monies.

Similar conditions were also noted in our prior report.

- E. Adjustments totaling \$32,890 were made to the November 1998 bank reconciliation for checks that were issued with the same identification numbers and were cashed twice by the recipients. The court indicated duplicate checks were issued at various times throughout the period of September 1, 1998 to December 31, 1998. The court could not provide a list of check numbers, payees, amounts or case numbers of the items that cleared the bank twice. In addition, other adjustments were made on the November 1998 bank reconciliation for checks and deposits clearing the bank at amounts different than recorded on the books, as well as other miscellaneous bank credits and debits. These adjustments totaled approximately \$66,000. The court has not been scanning their bank statements and following up on these adjustments monthly. Without timely follow up actions, the court could possibly not be able to recoup any monies lost due to these errors.

All instances of duplicate checks clearing the bank should be identified and the monies recouped from the appropriate party. In addition, the court should scan the monthly bank reconciliations and investigate the miscellaneous debits and credits timely.

- F. The court depends on the MACSS computer system to provide complete and accurate financial data. The Child Support Department does not maintain manual records of control totals for voids, back out receipts, deposits, or checks printed to verify with the computer reports generated by the system. During our review, we also noted various reports such as the Receipts Posted report, Disbursements Register, Deposits Register, Cash On Hand report, Voided Check report, and Back Out Register were not printed on a monthly basis.

Due to the design of the MACSS computer system, it is vital that the court print these reports promptly on the first day of every month, before new receipts are entered. These reports were run at our request, but we were unable to completely reconcile the information since they were not printed the first of every month. Without the above reports printed on the correct day, and in the absence of manual control totals, we were unable to fully reconcile receipts to deposits for September and October 1998.

- G. The non IV-D record-keeping fee was not properly disbursed from October through December 1998. Checks were printed weekly for this fee in the Child Support Department, and were to be turned over to the city treasurer. The Child Support Department transmitted the checks to the city without providing the information necessary



for the city to allocate and disburse these monies to the appropriate fund. Since all necessary information was not provided to the city, these checks were returned to the court by the city.

Failure to adequately perform basic accounting procedures and reconciliations, and establish proper controls, severely lessens the Child Support Department's ability to adequately account for monies received and disbursed and hampers the office's ability to function efficiently. Timely action should be taken to correct these various deficiencies.

**WE RECOMMEND** the Circuit Clerk:

- A.1. Post all receipts to cash control records on a timely basis and reconcile the composition of receipts to bank deposits. In addition, reconcile monthly system receipt totals with totals of receipts posted and unreconciled batches.
2. Deposit receipts intact daily or when accumulated receipts exceed \$100, and establish procedures to account for all batch numbers assigned.
3. Require someone independent of cash receipting or recording functions to reconcile monies on hand for deposit with reported deposit totals and validated deposit slips.
- B. Prepare monthly bank reconciliations on a timely basis.
- C. Adequately segregate duties or ensure independent, documented reviews of the records are performed. In addition, ensure documentation supporting changes to the system is retained in the case files.
- D. Prepare listings of liabilities and reconcile to the cash balances on a monthly basis. Any differences should be investigated and explained on the reconciliations. The court should also review the listing of held checks on a periodic basis and ensure payments are being distributed when due, and attempt to notify those individuals with payments being held for non-current addresses. Procedures to routinely follow up and reissue any old outstanding checks should be adopted. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions.
- E. Identify instances of duplicate checks clearing the bank, and establish procedures to recoup any monies lost. In addition, procedures should be established to monitor checks and ensure duplicate checks are not issued. The court should also review the monthly bank statements in a timely manner, investigating differences between bank amounts and book amounts, and miscellaneous credits and debits, and ensure follow up actions are taken timely.
- F. Ensure all monthly reports are printed the first day of every month. In addition, manual records of control totals for voids, back out receipts, deposits and checks printed should

be maintained and reconciled monthly with the computer reports to ensure the accuracy of the information.

- G. Provide St. Louis City with the information necessary to allow the Treasurer and Comptroller to allocate the non IV-D record-keeping fee.

### **AUDITEE'S RESPONSE**

- A.1. *We agree. We will review the current process being employed by the staff. We will reduce to writing those procedures which we will continue to follow and we will make certain the procedures will result in the reconciliation of the daily cash control record to the bank deposit. Also, we will establish procedures for reconciling the monthly system totals to the totals of receipts posted and unreconciled batches.*

*Our goal is to have this policy fully implemented within six months.*

- A.2. *We agree. The Child Support Supervisor will be responsible for ensuring that deposits are made daily and intact. In addition, the Bookkeeping Department will document the timeliness of deposits when the bank reconciliation is prepared.*

*Our goal is to have this policy fully implemented within six months.*

- A.3. *We agree. The Bookkeeping Department will be responsible for ensuring the deposit report totals agree with the monies on hand and with the deposit slip.*

*Our goal is to have this policy fully implemented within six months.*

- B. *We agree. The current administration was advised that the child support system (MACSS) would not be able to operate with two separate bank accounts. Thus, the current administration was prevented from opening a new bank account in January 1999. A true reconciliation of the account for transactions in 1999 could not be completed until the account was reconciled for transactions done in 1998. Given the volume of checks issued monthly (nearly 18,000), we cannot reconcile the account without computer assistance. For a number of months the office was unable to use a computer for marking the checks, due to problems outside the control of this office.*

*The issues cited in the audit which result from not reconciling the account monthly are not unique to this office. The problem is shared by all large circuits throughout the state. The Office of the State Courts Administrator (OSCA) has been involved in assisting offices throughout the state in reconciling child support accounts.*

*In December 1999, because this process was taking too long, the Circuit Clerk authorized the office's Internal Auditor to begin reconciling the account. Since that date, the Internal*

*Auditor, working jointly with OSCA accountants, has reconciled the Child Support account through September 1999. The office is pursuing differences until they are resolved and will not simply “plug” differences to finish the process of reconciliation. This office is pursuing the appropriate party, when possible, for full reimbursements resulting from any errors discovered in the process. The office anticipates being current with reconciling the bank account for Child Support by the end of May 2000. The Internal Auditor is training the Bookkeeping Department personnel to reconcile the account until the time the office is no longer involved in the process of receipting and disbursing child support payments.*

- C. *We agree. We will review the current assigned duties of each employee in Child Support, to determine whether any further segregation of duties is necessary. If we cannot adequately segregate the duties, the Child Support Supervisor and the Director of Finance will perform a documented review of the Child Support records.*

*Our goal is to have this policy fully implemented within six months.*

- D. *We agree. We will establish procedures for reconciling the cash balance to the listing of liabilities. The Bookkeeping Department will be responsible for performing this duty. MACSS, by automation, withholds payments in excess of the amount of normal child support due during a particular time period. The recommendation reference to “held checks” assumedly refers to those funds which are held on account for that particular recipient in the MACSS system, as the office currently timely deposits all checks received. To the extent that these computer generated holds are due to a bad address, the office will develop procedures to use every reasonable effort to obtain a valid address for that payee. If the computer generated holds are caused for other reasons, the office will notify MACSS personnel to determine whether MACSS personnel will release the held funds, or whether the funds are being held due to a program error.*

*Our goal is to have this policy fully implemented within six months.*

- E. *We agree. We have now established procedures to monitor the issuing of checks from MACSS to ensure that duplicate checks are not released. The Circuit Clerk has no control of the MACSS system to initiate program changes to eliminate the possibility of producing either identical duplicated checks or checks with duplicate check numbers made payable to different payees. Nevertheless, we are working to identify any previously unknown duplicate checks, and we are exploring options for reimbursement for whatever funds that may have been improperly disbursed.*

*In February 1999 when identical duplicate checks were discovered, the office stopped payment on the second check. The office later paid on duplicate checks cashed by third parties (e.g. grocery stores), once the office knew that the recipient had other money due that recipient against which the office could offset.*

*The office has also discussed the issue of reimbursement with the Division of Child Support Enforcement to determine if there may be any claim of liability made against the MACSS software designer for unrecoverable losses. Furthermore, the office references its response to Recommendation B for issues raised regarding reconciliation of the child support account.*

- F. We agree. We will establish procedures and guidelines for reconciling manual control totals for voids, back out receipts, deposits and checks printed to the computerized reports. In addition, we will ensure all necessary monthly reports are printed on the first day of every month.*

*Our goal is to have this policy fully implemented within six months.*

- G. We agree. We are currently submitting the required information to the city.*

#### **4. Computer Operations and Controls**

- A. The Child Support Department started utilizing the Missouri Automated Child Support System (MACSS) in September 1998. We noted passwords which restrict employee access to MACSS computer files are not kept confidential. In addition, several of the department's employees have access to system features which are not necessary to perform their regular job duties. A unique password should be assigned to each user, and these passwords should be kept confidential to prevent unauthorized access to computer files. In addition, passwords should adequately restrict the capabilities of the respective user to only those duties the user has been authorized to perform.
- B. The Criminal Division Finance Department enters payment information on the REJIS computer system, which links the information with the case minutes that are also maintained on the REJIS computer system.

Access to certain programs and data files are not adequately restricted on the REJIS system. Although each employee of the Finance Department is assigned their own password that must be entered before they can access the system, one employee usually logs onto the computer in the morning and does not log off the computer until the end of the work day. Other employees can then make changes to computer information without having to log on themselves. The system indicates the initials of the person who makes each entry, based on the password of the person who logged onto the computer at the beginning of the day. Thus, if someone else makes an entry, the initials of the employee who originally accessed the system is shown.

Failure to require each employee to log on and make entries under their own unique password could allow unauthorized changes to be made in the programs and/or data files without being detected. To establish individual responsibility, as well as help preserve the

integrity of computer programs and data files, access to this information through the individual passwords should be enforced and should be limited to those individuals who need it.

- C. Change reports, which reflect changes to financial records and court minutes, are not generated. Inadequate segregation of duties over computer access, along with the weaknesses identified above with passwords, allows changes to be made to the computer systems without supervisory review. The capability to make changes to the financial records and court minutes without a periodic supervisory review of those changes increases the possibility that unauthorized changes could be made to programs and/or data files without the changes being detected.

To preserve the integrity of computer programs and data files, all changes should be identified by user and change reports should be reviewed by a supervisor.

**WE RECOMMEND** the Circuit Clerk:

- A&B. Ensure unique passwords are assigned to each employee, passwords remain confidential, and the passwords are used to restrict access to specific computer programs and data files to authorized individuals.
- C. Consider generating periodic change reports. In addition, the Circuit Clerk should ensure that the change reports are received by the proper personnel and all changes are promptly reviewed and any unusual items are investigated.

### **AUDITEE'S RESPONSE**

*We agree.*

*Our goal is to have these policies fully implemented within nine months.*

## **5. Missing Records**

Various accounting records maintained by the Child Support Department, including deposit reports, check registers and canceled checks for September 1998 to December 1998, were missing. In addition, various accounting records prepared by the Criminal Division, including the June 30, 1998, open-items lists, deposit slips, deposit records, canceled checks and case files were missing.

Retention of accounting records is essential to establishing accountability for the Circuit Clerk's financial activity and in demonstrating compliance with state law. Effective control of records requires all documents and records be safeguarded against loss due to fire, theft, or misplacement,

be accessible to the appropriate court employees and outside officials, and upon reasonable request, be accessible to the public.

**WE RECOMMEND** the Circuit Clerk ensure all records of the Circuit Court are properly retained and available for review.

### **AUDITEE'S RESPONSE**

*We agree. In the past, the office had numerous personnel in various locations acting in bookkeeping functions. Supervision of the accuracy and timeliness of bookkeeping was nearly impossible to monitor. Active and inactive financial records were spread out at the various locations in the courthouses.*

*An additional bonus of creating the Bookkeeping Department is one central location for all financial records. The office is in the process of collecting all current financial records for placement in this area. Bookkeeping is filing for future use current financial records that are being created and/or received. The office's priority is to ensure that the financial records from 1999 forward are complete and available.*

*Our goal is to have this policy fully implemented in twelve months.*

*The task of assembling past financial records will be cumbersome. There are rooms full of records in storage throughout the three courthouses and off site at the Globe Building. A review of these files is necessary to determine what if anything needs to be retained.*

*Our goal is to have this policy fully implemented within eighteen months.*

**6.**

### **Civil Division**

All circuit and associate level civil cases are initially filed in the Civil Cashier's Office. Except for garnishment cases which are handled by a separate office, the Cashier's Office is responsible for collecting all monies on civil cases and maintaining the related financial records. The Finance Department is responsible for reconciling the bank accounts, maintaining the open items lists and general oversight of the Cashier's Office. Receipts handled by the Cashier's Office totaled approximately \$2,930,000 and \$7,765,000 for the six months ended December 31, 1998, and the year ended June 30, 1998, respectively. The Circuit Clerk maintains several bank accounts for these monies:

**Refund Account:** All money received by the Cashier's Office for cases filed before January 1, 1998, was deposited and is disbursed through this account. The amount remaining in the Refund Account represents court fee deposits and monies placed in the registry of the court that have not been specified to go into a separate account.

Refund Account II: All money received by the Cashier's Office for cases filed after January 1, 1998, was deposited and disbursed through this account. The amount remaining in the Refund Account II represents court fee deposits and monies placed in the registry of the court that have not been specified to go into a separate account. This account was opened in March 1998, and all monies collected for 1998 cases prior to March 1998, were transferred from the Refund Account to this account. This account was then closed into the Refund Account in April 1999, and the Refund Account III was opened in January 1999 for cases filed after January 1, 1999.

Certificates of Deposit and Treasury Bills: The court invests some excess civil monies from the various refund accounts in Certificates of Deposit and U.S. Treasury Bills to obtain a higher rate of interest.

Restricted Accounts: These represent accounts established for monies placed in the registry of the court that have been specified to earn interest for the parties involved in the civil case.

A. A monthly open-items (liabilities) listing, indicating those cases on which there is an open balance of fees collected, was not consistently prepared. The Finance Department printed an open-items listing as of March 31, 1999, for the Refund Account and Refund Account II. The open-items listing included approximately 125,000 cases and totaled over \$10,250,000, while monies on hand at March 31, 1999, was approximately \$9,950,000. During further review of this open-items listing, we noted the following concerns:

- 1) When a case is filed, an initial deposit is paid to the court, and most of this deposit is held by the court pending disposition of the case. However, the court disburses certain court costs, including the Court Automation, Family Court, Law Library and Courthouse Restoration fees the same month the case is filed. The balance shown on the open-items listing for many cases includes these fees, even though they have already been disbursed. In addition, during our review of twenty-five cases on the open-items listing, we noted four cases where the balance shown on the open-items listing was incorrect because various modifications had been made to the balance. The open-items listing also included many cases filed by the City Collector, even though these court costs are manually taxed and disbursed monthly.

Including those court costs that have already been disbursed but not deducted from the open-items balance overstates the total open items.

- 2) Occasionally a judge will order additional money to be deposited with the court on civil cases, including cash bonds, registry deposits and guardian ad litem costs. The court holds these monies in the Refund Accounts until the judge issues a payout order. However, the court's open-items listing does not include these monies.

- 3) The open-items listings are not reconciled to the Circuit Clerk's applicable cash and investment balances on a periodic basis. Periodic listings of open items should be reconciled to monies held in trust by the court to ensure proper accountability over open cases and ensure monies held in trust by the court are sufficient to meet liabilities.

A periodic listing of open-items, along with appropriate reconciliations to bank and book balances, is an essential tool in ensuring that all records are in balance and that sufficient assets exist to cover the liabilities. To help prevent possible misappropriations of funds and to ensure that liabilities are ultimately distributed to the proper parties, an accurate and updated listing of all liabilities should be maintained and reconciled to the cash balance.

Similar conditions were also noted in our prior report.

- B. The Circuit Court uses a computer system to track the financial aspects, docketing, and minutes of all civil cases filed. The computer system has various fields to indicate the plaintiff's name, date and amount paid, date the monies are applied to court costs, user ID, each court cost taxed to the case, balance, and payee, date, amount and check number on the refund check. The manual case files also include the date paid, the amount of the plaintiff's initial deposit, and the costs taxed to the case. We noted the following problems when comparing the information in the manual case files to the computer financial information:

- \* For some cases reviewed, the computer indicated law library, courthouse restoration and court automation fees had been disbursed twice or indicated that these fees had not been disbursed, when it is the court's policy to disburse these monies monthly. The manual case files indicated that these fees had been charged to the case, but they rarely indicated whether the amounts had been disbursed.
- \* Some cases had negative balances on the computer when the court was actually holding monies for these cases. This was due to the way the court presents additional costs paid out-of-pocket by the plaintiff.
- \* The computer indicated monies were still being held for many cases filed by the City Collector, although it is the court's procedure to disburse these monies the same month they are collected. The manual case files indicated that the proper fees had been charged to the case, but did not indicate whether the amounts had been disbursed.
- \* Modifications for cashier errors can be made to the computer system to reflect monies collected or additional costs taxed to the case. Special coding is used to indicate these modifications; however, documentation was not always retained in



the manual case file or on the computer to indicate the reasons for the modifications.

- \* Bills were not always sent to all the responsible parties who owed court costs. We found a few instances where two defendants were to split the court cost fifty/fifty, but only one defendant was billed for 100% of the costs. In addition, on at least one case, a bill was sent to the petitioner when the judge had waived the court costs.
- \* A few instances were noted where the balance on the computer did not agree to the case balance on the open-items listing. Based on the information in the manual case file, the open-items listing appeared correct.

The court does not have a complete history of the financial transactions for each case. The computer contains some of the information and the manual case files contain other information. A supervisory review is not conducted to ensure that the computer information and manual case file agree. A final transaction summary is not printed to document that all monies have been collected and disbursed. In addition, the civil case files do not include the transaction numbers or dates of payments made on fines and court costs and dates of disbursements. While the case minutes are printed and included in the front of the manual case file, these minutes do not include any additional entries that are made by the Taxing Department.

To ensure accurate financial records are maintained, the computer information should be agreed to the manual case files and a final transaction summary should be printed to document that all monies have been properly handled. In addition, the amounts collected, transaction numbers, dates of payment, amounts disbursed, and check numbers and dates of disbursement should be recorded in the manual case file. All minutes should be included in the manual case file to indicate the current status of the case.

- C. Payments received by the Cashier's Office are entered into a computerized receipting system. There are four cashiers who enter payments into the computer. Cashiers have separate drawers and separate cashier numbers and passwords they enter to use their drawer. At day's end, cashiers balance their drawer with a computer report of transactions entered that day. Our review noted the following concerns:

- 1) The cashier drawers can be locked, unlocked, and opened with a key. This allows the cashiers access to their drawers without ringing in a transaction. To restrict access to the cash drawers, the cashiers should only be allowed to open their cash drawers when a transaction has been rung into the computer and money is collected.

- 2) The cashiers can enter information for a receipt into the computer system, and then exit the system without actually "posting" the information. The computer stores the information and assigns a transaction number to it. A printout of the "non-posted" transactions is not periodically run. A printout should be periodically run and scanned by a supervisor to ensure the non-posted entries appear proper and to account for the numerical sequence of transaction numbers.
- 3) The amount of payment is entered into the computer along with the case number for each receipt. However, the name of the person making the payment is not always entered into the computer. To enable receipt entries to be more easily reconciled to checks and money orders received, the name of the person making the payment should be entered on the computer.

A similar condition was also noted in our prior report.

- 4) The cashiers open the mail receipts, record the receipts on a mail log and enter the transactions into the computerized financial system. The mail log is not reconciled to the receipts entered for the day. Furthermore, the duties of receiving and recording mail receipts were not adequately segregated.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of opening the mail and keeping the mail log from recording the mail receipts on the computer. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of the work performed on mail receipts, and the mail log should be independently reconciled to the list of computer receipts daily.

- D. Several types of court fees have not been distributed to the appropriate funds on a timely basis. As of December 31, 1998, the court had not disbursed notary fees, copy monies, and dissolution fees since December 1995. Fees for transcripts, liens, computer reports, and marriage waivers were also not disbursed during the audit period, and the court did not have documentation of when these fees were last disbursed. The following is a list of the type and amount of fees that were received but not disbursed, during the time period of May 1996 to December 31, 1998:

| <u>Type of Fee</u>       | <u>Amount</u>     |
|--------------------------|-------------------|
| Copy Monies              | \$ 167,284        |
| Dissolution Fees         | 24,458            |
| Transcripts              | 9,450             |
| Computer Reports         | 29,186            |
| Marriage Waivers         | 10,679            |
| Notary Fees              | 21,607            |
| Liens                    | 993               |
| Total Undistributed Fees | \$ <u>263,657</u> |

Sections 488.023 and 483.550, RSMo Cumulative Supp. 1999, provide for the distribution of court fees to the city, state and other funds, and require fees to be distributed monthly.

A similar condition was also noted in our prior report.

- E. At December 30, 1998, old outstanding checks totaling approximately \$17,000 have remained in the Cashier's Refund Account in excess of one year. Some checks dated as far back as December 1995. The Cashier's Refund Account also had \$557 in reconciling items that were incorrectly deducted from the bank account, which date back to July 1994. These reconciling items were caused by checks that cleared the bank twice or cleared the bank for more than the amount written. The court should ensure that all reconciling items are investigated and resolved in a timely manner.

Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If the payees cannot be located, the amounts should be disposed of in accordance with Sections 447.500 through 447.595, RSMo Cumulative Supp. 1999, as applicable. The bank statements should be reviewed closely and any mistakes should be examined and disposed of in a timely manner.

A similar condition was noted in our prior report.

- F. The Cashier's Office uses a standard correction form prepared by the cashiers to initiate changes to data in the accounting system.
- 1) The correction forms are not prenumbered. Without a proper accounting for the numerical sequence of changes requested, the cashiers cannot be assured that all documents completed were properly submitted for processing.

- 2) When correcting items on the computer system, documentation was not maintained in the case file nor on the computer system to document the reason for the change. Supporting documentation for all changes should be maintained and reviewed periodically by someone independent to ensure that only authorized individuals are making the changes to data and to ensure the changes appear proper.
- G.1. The Finance Department could not locate sixteen selected checks, nine of which had been indicated as void on the court's records. The failure to retain voided checks increases the risk that misuse of funds will not be detected.
2. The department has several checks a month that are returned by the Post Office as undeliverable. These checks are immediately voided and defaced; however, the court does not void the checks on the computer system in a timely manner. We noted time delays of up to three months between the date the check was returned and voided, and the date the check was voided on the computer system. Checks should be voided on the computer system immediately to ensure accurate accounting records.
- H. There is no supervisory review of the disbursements prepared by the Assistant Finance Manager. One person prepares the check requests to the city and the state and no one else independently reviews the requests to ensure the payees and the amounts appear proper. To reduce the risk of misuse of funds, there should be an independent review of disbursements.

**WE RECOMMEND** the Circuit Clerk:

- A. Periodically prepare an open-items listing and ensure all balances listed are actually open items and that the listing does not include fees that have already been disbursed. The court should also maintain a record of monies held for cash bonds, registry deposits and guardian ad litem costs. The open-items listings should be periodically reconciled to the balance of applicable civil monies held.
- B. Record in the manual case file the date, amount, and transaction number for monies collected, and the date, amount, and check number of disbursements. In addition, a final financial summary from the computer should be included in the manual case file and should be reconciled to information in the case file. All minute entries should also be included in the case file to properly reflect the current status of the case.
- C.1. Allow access to the cash drawers only when a transaction is rung into the computer and money is collected.
2. Periodically run a printout of non-posted cashiers' transactions and ensure someone independent accounts for the numerical sequence of transaction numbers.

3. Require the cashiers to enter the name of the person making the payment for each receipt entry on the computer.
  4. Segregate the duties of receiving and recording the mail receipts. In addition, the mail log should be reconciled to the receipt records daily.
- D. Disburse all court fees monthly to the city and state as required by state law.
- E. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. The Circuit Clerk should consult with the State Treasurer's Office regarding the proper disposition of unclaimed funds. In addition, procedures to routinely follow up and reissue any old outstanding checks should be adopted. In addition, the Finance Department should review the bank statements monthly and investigate and resolve any reconciling items in a timely manner.
- F.1. Issued prenumbered correction forms and account for the numerical sequence.
2. Maintain supporting documentation for all changes to the computer system and ensure periodic independent review of these changes.
- G.1. Issue stop payment orders, attempt to locate, and void these missing checks. All voided checks should be properly defaced and retained.
2. Ensure returned checks are voided on the computer system in a timely manner.
- H. Perform an independent review to ensure the disbursements appear proper.

### **AUDITEE'S RESPONSE**

- A. *We agree. The problem cited with the open-items list has been cited in previous audits. As such, the new administration in January 1999 established a second open-items list for cases filed after January 1, 1999, hereafter referred to as Company II. The office continues to maintain an open-items list for cases filed prior to January 1, 1999, hereinafter referred to as Company I.*

*An additional accountant has been hired to review the civil open-items lists and to identify the validity of each liability represented on the list. Due to the size of Company I's open-items list, which is approximately \$10,200,000, it will take many months to identify the problems with this open-items list. Once we have identified the problems, we can develop a more realistic plan and time frame for correcting the open items, to the extent that it is possible to correct the records. The Bookkeeping Department will be responsible for*

*reconciling the open items for Company I and II to the balance of applicable civil monies held.*

*Our goal is to have this plan fully implemented within one year for Company II's open-items list. With respect to Company I's open-items list, it is not possible to state a time frame for attainment of this goal. We need to determine the extent of the problem to know how long it will take to make all possible corrections to the deficiencies found.*

- B. We agree. As noted in the response above, the additional accountant will identify the problems with the open items. Part of this project will be to review the computerized general ledger and manual case file and to make any necessary corrections. A proposal to place in each case file, at the time of final disposition, a computer generated financial statement of the case is currently being reviewed for its feasibility.*

*Our goal is to have this plan fully implemented within one year for Company II's open-items list. With respect to Company I's open-items list, it is not possible to state a time frame for attainment of this goal. We need to determine the extent of the problem to know how long it will take to make all possible corrections to the deficiencies found.*

- C.1. We agree. We will review this issue for possible automation or hardware solutions to restrict access to the cash drawers.*

*Our goal is to review this issue in six months for possible solutions.*

- C.2. We agree. We will work with the system's designers to design a computerized report of all cashier transactions, voiding those for which no money is actually receipted. The Supervisor of the Civil Cashier's Office will account for the numerical sequence of the computerized transaction numbers.*

*We will work with the system's designer to make the non-posted cashiers' transactions print out with the daily counter report.*

*Our goal is to have this policy fully implemented within one year.*

- C.3. We agree. We will request the system's designer to make the name field on the computer a required field.*

*Our goal is to have this policy fully implemented within nine months.*

- C.4. We agree. We have now segregated the duties of receiving and recording the mail receipts. We will reconcile the mail log to the receipts recorded daily.*

*Our goal is to have this policy fully implemented within six months.*

- D. *We agree. Improvements have been made relative to monthly disbursements of court fees to the city and state. As part of the overall reorganization of the Finance Department, the Disbursement Department was created to disburse all monies received by the Circuit Clerk's Office on a monthly basis.*

*Our goal is to have this policy fully implemented within one year.*

- E. *We agree. The Circuit Clerk has the fiduciary responsibility to take all reasonable steps to make certain that the records accurately reflect who is owed what amount. Once that determination has been made, as the fiduciary, the Circuit Clerk must take all reasonable steps to locate the payees so that the office can reissue the checks to the payees. Once the office is sure the record is accurate and all reasonable efforts to locate the proper payee have been made, and a payee still cannot be located, then the office will properly disburse the unclaimed monies as required by state law. In addition, we will establish procedures to routinely follow up and reissue any old outstanding checks. The Bookkeeping Department will be responsible for following up and reissuing any old outstanding checks.*

*Our goal is to have this policy fully implemented within one year for cases filed after January 1999. We are unable to state a date by which we will accomplish this goal with respect to cases filed prior to 1999.*

- F.1. *We agree. Pre-numbered forms will be used for corrections to the computerized general ledger.*

*Our goal is to have this policy fully implemented within six months.*

- F.2. *We agree. The Bookkeeping Department will be responsible for maintaining supporting documentation for all financial adjustments to the computer records. The Director of Finance will review all changes.*

*Our goal is to have this policy fully implemented within six months.*

- G.1. *We agree. The Bookkeeping Department will be responsible for ensuring the proper accounting for all voided checks.*

*Our goal is to have this policy fully implemented within six months.*

- G.2. *We agree. The Bookkeeping Department will be responsible for voiding returned checks on the computer system on a timely basis.*

*Our goal is to have this policy fully implemented within six months.*

- H. *Currently, the Assistant Finance Manager prepares the check requests to the city and the state. The Director of Finance reviews and approves the requests. After the Disbursement Department is fully operational, this department will be responsible for disbursing all civil fees to the city and the state.*

*Our goal is to have this policy fully implemented within six months.*

Also, see "General Response to Findings in Civil Finance and Garnishment" beginning on page 63.

## **7. Costs for Civil Cases**

Upon case closure, civil case files are sent through various departments in the Circuit Clerk's Office and then sent to the Taxing Department. The Taxing Department calculates which charges are due on the case. The taxing information is entered on the inside back cover of each case to summarize charges and disbursements of the case. Once the charges have been taxed, the case file is sent to the File Room.

If the filing fees are equal to or greater than the charges taxed and the plaintiff was ordered to pay court costs, the court costs are applied to the applicable funds for distribution and a refund check is issued, if necessary. For most cases, if the filing fee is less than the charges or the defendant was ordered to pay court costs, a billing is generated by the Taxing Department and sent to the applicable party. If and when the additional charges are received, all costs are then distributed. However, on Chapter 517 Landlord cases, even if the defendant was ordered to pay costs, as long as the filing fees are equal to or greater than the charges taxed, the plaintiff's filing fees are applied to the court costs for distribution and a refund check is issued, if necessary. Effective for **all** cases sent to the Taxing Department after July 28, 1998, the plaintiff's filing fees are to be applied to the charges taxed as long as the filing fees are equal to or greater than the charges, regardless of which party was ordered to pay court costs.

Our review of the above procedures noted the following concerns:

- A. According to a printout provided by the court's computer service, the court was holding over \$8.5 million at June 2, 1999, on cases that had already been finalized. These cases were finalized as far back as the late 1980's and either contain initial deposit balances insufficient to cover all costs charged on the case or the defendant was ordered to pay the court costs. In cases finalized before July 28, 1998, where the defendant was ordered to pay court costs, except Chapter 517 Landlord cases, the court does not refund the plaintiff's filing fee until the defendant pays the court costs in full.

As noted earlier, the court implemented procedures on July 28, 1998, to apply the plaintiff's deposit to court costs. However, the court was holding \$523,460 at June 30, 1999, on cases that were finalized between August 1, 1998 and May 30, 1999.



Section 514.060, RSMo 1994, states that "In all civil actions, or proceedings of any kind, the party prevailing shall recover his costs against the other party, except in those cases in which a different provision is made by law." In addition, Attorney General's Opinion No. 420, 1971 to Paden, concluded that "Even though the deposit was made by the plaintiff and the costs taxed against the defendant, the plaintiff must look to the defendant for recovery."

The court should consider either using the plaintiff's initial deposit when the costs are assessed against the defendant on all cases, or refund the plaintiff's initial deposit when the costs are assessed against the defendant.

A similar condition was also noted in our prior report.

B. Accrued court costs occur when costs assessed against a case exceed the amount deposited for the case, or the court costs were assessed against the defendant.

- 1) The Circuit Clerk does not adequately pursue the collection of accrued court costs. When such costs occur, the Circuit Clerk's office sends a statement to the appropriate party requesting payment. The court does not send second billings on cases unless the plaintiff calls and complains about not receiving a refund of the filing fee. No additional follow-up action is taken.

Inadequate procedures for the collection of accrued court costs may result in lost revenues. In addition, Section 546.870, RSMo 1994, requires the clerk to issue executions on amounts not collected at the end of each term.

- 2) Individual accrued court cost receivable balances are maintained by the Circuit Clerk on the computer financial system for each case; however, a receivables list was not maintained from July 1997 to December 1998, to summarize total amounts due to the court. A receivables list was not part of the regular computer reports, and special programming was needed to generate a receivables list.

A control account would assist the court in ensuring the accrued court cost records remain intact and in verifying the postings of collections and amounts due. A listing of accrued court cost receivable balances should be reconciled periodically to the control account. Furthermore, Section 483.550.5, RSMo Cumulative Supp. 1999, requires the Circuit Clerk to make periodic reports of delinquent court costs as may be required by the Office of State Courts Administrator.

To maximize revenues, the Circuit Clerk should maintain a listing of accrued costs and periodically follow up on accrued costs. An accrued cost listing would allow the Circuit

Clerk to more easily review the amounts owed to the court and take appropriate steps to follow up on initial billings to ensure all amounts owed are collected on a timely basis.

- C. Many of the funds held on deposit in the civil account are for old cases which contain deposits insufficient to cover all court costs charged in the case. If it appears unlikely the remaining amounts owed will be collected, a court order should be obtained to allow the balance in the case to be prorated among the various costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old, inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and city of the use of those monies.

**WE RECOMMEND** the Circuit Clerk:

- A. Consider either using the plaintiff's initial deposit to pay out court cost assessed against the defendant on all cases or refund the plaintiff's initial deposit when the costs are assessed against the defendant.
- B. Maintain a listing of, and periodically follow up on accrued costs. In addition, the court should send out second billings on costs that remain unpaid after a certain period of time.
- C. Identify those cases which contain uncollectible additional court costs and obtain a court order to close those cases by paying out monies in accordance with legal provisions or opinions.

**AUDITEE'S RESPONSE**

- A. *We will use the plaintiff's initial deposit to cover all costs assessed on the case. In addition, we will perform analysis to determine whether the initial deposit is sufficient to cover the cost of activity of civil cases. If the cost is determined to be insufficient, we will request the court en banc to increase the filing deposit.*

*Our goal is to have this policy fully implemented within one year.*

- B. *We agree that a listing of accrued costs should be maintained and periodic follow up should be performed. We will work with the system's designers to design a computerized report of accrued costs.*

*We will send a second billing on costs that remain unpaid. If thereafter, payment in full has not been received, then the office will take all measures to meet its statutory obligation.*

*This goal will require a computer enhancement, and when and if the goal can be achieved is dependent upon the Clerk's office having the funds and staff available to initiate and operate the planned system changes. Our goal is to have this policy fully implemented within one year.*

- C. *We will establish procedures and guidelines for identifying cases where the deposit is insufficient to cover all court costs assessed on the case. We will request our legal counsel to review this matter to determine how uncollectible court costs should be handled.*

*Our goal is to have this policy fully implemented within one year.*

Also, see "General Response to Findings in Civil Finance and Garnishment" beginning on page 63.

## **8.**

### **Certified Copies Department**

The Certified Copies Department makes copies of civil case files when requests are received. Requests can be made in person, over the phone, or through the mail. A request form is filled out by either the customer or an employee in the Certified Copies Department. The Certified Copies Department indicates the cost of the copies on this request form. The Certified Copies Department does not maintain records of how much was received by them and forwarded to the Civil Cashier's Office and how much should have been entered by the Cashier's Office. However, copy receipts entered by the Cashier's Office averaged about \$52,000 each year, which includes monies for copies made by the Certified Copies Department and the Child Support Department.

The Certified Copies Department sometimes prepares the copies while the customer waits and sometimes the customer will have to return at a later date to pick up the copies, depending on the size of the job and the availability of employees in the Certified Copies Department. The Certified Copies Department only handles payments made by company check or money order. If the person is paying with cash, the Certified Copies Department gives the customer the request form and the customer takes the cash and the request form to the Cashier's Office to pay. During our review of the procedures for handling copy receipts, we noted the following concerns:

- A. The Certified Copies Department does not account for the numerical sequence of prenumbered request forms used as receipt slips. In addition, a reconciliation between request forms returned by the Cashier's Office and request forms on file with the Certified Copies Department is not performed.

To account for all copy monies received, someone independent of handling the copy receipts should account for the numerical sequence of the request forms and reconcile payments shown on the request forms to payments entered for copies in the Cashier's Office.

- B. The Certified Copies Department does not transmit company checks and money orders received in the mail to the Cashier's Office on a timely basis. The supervisor of the Certified Copies Department indicated checks and money orders are transmitted to the Cashier's Office approximately twice a week. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made intact daily or when accumulated receipts exceed \$100.
- C. When the court makes copies for other government agencies, there is no charge. However, the Certified Copies Department did not always indicate why a request for copies was not charged. Many of the requests that were not charged did not indicate the name of the government agency receiving the copies.

Without an explanation for why some copying jobs were not charged, the court cannot determine that all requests that were documented as "no charge" were valid.

- D. Checks and money orders received through the mail are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied when the money is turned over to the Civil Cashier's Office. In addition, a listing of mail receipts is not maintained to reconcile with monies transmitted to the Civil Cashiers Office.

To reduce the risk of loss or misuse of funds, all checks and money orders should be restrictively endorsed immediately upon receipt. A listing of mail receipts is necessary to ensure all money orders have been recorded and can be reconciled to monies transmitted.

Conditions similar to A., B., and C. were also noted in our prior report.

**WE RECOMMEND** the Circuit Clerk:

- A. Require someone independent of handling the copy receipts to periodically account for the numerical sequence of the request forms and reconcile payments shown on the request forms to payments entered for copies in the Cashier's Office.
- B. Transmit receipts intact daily or when accumulated receipts exceed \$100.
- C. Require appropriate information and the reasons for not charging for copies be documented on all request forms as applicable.

- D. Restrictively endorse checks and money orders immediately upon receipt and prepare a list of mail receipts when the mail is opened. In addition, someone independent should reconcile the mail listings to monies transmitted.

**AUDITEE'S RESPONSE**

- A. *We agree. The Bookkeeping Department will account for the numerical sequence of the request forms and reconcile payments shown on the request forms to the payments received in the Civil Cashier's Office.*

*We will also consider automating the Certified Copies Department to make it easier to account for the pre-numbered request forms to ensure that all monies are properly handled.*

*Our goal is to have this policy fully implemented within one year.*

- B. *We agree. The Certified Copies Department will transmit checks and money orders received to the Civil Cashier's Office on a daily basis.*

*We will also consider having the Civil Cashier's Office receive directly all mail receipts for copies to provide better accountability of monies received.*

*Our goal is to have this policy fully implemented within one year.*

- C. *We agree. We will require that the Certified Copies Department document the name of the individual or government agency receiving the copies and the reason for not charging for copies.*

*Our goal is to have this policy fully implemented within nine months.*

- D. *We agree. Until the procedure change affecting which department will receive mail receipts for copies, the Certified Copies Department will restrictively endorse all checks and money orders immediately upon receipt.*

*Our goal is to have this policy fully implemented within nine months.*

|                              |
|------------------------------|
| <b>9. Garnishment Office</b> |
|------------------------------|

The Garnishment Office is responsible for the collection and disbursement of garnishments. Receipts handled by the Garnishment Office totaled approximately \$2,206,000 and \$3,292,000 for the six months ended December 31, 1998, and the year ended June 30, 1998, respectively.

- A. Disbursements are not made immediately after the ten day holding period as established by "local order" Rule No. 82.3.1. Our review of receipts noted the average number of days between receipt and disbursement was almost thirteen days. The number of days between receipt and disbursement ranged between zero and thirty-one days. In addition, at April 30, 1999, the Garnishment Office was holding \$2,162 that had been held over two months.

The Garnishment Supervisor indicated the reason for the delays is due to the inability to find the case files. She indicated the judge requires the Garnishment Office to have the case file before monies are disbursed.

To ensure victims receive their restitution according to the court rules and to ensure timely processing of garnishment payments, garnishments should be disbursed immediately after the ten day holding period.

- B. Monthly open-items listings are prepared by the Garnishment Office; however, the listings are not reconciled to the bank account balance. The total identified open items at December 31, 1998, exceeded the balance in the bank account at that date by approximately \$73,300. The difference between the open-items listings and the balance in the bank account appears to fluctuate each month.

The monthly listing of open items should be reconciled to the bank balance to ensure proper accountability over garnishment monies.

- C. At December 31, 1998, old outstanding checks totaling \$5,828 had remained in the garnishment bank account in excess of one year.

Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If the payees cannot be found, Sections 447.550 through 447.585, RSMo Cumulative Supp. 1999, which relate to unclaimed property, should be followed to disburse these monies.

Similar conditions were also noted in our prior report.

**WE AGAIN RECOMMEND** the Circuit Clerk:

- A. Disburse monies immediately after the ten day holding period according to local orders. The court should consider reconstructing case files that cannot be found so disbursements can be made in a more timely manner.
- B. Investigate and resolve differences between the monthly open-items listings and the balances in the bank account. The open-items listings should be reconciled to the balance in the bank account on a monthly basis.

- C. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, procedures to routinely follow up and reissue any old outstanding checks should be adopted.

### **AUDITEE'S RESPONSE**

- A. *We agree that monies should be disbursed immediately after the ten day holding period. We have now established procedures for reconstructing case files that cannot be found so that we can disburse garnishment monies in a more timely basis.*

*Also, see response to MAR No. 2.B. on the reorganization of the Finance Department. The Disbursement Department will be responsible for ensuring that garnishment monies are disbursed in accordance with the local rule.*

*Our goal is to have this policy fully implemented within three months.*

- B. *We agree. It is our intention to resolve the differences between the open-items list and the reconciled bank balance. The difference between the open-items list and the reconciled bank balance continues to fluctuate. We believe that there are computer program errors in the system and we will continue to work with the system's designers to identify and correct the problems with the computerized garnishment system.*

*Our goal is to have this policy fully implemented within eighteen months.*

- C. *We agree. The Circuit Clerk has the fiduciary responsibility to take all reasonable steps to make certain that the records accurately reflect who is owed what amount. Once that determination has been made, as the fiduciary, the Circuit Clerk must take all reasonable steps to locate the payees so that the office can reissue the checks to the payees. Once the office is sure the record is accurate and all reasonable efforts to locate the proper payee have been made, and a payee still cannot be located, then the office will properly disburse the unclaimed monies as required by state law. In addition, we will establish procedures to routinely follow up and reissue any old outstanding checks. The Bookkeeping Department will be responsible for following up and reissuing any old outstanding checks.*

*Our goal is to have this policy fully implemented within one year for cases filed after January 1999. We are unable to state a date by which we will accomplish this goal with respect to cases filed prior to 1999.*

Also, see "General Response to Findings in Civil Finance and Garnishment" beginning on page 63.

**10.**

### **Special Interest Account**

The Circuit Clerk maintains a special interest bank account to deposit interest earned from unrestricted court deposits and to make payments for purchases in accordance with Section 483.310.2, RSMo Cumulative Supp. 1999. During the period of July 1, 1997 to December 31, 1998, the court spent approximately \$168,000 from this account. Our review noted bids were not always solicited for major purchases nor was bid documentation always retained. We noted the following four items purchased for which documentation of bids was not available:

| <u>Item</u>   | <u>Amount</u> |
|---|---------------|
| Printing cash payment receipt book, envelopes, and Local Rules of the Court | \$9,787       |
| Printing Chapter 517 summons  | 7,647         |
| Consulting Services   | 30,438        |
| Paper Shredding   | 3,131         |

According to Circuit Clerk personnel, the printing jobs were not bid because they were considered emergency purchases. However, there was no documentation to explain why an emergency purchase was necessary in this situation.

Bidding procedures for major purchases provide a framework for economical management of court resources and help assure the court that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in public business. Documentation of bids should include at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposals, the newspaper publication notice when applicable, the bids received, the basis and justification of awarding the bid, and documentation of all discussions with vendors.

This condition was also noted in our prior report.

**WE AGAIN RECOMMEND** the Circuit Clerk solicit bids for all major purchases and retain appropriate documentation of these bids. In situations where bids cannot be taken, the reasons for not taking bids should be documented and retained.

### **AUDITEE'S RESPONSE**

*We agree that whenever possible competitive bidding should be used for all major purchases. We will establish a formal bidding and purchasing policy for purchases using special interest funds to address the concerns noted by the State Auditor.*



*Our goal is to have this policy fully implemented within six months.*

**11.**

### **Juvenile Office**

The Circuit Clerk's Juvenile Office receives payments for filing fees and court costs on cases concerning adoption and termination of parental rights. Receipts handled by the Juvenile Office totaled approximately \$52,000 and \$110,600 for the six months ended December 31, 1998, and the year ended June 30, 1998, respectively. Accounting duties are not adequately segregated. One court clerk prepares the court cost bills, receives monies, and records receipts. Further, there is no documented independent review of accrued cost files.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. At a minimum, there should be a documented review and comparison made by an independent person of the receipt slips issued to amounts transmitted to the Civil Cashier's Office for deposit and to payments recorded in the case files.

**WERECOMMEND** the Circuit Clerk adequately segregate the duties of billing, collecting and recording court cost payments. At a minimum, there should be a documented supervisory review of the various supporting records.

### **AUDITEE'S RESPONSE**

*We agree. We are in the process of automating the Juvenile Office with a computerized cashiering system similar to what is used for the Civil Cashier's Office. As part of automating the Juvenile Office, we will attempt to segregate the accounting duties as much as possible with a limited number of staff. If we cannot adequately segregate the accounting duties, the Receipting Supervisor and the Assistant Finance Manager will perform a documented review of the accounting records.*

*Our goal is to have this policy fully implemented within one year.*

### **AUDITEE'S GENERAL RESPONSES**

#### **General Response to Findings in Criminal Finance**

*It has been an overall goal of the current administration to improve the professionalism and accuracy of the Finance Department. To fully respond to the findings and recommendations of this audit, which Circuit Clerk Favazza requested, it is necessary to state a candid evaluation of the state of the office's financial controls as of December 31, 1998.*

*In addition to the numerous and serious issues that have historically plagued the Circuit Clerk's office, as is discussed below, there were concerns regarding the handling of money by non-*

*finance employees. In January 1999, the office discovered several courtroom clerks in the Municipal Court Building who were receipting cash payments in courtrooms without any controls. In one such incident, a courtroom clerk accepted a cash payment from a bondsman without issuing a receipt or counting the money, and then placing the money in her unsecured desk drawer.*

*There were many internal issues of poor controls within the Finance Department itself. The department was not automated in the area of criminal finance. All record keeping, such as it was, was done manually. As of December 1998, there was no listing of the financial liability the office owes to others, hereinafter referred to as open items. At best, the office maintained source documents from which such a list could be created. Among these source documents are the McBee sheets, the Bond Ledger, and individual payment sheets that are supposed to be kept in each criminal case file folder. Neither the McBee sheets or the Bond Ledger can be assumed to be accurate (the McBee sheets contain numerous changes, and the Bond Ledger total does not agree with the total for bonds in the General Ledger). Given the sheer number of criminal case files involved, estimated at tens of thousands, it is impracticable to manually review each case file and extract the file's payment sheet, assuming the information on the payment sheet is more accurate than the other source documents. As such, no accurate open-items list for funds collected prior to 1999 can be created. Absent an accurate open-items list for funds collected prior to 1999, there is no way to determine how much money the office should have. In short, the records prior to 1999 are not reliable, and there is no true point of reference from which an accurate accounting can begin.*

*Given these factors, the current administration decided to separate itself from previous administrations by starting new records for business conducted after December 31, 1998. In an effort to immediately effect change, the office began an open-items list starting on the first day of business in January 1999 on Microsoft Excel. Despite the efforts to accurately maintain this list, because its production was done in the same manner as records kept on paper, by hand, there is no reason to assume the open-items list is any more accurate than any other records maintained by the same personnel. Financial records are only as good as those who prepare and check their accuracy, therefore it was determined that without delay the office would begin an all out effort to automate the Criminal Finance office.*

*Efforts to automate the Criminal Finance office were well under way by the time the auditors discovered a theft in the Criminal Finance office, which occurred prior to the current administration. Shortly after the discovery of the theft, the receipting functions of the new criminal finance system went on line. Since May 1999, the office has been operating the new automated system in parallel with the manual system. The office will continue to operate both systems until we have confidence that the automated system is functioning properly.*

*Since May 1999, the Finance Department has undergone numerous personnel changes in upper level management. By the end of 1999, the Finance Department had a new Finance Director, who came to the office from the State Auditor's office, and a new Assistant Finance Manager,*

*who came to the office from the auditor section of the office of the Comptroller of the City of St. Louis. Several other management changes have been made. The result of these changes is a department that is professionally managed. The new team of managers has developed a plan to reorganize the Finance Department. Implementation of this plan awaits the reassignment of personnel whose work will be performed by the Family Support Payment Center.*

*Even with a more professional and better organized staff, the office needs to move forward in automating Criminal Finance (refining the receipting functions, and further developing disbursement functions). An accurate automation system is essential to insure the integrity of the Clerk's financial records. These ongoing automation changes will continue so long as the office has the personnel to operate them and funds available to pay for them.*

*There are several current issues which may jeopardize the progress of automation. First, there is a bill pending in the Missouri Legislature, sponsored by Senator John Schneider of Florissant, Missouri which will transfer from the Circuit Clerk to the Presiding Judge all data processing personnel. If the Circuit Clerk does not control the data processing personnel, then the Circuit Clerk cannot institute the planned changes in automation.*

*Second, the judges of this circuit, believing they have the authority, have attempted to reduce the Circuit Clerk's budget for Fiscal Year 2001. At issue in the budget are funds included to continue automation changes in the Finance Department, in civil, criminal and garnishment. The Circuit Clerk's version of the Circuit Clerk's budget has been submitted for the City's consideration. Should the approved budget not include funds for ongoing automation and changes to automation, then the Circuit Clerk will not be able to institute the plan of action to respond to the issues raised by the audit which would best be addressed through automation.*

### **General Response to Findings in Civil Finance and Garnishment**

*Although the financial records in Civil Finance have been automated for years, previous administrations did not rely on the automated records and to some extent tried to account for Civil Finance by manually created records. In December 1998, prior to the new administration taking office, the new administration held discussions regarding the state of the automated systems for Civil Finance. From those discussions, and with the help of an outside accounting firm, it was discovered that the automated systems were unable to balance. Computer program changes were ordered to take effect on January 1, 1999, which were meant to address the issues discovered.*

*Throughout the first six months of 1999, the office engaged and relied on the accounting services of the accounting firm, Lopata, Flegel and Associates (Lopata). On Lopata's advice, new bank accounts were established and separate records were created beginning January 1, 1999. Through Lopata's direct work with the Circuit Clerk, in conjunction with outside computer programmers, numerous ongoing computer programming changes were made which resulted in more accurate financial records. The office continues to evaluate the accuracy of*

*the open-items list as it relates to the civil general ledger, and anticipates that further changes to computer programming will be necessary to correct remaining inaccuracies in this area.*

*In addition, the office is exploring computer options to include financial transactions which occur at the juvenile court. These transactions and the interrelationship of special cases (the Leggett cases) and garnishment continue to create inaccuracies in the civil general ledger. Further investigation of computer programming and additional enhancements are planned to address these on going challenges.*

*Garnishment transactions continue to remain a problem because the amount of difference between the open-items list and cash on deposit continues to fluctuate. The system used for garnishment transactions is one of the oldest computer programs operated by the office. The office continues to discuss options regarding the best way to address this area of finance. As part of the groundwork for that discussion, the Circuit Clerk directed the office's Internal Auditor to review garnishment transactions during the past year.*

*One conclusion the Internal Auditor came to involves a rumored transfer of funds to civil investments. The Internal Auditor determined that there is no basis to conclude that any money was transferred from the garnishment account into civil "investments." The rumored transfer of \$40,000 to \$50,000 from garnishment does not appear to be true. Thus, the difference between the total of current open items and the cash on deposit, which ranges between \$60,000 to \$70,000, cannot be explained even in part by a phantom transfer of funds. The State Auditor's review of the records and process raised several questions which are being further reviewed by the Finance Department in conjunction with the computer programmers.*

*This report is intended for the information of the management of the Office of the Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.*

## Follow-Up on Prior Recommendations

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
CIRCUIT CLERK FUND  
FOLLOW-UP ON PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Office of the Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, on applicable recommendations made in the Management Advisory Report (MAR) of our report for the entire circuit for the two years ended June 30, 1996; our special review of the Circuit Criminal Division - Finance Department; our special review of Circuit Civil Division - Cashier's Office - Chapter 517 Landlord Case Initial Deposits; and Kerber, Eck, and Braekel's (KEB) report of the Circuit Clerk Fund for the year ended June 30, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the office should consider implementing these recommendations.

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI,  
TWO YEARS ENDED JUNE 30, 1996

Finding Nos. 1 and 13 from this report relate to the Probate Division and the Juvenile Division, respectively. These divisions were not within the scope of the current audit.

2. Circuit Clerk's Civil Division - Cashier's Office

- A. The balance of initial filing fee deposits shown on the open-items listing for each case included the Court Automation, Family Court, Law Library and Court Restoration fees, even though those fees had already been disbursed. In addition, one case was noted where the balance on the open-items listing included a refund that had already been made to the plaintiff. Also, the open-items listing did not include cash bonds, registry deposits, and guardian ad litem costs deposited.
- B.1. The cashiers only had to enter their cashier code number to enter payments into the computer and to open their cash drawer; no separate password was required.
  - 2. Access to the cashiers' cash drawer keys was not restricted.
  - 3. The name of the person making payment was not usually entered into the computer.
  - 4. Some receipt entries that were noted as voids on the reconciliations of the daily computerized receipt reports were not actually voided off the computer system. In addition, one receipt entry that was noted as a void on the reconciliation was not voided off the computer system on a timely basis.

- C. The Child Support Division of the Circuit Clerk's Office used the same series of prenumbered manual receipt slips used by the Cashier's Office. However, receipt slip series were not always assigned to the two departments in sequential order and the Purchasing Department did not maintain a log to document the series of receipt slips that were assigned to each office. In addition, the Cashier's Office did not account for the numerical sequence of the prenumbered manual receipt slips issued or ensure all were entered into the Cashier's computerized receipting system.
- D. No one at the court reconciled amounts recorded for various miscellaneous receipt categories with supporting records maintained by other divisions or agencies.
- E. The court did not always record restricted accounts' interest earned and service charges in the ledger maintained for restricted accounts.
- F. There were several months where the Cashier's Office was not disbursing fees and costs due to the city and state monthly. In addition, there were several types of court fees totaling approximately \$87,000 as of November 1996, that had not been distributed to the appropriate funds on a timely basis.
- G. At June 30, 1996, old outstanding checks totaling approximately \$19,000 had remained in the Cashier's Refund Account in excess of one year.

Recommendation:

The Circuit Clerk:

- A. Continue to follow up on correcting the open-items listing. The court should ensure all balances listed are actually open items and that the listing does not include fees that have already been disbursed. The court should maintain a record of monies held for cash bonds, registry deposits and guardian ad litem. Accurate open-items listings should be prepared periodically and reconciled to the balance of civil monies held.
- B.1. Restrict access to the cash drawers by requiring cashiers to enter their own password before payments can be entered on the computer and cash drawers opened.
  - 2. Ensure the cashiers lock their cash drawer and take their key whenever they are going to be away from the area.
  - 3. Request the cashiers to enter the name of the person making the payment for each receipt entry on the computer.

4. Ensure someone independent of the receipting process reviews all receipt entries that are noted as voids on the daily receipt report reconciliation to ensure they appear proper and have been voided on the court's computer system.
- C. Ensure someone independent of the receipting process accounts for the numerical sequence of all manual receipt slips issued and ensures all manual receipt slips are entered into the Cashier's computerized receipting system. In addition, the Purchasing Department should assign receipt slips in numerical sequence and maintain a log of receipt slips assigned to each office.
- D. Ensure someone independent of the receipting process periodically agrees records of payments sent to the Cashier's Office maintained by other departments to the Cashier's Office receipt records.
- E. Ensure all interest earned and service charges are recorded in the ledger maintained for the restricted accounts.
- F. Disburse all court fees monthly to the city and state as required by state law.
- G. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. The Circuit Clerk should consult with the State Treasurer's Office regarding the proper disposition of unclaimed funds. In addition, procedures to routinely follow up and reissue any old outstanding checks should be adopted.

Status:

A., B.3.

& F. Not implemented. See MAR No. 6.

B.1., 2.,

4. & C. Implemented.

- D. Partially implemented. The Writs Department agrees their records of notary fees, marriage waivers and mechanic's liens, but the Certified Copies Department does not agree their records to the Cashiers Office. See MAR No. 8.
- E. Partially implemented. We noted only a few instances where the interest earned was not recorded. Although not repeated in the current MAR, our recommendation remains as stated above.



- G. Partially implemented. The court turned over \$67,174 in old outstanding checks to the city in January 1998 for checks dated July 1994 to December 1996, but at December 31, 1998, they had several checks that were over one year old. See MAR No. 6.

3. Costs for Civil Cases

- A. The court was holding over \$6 million, at October 31, 1996, on cases that had already been finalized. Except in certain types of cases, when costs were assessed against the defendant, the court did not refund the plaintiff's filing fee until the defendant paid the court costs in full. In addition, the court did not prorate available monies on which uncollectible additional court costs were due. The court did not send second billings on cases unless the plaintiff called and complained about not receiving a refund of the filing fee.
- B. The time between when the case was finalized and the application of costs and/or the sending of fee bills appeared excessive.

Recommendation:

The Circuit Clerk:

- A. Consider either using the plaintiff's initial deposit to apply out court costs assessed against the defendant on all cases or refund the plaintiff's initial deposit when the costs are assessed against the defendant. In addition, the court should send out second billings on costs that remain unpaid after a certain period of time. Also, the court should identify those cases which contain uncollectible additional court costs and obtain a court order to close those cases by paying out costs in accordance with the legal provisions or opinions.
- B. Ensure a billing is sent on a timely basis after the disposition of each case on which additional monies are owed, and ensure that court costs are distributed on a timely basis.

Status:

- A. Partially implemented. The court adopted a new policy on July 28, 1998, to apply the plaintiff's initial deposit to court costs no matter who was assessed costs, as long as the deposit was sufficient to cover the costs. However, this policy was not always followed. In addition, the court did not take action to pay out available monies on old closed cases which contain uncollectible additional court costs. See MAR No. 7.
- B. Implemented.

4. Circuit Clerk's Certified Copies Department

- A. Copy request forms used by the Certified Copies Department were not prenumbered. In addition, no one ensured all payments recorded on the request forms by the Certified Copies Department were entered into the computer in the Cashier's Office.
- B. The Certified Copies Department did not transmit company checks and money orders to the Cashier's Office on a timely basis.
- C. The cost for copies and the date paid was not always documented on the copy request form. In addition, the Certified Copies Department did not always indicate why a request for copies was not charged a fee or include the name of the government agency receiving the free copies.

Recommendation:

The Circuit Clerk:

- A. Issue prenumbered request forms for copies and require someone independent of handling the copy receipts to periodically account for the numerical sequence of the request forms and reconcile payments shown on the request forms to payments entered for copies in the Cashier's Office.
- B. Transmit receipts intact daily or when accumulated receipts exceed \$100.
- C. Always document the charge and the date paid for copies on the request form. In addition, appropriate information and the reasons for not charging for copies should be documented on all request forms as applicable.

Status:

- A. Partially implemented. The Certified Copies Department issues prenumbered request forms for copies, but no one independent of the handling of the receipts accounts for the numerical sequence. Payments shown on request forms are not reconciled to payments received by the Cashier's Office. See MAR No. 8.
- B. Not implemented. While the Certified Copies Department no longer collects money on walk-ins, they do receive checks and money orders from mail-ins. These checks and money orders are not endorsed immediately and at times are held by the department for an extended period of time. See MAR No. 8.
- C. Partially implemented. Charges and paid date are documented on the white copies of the request forms. However, appropriate information or reasons for not charging for copies is still not always being documented. See MAR No. 8.

5. Circuit Clerk's Garnishment Office

- A. Disbursements were not made immediately after the ten day holding period established by “Local Order” Rule No. 82.B.1. In addition, at September 30, 1996, the Garnishment Office was holding \$8,096 that had been held over two months.
- B. The monthly open-items listings prepared by the Garnishment Office were not reconciled to the bank account balance. The total identified open items at June 30, 1996, exceeded the balance in the bank account at that date by approximately \$63,000.
- C. At June 30, 1996, old outstanding checks totaling \$3,826 had remained in the garnishment bank account in excess of one year.

Recommendation:

The Circuit Clerk:

- A. Disburse monies immediately after the ten day holding period according to local orders. The court should consider reconstructing case files that cannot be found so disbursements can be made in a more timely manner.
- B. Investigate and resolve differences between the monthly open-items listings and the balances in the bank account. The open-items listings should be reconciled to the balance in the bank account on a monthly basis.
- C. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, procedures to routinely follow up and reissue any old outstanding checks should be adopted.

Status:

- A., B.  
& C. Not implemented. See MAR No. 9.

6. Circuit Clerk’s Child Support Department

- A. The duties of receiving, recording, and depositing Parent Locator monies were not adequately segregated.
- B. Updates made on the computer for payees was not properly reviewed by someone independent.
- C. The duties of processing some disbursements was not adequately segregated.

- D. The Child Support Department occasionally received checks and money orders that had been returned undeliverable by the Post Office. The checks were not locked in the vault, but were left on employees' desks so anyone walking by had access to these checks. No record was maintained to indicate the amount of monies that were on the desks.
- E. At June 30, 1996, old outstanding checks totaling \$96,568 had remained in the Parent Locator bank account in excess of one year. Old outstanding checks totaling \$992 had remained in the Dissolution bank account in excess of one year.

Recommendation:

The Circuit Clerk:

- A. Properly segregate duties in the Parent Locator Department among available employees and/or establish a documented periodic review of receipt records and deposits by an independent person.
- B. Ensure someone independent of the receipting process and independent of entering updates on the computer periodically reviews changes made to payees on the computer to ensure they are proper.
- C. Segregate the duties of entering payments on the computer, distributing checks, and entering information in the check register for the 999-9999 and 777-7777 checks.
- D. Ensure checks returned by the Post Office are locked in the vault. In addition, a log should be maintained of checks in the vault and the disposition of each check should be documented on the log. Someone independent of this process should review the disposition of these checks periodically.
- E. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, procedures to routinely follow up and reissue any old outstanding checks should be adopted.

Status:

A., B.,  
& E. Not implemented. See MAR No. 3.

C.&D. Implemented.

7. Circuit Clerk's Juvenile Office

- A. There was no supervisory review of disbursements.
- B. Receipts were not transmitted to the Cashier's Office on a timely basis.
- C. The balance shown on the open-items listing for some open cases did not agree to the balance shown in the case file.
- D. The Juvenile Office did not record checks received for transfer of jurisdiction costs that were made payable to another court in their receipt ledger, but simply forwarded these checks to the applicable court.

Recommendation:

The Circuit Clerk:

- A. Perform an independent review to ensure the disbursements appear proper.
- B. Transmit receipts to the Cashier's Office daily or when accumulated receipts exceed \$100.
- C. Ensure accurate open-items listings are prepared. These open-items listings should be used to reconcile to the balance of civil monies held.
- D. Record all checks received for transfer of jurisdiction costs in the receipt ledger and indicate the name of the court the check was mailed to and the date the check was mailed. In addition, the Juvenile Office should maintain a copy of the check.

Status:

- A., B.  
& C. Implemented.
- D. Not implemented. However, this fee is no longer collected by the Juvenile Office.

8. Circuit Clerk's Criminal Division

- A.1. When transmitting criminal cost bill reimbursements to the city, the Circuit Clerk did not provide the information necessary for the city to allocate and disburse the monies to the appropriate parties.
- 2. The Criminal Division sent a criminal cost bill to the St. Louis City Comptroller's Office when a defendant was sentenced to St. Louis City's Medium Security Institution (MSI). However, the court never received any reimbursement from the city.

- B. The Criminal Division did not collect Crime Victims' Compensation (CVC) judgments from defendants assigned to MSI.
- C.1. An open-items listing associated with collected partial payments held in trust was not prepared and consequently was not reconciled to the cash balance.
  - 2. If the court received a significant payment of fines and court costs, the amount paid was disbursed that same month. However, when making these disbursements, there were no set procedures as to which costs would be paid first and the amount paid was not prorated among the various costs. In addition, the court reviewed felony case files with accrued costs once a year to determine uncollectibility and at that time, any monies still being held on that case were disbursed. Again, when making those disbursements, monies held were not prorated among the various costs. The court did not periodically review misdemeanor case files with accrued costs to determine uncollectibility.
- D. The bookkeeper did not agree the amount of overpayment stamped on the payment sheet to the receipt ledger to ensure the overpayment was valid prior to issuing a refund.

Recommendation:

The Circuit Clerk:

- A. 1. Provide St. Louis City with the information necessary to allow the Treasurer and Comptroller to allocate and disburse criminal cost reimbursements received from the state, including the state's portion of such fees identified above for fiscal years 1996 and 1995, totaling \$88,505. In addition, the Circuit Clerk's Office should identify similar fees from prior years and ensure those additional amounts are properly disbursed.
  - 2. Develop a system to monitor criminal costs billed to the city, including all past billings, and work with the city to ensure those criminal costs are disbursed to the appropriate parties, including the state.
- B. Establish procedures to ensure the collection of CVC judgments due from defendants sentenced to MSI and disburse these funds as required by state law.
- C.1. Prepare open-items listings monthly for partial payments and reconcile this to the balance in the partial payment account.
  - 2. Prorate any partial payments received among the various costs. In addition, identify those cases which contain uncollectible additional court costs and obtain a court order to close those cases by paying out costs on a prorated basis.
- D. Require the bookkeeper to agree overpayments stamped on the payment sheets to a

receipt recorded in the receipt ledger before refunds are made.

Status:

A.1., 2.,

B.

&C.2. Not implemented. See MAR No. 2.

C.1. Not implemented. See MAR No. 1.

D. Implemented.

9. Circuit Clerk's Bond Controls and Procedures

A. Bond forms issued by the Bonding Department were not prenumbered. In addition, a log of all bonds posted was not maintained.

B. The Bonding Department did not always indicate the type of bond posted on the Special Affidavit of Qualifications of Surety. In addition, for several bonds reviewed, the type of bond indicated on the Special Affidavit of Qualifications of Surety did not agree to the type of bond indicated on the bond form.

C. Errors were made by the Finance Department when posting bond receipts and disbursements to the various accounting records.

D.1. The bond open-items listings were not reconciled to the balance in the bond account. The total identified open items at June 30, 1996, exceeded the balance in the bond account at that date by \$315,670. In addition, the Finance Department also had a "miscellaneous" general ledger account where the prior bookkeeper added voided checks and "stop payment" checks, instead of adding these back to the appropriate general ledger account from which they were disbursed. The Finance Department did not know how much of the "miscellaneous" account related to bonds.

2. The bond open-items listing at June 30, 1996 was inaccurate.

3. The bond open-items listing at June 30, 1996, included numerous old bonds, some which had been held over fifteen years.

Recommendation:

The Circuit Clerk:

A. Ensure the Criminal Division-Bonding Department issues prenumbered bond forms for all

bonds. In addition, a log of bonds should be maintained by the Criminal Division, including the bond number, and the numerical sequence of the bond forms should be accounted for by someone independent of the bonding process. In addition, someone independent of the bonding process should periodically trace all full cash bonds or 10% cash bonds recorded in the bond log to a receipt recorded in the Finance Department's receipt ledger.

- B. Record the type of bond posted on the Special Affidavit of Qualifications of Surety and ensure that agrees to the type of bond recorded on the bond form.
- C. Ensure all bond receipts and disbursements are properly posted to the various accounting records.
- D. Investigate and resolve differences between the open-items listings and the balances in the bond account. Any identified shortage should be investigated and resolved. Accurate open-items listings should be prepared periodically and reconciled to the balance in the bond account. Unclaimed bonds should be disposed of in accordance with state law.

Status:

- A. Partially implemented. New software was installed in the Bonding Department and they began issuing prenumbered bond forms in November 1998. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.
- C. Not implemented. See MAR No. 1.
- D. Not implemented. See MAR No. 2, of the Special Review of the Circuit Criminal Division - Finance Department - Cash Bond Deposits and See MAR No. 1.

10. Circuit Clerk's Banking Arrangements

- A. The Circuit Clerk could possibly have earned a higher rate of return on some deposited monies.
- B. At June 30, 1996 and June 30, 1995, \$100,000 and \$186,421 of the Circuit Clerk's deposits exceeded the Federal Deposit Insurance Corporation (FDIC) coverage and was not secured by additional pledged collateral. We also noted bank balances exceeded the amount of collateral security pledged at various other times during the audit period by as much as \$3.2 million.

Recommendation:

The Circuit Clerk:



- A. Transfer more court funds into higher yielding accounts.
- B. Monitor total amounts on deposit to ensure amounts pledged as collateral are sufficient.

Status:

- A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. The Circuit Clerk's bank accounts were only under-collateralized one month during the fiscal year ended June 30, 1998. Although not repeated in the current MAR, our recommendation remains as stated above.

11. Circuit Clerk's Special Interest Account

- A. Bids were not always solicited for major purchases nor was bid documentation always retained.
- B. The court did not always transfer interest earned on some of their unrestricted accounts to the special interest account on a timely basis.

Recommendation:

The Circuit Clerk:

- A. Solicit bids for all major purchases and retain appropriate documentation of these bids. In situations where bids cannot be taken, the reasons for not taking bids should be documented and retained.
- B. Transfer \$160,941 to the special interest account. In addition, the court should determine whether there was any other interest earned between July 1, 1992 and June 30, 1994 that was not transferred to the special interest account and then transfer this to the special interest account. Also, transfer interest earned on all unrestricted deposits periodically to the special interest account to be used for expenditures of the Circuit Clerk's Office or turned over to the city treasury in accordance with state law.

Status:

- A. Not implemented. See MAR No. 10.
- B. Implemented.

12. Circuit Clerk's Personnel Procedures

- A. Leave recorded on some employees' time sheets, absence reports, and leave accrual records did not agree. In some cases, the required absence reports were missing. Also, one employee had accrued negative annual leave and sick leave balances instead of having pay docked as required by the Circuit Clerk's written policy on leave.
- B. The Personnel Office did not maintain proper records of overtime worked by Circuit Clerk employees.

Recommendation:

The Circuit Clerk:

- A. Ensure leave recorded on the daily sign in sheets, monthly time sheets, and absence reports agree to the leave accrual records.
- B. Follow established procedures to ensure records of overtime worked and compensatory time earned and taken are maintained by the Personnel Office.

Status:

A.&B. Not implemented. Although not repeated in the current MAR, our recommendations remain as stated above.

## SPECIAL REVIEW OF THE CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT

### 1. Missing Funds

Accounting records indicated more cash was received than was deposited. Some cash received which was recorded was not deposited; and some money orders and checks received were not recorded but deposited in place of cash taken. It appears approximately \$25,000 was misappropriated.

Recommendation:

The Circuit Clerk work with law enforcement officials regarding restitution of the missing monies and any criminal prosecution considered necessary.

Status:

Restitution could not be collected due to the death of a former clerk.

### 2. Receipt Controls and Procedures

- A. Receipt slips issued by the court did not always indicate the method of payments received. In addition, the composition of receipt slips issued was not reconciled to the composition of deposits, and the department allowed employees and judges to cash personal checks from court receipts.
- B. No one accounted for the numerical sequence of the prenumbered receipt slips. Numerous receipt numbers were not shown as used, or voided and there were also numerous other receipt slips that had been voided and many receipt slips where information had been changed through the use of correction fluid.
- C.1. When Case Processing personnel recorded payments on the computer system, only a statement that “fine and/or court costs were paid” was recorded; the receipt slip number and the amount paid was not recorded.
  - 2. Access to the REJIS computer system was not properly restricted.
  - 3. Payments recorded on the REJIS computer system were not reconciled to payments recorded in the one-write receipt ledgers.
- D. The duties of receiving monies, recording payments, and depositing monies were not adequately segregated.
- E. The Finance Department was not printing daily totals from the cash register for use in reconciling to money collected.
- F. Numerous case files could not be located by court personnel.

Recommendation:

The Circuit Clerk ensure:

- A. The method of payment is recorded on all receipt slips issued and the composition of receipt slips is reconciled to bank deposits. In addition, the court should discontinue cashing personal checks from judges, and any discrepancies between the composition of receipts and deposits should be investigated and explanations for the differences documented.
- B. The numerical sequence of all receipt slips issued is accounted for, new receipt slips are issued when receipt information needs to be changed, and the old receipt slips are voided.
- C.1. The receipt slip number and amount paid is included for all receipts recorded into the computer.

2. Each employee accesses the computer system with their unique password.
  3. Receipts recorded on REJIS are reconciled to receipts recorded in the one-write receipt ledgers and any changes made to the computer case files after the reconciliation is performed are reviewed.
- D. The duties of receiving and depositing monies are segregated from the duties of posting and modifying payments on REJIS, and canceling warrants on REJIS.
- E. All receipts are maintained in the locked cash register drawers. In addition, daily totals of receipts recorded on the cash register should be printed and reconciled to money in the register.
- F. All court records are retained in accordance with Supreme Court Administrative Rule 8.

Status:

A.&E. Implemented.

B., C.

& D. Not implemented. See MAR No. 1.

F. Not implemented. See MAR No. 5.

SPECIAL REVIEW OF THE CIRCUIT CIVIL DIVISION - CASHIER'S OFFICE -  
CHAPTER 517 LANDLORD CASE INITIAL DEPOSITS

Missing Funds

A misappropriation of at least \$10,352 occurred during the period July 1, 1994 through May 17, 1996. Some cash payments for initial deposits on Chapter 517 landlord cases were recorded but the cash was not deposited. Some checks and money orders that were received from the Certified Copies Department were not recorded, but deposited in place of the cash taken from the deposits on Chapter 517 landlord cases. In addition, the Cashier's Office did not immediately receipt checks when received from the Certified Copies Department. Not only did the Certified Copies Department not receive a receipt slip at the time the checks were transmitted, the department kept no record of the amounts collected and transmitted to the Cashier's Office.

Recommendation:

The Circuit Clerk continue to work with the St. Louis City Circuit Attorney and the St. Louis City Police Department regarding any criminal prosecution and restitution of the missing monies. In addition, the Certified Copies Department should obtain a receipt from the Cashier's Office immediately upon transmitting copy monies and ensure the receipt agrees to the amount of monies collected and transmitted.

Status:

Partially implemented. The individuals involved were prosecuted and sentenced to one year probation with suspended imposition of sentence, which has been completed. Restitution was collected in full by the court. Procedures in the Certified Copies Department are still not adequate. See MAR No. 8.

KEB's REPORT ON THE CIRCUIT CLERK FUND  
YEAR ENDED JUNE 30, 1997

1. Cash Receipts Journal

Management was unable to provide the detailed cash receipts journals for the month of July 1996, and it was determined that retrieval of this information from the computer system could not be performed.

Recommendation:

Procedures should be developed to safeguard all financial records of the Circuit Clerk's Office and all daily printed cash receipt reports should be retained and accounted for on a daily and monthly basis. In addition, the computer program for recording cash receipts should be modified to allow for the identification of unique batches so that retrieval of information will match reports of original entry.

Status:

Not implemented. See MAR No. 5.

2. Bank Reconciliations

The cash balance per the cash book did not agree to the bank reconciliation for the Criminal and Civil Departments due to transfers between the funds not being recorded. In addition, in all departments it was noted that management was not reviewing monthly bank reconciliations.

Recommendation:

In order to properly report cash, the cash book and the bank reconciliation should agree. In addition, any transfers between funds should be properly recorded as due to and due from the various department's accounts in each department's cash book. Management should also review and initial each bank reconciliation to monitor the resolution of all reconciling items. Furthermore, management should ensure that reconciling items that appear on subsequent bank reconciliations are promptly identified, investigated and accounted for appropriately.

Status:

Partially implemented. The Civil Cashiers' Office implemented this recommendation, however, the Criminal Cashiers' Office has not. In addition, the December 1998 bank reconciliation for the Child Support Account was not completed until December 1999. See MAR Nos. 1 and 3.

3. Outstanding Checks

The list of outstanding checks on the bank reconciliation for the Civil Department was shown as a range of checks with one dollar amount. In addition, a check for approximately \$25,000 was

listed as outstanding, but had been voided in December 1995. In addition, cash account reconciliations for several other departments indicated that some checks had been outstanding as long as four years.

Recommendation:

All check numbers and amounts should be shown individually on the outstanding check list to easily identify items that have not cleared the bank and voided checks should be properly processed and removed from the outstanding check list. Procedures should also be developed to periodically review old outstanding checks to determine if the payee can be located and to properly dispose of unclaimed funds in accordance with state law. Finally, since the Circuit Clerk's office processes a large number of checks, a more computerized system should be used for bank reconciliations to gain efficiencies from data already entered into the various systems.

Status:

Not implemented. Although not repeated in the current MAR, the recommendation remains as stated above.

4. Voided Checks

Several blank checks for the active Dissolution Department bank account were included with the checks that had cleared the bank. The checks were considered voided, but were not marked in a manner to indicate they had been voided.

Recommendation:

Voided checks should be marked or mutilated in a way so that the checks cannot be easily stolen and presented for payment.

Status:

Implemented.

5. Canceled Checks

Canceled checks returned with the bank statement were filed in numeric sequence rather than being kept numerically by the month cleared. In addition, since a large volume of checks clear the bank on a daily basis, the bank uses a separate piece of paper called a lot slip to indicate the checks which clear the bank on a given day and only a total is indicated on the bank statement for these lot slips. The lot slips included with the bank statement were not kept together by month and stored in a secure location.

Recommendation:

Lot slips should be kept together by month, by account and stored with the bank statement. In addition, in order to reduce time in the bank reconciliation process, canceled checks should be kept together by month cleared by bank account and not refiled in numeric order.

Status:

Not implemented. Although not repeated in the current MAR, the recommendation remains as stated above.

6. Recording Cash Receipts as of Date Received

Mail cash receipts of the Child Support Account were not being recorded based on the actual receipt date. Child Support personnel were two days behind in receipting collections.

Recommendation:

Cash receipts should be recorded as of the date funds are received. This will allow for a more accurate accounting of cash within the department.

Status:

Not implemented. See MAR No. 3.

7. Interest Income

Management sometimes transferred the principal portions of investments to the special interest account at the time investments were purchased rather than when the interest was actually earned.

Recommendation:

Interest should be transferred into the Special Interest Account at the maturity date of the investment or when the interest is actually received. Principal amounts available to be invested should not be reduced, but rather used to purchase other investments such as certificates of deposit to maintain principal balances.

Status:

Implemented.

8. Restricted Accounts

Some case files within the Civil Account Restricted Accounts lacked proper authorization for the establishment of and for the disbursement of funds from these accounts. Differences were also noted between the final disbursement amount and the bank balance due to service charges incurred.

Recommendation:

All disbursements should be properly authorized as well as documentation supporting establishment of these restricted accounts be included in the case file as required. Adequate controls should be established to ensure all restricted accounts are disbursed at the proper amount.

Status:

Implemented.

9. Controls over Cash Receipts

In the Criminal Department checks were not deposited until a case number could be identified and a list of undeposited checks was not properly kept to determine when or if a check was deposited.

Recommendation:

All checks received should be deposited intact daily regardless of whether a case number can be identified. Additionally, a list or copy of unidentified checks should be maintained and used to identify the proper case number on a timely basis.

Status:

Not implemented. See MAR No. 1.

10. Authorized Signers

One investment account had a previous Circuit Clerk who was still listed in its database and whose name appeared on certain types of transactions.

Recommendation:

This situation should be corrected as soon as possible.

Status:

Implemented.

11. Taxing

Several errors were noted in the amounts taxed by the Taxing Department. In addition, the breakdown of costs incurred did not agree in total to the amount of fees charged.

Recommendation:

Procedures should be developed by the Taxing Department to correctly charge cases for fees incurred and to insure the breakdown for fees agrees to the amount charged.

Status:

Not implemented. See MAR No. 6.

12. Double Entry Accounting System

All of the accounts under the Circuit Clerk's control did not post activity to a general ledger or financial system. Financial information was not being captured in a method that allowed for a detailed listing of accounts and activity. In the current system, many manual reports would have to be accumulated to present this financial information.

Recommendation:



A double entry accounting system should be put in place to capture all of the activity under the Clerk's control. All of the accounts under the Clerk's control should be included and reconciled on a monthly basis.

Status:

Not implemented. Although not repeated in the current MAR, the recommendation remains as stated above.

13. Open-Item Listings

Various operating accounts did not reconcile open-item listings of monies held for others to the cash and investments in the bank.

Recommendation:

The Circuit Clerk's office review and reconcile, on a monthly basis, the open-items listing by operating account to the cash and investment balances. Old outstanding items should be reviewed and followed up on as necessary.

Status:

Not implemented. See MAR Nos. 1, 3, 6 and 9.

14. MSI Criminal Cost Bills

The Criminal Division sent a criminal cost bill to the St. Louis City Comptroller's Office when a defendant was sentenced to the St. Louis City's Medium Security Institution (MSI). However, the court never received any reimbursement from the city.

Recommendation:

The Clerk should review procedures to determine if the Clerk is able to receive reimbursement from the city in accordance with state approved regulations.

Status:

Not implemented. See MAR No. 2.

15. Criminal Division Collection of CVC

The Criminal Division did not collect Crime Victims' Compensation (CVC) judgements from defendants assigned to MSI as required by Section 595.045, RSMo 1994.

Recommendation:

The Clerk's office should establish procedures for the collection of the CVC judgements from defendants assigned to MSI.

Status:

Not implemented. See MAR No. 2.

16. Review of Refunds of Overpayments- Criminal Division

The voucher amount to refund overpayments was not agreed to the overpayment amount in the partial payment ledger.

Recommendation:

A supervisor should compare the voucher amount to the payment ledger in addition to the amount in the case file.

Status:

Implemented.

17. Pledged Securities

The collateral security pledged by the Circuit Clerk's depository banks as of June 30, 1997 was insufficient in one bank by \$4,992. In addition, one banking institution maintained pledged collateral in the name of the City of St. Louis rather than the Circuit Clerk.

Recommendation:

The Circuit Clerk should routinely monitor amounts on deposit and pledged collateral amounts to ensure proper collateral by the banking institutions. In addition, all pledged collateral should be in the name of the Circuit Clerk.

Status:

Partially implemented. At December 31, 1998, and June 30, 1998, the collateral security pledged by the Circuit Clerk's depository banks was sufficient, although it was noted that one bank's collateral security pledged was insufficient at times during the year ended June 30, 1998. Although not repeated in the current MAR, the recommendation remains as stated above.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

TWENTY-SECOND JUDICIAL CIRCUIT  
 ST. LOUIS CITY, MISSOURI  
 HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organization

The Twenty-Second Judicial Circuit includes only St. Louis City. The circuit consists of twenty-four circuit judges, one of whom serves as presiding judge, and seven associate circuit judges.

In addition to the judges, the personnel of the Twenty-Second Judicial Circuit, St. Louis City, Missouri includes a circuit clerk, twenty-six court reporters, a court administrator, a jury supervisor, a juvenile officer, and approximately 480 other court employees. Approximately 189 of these employees work under the supervision of the Circuit Clerk.

The Circuit Clerk is elected for a four-year term. The Circuit Clerk's Office plans, assigns, coordinates, and supervises the operation and administration of the circuit court presided over by the circuit judges. Duties of the Circuit Clerk include: docketing, clerical tasks, documentation of court matters, accounting and recording, receipting and disbursing funds through the circuit and associate circuit divisions, and administering the operations of the court.

Operating Costs

The operating expenses of the various courts are paid by St. Louis City. The salaries of full-time court personnel, except for the bailiffs, are paid by the State of Missouri. The salaries of the Circuit Clerk are paid jointly by the State of Missouri and St. Louis City.

Expenditures paid by St. Louis City for the Twenty-Second Judicial Circuit for fiscal year ends June 30, 1999 and 1998, were obtained from the St. Louis City Comptroller's Office and are presented as follows:

|                      |    | Year Ended June 30, |                       |                     |                       |
|----------------------|----|---------------------|-----------------------|---------------------|-----------------------|
|                      |    | 1999                |                       | 1998                |                       |
|                      |    | Personal<br>Service | Operating<br>Expenses | Personal<br>Service | Operating<br>Expenses |
| Circuit court judges | \$ | 101,533             | 1,509,289             | 96,346              | 1,449,058             |
| Circuit court        |    | 2,415,227           | 2,810,013             | 2,278,681           | 2,458,529             |
|                      | \$ | <u>2,516,760</u>    | <u>4,319,302</u>      | <u>2,375,027</u>    | <u>3,907,587</u>      |

Salary amounts paid by the State of Missouri for personal service for the Twenty-Second Judicial Circuit were provided by the State Courts Administrator's Office on a calendar year basis and were \$3,859,143 and \$3,690,679 for the years ended December 31, 1998 and 1997, respectively.

### Caseload and Time Standards Statistics

Caseload statistics of the filings and dispositions as provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

|          | Year Ended June 30, |              |         |              |
|----------|---------------------|--------------|---------|--------------|
|          | 1999                |              | 1998    |              |
|          | Filings             | Dispositions | Filings | Dispositions |
| Civil    | 31,056              | 30,914       | 33,339  | 32,864       |
| Criminal | 14,973              | 13,671       | 15,226  | 13,801       |
| Total    | 46,029              | 44,585       | 48,565  | 46,665       |

Compliance by the Twenty-Second Judicial Circuit, St. Louis City, Missouri, with time standards for disposition of certain types of cases, provided by the State Court Administrator's Missouri Judicial Report for fiscal year 1998, is as follows:

| Type of Case       | Time Standard    | Twenty-Second<br>Judicial Circuit<br>St. Louis City,<br>Missouri | State<br>Total |
|--------------------|------------------|--|----------------|
| Circuit Civil      | 90% in 18 months | 75 %   | 79 %           |
|                    | 98% in 24 months | 81   | 87             |
| Domestic Relations | 90% in 8 months  | 87   | 83             |
|                    | 98% in 12 months | 92   | 90             |
| Associate Civil    | 90% in 6 months  | 87   | 84             |
|                    | 98% in 12 months | 96   | 95             |
| Circuit Felony     | 90% in 8 months  | 78   | 85             |
|                    | 98% in 12 months | 92   | 93             |
| Associate Criminal | 90% in 4 months  | 82   | 79             |
|                    | 98% in 6 months  | 91   | 89             |

### Personnel

On December 31, 1998, the judges and other key court personnel were:

#### Circuit Court Judges:

Division One, Robert H. Dierker, Jr., Presiding Judge\*  
Division Two, Philip D. Heagney  
Division Three, John J. Riley

Division Four, Michael B. Calvin  
Division Five, Jimmie M. Edwards  
Division Six, Evelyn M. Baker  
Division Seven, Thomas C. Grady  
Division Eight, Michael P. David  
Division Nine, Joan L. Moriarty  
Division Ten, Patricia L. Cohen  
Division Eleven, Floyd McBride  
Division Twelve, Booker T. Shaw  
Division Thirteen, David C. Mason  
Division Fifteen, Thomas J. Frawley  
Division Sixteen, Margaret M. Neill  
Division Seventeen, Sherri B. Sullivan  
Division Eighteen, Julian L. Bush  
Division Nineteen, Timothy J. Wilson  
Division Twenty, Dennis M. Schaumann  
Division Twenty-One, Anna C. Forder  
Division Twenty-Two, Henry E. Autrey  
Division Twenty-Three, Joan M. Burger  
Division Thirty, Brendan Ryan  
Division Thirty-One, Edward M. Peek

Associate Circuit Judges:

Division Fourteen, Angela Turner Quigless  
Division Twenty-Four, Iris G. Ferguson  
Division Twenty-Five, Steven R. Ohmer  
Division Twenty-Six, Arthur F. Miorelli  
Division Twenty-Seven, John F. Garvey  
Division Twenty-Eight, Edward Sweeney  
Division Twenty-Nine, Thad F. Niemira

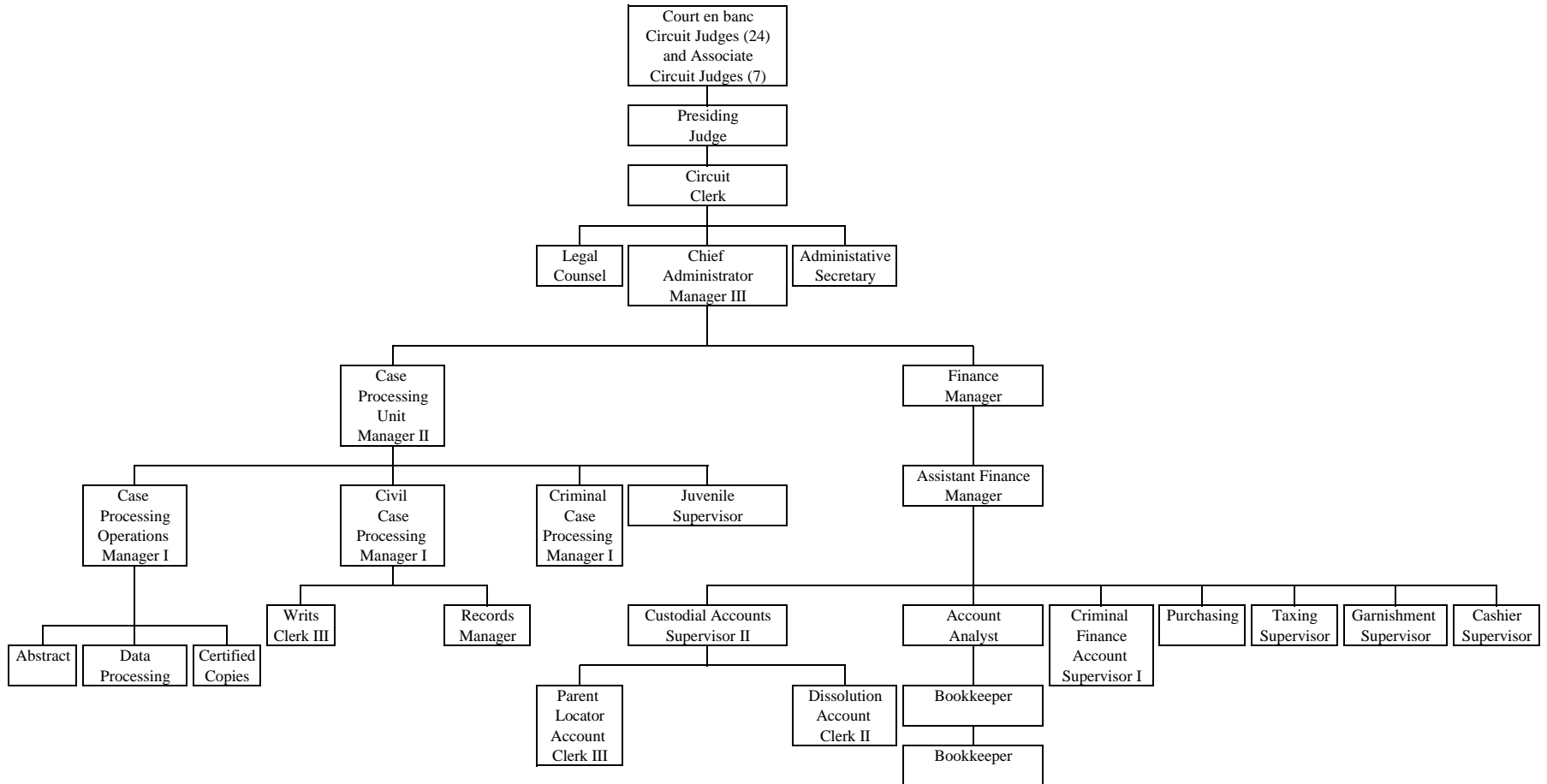
Circuit Clerk, Mavis T. Thompson\*\*

\*The Honorable Michael B. Calvin was appointed Presiding Circuit Judge for a two year term on January 1, 1999.

\*\*Mariano V. Favazza was elected Circuit Clerk in November 1998 to replace Mavis T. Thompson, effective January 1, 1999.

An organization chart follows:

TWENTY-SECOND JUDICIAL CIRCUIT  
ST. LOUIS CITY, MISSOURI  
ORGANIZATION CHART  
DECEMBER 31, 1998



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DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-27  
April 21, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**The following areas of concern were discovered as a result of an audit conducted by our office of the Department of Higher Education, State Guaranty Student Loan Program.**

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The Department of Higher Education contracts with a loan program servicer to maintain records, process loans and claims, and collect on defaulted loans guaranteed through the Federal Family Education Loans program.

The reauthorization by the federal government of the Higher Education Act, in October 1998, replaced preclaims assistance and supplemental preclaims assistance with a single activity, default aversion assistance. Default aversion assistance consists of the activities of a guaranty agency that are designed to prevent defaults by borrowers who are at least 60 days delinquent.

The Department of Higher Education has experienced some difficulties in implementing the default aversion billing process and errors have caused some loans to be billed more than once. Contributing to this problem was the fact that, prior to the issuance of its final regulations on October 29, 1999, the U. S. Department of Education twice issued preliminary guidance to guaranty agencies that changed the method for calculating default aversion fees. To ensure default aversion fees are not under or over billed, the Department of Higher Education should consult with the U.S. Department of Education and ensure they are properly calculating the fees. In addition, they should ensure no duplicate billing occurs.

The final regulations included a prohibition against conflicts stating that an outside entity to whom a guaranty agency contracts may not perform default aversion activities and hold or service a loan, or collect on a defaulted loan within three years of the claim payment date. Although the department has entered into a contract with an entity other than its loan servicing contractor to perform default aversion activities, as of December 22, 1999, the Department of Higher Education had not assigned accounts to the new contractor. Allowing the loan servicer to continue providing preclaims assistance while servicing and collecting on the same loans appears to violate the provision against conflicts.

To ensure the collection of all default aversion fees, the Department of Higher Education should contact the U.S. Department of Education to determine if the department is eligible to receive default aversion fees when the loan program servicer performs some of the default aversion assistance activities.

YELLOW SHEET

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Honorable Mel Carnahan, Governor  
and  
The Coordinating Board for Higher Education  
and  
Dr. Kala M. Stroup, Commissioner  
Department of Higher Education  
Jefferson City, Missouri 65109

We have audited the accompanying financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 1999, as identified in the table of contents. These financial statements are the responsibility of the program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

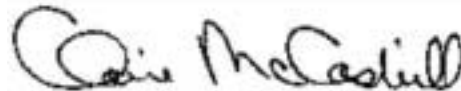
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State Guaranty Student Loan Program as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 22, 1999, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the program's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

An integral part of the program's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

December 22, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA  |
| Audit Manager:      | Alice M. Fast, CPA, CIA |
| In-Charge Auditor:  | Karen A. Wolf           |
| Audit Staff:        | Todd Stoll              |
|                     | Michael J. Monia        |
|                     | Monique Williams        |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor  
and  
The Coordinating Board for Higher Education  
and  
Dr. Kala M. Stroup, Commissioner  
Department of Higher Education  
Jefferson City, Missouri 65109

We have audited the financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the State Guaranty Student Loan Program are free of material misstatement, we performed tests of the program's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an instance of other noncompliance which is presented in the accompanying Management Advisory Report.

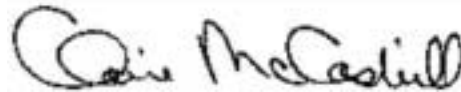
Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the State Guaranty Student Loan Program, we considered the program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.



Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the State Guaranty Student Loan Program and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

December 22, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
COMBINED BALANCE SHEET  
JUNE 30, 1999

|                                     | Federal<br>Student Loan<br>Reserve Fund | Guaranty<br>Agency<br>Operating<br>Fund | Restricted<br>Reserve Fund | Restricted<br>Interest Fund | Automatic<br>Transfer of Money<br>(ATOM) Fund | Total<br>(Memorandum Only) |                  |
|-------------------------------------|---|---|----------------------------|-----------------------------|---|----------------------------|------------------|
|                                     |   |   |                            |                             |   | June 30,<br>1999           | June 30,<br>1998 |
| <b>ASSETS</b>                       |   |   |                            |                             |   |                            |                  |
| Cash and investments (Note 2)       | \$ 37,583,585                           | 5,607,255                               | 12,968,668                 | 1,029,185                   | 252,021                                       | 57,440,714                 | 52,314,827       |
| Due from federal government:        |   |   |                            |                             |   |                            |                  |
| Reinsurance (Note 3)                | 5,284,091                               | 0                                       | 0                          | 0                           | 0   | 5,284,091                  | 4,681,935        |
| Loan processing and issuance fee    | 0                                       | 322,928                                 | 0                          | 0                           | 0   | 322,928                    | 0                |
| Administrative expense allowance    | 0                                       | 0                                       | 0                          | 0                           | 0   | 0                          | 654,257          |
| Supplemental preclaims assistance   | 0                                       | 0                                       | 0                          | 0                           | 0   | 0                          | 137,947          |
| Guarantee fees receivable           | 53,009                                  | 0                                       | 0                          | 0                           | 0   | 53,009                     | 41,719           |
| Consolidation fees receivable       | 0                                       | 0                                       | 0                          | 0                           | 0   | 0                          | 2,350            |
| Accounts Receivable                 | 91,110                                  | 0                                       | 0                          | 0                           | 0   | 91,110                     |                  |
| Due from other funds                | 3,090,032                               | 388,262                                 | 0                          | 0                           | 0   | 3,478,294                  | 70,614           |
| Total Assets                        | \$ 46,101,827                           | 6,318,445                               | 12,968,668                 | 1,029,185                   | 252,021                                       | 66,670,146                 | 57,903,649       |
| <b>LIABILITIES AND FUND BALANCE</b> |   |   |                            |                             |   |                            |                  |
| Liabilities:                        |   |   |                            |                             |   |                            |                  |
| Accrued payroll                     | \$ 0                                    | 6,121                                   | 0                          | 0                           | 0   | 6,121                      | 6,245            |
| Employee fringe benefits payable    | 0                                       | 28,378                                  | 0                          | 0                           | 0   | 28,378                     | 20,118           |
| Accounts payable                    | 551,509                                 | 1,117,258                               | 0                          | 23,818                      | 0   | 1,692,585                  | 2,631,365        |
| Accrued leave liability             | 0                                       | 69,939                                  | 0                          | 0                           | 0   | 69,939                     | 0                |
| Deferred federal advances (Note 4)  | 1,874,831                               | 0                                       | 0                          | 0                           | 0   | 1,874,831                  | 1,874,831        |
| Due to federal government (Note 5)  | 0                                       | 0                                       | 12,968,668                 | 0                           | 0   | 12,968,668                 | 6,718,706        |
| Due to schools                      | 0                                       | 0                                       | 0                          | 0                           | 147,054                                       | 147,054                    | 213,237          |
| Due to lenders                      | 0                                       | 0                                       | 0                          | 0                           | 52,992  | 52,992                     | 24,013           |
| Due to other funds                  | 385,815                                 | 3,040,504                               | 0                          | 0                           | 51,975  | 3,478,294                  | 70,614           |
| Total Liabilities                   | 2,812,155                               | 4,262,200                               | 12,968,668                 | 23,818                      | 252,021                                       | 20,318,862                 | 11,559,129       |
| Fund balance                        | 43,289,672                              | 2,056,245                               | 0                          | 1,005,367                   | 0   | 46,351,284                 | 46,344,520       |
| Total Liabilities and Fund Balance  | \$ 46,101,827                           | 6,318,445                               | 12,968,668                 | 1,029,185                   | 252,021                                       | 66,670,146                 | 57,903,649       |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE  
YEAR ENDED JUNE 30, 1999

|   | State<br>Guaranty<br>Student<br>Loan Fund | Federal<br>Student<br>Loan<br>Reserve<br>Fund | Guaranty<br>Agency<br>Operating<br>Fund | Restricted<br>Reserve<br>Fund | Restricted<br>Interest<br>Fund | Automated<br>Transfer of Money<br>(ATOM) Fund | Total<br>(Memorandum Only)<br>Year Ended June 30, |             |
|---|---|---|---|-------------------------------|--------------------------------|---|---|-------------|
|   |   |   |   |                               |                                |   | 1999  | 1998        |
| REVENUES (Note 6)   |   |   |   |                               |                                |   |   |             |
| Guarantee fees  | \$ 361,818                                | 744,465                                       | 0                                       | 0                             | 0                              | 1,845,582                                     | 2,951,865   | 2,249,338   |
| Federal reimbursements:   |   |   |   |                               |                                |   |   |             |
| Reinsurance   | 11,089,099                                | 19,313,905                                    | 0                                       | 0                             | 0                              | 0   | 30,403,004  | 51,054,664  |
| Administrative expense allowance (Note 7)                             | 1,309,882                                 | 0   | 0                                       | 0                             | 0                              | 0   | 1,309,882   | 2,147,117   |
| Loan processing and issuance fee (Note 8)                             | 0   | 0   | 891,118                                 | 0                             | 0                              | 0   | 891,118   | 0           |
| Account maintenance fee (Note 9)                                      | 0   | 0   | 1,580,589                               | 0                             | 0                              | 0   | 1,580,589   | 0           |
| Supplemental preclaims assistance (Note 10)                           | 171,004                                   | 213,831                                       | 0                                       | 0                             | 0                              | 0   | 384,835   | 739,704     |
| Interest income   | 626,663                                   | 1,264,180                                     | 145,032                                 | 938,109                       | 0                              | 131,999                                       | 3,105,983   | 2,757,627   |
| Loan recoveries   | 6,795,134                                 | 0   | 20,992,694                              | 0                             | 0                              | 0   | 27,787,828  | 25,240,393  |
| Loan disbursements from banks   | 0   | 0   | 0                                       | 0                             | 0                              | 181,150,100                                   | 181,150,100                                       | 131,080,286 |
| School returns  | 0   | 0   | 0                                       | 0                             | 0                              | 4,191,826                                     | 4,191,826   | 2,698,257   |
| Consolidation fees  | 0   | 0   | 0                                       | 0                             | 0                              | 0   | 0   | 32,850      |
| Miscellaneous   | 4,750                                     | 2,399   | 2,019                                   | 0                             | 0                              | 0   | 9,168   | 6,353       |
| Total Revenues  | 20,358,350                                | 21,538,780                                    | 23,611,452                              | 938,109                       | 0                              | 187,319,507                                   | 253,766,198                                       | 218,006,589 |
| EXPENDITURES  |   |   |   |                               |                                |   |   |             |
| Personal service  | 359,568                                   | 0   | 887,977                                 | 0                             | 0                              | 0   | 1,247,545   | 1,023,674   |
| Employee fringe benefits  | 77,882                                    | 0   | 242,099                                 | 0                             | 0                              | 0   | 319,981   | 257,401     |
| Expense and equipment (Notes 11 and 12)                               | 1,936,961                                 | 0   | 4,504,131                               | 0                             | 87,501                         | 0   | 6,528,593   | 6,243,086   |
| Defaulted loan purchases  | 11,809,238                                | 35,015,605                                    | 0                                       | 0                             | 0                              | 0   | 46,824,843  | 53,184,714  |
| Loan recovery reimbursements  | 4,222,210                                 | 0   | 0                                       | 0                             | 0                              | 0   | 4,222,210   | 17,180,276  |
| Collection agency fees (Note 13)                                      | 599,872                                   | 0   | 2,066,316                               | 0                             | 0                              | 0   | 2,666,188   | 2,397,446   |
| Payments to federal government  | 0   | 0   | 0                                       | 6,484,334                     | 0                              | 0   | 6,484,334   | 6,484,334   |
| Payments to schools   | 0   | 0   | 0                                       | 0                             | 0                              | 183,172,688                                   | 183,172,688                                       | 132,433,443 |
| Payments to lenders   | 0   | 0   | 0                                       | 0                             | 0                              | 2,169,238                                     | 2,169,238   | 1,345,160   |
| Bank charges  | 0   | 0   | 0                                       | 0                             | 0                              | 19,189  | 19,189  | 13,650      |
| Total Expenditures (Note 19)  | 19,005,731                                | 35,015,605                                    | 7,700,523                               | 6,484,334                     | 87,501                         | 185,361,115                                   | 253,654,809                                       | 220,563,184 |
| REVENUES OVER (UNDER) EXPENDITURES                                    | 1,352,619                                 | (13,476,825)                                  | 15,910,929                              | (5,546,225)                   | (87,501)                       | 1,958,392                                     | 111,389   | (2,556,595) |
| OTHER FINANCING SOURCES (USES)  |   |   |   |                               |                                |   |   |             |
| Operating transfers: (Note 14)  |   |   |   |                               |                                |   |   |             |
| In  | 589,312                                   | 16,431,849                                    | 837,843                                 | 6,484,334                     | 938,109                        | 0   | 25,281,447  | 7,967,365   |
| Out   | 0   | (7,238,838)                                   | (15,146,108)                            | (938,109)                     | 0                              | (1,958,392)                                   | (25,281,447)                                      | (7,967,365) |
| Residual equity transfer  | (48,107,555)                              | 47,573,486                                    | 534,069                                 | 0                             | 0                              | 0   | 0   | 0           |
| Appropriations exercised by other state agencies (Note 15)            | (24,137)                                  | 0   | (80,488)                                | 0                             | 0                              | 0   | (104,625)   | (64,500)    |
| REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) | (46,189,761)                              | 43,289,672                                    | 2,056,245                               | 0                             | 850,608                        | 0   | 6,764   | (2,621,095) |
| FUND BALANCE, JULY 1  | 46,189,761                                | 0   | 0                                       | 0                             | 154,759                        | 0   | 46,344,520  | 48,965,615  |
| FUND BALANCE, JUNE 30   | \$ 0                                      | 43,289,672                                    | 2,056,245                               | 0                             | 1,005,367                      | 0   | 46,351,284  | 46,344,520  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
YEAR ENDED JUNE 30, 1999

|  | Appropriations | Expenditures | Lapsed<br>Balances |
|--|----------------|--------------|--------------------|
| STATE GUARANTY STUDENT LOAN FUND,<br>FEDERAL STUDENT LOAN RESERVE FUND,<br>GUARANTY AGENCY OPERATING FUND  |                |              |                    |
| Loan program administration:   |                |              |                    |
| Personal service / Expense and equipment   | \$ 7,382,160   | 6,562,423    | 819,737            |
| Purchase of defaulted loans,<br>reimbursement to federal<br>government of loan recoveries,<br>and investment of funds of the<br>State Guaranty Student Loan Fund | 65,000,000     | 46,836,628   | 18,163,372         |
| Total State Guaranty Student Loan Fund,<br>Federal Student Loan Reserve Fund,<br>Guaranty Agency Operating Fund  | 72,382,160     | 53,399,051   | 18,983,109         |
| RESTRICTED INTEREST FUND   |                |              |                    |
| Personal service / Expense and equipment   | 144,601        | 87,501       | 57,100             |
| Total Restricted Interest Fund   | 144,601        | 87,501       | 57,100             |
| Total All Funds  | \$ 72,526,761  | 53,486,552   | 19,040,209         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for each fund of the State Guaranty Student Loan Program of the Department of Higher Education.

The State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the Automated Transfer of Money (ATOM) Fund, presented in Exhibits A and B, are separate accounting entities, recording all assets, liabilities, equities, revenues, and expenses related to the funds' activities.

Expenses presented for any fund or program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related fund but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly for the fiscal year.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the ATOM Fund, Exhibits A and B, are prepared in conformity with generally accepted accounting principles. The statements are presented on the modified accrual basis of accounting which recognizes revenues when they become both measurable and available to pay current liabilities and expenditures when the related liability is incurred.

Employees earn a specified number of vacation leave hours monthly, depending on the number of years employed. Accrued vacation leave cannot exceed the number of hours earned in two years. Compensatory time is accrued as it is earned by eligible employees under the Fair Labor Standards Act.

Employees earn ten hours of sick leave monthly, with no limit on the number of hours that may be accrued. Since accrued sick leave is not paid to employees upon their termination, no related liability appears in the financial statements.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The budgetary basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

#### C. Fiscal Authority and Responsibility

The department administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly except for the ATOM Fund, which is controlled entirely by the department.

##### State Guaranty Student Loan Fund:

This fund was established by Section 173.120, RSMo 1994, to receive all funds appropriated to it by the General Assembly, and all charges, gifts, grants, and requests from federal, private, or other sources made for the purpose of assisting students in financing their education. On October 7, 1998, the U.S. congress enacted the Higher Education Amendments (HEA) of 1998. The new legislation resulted in the elimination of the State Guaranty Student Loan Fund and required the creation of two new funds: the Guaranty Agency Operating Fund and the Federal Student Loan Reserve Fund. The legislation became effective retroactively on October 1, 1998. On that date, the assets, liabilities, and fund balance of the State Guaranty Student Loan Fund were transferred to the Guaranty Agency Operating Fund and the Federal Student Loan Reserve Fund.



Federal Student Loan Reserve Fund: This fund was created pursuant to the provisions of the HEA of 1998 that requires guaranty agencies to account for transactions related to claim payment and default aversion activities in a separate fund. The legislation provides that the fund is the property of the United States government and may only be used to pay claims to lenders and to pay default aversion fees to the Guaranty Agency Operating Fund.

Guaranty Agency Operating Fund: This fund was created pursuant to the provisions of the HEA of 1998 that requires guaranty agencies to account for operating revenues and expenditures in a separate fund. The legislation provides that the fund is the property of the guaranty agency and may be used to pay for the operations of the Federal Family Education Loan Program (FFELP) and other student assistance activities.

Restricted Reserve Fund: As described in Note 5 to the financial statements, this fund was established to comply with the requirements of the Balanced Budget Act of 1997 that amended the Higher Education Act of 1965. This fund represents monies which are restricted for eventual payment to the U.S. Treasury. Revenues include monies which the department earns on the investments of the reserve.

Restricted Interest Fund: This fund represents interest earned on the restricted reserve fund. Interest monies are to be used solely for default prevention activities.

ATOM Fund: The department serves as an escrow agent by disbursing student loan funds to schools on behalf of participating lenders. Revenues include guarantee fees charged to the lender and monies which the department earns on investment of the fund.

#### D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibits A and B are the transfers from the State Guaranty Student Loan Fund and Guaranty Agency

Operating Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit C.

The Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* requires certain disclosures regarding public employee retirement systems and postemployment benefits such as health care and life insurance benefits provided to retired employees. Required disclosures for the state financial reporting entity are included in the State of Missouri Comprehensive Annual Financial Report issued by the Office of Administration.

## 2. Cash and Investments

The balances of the State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, and the Restricted Interest Fund are pooled with other state funds and invested by the state treasurer.

Amounts in the ATOM Fund represent cash and investments which are in the custody of the department. The department has determined that a checking account and repurchase agreement are appropriate types of accounts and investments for its needs.

### Deposits

The carrying amount of the ATOM Fund's deposits was \$146 which was also the bank balance.

The ATOM Fund's deposits at June 30, 1999, were entirely covered by federal depository insurance or by collateral securities held by the program's custodial bank in the department's name.

### Investments

The ATOM Fund's investment at June 30, 1999, was a repurchase agreement with a carrying amount of \$251,875 and a bank balance and market value of \$1,139,014.

Of the reported amount at June 30, 1999, \$251,875 represents investments that were insured or registered or for which the securities were held by an independent bank in the department's name.

## 3. Due from Federal Government - Reinsurance

This amount represents defaulted loan claims to be reimbursed by the U.S. Department of Education (USDE) at June 30, 1999, net of amounts due to the USDE for refunds of claims previously reimbursed, collections on defaulted loans, including administrative wage garnishments, collections on rehabilitated loans, and amounts received for loans paid in full through consolidation. The amount reimbursed by USDE for defaulted loan claims is

considered to be "reinsurance" to the DHE since the agency has already purchased the defaulted loan from the lender, "insuring" the lender against further loss. Except for refunds of claims previously reimbursed, which are fully refundable to the USDE, federal regulations allow the DHE to retain a percentage of amounts collected. The percentages retained vary according to the type of collection and the reinsurance rate effective at the time of the claim payment. The difference between amounts collected and the DHE retention is due to the USDE, and is offset against amounts due to the agency from the USDE for reinsurance on defaulted loans.

For loans disbursed prior to October 1, 1993, the reinsurance agreement between the Coordinating Board for Higher Education (CBHE) and the Secretary of the USDE provides for reinsurance claims to be paid at 100 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed between October 1, 1993, and September 30, 1998, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 98 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed on or after October 1, 1998, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 95 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. If the net default rate exceeds 5 percent, USDE reimbursements for reinsurance are reduced. The following default rates occurred for the Missouri Student Loan Program:

| <u>June 30,</u> | <u>Default Rate (%)</u> |
|-----------------|-------------------------|
| 1999            | 2.85                    |
| 1998            | 3.59                    |
| 1997            | 4.08                    |
| 1996            | 3.17                    |

4. Deferred Federal Advances

This amount represents advances from the USDE to supplement the fund balance which backs the department's loan guarantees. The USDE may require that the advances be repaid whenever the fund balance is determined adequate to back current outstanding loan guarantees. As of June 30, 1999, the principal amount was \$1,874,831.

5. Due to Federal Government

The Balanced Budget Act of 1997 amended the Higher Education Act of 1965 to require the U.S. Secretary of Education to recall approximately \$1 billion in funds from guaranty agencies. Under this provision, guaranty agencies are required to deposit a portion of their funds into restricted accounts for eventual transfer to the U.S. Treasury. The deposits into the restricted accounts are to be made in equal annual installments within 90 days after the beginning of federal fiscal years 1998 through 2002. All funds in the restricted accounts will

be transferred to the U.S. Treasury on September 1, 2002. The DHE estimates that approximately \$32,000,000 of its funds will be recalled. The following schedule represents deposits that have been or will be made to the restricted reserve fund:

| <u>Fiscal<br/>Year</u> | <u>Deposit<br/>Amount</u> | <u>Cumulative<br/>Amount</u> |
|------------------------|---------------------------|------------------------------|
| 1998                   | \$ 6,484,334              | \$ 6,484,334                 |
| 1999                   | 6,484,334                 | 12,968,668                   |
| 2000                   | 6,484,334                 | 19,453,002                   |
| 2001                   | 6,484,334                 | 25,937,336                   |
| 2002                   | 6,484,334                 | 32,421,670                   |

The HEA of 1998 requires guaranty agencies to return additional reserve funds to the federal government. The law requires guaranty agencies to return an additional \$85,000,000 in fiscal year 2002, \$82,500,000 in fiscal year 2006, and \$82,500,000 in fiscal year 2007. The amount to be returned by the Missouri State Guaranty Student Loan Program has not been determined.

#### 6. Funding Sources

The HEA of 1998 significantly changed the sources and amounts of revenue available to guaranty agencies to finance expenditures of the Guaranty Agency Operating Fund and the Federal Student Loan Reserve Fund. The legislation assigned funding sources that were available in previous years to a specific fund or in some cases, totally eliminated a funding source. The following table summarizes the distribution of previous funding sources:

| <u>Funding Source:</u>  | <u>Guaranty Agency<br/>Operating Fund</u> | <u>Federal Student Loan<br/>Reserve Fund</u> |
|-------------------------|---|--|
| Guarantee fees          |   | X  |
| Federal reimbursements: |   |  |
| Administrative expense  |   |  |
| allowance (1)           | N/A                                       | N/A  |
| Reinsurance             |   | X  |
| Supplemental preclaims  |   |  |
| assistance (1)          | N/A                                       | N/A  |
| Interest income         | X   | X  |
| Loan recoveries         | X   |  |
| Miscellaneous           | X   | X  |

(1) The HEA of 1998 eliminated these funding sources.

In addition, the HEA created new funding sources for each fund. A table representing the distribution of the new funding sources and a brief description of each funding source follows:

| <u>Funding source:</u>   | <u>Guaranty Agency<br/>Operating Fund</u> | <u>Federal Student Loan<br/>Reserve Fund</u> |
|--|---|--|
| Loan processing and<br>Issuance fee                              | X   |  |
| Account maintenance<br>fee                                       | X   |  |
| Default aversion fee   | X   |  |
| Transfer of Secretary's<br>Equitable Share of<br>Loan Recoveries |   | X  |

7. Federal Reimbursements - Administrative Expense Allowance

This amount represents USDE allowances to the DHE for administering the loan program. Payments are computed quarterly and equal .85 percent of loans guaranteed during the quarter. As described in Note 6, the HEA of 1998 eliminated this funding source.

8. Federal Reimbursements – Loan Processing and Issuance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals .65 percent of loans originated during the quarter. Payments are computed quarterly based on amounts reported to the National Student Loan Data System (NSLDS).

9. Federal Reimbursements – Account Maintenance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals .12 percent of outstanding loans. Payments are computed quarterly based upon amounts reported on the quarterly federal 1130 report and to the NSLDS.

10. Federal Reimbursements - Supplemental Preclaims Assistance (SPA)

Prior to the HEA of 1998, guaranty agencies with a reinsurance agreement with the USDE were required to provide SPA on accounts that were delinquent at least 120 days. The USDE paid the DHE one percent of the total unpaid principal and accrued interest on the loan as of the date the lender submitted a Request for Collection Assistance (RCA), the beginning of the preclaims assistance. As described in Note 6, the HEA of 1998 eliminated this funding source.

11. Guarantor Servicer Fees

The DHE contracts with a guarantor servicer to provide accounting records, billings, application processing, loan maintenance, default aversion, claims services, and collection services. Expense and equipment expenditures of the State Guaranty Student Loan Fund and Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer fees of \$ 1,090,602 and \$ 3,033,208, respectively, for the year ended June 30, 1999.

In addition, the guarantor servicer performs collection activities on defaulted accounts for 120 days after default claim paid date. The servicer retains a portion of the amount collected as a collection fee. Expense and equipment expenditures of the State Guaranty Student Loan Fund and Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer commission fees of \$ 331,516 and \$ 743,102, respectively.

12. Supplemental Preclaims Assistance Fees

The DHE contracts with a company to provide default prevention procedures. Supplemental preclaims assistance fees of \$ 92,555 and \$ 173,769 for the year ended June 30, 1999 are included in the expense and equipment expenditures of the State Guaranty Student Loan Fund and Guaranty Agency Operating Fund, respectively, as presented in Exhibit B.

13. Collection Agency Fees

The DHE contracts with several collection agencies for collection services. The collection agencies keep a portion of collections as commission fees.

14. Operating Transfers

A. Default Aversion Fee

The DHE collects a fee for preventing delinquent borrowers from defaulting. The DHE is eligible to collect a one-time fee on each loan where a lender files a Request for Collection Assistance (RCA) with the guaranty agency. The fee is calculated as 1 percent of the delinquent loan balance and may be transferred no more frequently than monthly from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include default aversion fees of \$ 755,899 for the year ended June 30, 1999. If the DHE collects the fee on a loan that subsequently defaults, the DHE must rebate 1 percent of the loan balance at the time of claim payment to the Federal Student Loan Reserve Fund.

B. Secretary's Equitable Share of Loan Recoveries

The Secretary's Equitable Share of Loan Recoveries is transferred from the Guaranty Agency Operating Fund to the Federal Student Loan Reserve Fund since all collections on defaulted loans are deposited in the Guaranty Agency Operating Fund upon receipt. Transfers in to the Federal Student Loan Reserve Fund, as presented in Exhibit B, include \$15,146,108 of secretary's equitable share of collections.

15. Appropriations Exercised by Other State Agencies

The Missouri General Assembly made appropriations from the State Guaranty Student Loan Fund and the Guaranty Agency Operating Fund for the loan program's proportionate share of the department's rental payments. These appropriations are administered by the Office of Administration, Division of Facilities Management.

16. Contingent Receivable

During fiscal years 1988 and 1989, the DHE used a total of \$4,088,370 for scholarships and legal costs relating to the scholarships from the State Guaranty Student Loan Fund. These expenditures were reported in the State Single Audit Report for the two years ended June 30, 1989. In March 1993, the United States Department of Education (USDE) issued an audit determination of this report stating that the total \$4,088,370 had been improperly spent and that the State Guaranty Student Loan Fund must be reimbursed. The DHE appealed this determination in July 1993; however, the USDE ruled in April 1994 that the appeal was denied. As of June 30, 1999, a general revenue appropriation and the related reimbursement to the State Guaranty Student Loan Fund have not been made. Governor Carnahan sent a July 7, 1995, letter to Education Secretary Richard Riley to resolve the requirement. However, a formal response has not been received from the U.S. Department of Education.

17. Federal Direct Student Loan Program

The Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66) created the Federal Direct Student Loan Program (FDSLP) whereby the federal government, rather than private lending institutions, will fund loans to all eligible students attending participating postsecondary educational institutions beginning July 1, 1994 for the 1994-95 academic year. Participation by the education institutions is strictly voluntary. Originally, the federal government had planned a five-year phase-in period for the FDSLP, which operates parallel to and competes directly with the Federal Family Education Loan Program (FFELP), administered by the DHE. Currently, no legislation has been passed nor is pending to cap or repeal the FDSLP, or to limit the FFELP. Instead, the Clinton Administration and the U.S. Department of Education have expressed the desire for both federal student loan programs to co-exist, allowing postsecondary schools to choose which program to utilize. To date, the FDSLP comprises about 30 percent of the student loan volume in Missouri.

18. Escheatment Funds

The loan program servicer maintains an escheatment account which includes old outstanding checks and payments which cannot be made because of insufficient information. These funds are the property of the State Guaranty Student Loan Program and totaled \$ 84,219 at June 30, 1999. These monies are not included in the financial statements.

19. Reconciliation of Total Expenditures to Appropriated Expenditures

Total expenditures for the State Guaranty Student Loan Fund, Federal Student Loan Reserve Fund and Guaranty Agency Operating Fund on Exhibit B reconcile to appropriated expenditures on Exhibit C as follows:

|   |    | <u>Year Ended June 30,</u><br><u>1999</u> |
|---|----|---|
| TOTAL STATE GUARANTY STUDENT LOAN FUND,<br>FEDERAL STUDENT LOAN RESERVE FUND, AND<br>GUARANTY AGENCY OPERATING FUND<br>EXPENDITURES PER EXHIBIT B | \$ | 61,721,859                                |
| Refunds of claims paid  |    | 5,034                                     |
| Guarantee fee refunds   |    | 6,519                                     |
| Expense and equipment refunds   |    | 12,944                                    |
| Employee fringe benefits  |    | (319,981)                                 |
| Accrued leave liability   |    | (69,939)                                  |
| Loan recovery reimbursements  |    | (4,222,210)                               |
| Late reporting interest   |    | (2,945)                                   |
| Guarantor servicer commissions  |    | (1,074,618)                               |
| Collection agency commissions   |    | <u>(2,657,612)</u>                        |
| TOTAL STATE GUARANTY STUDENT LOAN FUND,<br>FEDERAL STUDENT LOAN RESERVE FUND, AND<br>GUARANTY AGENCY OPERATING FUND<br>EXPENDITURES PER EXHIBIT C | \$ | <u><u>53,399,051</u></u>                  |



## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999.

The following Management Advisory Report presents our finding and recommendation arising from our audit of the program's financial statements.

|                                    |
|------------------------------------|
| <b>Default Aversion Assistance</b> |
|------------------------------------|

The Department of Higher Education (DHE) contracts with a loan program servicer to maintain records, process loans and claims, and collect on defaulted loans guaranteed through the Federal Family Education Loans (FFEL) program. Under the terms of the contract, the loan program servicer is also responsible for providing preclaims assistance on loans that are between 50 to 70 days delinquent. The DHE contracts with another company to provide supplemental preclaims assistance (SPA) on loans that are at least 120 days delinquent. Prior to the reauthorization of the Higher Education Act (HEA), effective October 7, 1998, the DHE received a SPA fee on delinquent loans that were cured in accordance with 34 CFR Part 682.404.

The reauthorization of the HEA replaced preclaims assistance and SPA with a single activity, default aversion assistance. Default aversion assistance consists of the activities of a guaranty agency that are designed to prevent defaults by borrowers who are at least 60 days delinquent. The default aversion activities are similar to activities previously performed for preclaims assistance and SPA. Final regulations governing default aversion activities were issued by the USDE on October 29, 1999 with an effective date of July 1, 2000.

- A. The reauthorization legislation eliminated the SPA fee but allowed the DHE to receive default aversion fees for performing default aversion activities on delinquent loans in response to a lender's request for default aversion assistance. The DHE, in conjunction with its loan servicer, developed a default aversion billing process to implement the new legislation retroactive to October 7, 1998.

The DHE has experienced some difficulties in implementing the default aversion billing process. Prior to the issuance of its final regulations on October 29, 1999, the USDE twice issued preliminary guidance to guaranty agencies that changed the method for calculating default aversion fees. The DHE attempted to revise its billing processes to implement the new guidance but made errors that caused some loans to be billed more than once. According to the final regulations issued by the USDE, a guaranty agency may bill for a default aversion fee only once for each loan.

To ensure default aversion fees are not under or over billed, the DHE should consult with the USDE and ensure they are properly calculating the fees. In addition, they should ensure no duplicate billing occurs.

- B. The final regulations issued by the USDE on October 29, 1999 also included a prohibition against conflicts stating that any outside entity with whom a guaranty agency contracts may not perform default aversion activities and hold or service a loan, or collect on a defaulted loan within three years of the claim payment date. Although the DHE has entered into a contract with an entity other than its loan servicing contractor to perform default aversion activities, as of December 22, 1999, the DHE had not assigned accounts to the new contractor. The DHE's loan servicer is continuing to provide preclaims assistance until the new contract is implemented.

Allowing the loan servicer to continue providing preclaims assistance while servicing and collecting on the same loans appears to violate the prohibition against conflicts. According to USDE personnel, because the DHE elected to retroactively implement the default aversion fee billings, the DHE should implement all of the default aversion activities rules including the prohibition against allowing a single entity to perform default aversion assistance and service or collect on the same loans. As of June 30, 1999, the loan program servicer did not perform collection activities on the loans for which it provided default aversion activities because those loans did not have time to default. However, the DHE has not established procedures to ensure that the loan program servicer does not perform collection activities on those loans in the future.

To ensure the collection of all default aversion fees, the DHE should contact the USDE to determine if the DHE is eligible to receive default aversion fees when the loan program servicer performs some of the default aversion assistance activities.

**WE RECOMMEND** the DHE:

- A. Consult with the USDE and establish procedures to ensure default aversion billings are accurate and complete. In addition, adjustments should be made to correct the duplicate billings.
- B. Resolve the issue concerning the prohibition against conflicts with the USDE.

**AUDITEE'S RESPONSE**

- A. *The DHE has been diligently working with its loan servicer to refine and enhance its default aversion billing and assignment processes. During January and February 2000, the DHE participated in meetings conducted at its loan servicer's headquarters in Jacksonville, Florida and is currently participating in weekly conference calls dedicated to the resolution of default aversion issues. It should also be noted that the DHE detected the duplicate*

*billing problem early in the process and brought it to the loan servicer's attention. The DHE continues to test its default aversion billing statements for further evidence of duplicate billing problems. A manual adjustment for amounts overbilled will be made on the next default aversion billing statement. We will clarify any remaining issues with the USDE during their upcoming technical assistance visit in April 2000. We expect to have these issues resolved by the next audit.*

- B. The DHE has discussed the issue with its loan servicer and is in the process of identifying any loans that were billed for a default aversion fee and have subsequently defaulted. Once these loans are identified, the DHE will determine whether its loan servicer is currently collecting on the loan. If so, these loans will be reassigned to one of the DHE's other collection agencies for collection. In the future, all defaulted loans for which the DHE collected a default aversion fee and the loan servicer performed preclaim activities will be assigned to one of the DHE's collection agencies for collection. We will also discuss this issue with the USDE during their upcoming technical assistance visit in April 2000. We expect to have these issues resolved by the next audit.*

This report is intended for the information of the management of the State Guaranty Student Loan Program of the Department of Higher Education and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the State Guaranty Student Loan Program of the Department of Higher Education on recommendations made in the Management Advisory Report (MAR) of our report issued for the year ended June 30, 1998.

Reconciliation of Federal Reports

The DHE contracts with a loan program servicer to manage aspects of this program. The loan program servicer is responsible for providing data used to compile monthly (1189) and quarterly (1130) reports submitted by the DHE to the United States Department of Education. The DHE did not reconcile applicable sections of the 1130 reports to the 1189 reports.

Recommendation:

The DHE establish and implement procedures to reconcile the 1189 and 1130 reports and maintain documentation of the reconciliations.

Status:

Implemented.

## STATISTICAL SECTION



History, Organization, and  
Statistical Information

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
HISTORY AND ORGANIZATION

In 1978, the Missouri General Assembly created the Missouri Student Loan Program (MSLP) to administer the Federal Family Education Loan Program (FFELP) in the state of Missouri on behalf of the Coordinating Board for Higher Education (CBHE). The CBHE has statutory authority to oversee the MSLP and to act as the guaranty agency for the FFELP. In this capacity, the CBHE, acting through the MSLP, guarantees loans made to students by eligible lending institutions.

During the first state fiscal year of operations, the CBHE guaranteed \$15,524,850 in FFELP loans to 7,289 borrowers. In contrast, as of June 30, 1999, the cumulative volume of loans guaranteed was \$3,408,945,174, representing 1,241,523 in FFELP loans. Included in this total is \$1,751,907,981 in outstanding loans.

The FFELP was created by the Higher Education Act of 1965, which is reauthorized by Congress every five years. There are currently four types of loans available to eligible borrowers under the FFELP:

Subsidized Federal Stafford Loan  
Unsubsidized Federal Stafford Loan  
Parent Loan for Undergraduate Students (PLUS)  
Federal Consolidation Loan

Subsidized Federal Stafford Loans are need-based loans available to eligible undergraduate and graduate students. Generally, the federal government pays interest on the loan as long as the borrower is enrolled at least half-time and during the borrower's six-month grace period and authorized deferment periods.

Unsubsidized Federal Stafford Loans have the same terms and conditions as subsidized Federal Stafford Loans except that they are not need-based, and the borrower is responsible for all interest payments.

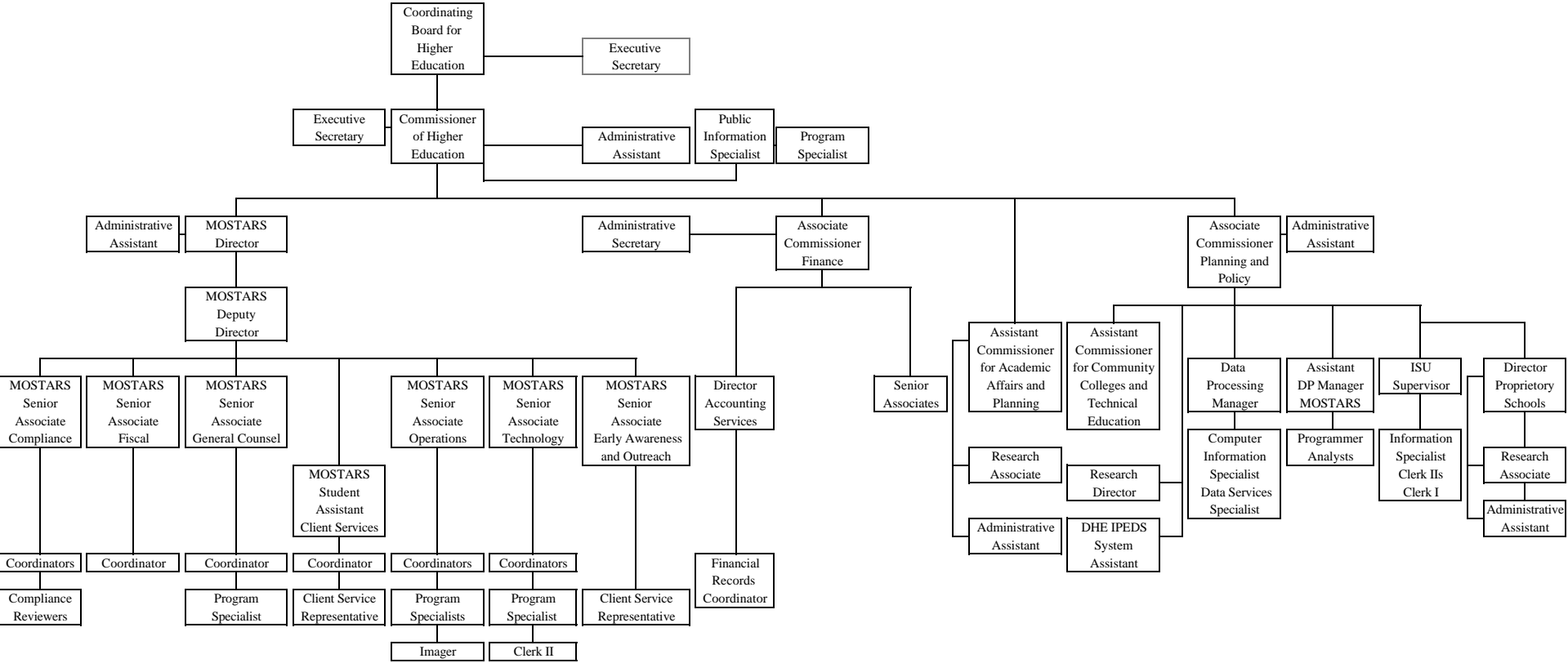
Parent Loans for Undergraduate Students allow parents to borrow guaranteed loans for dependent students. PLUS borrowers are responsible for all interest, and repayment generally begins within 60 days from the time the loan is fully disbursed.

Federal Consolidation Loans are available to borrowers who wish to combine existing student loans into one new loan. Generally, this results in lower monthly payments but higher total interest costs.

In August 1995, the department established the Automated Transfer of Money (ATOM) fund in an effort to aid schools by streamlining the delivery of Missouri student loan funds. By serving as an escrow agent, the department disburses student loan funds to schools on behalf of the participating lenders. As of June 30, 1999, the cumulative volume of disbursements to schools was 329,954

disbursements totaling \$542,312,511. Currently, there are approximately 90 participating lenders and over 400 schools that receive the loan disbursements.

In October 1997, the CBHE approved a new organizational structure to combine the administration of the Missouri grant, scholarship, and federal loan programs into one student assistance area. The new division was named Missouri Student Assistance Resource Services (MOSTARS). MOSTARS was created as a “one stop shop” which, in coordination with high school counselors and college and university financial aid offices, will provide resource and information to ensure that Missouri citizens have an opportunity to finance postsecondary education. MOSTARS employs approximately fifty-one full-time equivalent employees.



DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
PROGRAM STATISTICS  
LOANS GUARANTEED

FEDERAL SUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (SSLP)

| <u>Year Ended<br/>September 30,</u> |    | <u>Loans<br/>Guaranteed<br/>During Year</u> | <u>Total Loans<br/>Guaranteed<br/>to Date</u> | <u>Average Size<br/>of Loan<br/>Guaranteed</u> |
|-------------------------------------|----|---|---|--|
| 1986 and prior                      | \$ | 824,126,957                                 | 824,126,957                                   | 2,236  |
| 1987                                |    | 109,860,344                                 | 933,987,301                                   | 2,290  |
| 1988                                |    | 95,710,975                                  | 1,029,698,276                                 | 2,304  |
| 1989                                |    | 104,304,308                                 | 1,134,002,584                                 | 2,318  |
| 1990                                |    | 123,392,544                                 | 1,257,395,128                                 | 2,336  |
| 1991                                |    | 150,441,323                                 | 1,407,836,451                                 | 2,359  |
| 1992                                |    | 162,633,091                                 | 1,570,469,542                                 | 2,386  |
| 1993                                |    | 187,700,329                                 | 1,758,169,871                                 | 2,431  |
| 1994                                |    | 218,830,241                                 | 1,977,000,112                                 | 2,494  |
| 1995                                |    | 161,814,986                                 | 2,138,815,098                                 | 2,529  |
| 1996                                |    | 130,748,319                                 | 2,269,563,417                                 | 2,558  |
| 1997                                |    | 149,205,698                                 | 2,418,769,115                                 | 2,590  |
| 1998                                |    | 185,261,639                                 | 2,604,030,754                                 | 2,630  |
| 1999                                |    | 190,388,523                                 | 2,794,419,277                                 | 2,670  |

FEDERAL UNSUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (USSLP)

| <u>Year Ended<br/>September 30,</u> |    | <u>Loans<br/>Guaranteed<br/>During Year</u> | <u>Total Loans<br/>Guaranteed<br/>to Date</u> | <u>Average Size<br/>of Loan<br/>Guaranteed</u> |
|-------------------------------------|----|---|---|--|
| 1993                                | \$ | 13,695,823                                  | 13,695,823                                    | 2,320  |
| 1994                                |    | 55,230,171                                  | 68,925,994                                    | 2,920  |
| 1995                                |    | 66,408,588                                  | 135,334,582                                   | 2,933  |
| 1996                                |    | 57,314,322                                  | 192,648,904                                   | 2,967  |
| 1997                                |    | 73,907,196                                  | 266,556,100                                   | 3,034  |
| 1998                                |    | 103,112,219                                 | 369,668,319                                   | 3,146  |
| 1999                                |    | 120,416,869                                 | 490,085,188                                   | 3,244  |

# FEDERAL PARENT LOANS FOR UNDERGRADUATE STUDENTS PROGRAM (PLUS)

| <u>Year Ended<br/>September 30,</u> | <u>Loans<br/>Guaranteed<br/>During Year</u> | <u>Total Loans<br/>Guaranteed<br/>to Date</u> | <u>Average Size<br/>of Loan<br/>Guaranteed</u> |
|-------------------------------------|---|---|--|
| 1986 and prior                      | \$ 9,892,008                                | 9,892,008                                     | 2,658  |
| 1987                                | 3,017,208                                   | 12,909,216                                    | 2,684  |
| 1988                                | 4,367,589                                   | 17,276,805                                    | 2,773  |
| 1989                                | 6,286,876                                   | 23,563,681                                    | 2,847  |
| 1990                                | 8,471,120                                   | 32,034,801                                    | 2,917  |
| 1991                                | 11,230,270                                  | 43,265,071                                    | 2,978  |
| 1992                                | 13,428,488                                  | 56,693,559                                    | 3,029  |
| 1993                                | 13,371,943                                  | 70,065,502                                    | 3,190  |
| 1994                                | 11,522,861                                  | 81,588,363                                    | 6,285  |
| 1995                                | 11,218,115                                  | 92,806,478                                    | 3,390  |
| 1996                                | 9,359,878                                   | 102,166,356                                   | 3,481  |
| 1997                                | 12,683,865                                  | 114,850,221                                   | 3,612  |
| 1998                                | 19,340,718                                  | 134,190,939                                   | 3,790  |
| 1999                                | 22,704,277                                  | 156,895,216                                   | 3,981  |

# FEDERAL SUPPLEMENTAL LOANS TO STUDENT PROGRAM (SLS)

| <u>Year Ended<br/>September 30,</u> | <u>Loans<br/>Guaranteed<br/>During Year</u> | <u>Total Loans<br/>Guaranteed<br/>to Date</u> | <u>Average Size<br/>of Loan<br/>Guaranteed</u> |
|-------------------------------------|---|---|--|
| 1986 and prior                      | \$ 18,041,953                               | 18,041,953                                    | 2,775  |
| 1987                                | 5,480,183                                   | 23,522,136                                    | 2,789  |
| 1988                                | 6,939,321                                   | 30,461,457                                    | 2,792  |
| 1989                                | 9,759,342                                   | 40,220,799                                    | 2,752  |
| 1990                                | 12,411,963                                  | 52,632,762                                    | 2,753  |
| 1991                                | 21,234,781                                  | 73,867,543                                    | 2,877  |
| 1992                                | 24,603,045                                  | 98,470,588                                    | 2,892  |
| 1993                                | 28,337,468                                  | 126,808,056                                   | 2,940  |
| 1994                                | 21,145,273                                  | 147,953,329                                   | 2,962  |
| 1995                                | 13,212                                      | 147,966,541                                   | 2,962  |
| **                                  |   |   |  |

\*\* No new SLS loans were made on or after July 1, 1994.

# TOTAL LOANS GUARANTEED

| Year Ended<br>September 30, |    | Loans<br>Guaranteed<br>During Year | Total Loans<br>Guaranteed<br>to Date |
|-----------------------------|----|------------------------------------|--------------------------------------|
| 1986 and prior              | \$ | 852,060,918                        | 852,060,918                          |
| 1987                        |    | 118,357,735                        | 970,418,653                          |
| 1988                        |    | 107,017,885                        | 1,077,436,538                        |
| 1989                        |    | 120,350,526                        | 1,197,787,064                        |
| 1990                        |    | 144,275,627                        | 1,342,062,691                        |
| 1991                        |    | 182,906,374                        | 1,524,969,065                        |
| 1992                        |    | 200,664,624                        | 1,725,633,689                        |
| 1993                        |    | 243,105,563                        | 1,968,739,252                        |
| 1994                        |    | 306,728,546                        | 2,275,467,798                        |
| 1995                        |    | 239,454,901                        | 2,514,922,699                        |
| 1996                        |    | 197,422,519                        | 2,712,345,218                        |
| 1997                        |    | 235,796,759                        | 2,948,141,977                        |
| 1998                        |    | 307,714,576                        | 3,255,856,553                        |
| 1999                        |    | 333,509,669                        | 3,589,366,222                        |

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
PROGRAM STATISTICS  
DEFAULT CLAIMS PAID

|  | <u>Stafford</u>              | <u>PLUS</u>             | <u>SLS</u>               | <u>Unsubsidized<br/>Stafford</u> |
|--|------------------------------|-------------------------|--------------------------|----------------------------------|
| AS OF JUNE 30, 1997                            | \$ 303,054,375               | 4,244,307               | 29,507,750               | 3,947,899                        |
| Default claims paid<br>during fiscal year 1998 | <u>25,628,232</u>            | <u>918,850</u>          | <u>2,921,550</u>         | <u>5,445,480</u>                 |
| AS OF JUNE 30, 1998                            | 328,682,607                  | 5,163,157               | 32,429,300               | 9,393,379                        |
| Default claims paid<br>during fiscal year 1999 | <u>28,242,558</u>            | <u>666,585</u>          | <u>3,144,924</u>         | <u>6,888,398</u>                 |
| AS OF JUNE 30, 1999                            | \$ <u><u>356,925,165</u></u> | <u><u>5,829,742</u></u> | <u><u>35,574,224</u></u> | <u><u>16,281,777</u></u>         |

Defaulted loans represent loans which became delinquent and which the state purchased from the lender. Bankruptcy, death, and disability claims paid are excluded.

SERVICE FEES

During the audit period, Guarantec administered the loan program for the department. The loan servicer is compensated on a fee-per-transaction basis. Guarantec's billing rates for the period July 1, 1998 to June 30, 1999 were:

| <u>Service</u>                                      | <u>Rate</u>           |
|---|-----------------------|
| Mandatory Services                                  |                       |
| Electronic Application Guaranteed \$                | 3.45 per transaction  |
| Hard Copy Application                               | 5.30 per transaction  |
| Outstanding Loans - In School and<br>In Grace       | 0.21 per loan         |
| Outstanding Loans - In Repayment                    | 0.54 per loan         |
| Loan Delinquency Brought Current                    | 4.24 per loan         |
| Claim Paid  | 53.05 per transaction |
| Optional Services                                   |                       |
| Application/Promissory Note<br>Generated and Mailed | 1.86 per transaction  |
| Credit Check on PLUS applications                   | 5.30 per transaction  |



The following loan amounts were outstanding at June 30, 1999 and 1998:

|                       |    | June 30,             |                      |
|-----------------------|----|----------------------|----------------------|
|                       |    | 1999                 | 1998                 |
| Stafford              | \$ | 1,147,221,774        | 1,130,150,022        |
| Unsubsidized Stafford |    | 317,016,498          | 244,341,858          |
| PLUS                  |    | 81,793,980           | 73,100,100           |
| SLS                   |    | 45,117,618           | 53,355,812           |
| Consolidated          |    | 160,731,342          | 171,376,953          |
| Refinanced            |    | 26,769               | 26,769               |
| Total                 | \$ | <u>1,751,907,981</u> | <u>1,672,351,514</u> |

DEPARTMENT OF HIGHER EDUCATION  
STATE GUARANTY STUDENT LOAN PROGRAM  
PROGRAM STATISTICS  
PORTFOLIO MIX

|  | Year Ended September 30, |                |                |
|--|--------------------------|----------------|----------------|
|  | 1999                     | 1998           | 1997           |
|  | Portfolio Mix            | Portfolio Mix  | Portfolio Mix  |
|  | Percentages              | Percentages    | Percentages    |
| Public   | 33.0 %                   | 35.8 %         | 42.1 %         |
| Private  | 53.4                     | 50.4           | 41.4           |
| Proprietary  | 11.1                     | 10.6           | 12.7           |
| Other (includes professional,<br>vocational technical,<br>theological, and out-of-state) | 2.5                      | 3.2            | 3.8            |
| Total  | <u>100.0 %</u>           | <u>100.0 %</u> | <u>100.0 %</u> |

The State Guaranty Student Loan Program monitors the program to ensure that a desirable mix is maintained.

\* \* \* \* \*



CITY OF HOLLAND, MISSOURI  
YEAR ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-26  
April 20, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Holland, Missouri.**

---

The city had not prepared a budget for the year 2000 as of January 14, 2000. In addition, the budgets prepared by the city for the years ended December 31, 1999 and 1998, did not comply with Chapter 67 of the Missouri statutes (budget law). The city only prepares a budget for the general fund and the water and sewer fund. Neither of these budgets included projected ending balances, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message. In addition, the Board of Aldermen does not perform periodic comparisons between budgeted and actual expenditures. To better inform citizens and to ensure the city's budgets reflect the restrictions placed on the city funds, the city should prepare budgets for each fund and monitor actual expenditures compared to budgeted expenditures.

The city's most recent audit is for the year ended December 31, 1997. State law requires the city to obtain annual audits of the combined water and sewer system, and the cost of the audits is to be paid from the revenues received from the system. In addition, annual audits are required by the city's combined water and sewer system bond covenants.

The city has not published semi-annual financial statements as required by state law and has not submitted an annual financial report to the State Auditor's Office since 1997.

The City Clerk is more than a year behind in recording total billings and payments for the water and sewer system in the control ledger. As a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid cannot be performed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

The City Clerk does not reconcile meter deposit records to the balance in the bank account. The city has failed to establish a reserve account as required by bond covenants. The city did not solicit proposals when selecting an engineering contractor for the city's water project. In addition, the city does not reconcile the total gallons of water billed to customers to the gallons of water pumped.

The City Clerk also serves as the City Treasurer and the City Collector contrary to an Attorney General Opinion. Controls over cash receipts and disbursements are not adequate. In addition, the city has not prepared or maintained property records.

(over)

YELLOW SHEET

The City Clerk's duties include collecting and depositing property tax receipts. The City Clerk did not make a detailed report to the Board of Aldermen summarizing the various property tax amounts collected during the year. In addition, a detailed monthly report of delinquent taxes should be submitted to the board by the City Clerk. State law requires reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. In addition, the City Clerk is not charging penalties on delinquent taxes.

The two city employees do not prepare time sheets or maintain records of vacation and sick leave. The city has not adopted ordinances to establish the compensation and duties of each employee. In addition, the Water Supervisor is also the elected City Marshall and he was paid \$23,400 for his duties as Water Supervisor. This arrangement is not in compliance with state law which states that an elected or appointed official is to be paid only for the position he was elected or appointed to serve. The city does not have written agreements with the City Attorney and City Judge.

The city receives state motor vehicle-related revenues and deposits them into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate fund or separate accounting for these receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

The city's ordinances are not complete and up-to-date. Board minutes are not signed by the Mayor.

In the City of Holland municipal court, receipts are not always deposited intact or timely and formal bank reconciliations are not performed. The numerical sequence and ultimate disposition of all traffic tickets is not accounted for properly and complaint forms used are not prenumbered.

CITY OF HOLLAND, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
And  
Members of the Board of Aldermen  
City of Holland  
Holland, Missouri 63853

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Holland, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

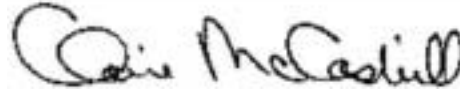
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Holland, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

January 14, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                         |
|---------------------|-------------------------|
| Director of Audits: | Karen Laves, CPA        |
| Audit Manager:      | Alice M. Fast, CPA, CIA |
| In-Charge Auditor:  | Darrick A. Fulton       |
| Audit Staff:        | Scott Fontana           |



## HISTORY AND ORGANIZATION

# CITY OF HOLLAND, MISSOURI HISTORY AND ORGANIZATION

The city of Holland, incorporated in 1903 as a fourth-class city, is located in Pemiscot County. The population in 1990 was 234. The city government consists of a mayor, and a four-member Board of Aldermen. The four board members are elected from two wards for two-year terms. The mayor is elected for two years, presides over the Board of Aldermen, and votes only in the case of a tie. The mayor, Board of Aldermen, and other principal officials at December 31, 1999 were:

| <u>Elected Officials</u>                            | <u>Term Expires</u> | <u>Compensation Paid<br/>for the Year Ended<br/>December 31, 1999</u> | <u>Amount<br/>Of Bond</u> |
|---|---------------------|---|---------------------------|
| Sondra Booker, Mayor                                | 2000                | \$ 0  | \$ 0                      |
| Cooper Jones, Alderman, Ward One                    | 2000                | 0   | 0                         |
| J. L. "Beau" Shepphard, Alderman, Ward Two          | 2000                | 0   | 0                         |
| Robert Drumright, Alderman, Ward One                | 2001                | 0   | 0                         |
| Frank Copeland, Alderman, Ward Two                  | 2001                | 0   | 0                         |
| Mark Crocker,<br>Water Superintendent/City Marshall | 2001                | 23,400  | 5,000                     |
| <u>Other Principal Officials</u>                    |                     |   |                           |
| Geneva Rollins, City Clerk                          |                     | 5,675   | \$ 15,000                 |
| Tommy German, Municipal Judge                       |                     | 1,800   |                           |
| Terry McVey, City Attorney                          |                     | 1,200   |                           |

Assessed valuation and tax rate information for 1999 is as follows:

|                           |                    |
|---------------------------|--------------------|
| <b>ASSESSED VALUATION</b> |                    |
| Real Estate               | \$ 641,600         |
| Personal Property         | 208,780            |
| Railroad and Utility      | <u>193,620</u>     |
| Total                     | <u>\$1,044,000</u> |

|   |         |
|---|---------|
| <b>TAX RATES PER \$100 ASSESSED VALUATION</b> |         |
| General                                       | \$ 0.49 |

A summary of the financial activity of the city of Holland for the year ended December 31, 1999 is presented on the next page.

Financial Activity for the Year Ended December 31, 1999

|                                     | General<br>Fund | Water &<br>Sewer<br>Fund | Water<br>Meter<br>Fund | Water<br>Project | Court<br>Fund | Other *<br>Funds | Total   |
|-------------------------------------|-----------------|--------------------------|------------------------|------------------|---------------|------------------|---------|
| <b>RECEIPTS</b>                     |                 |                          |                        |                  |               |                  |         |
| Gas and motor vehicle taxes         | \$ 9,617        | 0                        | 0                      | 0                | 0             | 0                | 9,617   |
| Property taxes                      | 5,674           | 0                        | 0                      | 0                | 0             | 0                | 5,674   |
| Franchise taxes                     | 9,974           | 0                        | 0                      | 0                | 0             | 0                | 9,974   |
| Interest                            | 115             | 437                      | 52                     | 0                | 0             | 0                | 604     |
| Water & sewer fees                  | 0               | 57,924                   | 0                      | 0                | 0             | 0                | 57,924  |
| Bond proceeds                       | 0               | 0                        | 0                      | 283,000          | 0             | 0                | 283,000 |
| Grant proceeds                      | 0               | 0                        | 0                      | 56,200           | 0             | 0                | 56,200  |
| Fines and court costs               | 0               | 0                        | 0                      | 0                | 2,152         | 0                | 2,152   |
| Other                               | 1,529           | 0                        | 0                      | 0                | 0             | 916              | 2,445   |
| Meter deposits                      | 0               | 0                        | 1,900                  | 0                | 0             | 0                | 1,900   |
| Transfers in                        | 1,950           | 1,880                    | 0                      | 0                | 0             | 2                | 3,832   |
| Total Receipts                      | 28,859          | 60,241                   | 1,952                  | 339,200          | 2,152         | 918              | 433,322 |
| <b>DISBURSEMENTS</b>                |                 |                          |                        |                  |               |                  |         |
| Salaries                            | 15,615          | 19,185                   | 0                      | 0                | 0             | 0                | 34,800  |
| Supplies                            | 541             | 3,015                    | 0                      | 0                | 0             | 0                | 3,556   |
| Utilities                           | 4,967           | 3,805                    | 0                      | 0                | 0             | 0                | 8,772   |
| Insurance                           | 2,380           | 0                        | 0                      | 0                | 0             | 0                | 2,380   |
| Sales tax                           | 0               | 1,062                    | 0                      | 0                | 0             | 0                | 1,062   |
| Newspaper advertising               | 454             | 0                        | 0                      | 0                | 0             | 0                | 454     |
| Water project                       | 0               | 0                        | 0                      | 329,107          | 0             | 0                | 329,107 |
| Sewer treatment                     | 0               | 8,809                    | 0                      | 0                | 0             | 0                | 8,809   |
| Contract labor                      | 0               | 700                      | 0                      | 0                | 0             | 0                | 700     |
| Loan/bond payment                   | 0               | 8,047                    | 0                      | 0                | 0             | 0                | 8,047   |
| Other                               | 4,138           | 3,476                    | 0                      | 0                | 6             | 226              | 7,846   |
| Transfers out                       | 0               | 0                        | 1,880                  | 0                | 1,952         | 0                | 3,832   |
| Total Disbursements                 | 28,095          | 48,099                   | 1,880                  | 329,107          | 1,958         | 226              | 409,365 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 764             | 12,142                   | 72                     | 10,093           | 194           | 692              | 23,957  |
| CASH, JANUARY 1,                    | 6,208           | 21,413                   | 3,228                  | 0                | 1             | 909              | 31,759  |
| CASH DECEMBER 31,                   | \$ 6,972        | 33,555                   | 3,300                  | 10,093           | 195           | 1,601            | 55,716  |

\* Includes the following funds: Holland Law Enforcement Fund, Holland Park Fund, Criminal Investigation Fund, and Holland Sanitary Sewer Improvements Fund.

## MANAGEMENT ADVISORY REPORT

CITY OF HOLLAND, MISSOURI  
SUMMARY OF FINDINGS

1. Water and Sewer System (pages 9-11)

The City Clerk has not kept up to date records of total charges and payments for the water and sewer system and, therefore, monthly reconciliations of total charges, payments received, and amounts remaining unpaid cannot be performed. The City Clerk does not reconcile meter deposit records to the balance in the bank account. The city has failed to establish a reserve account as required by bond covenants. The city did not solicit proposals when selecting an engineering contractor for the city's water project. In addition, the city does not reconcile the total gallons of water billed to customers to the gallons of water pumped.

2. Accounting Records and Procedures (pages 11-13)

The City Clerk also serves as the City Treasurer and the City Collector contrary to an Attorney General Opinion. Controls over cash receipts and disbursements are not adequate. In addition, the city has not prepared or maintained property records.

3. Property Tax Procedures (pages 13-14)

The City Collector does not prepare annual reports of tax collections and delinquent taxes, and penalties are not assessed on delinquent taxes.

4. Budgets and Financial Reporting (pages 14-15)

Budgets do not meet statutory requirements. The city does not publish financial statements, submit annual financial reports to the State Auditor's office, or obtain annual audits.

5. Payroll and Personnel Procedures (pages 15-16)

The two city employees do not prepare time sheets or maintain records of vacation and sick leave. The city has not adopted ordinances to establish the compensation and duties of each employee. In addition, the Water Supervisor is also the elected City Marshall and he was paid \$23,400 for his duties as Water Supervisor. This arrangement is not in compliance with state law which states that an elected or appointed official is to be paid only for the position he was elected or appointed to serve. The city does not have written agreements with the City Attorney and City Judge.

6. Ordinances and Minutes (pages 16-17)

The city's ordinances are not complete and up-to-date. Board minutes are not signed by the Mayor.

7. Street Monies (pages 17-18)

The city has not established a separate fund or accounting of the state motor vehicle-related revenues to ensure funds are spent in accordance with the Missouri Constitution. An annual maintenance plan for city streets has not been prepared.

8. Municipal Court Division (pages 18-19)

Formal bank reconciliations are not always performed. Receipts are not deposited intact or timely and receipt slips are not issued in numerical sequence. The numerical sequence and ultimate disposition of all traffic tickets is not accounted for properly and complaint forms used are not prenumbered.

CITY OF HOLLAND, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                               |
|-----------|-------------------------------|
| <b>1.</b> | <b>Water and Sewer System</b> |
|-----------|-------------------------------|

The city provides water and sewer services to its residents. Water meters are read on approximately the twentieth of each month and customers are billed on the last day of the month. Payments are due by the tenth of the following month. Our review of these billing practices and related procedures identified the following concerns:

- A. The City Clerk is more than a year behind in recording total billings and payments for the water and sewer system in the control ledger. As a result, monthly reconciliations of total billings, payments received, and amounts remaining unpaid cannot be performed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

- B. The city collects refundable water meter deposits, which are deposited into the water meter account. The city clerk maintains a card file of meter deposits paid and records deposits refunded or applied to final bills. However, the city clerk does not reconcile the balances on these cards to the balance in the account. At December 31, 1999, meter deposits recorded on the meter cards plus interest earned on this account in 1999 and 1998 totaled \$2,892 while the bank account balances totaled \$3,300.

The meter deposit cards should be reconciled to the balance in the bank account monthly to ensure records are in balance and all meter deposits are accounted for properly.

- C. The city has not established the required reserve account for their water and sewer system bonds. The water and sewer system bond covenant for the bonds dated September 1, 1997, requires the city to establish a Bond Reserve Fund in which the city is to deposit \$700 yearly until the total balance equals \$7,000. At December 31, 1999, the balance should be \$1,400. Although at December 31, 1999, the city had not established the required fund, the cash balance of the water and sewer fund was \$33,555.

The failure of the city to establish and adequately fund the required account could allow the bondholders to take legal action to force compliance.

- D. During 1998 the city entered into a contract for engineering services related to the water project. The contract indicates fees for these services will be \$44,000. The city paid approximately \$36,000 for engineering fees during the year ended December 31, 1999 for this project. The city did not solicit proposals from other engineers. The Mayor indicated the engineering firm was selected because they had done a good job previously on the sewer project.

Sections 8.289 and 8.291, RSMo 1994, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

- E. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. To help detect any significant water loss on a timely basis and to help ensure all water usage is properly charged, the city should monthly prepare and maintain records of the total gallons of water pumped and reconcile them to the gallons of water charged. Significant differences should be investigated.

**WE RECOMMEND** the Board of Aldermen:

- A. Require the City Clerk to keep records of charges and payments up to date and perform monthly reconciliations of the amounts charged to amounts collected and delinquent accounts.
- B. Require the City Clerk to reconcile the meter deposits recorded on the customer cards to the balance in the account each month.
- C. Maintain the required reserve bank account.
- D. Solicit and document proposals for professional services.
- E. Compare the gallons of water pumped to the gallons billed on a monthly basis. Any differences should be investigated.

**AUDITEE'S RESPONSE**

- A. *We are working on getting these records up-to-date.*
- B. *We will implement.*
- C. *We will establish the required bond reserve account.*



- D. *We selected our engineering firm based on our past positive experience with the firm. We will clearly document our decisions in the future.*
- E. *We will implement.*

|   |
|---|
| <b>2. Accounting Records and Procedures</b> |
|---|

- A. The same individual has been appointed as both the City Clerk and the City Collector. She also serves as the City Treasurer. She collects all receipts, maintains receipt and disbursement records, makes bank deposits, signs checks, and serves as secretary to the board. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. One person holding all of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

- B. Receipts are not deposited, intact on a timely basis. Deposits are only made approximately twice a month. Varying amounts of cash are withheld from deposits to use as a change fund. In addition, the City Clerk cashes the employees' payroll checks from cash water receipts. While the City Clerk does indicate the method of payment on water bill stubs, no reconciliation is performed between the composition indicated on the water bills stubs and the bank deposits. To adequately safeguard receipts and reduce the risk of loss, or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100, the change fund should be maintained at a constant amount, checks should not be cashed from city receipts, and the composition of receipts per the water bill stubs should be reconciled to the amount deposited.
- C. The City Clerk maintains a balance for each account, but does not always perform and/or document a formal bank reconciliation. Monthly bank reconciliations are necessary to ensure that accounting records are in agreement with the bank and errors are detected on a timely basis. Without proper documentation, there is little assurance that these reconciliations have been performed.
- D. Supporting documentation was not available for a disbursement of \$57 paid to the City Clerk's son for cleaning the water tanks. In addition, no supporting documentation was maintained for disbursements of \$493 made to other contract employees for various work performed related to the water operation. All disbursements should be supported by paid receipts, contracts, or invoices to

ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- E. The city has not prepared or maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the water and sewer system. Also, annual physical inventories are not performed.

Property records are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for fixed assets, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original value is not available. The city should properly record all fixed asset transactions and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk, City Collector, and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Ensure monies are deposited intact, daily or when accumulated receipts exceed \$100, the change fund is maintained at a constant amount and the practice of cashing employee payroll checks is discontinued. Detailed receipt records should be reconciled to bank deposits.
- C. Ensure monthly bank reconciliations are performed and documented.
- D. Ensure all disbursements are supported by paid receipts and/or invoices which contain an adequate description of the goods or services received.
- E. Establish property records for general fixed assets and the fixed assets of the water and sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

**AUDITEE'S RESPONSE**

- A. *The board will begin a formal review at the monthly meeting.*

- B. *We have started making deposits weekly. We will discuss maintaining our change fund at a constant amount. We have discontinued cashing personal checks. We will attempt to perform this reconciliation.*
- C. *We have implemented this procedure.*
- D. *We will implement this procedure.*
- E. *We will implement.*

|    |                                |
|----|--------------------------------|
| 3. | <b>Property Tax Procedures</b> |
|----|--------------------------------|

- A. The City Clerk's duties include collecting and depositing property tax receipts. The City Clerk did not make a detailed report to the Board of Aldermen summarizing the various property tax amounts collected during the year. In addition, a detailed monthly report of delinquent taxes should be submitted to the board by the City Clerk.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require reports to be submitted to the board of aldermen indicating the amount of taxes collected and taxes remaining delinquent. The board is to examine and approve the lists and charge the tax collector with the collection of the delinquent taxes. Section 94.330, RSMo 1994, also provides that the board may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.

- B. The City Clerk is not charging penalties on delinquent taxes. Section 140.100.1, RSMo 1994, provides a penalty of two percent per month up to a maximum of 18 percent per year for each delinquent tax bill.

**WE RECOMMEND** the Board of Aldermen:

- A. Require the City Clerk prepare monthly and annual reports of property taxes collected and delinquent taxes in accordance with state law.
- B. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *We have implemented.*

B. *We will implement.*

|   |
|---|
| <b>4. Budgets and Financial Reporting</b> |
|---|

- A. The city had not prepared a budget for the year 2000 as of January 14, 2000. In addition, the budgets prepared by the city for the years ended December 31, 1999 and 1998, did not comply with Chapter 67 of the Missouri statutes (budget law). The city only prepares a budget for the general fund and the water and sewer fund. Neither of these budgets included projected ending balances, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message. In addition, the Board of Aldermen does not perform periodic comparisons between budgeted and actual expenditures. To better inform citizens and to ensure the city's budgets reflect the restrictions placed on the city funds, the city should prepare budgets for each fund and monitor actual expenditures compared to budgeted expenditures.
- B. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.
- C. The city's most recent audit is for the year ended December 31, 1997. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined water and sewer system, and the cost of the audits is to be paid from the revenues received from the system. In addition, annual audits are required by the city's combined water and sewer system bond covenants.

In addition to being required by state law and the city's bond covenants, annual audits of city funds would help ensure city financial transactions have been properly recorded.

- D. The city has not submitted an annual financial report to the State Auditor's Office since 1997. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare annual budgets in compliance with state law, make periodic comparisons between budgeted and actual expenditures, and prepare a separate budget for each fund.
- B. Require semi-annual financial statements be prepared and published.

- C. Obtain annual audits as required by state law and the city's bond covenants.
- D. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.

**AUDITEE'S RESPONSE**

- A. *We are working on our year 2000 budget. We will review the statutes and try to comply with statutory provisions.*
- B. *We will implement.*
- C. *We will discuss this problem with our CPA firm or obtain a new firm that will perform our audit on a timely basis.*
- D. *Our CPA firm performs this task. We will ensure it is done on a timely basis.*

|           |   |
|-----------|---|
| <b>5.</b> | <b>Payroll and Personnel Procedures</b> |
|-----------|---|

- A. The city has one full-time and one part-time employee. City employees do not prepare time sheets. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures and the allocation of payroll expenditures to the various funds, and to provide the board with a method to monitor hours worked. To support payroll expenditures, the city should require all employees prepare detailed time sheets.
- B. Records of vacation and sick leave earned and used are not maintained. City ordinance 23.170 requires records of vacation leave allowance and use be kept. Adequate documentation of leave time earned and used is necessary to ensure that leave time is not abused.
- C. The city has not adopted ordinances to establish the compensation and duties of the Water Supervisor and the City Clerk. Sections 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials and employees to be set by ordinance.
- D. During the year ended December 31, 1999, the city paid the elected City Marshall \$23,400 in compensation for duties as the Water Supervisor. Section 105.454, RSMo 1994, states that no elected or appointed official of any political subdivision, serving in an executive capacity, shall perform any service for such political subdivision for any consideration other than the compensation provided for the performance of his official duties.

- E. Payments for services were made without current written agreements. For the year ended December 31, 1999, the city paid the Municipal Judge \$1,800 and the City Attorney \$1,200 without current written contracts.

Formal written contracts should clearly define the services to be rendered and compensation for these services to ensure that city expenditures are reasonable and proper.

**WE RECOMMEND** the Board of Aldermen:

- A. Require city employees to prepare detailed time sheets.
- B. Maintain records of vacation and sick leave.
- C. Establish the duties and compensation of all city officials and employees by ordinance as required by statute.
- D. Comply with state laws relating to compensation of city officials. The City Marshal should either quit his employment as water supervisor or resign from the position of City Marshal.
- E. Ensure all contracts are in writing and approved by the Board of Aldermen.

**AUDITEE'S RESPONSE**

- A&B. We will work on developing a time reporting system that will include sick leave and vacation time.*
- C. We will implement.*
- D. We will review this situation again and discuss with our legal counsel.*
- E. We will implement.*

|                                  |
|----------------------------------|
| <b>6. Ordinances and Minutes</b> |
|----------------------------------|

- A. The city's ordinances are not complete and up-to-date. It appears some of the city's ordinances are missing while others are old and outdated. In addition, ordinances have not been adopted in some instances where required. For example, the city has not adopted ordinances to establish the compensation and duties of city officials, current meter deposit amounts, city stickers, and merchant licenses. In addition, the city has not prepared ordinances to document the approved tax levy for each year as required by Section 94.210, RSMo 1994.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner.

- B. The board minutes are prepared and signed by the City Clerk, but the minutes are not signed by the Mayor. The board minutes should be signed by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.
- B. Ensure board minutes are signed by the Mayor to attest to their completeness and accuracy.

**AUDITEE'S RESPONSE**

- A. *The Board of Aldermen has discussed these issues in meetings which are documented in the board meeting minutes. However, we will pass formal ordinances in regard to these issues.*
- B. *We will do this.*

|                         |
|-------------------------|
| <b>7. Street Monies</b> |
|-------------------------|

- A. The city receives state motor vehicle-related revenues and deposits them into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate fund or separate accounting for these receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

During the year ended December 31, 1999, the city deposited \$9,617 in state motor vehicle-related receipts into the General Fund, and spent only \$3,301 for street lighting, policing, and signing.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution. The unspent balance of street revenues should be accounted for separately along with future receipts.

- B. An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish a separate fund or accounting of the state motor vehicle-related revenues to ensure funds are spent in accordance with the Missouri Constitution.
- B. Prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

**AUDITEE'S RESPONSE**

- A. *We have not been tracking these expenditures, but we will begin to properly account for these expenditures.*
- B. *We have no plans at this time for street maintenance.*

|                                    |
|------------------------------------|
| <b>8. Municipal Court Division</b> |
|------------------------------------|

- A. We noted the following concerns relating to receipts:
- 1) Monthly formal bank reconciliations are not performed for the municipal division's bank account. Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis.
  - 2) Receipts are not always deposited intact or timely and receipt slips are not always issued in numerical sequence. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100 and receipt slips should be issued in numerical sequence.



- B. Neither the police department nor the municipal court division adequately account for all traffic tickets and complaint forms issued and the ultimate disposition. In addition, complaint forms used are not prenumbered.

Without a proper accounting of the numerical sequence and ultimate disposition of complaint forms and traffic tickets, the police department and the municipal division cannot be assured all tickets and complaint forms issued are submitted to the court for processing.

Conditions similar to A. and B. were also noted in our prior report of the Holland Municipal Court Division for the two years ended December 31, 1997.

**WE RECOMMEND** the city of Holland Municipal Court Division:

- A.1. Prepare monthly bank reconciliations.
- 2. Deposit receipts intact daily or when accumulated receipts exceed \$100 and issue receipt slips in numerical sequence.
- B. Work with the police department to account for the numerical sequence and ultimate disposition of all traffic tickets and complaint forms assigned and issued.

**AUDITEE'S RESPONSE**

- A. *We will implement.*
- B. *We will maintain a complete ticket log and order prenumbered complaint forms.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



THIRTY-FIRST JUDICIAL CIRCUIT

CITY OF BATTLEFIELD, MISSOURI

MUNICIPAL DIVISION

TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-25  
April 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**During our audit of the Thirty-First Judicial Circuit, City of Battlefield, Missouri, Municipal Division, we identified the following problems.**

---

Cash receipts for fines, court costs, and bonds totaling at least \$11,524, were received and not deposited during the period July 1, 1995 through August 6, 1999. Some receipts were not properly recorded, court monies were not remitted to the city and state, and "adjustments" were periodically made so records would reconcile to bank statements, all of which helped to conceal the misappropriation of funds.

The misappropriations could have been prevented or detected on a more timely basis if adequate oversight and review had been performed and internal controls, as noted in the prior audit report had been established.

Earl Whitehead serves as the Municipal Judge of the City of Battlefield. Joy Sparkman was appointed Court Clerk in March 1995 and resigned in August 1999. She was responsible for receipting, recording, and depositing monies, preparing disbursements, and reconciling bank statements for the court account.

Prenumbered receipt slips are issued for monies received, and court monies are periodically deposited into a municipal court bank account. Receipt slips showing the mode of payment as cash were issued, but the cash was not deposited. Some receipts were not recorded on the ledger maintained by the former Court Clerk of receipts and checks and "adjustments" were periodically made so the balance would reconcile with the bank statement and help conceal the cash shortage. In addition, cases were omitted from the monthly report and deposit information was incorrectly reported on the monthly report to help conceal the shortage.

Information gathered during our review has been turned over to the Greene County Prosecuting Attorney and the Greene County Sheriff's Department.

The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. The Court Clerk performs all of these duties. Neither the judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

(over)

YELLOW SHEET

We noted the following concerns during our review of the court's cash receipt procedures:

- Prenumbered receipt slips are not issued for all monies received.
- A receipt book containing the duplicate or carbon copy of 200 receipt slips written between August 1998 and May 1999, could not be located by the court. In addition, several case files could not be located.
- Receipt slips do not always indicate the method of payment (cash, checks, or money order). In addition, receipt slips are not reconciled to bank deposits.
- Receipts are not always deposited timely.

Monthly listings of open items were not always prepared by the former court clerk. While lists were prepared for some months, the lists were not complete and accurate. As a result, the municipal division cannot ensure the amounts held for open bonds and the amounts turned over to the city and the state each month are proper.

Neither the police department nor the municipal division maintains adequate records to account for the numerical sequence and ultimate disposition of all traffic tickets issued.

The municipal division allows defendants to make partial payments on fines and court costs. Cases with balances due are not maintained on a balance due docket or other summary listing which can be reviewed by the Municipal Judge on a periodic basis.

The Court Clerk is responsible for monthly disbursements of Crime Victims Compensation and Peace Officer Standards and Training Commission fees to the state; however, there were several instances when the state's portion of Crime Victims Compensation and Peace Officer Standards and Training Commission fees were not remitted on a timely basis.

THIRTY-FIRST JUDICIAL CIRCUIT  
CITY OF BATTLEFIELD, MISSOURI  
MUNICIPAL DIVISION

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENT**

Presiding Judge  
Thirty-First Judicial Circuit  
and  
Municipal Judge  
Battlefield, Missouri

We had planned to audit the accompanying special-purpose financial statement of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, as identified in the table of contents. This special-purpose financial statement is the responsibility of the municipal division's management.

The accompanying special-purpose financial statement was prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit and is not intended to be a complete presentation of the financial position and results of operations of the municipal division.

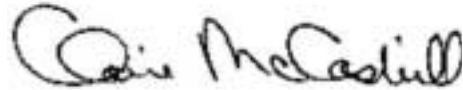
As a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the years ended June 30, 1999 and 1998.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the special-purpose financial statement of the city of Battlefield Municipal Division as of and for the years ended June 30, 1999 and 1998.

In accordance with Government Auditing Standards, we also have issued our report dated December 2, 1999, on our consideration of the municipal division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to auditing procedures.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 2, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                      |
|---------------------|----------------------|
| Director of Audits: | Karen Laves, CPA     |
| Audit Manager:      | Donna Christian, CPA |
| In-Charge Auditor:  | Sharon Hill          |
| Audit Staff:        | Rachel Little        |
|                     | Jay Ross             |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
Thirty-First Judicial Circuit  
and  
Municipal Judge  
Battlefield, Missouri

We had planned to audit the special-purpose financial statement of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated December 2, 1999. In that report, we did not express an opinion on the special-purpose financial statement; as a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the periods indicated above. However, we were able to perform certain procedures regarding the municipal division's compliance with legal provisions and internal control, and these procedures are discussed below.

Compliance

As part of our attempts to obtain reasonable assurance about whether the special-purpose financial statement of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit is free of material misstatement, we performed tests of the municipal division's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our procedures, and accordingly, we do not express such an opinion. The results of our tests disclosed material instances of noncompliance that are required to be reported under Government Auditing Standards and which are presented in the accompanying Management Advisory Report. We also noted certain other instances of noncompliance which are presented in that report.

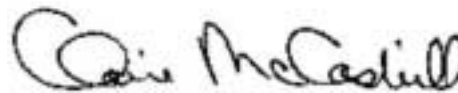
Internal Control Over Financial Reporting

In planning and performing our procedures related to the special-purpose financial statement of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit, we considered the municipal division's internal controls over financial reporting. Our consideration was performed in connection with our attempts to determine whether an opinion could be expressed on the special-purpose financial statement and not to provide assurance on the internal control over financial

reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the municipal division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statement.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 2, 1999 (fieldwork completion date)

## Financial Statement

Exhibit

THIRTY-FIRST JUDICIAL CIRCUIT  
CITY OF BATTLEFIELD, MISSOURI  
MUNICIPAL DIVISION  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

(UNAUDITED)

|                                     | Year Ended June 30, |               |
|-------------------------------------|---------------------|---------------|
|                                     | 1999                | 1998          |
| RECEIPTS                            |                     |               |
| Fines, costs, bonds and other       | \$ 26,394           | 26,053        |
| Total Receipts                      | <u>26,394</u>       | <u>26,053</u> |
| DISBURSEMENTS                       |                     |               |
| City treasury                       | 12,344              | 18,954        |
| State of Missouri                   | 1,518               | 2,304         |
| Refunds and other                   | 3,543               | 1,371         |
| Unaccountable (Note 3)              | <u>3,353</u>        | <u>4,521</u>  |
| Total Disbursements                 | <u>20,758</u>       | <u>27,150</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | <u>5,636</u>        | <u>-1,097</u> |
| CASH, JULY 1                        | <u>-834</u>         | <u>263</u>    |
| CASH, JUNE 30                       | <u>\$ 4,802</u>     | <u>-834</u>   |

The accompanying Notes to the Financial Statement are an integral part of this statement.

## Notes to the Financial Statement

THIRTY-FIRST JUDICIAL CIRCUIT  
CITY OF BATTLEFIELD, MISSOURI  
MUNICIPAL DIVISION  
NOTES TO THE FINANCIAL STATEMENT

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statement presents only selected data for the funds administered by the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for the municipal division. The operating costs of the division are paid by the city of Battlefield and are not included in the financial statement.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases in the custody of the municipal division are included in the financial statement.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash is prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal division accounts for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking offenses; and other violations for which amounts are received by the municipal division and remitted to the city treasury. The municipal division also may account for restitutions received and disbursed through the division.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. The division maintains a bank account into which fines, court costs, and bonds are deposited and later remitted to the city treasury.

At June 30, 1999 and 1998, the bank account balance reported for the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit was entirely covered by federal depositary insurance.

3. Missing Funds

Fines, court costs, and bonds totaling at least \$7,874 which court records indicate were received by the municipal division but not deposited, are included in receipts and are presented as unaccountable disbursements on the financial statement for the years ended June 30, 1999 and 1998.



## MANAGEMENT ADVISORY REPORT SECTION

## Executive Summary

THIRTY-FIRST JUDICIAL CIRCUIT  
CITY OF BATTLEFIELD, MISSOURI  
MUNICIPAL DIVISION  
EXECUTIVE SUMMARY

Cash receipts for fines, court costs, and bonds totaling at least \$11,524, were received and not deposited during the period July 1, 1995 through August 6, 1999. Some receipts were not properly recorded, court monies were not remitted to the city and state, and “adjustments” were periodically made so records would reconcile to bank statements, all of which helped to conceal the misappropriation of funds.

The misappropriations could have been prevented or detected on a more timely basis if adequate oversight and review had been performed and internal controls, as noted in the prior Management Advisory Report (MAR) and repeated in the current MAR, had been established.

Earl Whitehead serves as the Municipal Judge of the city of Battlefield. Joy Sparkman was appointed Court Clerk in March 1995 and resigned in August 1999. She was responsible for depositing monies, preparing disbursements, and reconciling bank statements for the court account.

**Management Advisory Report -  
State Auditor's Current Recommendations**

THIRTY-FIRST JUDICIAL CIRCUIT  
CITY OF BATTLEFIELD, MISSOURI  
MUNICIPAL DIVISION  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We had planned to audit the special-purpose financial statement of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit as of and for the years ended June 30, 1999, and 1998, and have issued our report thereon dated December 2, 1999. In that report, we did not express an opinion on the special-purpose financial statement; as a result of internal control weaknesses, inadequate records, and evidence of fraud, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements of fines, court costs, and bonds for the period indicated above.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal division's special-purpose financial statement. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                      |
|-----------|----------------------|
| <b>1.</b> | <b>Missing Funds</b> |
|-----------|----------------------|

The city of Battlefield Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. The Court Clerk is responsible for the receipting, recording, and depositing of court monies. Prenumbered receipt slips are issued for monies received, and court monies are periodically deposited into a municipal court bank account.

Cash receipts totaling \$11,524 that were collected by the court from July 1, 1995, thru August 6, 1999 were not deposited into the municipal division bank account as shown below:

|                     | Period<br>July 1, 1999 to<br>August 6, 1999 | Year Ended June 30, |       |       |       |        |
|---------------------|---|---------------------|-------|-------|-------|--------|
|                     |   | 1999                | 1998  | 1997  | 1996  | Total  |
| Cash received       | 304   | 7,345               | 8,727 | 6,030 | 4,824 | 27,230 |
| Less cash deposited | 168   | 3,992               | 4,206 | 3,146 | 4,194 | 15,706 |
| Undeposited cash    | 136   | 3,353               | 4,521 | 2,884 | 630   | 11,524 |

Receipt slips showing the mode of payment as cash were issued, but the cash was not deposited. Some receipts were not recorded on the ledger maintained by the former Court Clerk, of receipts and checks and "adjustments" were periodically made so the balance would reconcile with the bank statement and help conceal the cash shortage. In addition, cases were omitted from the monthly report and deposit information was incorrectly reported on the monthly report to help conceal the shortage.

A receipt book containing the duplicate or carbon copy of 200 receipt slips written between August 1998 and May 1999 could not be located by the municipal division. Carbon copies of all

but 22 of these receipt slips were located in the case files; however, the missing 22 receipt slips could represent additional missing monies.

In addition, receipt slips totaling \$2,963 were written, but the method of payment was not indicated on the receipt slips. Because some or all of these receipts could have been cash receipts, additional cash may have been misappropriated.

These missing funds were not detected on a timely basis due to numerous internal control weaknesses, little or no independent review, and a lack of adequate record keeping.

Information gathered during our review has been turned over to the Greene County Prosecuting Attorney and the Greene County Sheriff's Department.

**WE RECOMMEND** the municipal division take the necessary action to recover the missing funds and work with law enforcement officials regarding any criminal prosecution.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded:*

*We will take whatever action necessary to recover the missing funds and prosecute the person responsible.*

|  |
|--|
| <b>2. Accounting Controls and Procedures</b> |
|--|

- A. The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. The Court Clerk performs all of these duties. Neither the Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited and an independent review of bank statements and reconciliations. Any unusual items or discrepancies should be investigated.

- B. We noted the following concerns during our review of the court's cash receipt procedures:
1. Prenumbered receipt slips are not issued for all monies received. Receipt slips were not issued for payments of some fines and costs totaling approximately \$15,000. In addition, the original copies of voided receipt slips are not always retained. To properly account for all receipts and ensure all receipts are properly deposited, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips should be accounted for properly. In

addition, copies of voided receipt slips should be properly defaced and maintained.

2. A receipt book containing the duplicate or carbon copy of 200 receipt slips written between August 1998 and May 1999, could not be located by the court. In addition, several case files could not be located. Retention of court records is necessary to properly account for all municipal monies received. Supreme Court Administrative Rule 8 requires that all financial records be maintained for five years or upon completion of an audit, and that all municipal ordinance case files be maintained for three years after the date of filing.
3. Receipt slips do not always indicate the method of payment (cash, checks, or money order). In addition, receipt slips are not reconciled to bank deposits. To adequately account for cash receipts and ensure all receipts are deposited, the method of payment should be indicated on the receipt slips, and the composition of receipt slips should be reconciled to the composition of bank deposits.
4. Receipts are not always deposited timely. Monies are usually deposited into the municipal division account approximately two to three times a month; however, during June 1999, there was only one deposit of \$2,326. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

- C. Monthly listings of open items were not always prepared by the former court clerk. While lists were prepared for some months, the lists were not complete and accurate. As a result, the municipal division cannot ensure the amounts held for open bonds and the amounts turned over to the city and the state each month are proper.

A monthly listing of open items is necessary to ensure accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

- D. During our review we noted the following concerns related to bonds:

1. Police officers occasionally collect bond monies; however, these officers are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division to risk of loss.
2. The police department does not issue official prenumbered receipt slips for all bond money received. In addition, the receipt slips issued are not issued in numerical order. To adequately account for all bond monies, official prenumbered receipt slips should be issued for all bonds received by the police department and the numerical sequence should be accounted for properly.

- E. Neither the police department nor the municipal division maintains adequate records to account for traffic tickets issued. The police department did maintain a copy of the tickets; however, the tickets were not in numerical order, nor did the tickets indicate the disposition. Without a proper accounting of numerical sequence and disposition of traffic tickets, the police department and the court cannot be assured that all traffic tickets issued were properly submitted to the court for processing. A log listing the traffic ticket, the date issued, and the violator's name would ensure all traffic tickets were properly submitted to

the court for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each traffic ticket should also be maintained to ensure all traffic tickets have been accounted for properly.

- F. The municipal division allows defendants to make partial payments on fines and court costs. The Court Clerk maintains an accounts receivable ledger indicating the name, offense, case number, amount due, and any payments made. Some individuals with balances due were not included in the ledger, and the ledger was not always updated in a timely manner to reflect payments received. In addition, cases with balances due are not maintained on a balance due docket or other summary listing which can be reviewed by the Municipal Judge on a periodic basis.

Periodic supervisory review of balances due and adequate documentation of partial payments received are necessary to ensure that all amounts due are collected or that appropriate follow up action is taken.

- G. The Court Clerk is responsible for monthly disbursements of Crime Victims Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees to the state; however, there were several instances when the state's portion of CVC and POSTC fees were not remitted on a timely basis. In addition, four checks totaling \$675 written to the state for CVC fees during 1997 were never sent to the state. Section 595.045.5, RSMo Cumulative Supp. 1998, requires 95 percent of the CVC fee to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.
- H. The Municipal Judge and the Prosecuting Attorney do not initial or sign the case file to document their approval of an amendment or dismissal of a ticket. To ensure the proper disposition of all cases has been entered in the court records, the Municipal Judge or the Prosecuting Attorney should sign all amended and dismissed case files.

Conditions similar to parts B, C, and D.2. were also noted in our prior audit report.

**WE RECOMMEND** the municipal division:

- A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, establish a documented periodic review of municipal division records by an independent person.
- B.1. Issue receipt slips for all monies received and retain all copies of voided receipt slips.
  - 2. Ensure all records are properly retained in accordance with Supreme Court Administrative Rule 8.
  - 3. Indicate the method of payment on each receipt slip issued and reconcile the composition of receipt slips to bank deposits.
  - 4. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- C. Prepare monthly listings of open items and reconcile the listing to the monies held in trust by the municipal division.



- D.1 Request the city consider obtaining bond coverage for all persons handling court monies.
- 2. Work with the police department to ensure prenumbered receipt slips are issued for all bonds received, and the numerical sequence of all receipt slips is accounted for properly.
- E. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets issued.
- F. Establish a balance due docket or other summary listing which can be reviewed by the Municipal Judge on a periodic basis, and ensure adequate documentation is maintained of partial payments received.
- G. Disburse CVC and POSTC fees in accordance with state law.
- H. Require the Municipal Judge's or the Prosecuting Attorney's signature on amended and dismissed cases.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded:*

- A. *We will work with the city to establish a better segregation of duties. In addition, I will review the bank reconciliation and the monthly report to ensure their accuracy. We will implement these procedures immediately.*

*B&C. These recommendations have been implemented.*

- D.1.*
- & 2. The police officers no longer collect bond money.*

- E. *We are currently maintaining a list of all ticket numbers and accounting for the numerical sequence of all tickets issued. We will continue to work closely with the police department to account for all tickets.*

- F. *We will begin preparing a monthly summary of cases with balances due and the activity associated with those cases. This will be implemented for the April 12, 2000 court date and will reflect activity for the last three months.*

- G. *CVC and POSTC fees are now being sent to the state on a monthly basis. We will request the \$675 from the city and pay this balance due to the State's CVC Fund. This will be implemented by July 1, 2000.*

- H. *This recommendation has been implemented.*

This report is intended for the information of the management of the city of Battlefield Municipal Division of the Thirty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

THIRTY-FIRST JUDICIAL CIRCUIT  
CITY OF BATTLEFIELD, MISSOURI  
MUNICIPAL DIVISION  
FOLLOW UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the city of Battlefield Municipal Division on recommendations made in the Management Advisory Report (MAR) of our report on the Thirty-First Judicial Circuit Municipal Divisions issued for the two years ended June 30, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR.

City of Battlefield Municipal Division

- A.1. Receipts were not always deposited intact.
  - 2. The numerical sequence of receipt slips was not accounted for properly and the original copy of issued and voided receipt slips was not retained.
  - 3. Receipt slips were not issued for some monies received.
- B. Bond forms issued by the police department served as the receipt slip to the defendant; however, these bond forms were not prenumbered.
- C. Monthly listings of open items were not prepared.
- D. The court assessed the \$5 CVC fee, the \$2 LET fee, and the \$1 POSTC fee on cases dismissed by the court and on nonmoving traffic violations.

Recommendation:

The city of Battlefield Municipal Division:

- A.1. Deposit receipts intact and reconcile total receipt slips issued to bank deposits.
  - 2. Retain copies of issued or voided receipt slips.
  - 3. Issue prenumbered receipt slips for all monies received and account for the numerical sequence.
- B. Request the police department issue prenumbered receipt slips or bond forms for all bond monies received and account for the numerical sequence.
- C. Prepare monthly listing of open items (liabilities) and reconcile these listings to monies held in trust.
- D. Discontinue charging the \$5 CVC, \$2, LET, and \$1 POSTC fees on dismissed cases and nonmoving traffic violations, as required by state law.

Status:

A-C. Not implemented. See MAR No. 2.

D. Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

THIRTY-FIRST JUDICIAL CIRCUIT  
CITY OF BATTLEFIELD, MISSOURI  
MUNICIPAL DIVISION  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

The city of Battlefield Municipal Division is one of eight municipal divisions within the Thirty-First Judicial Circuit, which includes Greene county. The Honorable Henry W. Westbrooke, Jr. currently serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. Fines, court costs, and bonds are deposited into a court bank account and are transmitted by check to the city treasury and state periodically. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

|                 |                      |
|-----------------|----------------------|
| Municipal Judge | Earl Whitehead       |
| Court Clerk*    | Elizabeth Ann Howard |

\* Joy Sparkman served as Court Clerk from March 1995 until August 1999.

Caseload Information

|                       |                            |             |
|-----------------------|----------------------------|-------------|
|                       | <u>Year Ended June 30.</u> |             |
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 447                        | 513         |

\* \* \* \* \*



**AUDIT OF SEPARATION AND RETENTION CONTRACTS ENTERED INTO BY  
PUBLIC INSTITUTIONS OF HIGHER EDUCATION**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2000-24  
April 19, 2000**

*Some contracts placed the universities at risk for nonperformance or contained provisions that appeared excessive or unwarranted compared to similar contracts in Missouri.*

**PERFORMANCE AUDIT**





Office Of The  
State Auditor of Missouri  
Claire McCaskill

April 2000

**While most separation and retention contracts for departing college or university officials contained reasonable provisions, some contracts placed the universities at risk for nonperformance or contained other provisions that appeared excessive or unwarranted compared to similar contracts in Missouri.**

The State Auditor's Office audited separation and retention contracts for college and university officials who occupied the position of president, chancellor, vice president, or head coach of major sports. The purpose of the audit was to determine if colleges and universities were consistent in the types of contracts they entered into with these high-ranking officials. Additionally, our objective was to determine if college and university governing boards and regents properly considered their responsibilities to the institutions, students, and taxpayers when signing agreements with these departing officials.

We included all 13 Missouri (4-year degree) public institutions of higher education. We reviewed 14 contracts for departing officials at 7 of the universities during the period January 1995 through October 1999.

We concluded that most of the colleges and universities were consistent in the types of contracts they signed. Most were buyout contracts for uncompleted terms of existing contracts and these buyout contracts contained reasonable and similar provisions.

At Central Missouri State University (CMSU), a continuing employment contract subsequent to the president's resignation (worth over \$600,000) contains provisions that represent improper compensation and perquisites. These included:

- ☐ Contract language that favors the president in all disputes.
- ☐ An extended leave of absence without a stated purpose or required duties.
- ☐ Transfer of university property to the president and his wife.
- ☐ Unrestricted use of a university automobile and the right to purchase the vehicle at the end of the term for a substantial discount.
- ☐ Benefits for the president's wife who is not an employee of the university.
- ☐ Unrestricted use of the travel and expense budget.

Board officials at CMSU stated that the state of Missouri cannot attract and recruit top-level talent if it fails to recognize that the price for such talent is adequate compensation and proper reward. They stated that the ordinary prudent man might find the salary and benefits accorded the president generous, but the ordinary prudent man does not have the skills and capacities to successfully run and expand a multimillion-dollar enterprise. Instead, if fully informed, the prudent man would understand the Board's position that the benefits of retaining the president far outweigh the dollar costs. This perspective on compensation is pervasive throughout the contract provisions and is the justification for providing questionable benefits and compensation at taxpayers' expense.

At the University of Missouri-Columbia, (MU) a consulting contract worth \$500,000 with the former men's basketball coach does not contain adequate provisions to protect the university against nonperformance. There were no termination and penalty clauses. This contract also provides advance payments of up to 2 years for services not yet provided which put the university at risk if the coach does not perform his duties.

At Southeast Missouri State University (SEMO), an employment contract with the former president contains provisions for reimbursing reasonable and necessary expenses for the chancellor's spouse (who is not an employee) for travel when she participates in the event, unlimited reasonable and necessary travel expenses for the former president, and establishing residence in Ohio.

Since Boards of Governors and Regents have sole authority over compensation of university officials, these contracts demonstrate the need to exercise restraint in agreeing to terms that do not clearly state the duties to perform or may provide excessive or improper compensation or perquisites.

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**CLAIRE C. McCASKILL**  
Missouri State Auditor

Honorable Mel Carnahan  
and  
Members of the General Assembly

We audited the separation and retention contracts for university and college officials in the position of president, chancellor, vice president, or head coach of major sports programs. The objective of the audit was to determine if university and college boards of governors and regents properly considered their fiduciary responsibilities to the universities, colleges, students, and taxpayers when signing agreements with these departing officials.

We concluded that most of the contracts we reviewed were properly entered into and contained reasonable provisions. However, for some contracts, we concluded that these contracts either did not contain proper clauses to protect the university or contained clauses that were extravagant or unreasonable.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire McCaskill  
State Auditor

March 22, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: William D. Miller, CIA  
Audit Manager: Gregory A. Slinkard, CPA, CIA  
Audit Staff: Dan Reeb

## **RESULTS**

### **Some Separation and Retention Contracts Entered into with College or University Officials Contained Provisions that Appeared Excessive Compared to Similar Contracts in Missouri**

Most termination and retention (post-employment) contracts for high-ranking officials of state-funded colleges or universities appeared reasonable and justified in regard to their intended purposes. However, we questioned certain provisions in some contracts reviewed because they included provisions that were not reasonable and/or they did not adequately protect the university from nonperformance.

We attributed the cause for these provisions to:

- ❑ The desire of institution officials to retain, in some capacity, the services of highly respected officials after their retirement from a position previously held with the institution.
- ❑ The relationships between the departing officials and the institutions allowed an element of trust to displace common contract provisions, influence contract negotiations, and, in one instance, provide benefits not seen in other contracts we reviewed.

These institutions are vulnerable to not receiving services contracted for and/or funds used for these contracts are not available for other purposes. In addition, these contracts could establish unfavorable precedents for future contracts.

### **Audit Procedure**

Recent separation and retention contracts with high-ranking administrators or head coaches of major sports programs of state-funded colleges and universities have raised concerns about the value of these contracts to the institutions, their students, and Missouri taxpayers. We focused the audit on termination/separation/consultant contracts or agreements entered into with outgoing officials in the position of president, chancellor, vice president or head coaches of major sports programs.

All 13 Missouri (4-year degree) public institutions of higher education were included in the audit that covered the period from January 1995 to October 1999. Seven of the 13 institutions provided 14 contracts for review. Officials at the remaining six institutions indicated that there were not any contracts or agreements with former officials within the scope of this audit.

### **Role of Governing Boards of Institutions of Higher Education**

In the state of Missouri, each state-funded college or university is under the general control and management of its governing board. By statute, the governing board of each individual state college or university has the power to appoint and remove the president and other employees of the college or university, assign their powers and duties, and fix their compensation. (*See Appendix IV, page 23, for applicable state statutes*).

The state of Missouri's decentralized approach of granting sole authority on employment matters to each state institution's governing board differs from some other states, including the state of Kansas. That state has a centralized state-level board of regents that has oversight responsibilities related to the employment policies of the individual state-funded universities and appoints and establishes the salary of the university president. Because there is no direct state oversight of the governing boards in Missouri, it is very important for the governing board of each college or university to exercise a high level of fiduciary responsibility to the institution, students, and taxpayers they serve.

### **Benchmarks Used in Evaluating the Contracts**

The Association of Governing Boards of Colleges and Universities (AGB) provides guidance for public and private college and university governing boards. AGB is a national organization providing university and college presidents, board chairs, and individual trustees of both public and private institutions with guidance needed to enhance their effectiveness. State higher education officials referred us to AGB as an organization where a governing board could obtain guidance in structuring professional services contracts for college or university officials.

AGB states that a governing board of a public college or university is held to a higher standard of decision-making than a private corporate board and few of the decisions are more closely scrutinized than executive compensation. In a 1994 survey, AGB found most contracts included provisions on salary and routine fringe benefits. We considered relevant information obtained from the AGB during the audit of these contracts. (*See Appendix V, page 24, for list of common provisions the AGB noted in presidential contracts.*)

In addition to relevant guidelines obtained from AGB, the common provisions found in the 14 contracts reviewed were considered in evaluating the individual contracts. (*See Appendix V, page 24, for list of common provisions we found in Missouri contracts.*)

### **Analysis of Contracts Reviewed**

During the review of the provisions in the 14 contracts provided, most appeared to be reasonable and justified. In 11 of the 14 contracts, none of the provisions appeared to be unreasonable. (*See Appendix III, page 22, for list of 14 contracts reviewed.*)

Five contracts were termination contracts that did not provide retention of services for the departing college or university official. In each instance, the applicable college or university paid the administrator or head coach the remainder of their contract, either in a lump sum amount

or by continuing monthly payments up to the expiration date of the contract. The payments represented a reasonable value for the remaining portion of the contract.

Nine contracts were separation contracts where the services of the retiring/resigning administrator or head coach were retained in some capacity. Of these nine contracts, five retained the official as a consultant, three provided for the official to resume the responsibilities of a tenured professor, and one provided for the official to remain in the employ of the university (in a tenured professor status for pay purposes), with his primary duties involving consulting and fund-raising services.

A discussion of three contracts with provisions that either did not protect the university from nonperformance, or contained provisions that were excessive in comparison to similar contracts in Missouri follows.



## **CONTRACT WITH FORMER PRESIDENT, CENTRAL MISSOURI STATE UNIVERSITY**

In December 1998, the Board of Governors of CMSU entered into a professional services contract with the president of the university, allowing him to resign as president effective August 1, 1999, and continue employment with the university performing various duties, including consulting and fund-raising. According to CMSU officials, the former president served as president of the university for 14 years prior to resigning.

The December 1998 contract replaced an employment contract entered into with the president in June 1998, in which he agreed to serve as university president for 3 additional years through June 30, 2001. According to university officials, the two primary purposes of the December 1998 contract were to maintain rapport with individuals who provide endowments to the university and to assist during the transition between university presidents.

The new contract covers the period from August 1, 1999 to November 1, 2002. The former president was allowed to take accumulated vacation leave from August 1, 1999 to November 1, 1999.

The December 2, 1998 termination and continuing employment contract contains provisions that could not be deemed reasonable or justifiable. The former president's duties in his new position appear to be substantially less than his duties as president of the university.

In discussions with the Board and in a subsequent memorandum, the Board presented their perspective on compensation for this president. They stated that the state of Missouri cannot attract and recruit top-level talent if it fails to recognize that the price for such talent is adequate compensation and proper reward. They stated that it is a public higher education industry standard to provide for adequate severance, as a way of assuring that the university president can devote his full energies to the institution and not have to worry during his employment about how he will provide for himself and his family after his obligations to the institution are satisfied.

The Board stated that at the time of the negotiations the Board consisted of six members, three of who were past chief executive officers of private corporations. With this composition they believed they were familiar with issues surrounding compensation of chief executive officers (CEO). They stated that the ordinary prudent man might find the salary and benefits accorded the president generous, but the ordinary prudent man does not have the skills and capacities to successfully run and expand a multimillion-dollar enterprise. Instead, if fully informed, the prudent man would understand the Board's position that the benefits of retaining the president far outweigh the dollar costs. This perspective on compensation is pervasive throughout the contract provisions and is the cause for providing questionable benefits and compensation at taxpayers' expense.

## Contract Interpretation and Disputes

A provision of the contract states the contract is to be liberally construed and to the benefit and favor of the former president. A provision similar to this was not found in any of the other Missouri contracts reviewed. This provision puts the university at a disadvantage if disagreements were to arise over the interpretation of any of the contract provisions. For example, this provision would favor the former president if there were any disagreements regarding whether the former president and his spouse were entitled to an annual travel and entertainment expense allowance.

|  |
|--|
| Contract<br>favors<br>President in<br>disputes |
|--|

University officials initially said the “liberally construed” provision was to cover unintended omissions from the merging of the president’s June 22, 1998 employment contract into the December 2, 1998 termination and continuing employment contract. However, the officials conceded the provision applied to the entire December 1998 contract. In response to our inquiry about this provision, the Board stated, “if omitting this language would lessen the concerns of the State Auditor, the president and the Board would likely mutually agree to strike it.” This provision should not have been a part of this contract and it should be stricken because it is not proper, not because it would lessen the concerns of the State Auditor.

## Leave of Absence

The contract provided that beginning November 2, 1999, the former president would be allowed to take a 1-year paid leave of absence at his current salary rate then in force and including all other employment benefits. Although CMSU officials indicated the former president would likely be involved in activities benefiting the university during this period, he is under no legal obligation to perform any services during this 12-month period.

The purpose of the leave of absence is not disclosed in the contract provisions. Several of the contracts from other institutions included in our review include provisions allowing a paid leave of absence before the retained services were to begin. However, all of these other contracts contain a provision explaining the purpose for the leave of absence (e.g. to allow the administrator to prepare for resuming a professorship).

CMSU officials indicated this paid leave of absence dates back to a 1990 contract which included a provision stating “In the event of voluntary separation from the presidency, the President will be entitled to severance leave with 1-month’s compensation for each year of service up to a maximum of 1-year’s (12 months) salary, at the then current salary, contingent upon continued employment with the institution in another capacity.” All employment contracts with the former president since 1990 had similar provisions, including the June 1998 employment contract. When compared to contracts from other institutions,

this leave of absence (severance) provision is overly generous since we did not note a similar provision in any of the other contracts reviewed.

According to information provided by CMSU officials, the total salary and benefit costs related to this 1-year leave of absence are in excess of \$330,000.

### **Transfer of Property and Equipment**

The contract grants the former president ownership of university-owned personal property upon severance from the university—a benefit also given to his spouse in the event of his death. The personal property includes a notebook computer, which is to be upgraded annually; all office equipment machinery, including computers and printers; and telephone equipment in use in his university office or the president’s private residence as of the date of the contract; and all cell phones in possession or use by the president, including the car phone.

President  
retains  
university  
property

State regulation 15 CSR 40-2.031 requires that all personal property obtained or controlled by a state institution, whether obtained by purchase, donation, or other means, are to be used for state business and not for personal benefit. Equipment valued above \$1,000 is tracked as inventory.

University officials said they allowed the equipment to be transferred as personal property to the president and his wife because they believed that the equipment would not have any value by the time the contract expired. According to the Board, these items were not to be construed as gifts, but that with the passage of time they would ultimately become “used up”. Since the notebook computer will be upgraded annually it is reasonable to assume that it would have market value. University officials also indicated that while other institutions of higher education may not include provisions of this nature in similar contracts, they contended that the granting of property items of this nature to top administrators upon their retirement is a common practice of colleges and universities in this state. Regardless of whether this is accurate, this does not justify the university’s actions in this matter.

### **Use of Automobile**

The president was given unrestricted use of the current automobile he was driving as university president, including maintenance, fuel and lubricants, even during the first year when he is on the paid leave of absence. The president was also given the option to replace the automobile with a new model equivalent before the expiration of the contract. Upon the president’s retirement, or surrender of employment, he, or his wife in the case of his death, will be allowed to purchase the automobile from the Board for the price of the original acquisition cost, minus the sum of \$1,000 per month for each month the automobile was placed in use. Based on this provision, if a new automobile were to be purchased for \$40,000, as was the current vehicle, and provided to the former president for

President can  
purchase  
university car  
at discount

his use for 3 years before his retirement, it could be subsequently purchased by him upon retirement for \$4,000 (\$40,000 minus \$1,000 X 36 months). In our opinion, this is not a reasonable provision and represents additional compensation.

Use of an automobile is a common benefit afforded top officials at a college or university. Consistent procedures and safeguards are necessary when dealing with university provided fixed assets. It is questionable whether this benefit should have been continued for the president in his new role, particularly since there are no requirements for the president to perform any duties during the leave of absence. Furthermore, in our opinion, it is not reasonable or prudent to allow the president or his wife to purchase the automobile at a substantial discount.

### **Entertainment Expenses**

The president and his wife were provided an entertainment and travel expense fund totaling \$76,968 for the first year under the contract, which was the president's 1-year leave of absence. This amount included \$19,350 for entertainment and special expenses and \$26,650 for travel by his spouse. The remainder was a "gross up" of 48 percent for tax equalization purposes and to take into account joint tax liabilities.

|  |
|--|
| President's<br>spouse<br>receives travel<br>expenses |
|--|

University officials said \$76,968 is provided to allow the president and his spouse to carry out the fund-raising activities expected of them. It was further stated that the president's new position has an additional travel budget for the occasions when the Board would direct him to travel.

It is unclear why the Board believes such funds are necessary during a period of time in which the former president has no required duties. There are no requirements for the funds to be used for business purposes. Nor are there any requirements for the president to account for the use of these funds. According to the Board, the travel and entertainment provisions are payable on a 1-time only basis and are to be spread over the 3-year contract period. The Board stated that they assume, and the president and his wife have assured them, that the funds will be used for university purposes. While it is assumed the funds would be used as the university intended, there were no procedures or contractual safeguards to ensure the funds were used as intended. The lack of accountability for the use of university funds is not reasonable and cannot be justified. Since the spouse was not an employee of the university, is not a party to the contract, and has no official duties, it is not reasonable to conclude that paying her travel expenses is in the best interests of the taxpayers. The Board believes that the president's wife is an integral part of a team and that the expenses are justified.

|   |
|---|
| No<br>requirement to<br>use travel<br>funds for<br>business |
|---|

### **Physical Examinations**

The contract provides for an annual physical examination for both the president and his wife. Additionally, although not stated in the contract, the physical examinations are to be provided by the Mayo Clinic in Rochester, Minnesota. Considering the cost of transportation and the inclusion of the spouse in this benefit, we believe this contract provision is not reasonable or prudent. CMSU officials estimated that the cost of the physical examination for the president under this contract in calendar year 2000 was \$2,000. This amount includes \$579 in travel expenses. In 1999, his expenses were \$2,800, which included \$1,053 for use of the university airplane. Although the contract provided the benefit to the spouse, she opted to pay her own expenses in 2000. This benefit is far more generous than the health benefits provided to faculty and employees of the university.

Physical  
exams at  
Mayo Clinic

There are other contract provisions ranging from investments, life insurance, and benefits for the spouse, including legal expenses, that are equally questionable. Since the spouse is not an employee of the institution, all of the benefits bestowed to her are not reasonable. These provisions are not typical of provisions found in most other State of Missouri contracts. According to information provided by CMSU, the cost of salary and benefits for the last 3 years of the new contract total over \$620,000.

Should spouse  
receive  
benefits?

### **CMSU Response**

*We, the current members of the Board of Governors of Central Missouri State University, read your judgments and characterizations of our actions in the matter of the former president's contract with a great deal of disappointment. We would like to correct several statements made in the draft which we believe are factually incorrect and to make some additional comments.*

*The audit report states, "The Board stated that they assumed that the President and his wife had assured that the funds will be used for University purposes... The lack of accountability for the use of University funds is unreasonable and cannot be justified". Additional criticism is implied or stated throughout the document because the Board relied on representations made by the former president, without further written contractual protections. Since we have relied on the former president to manage a multi-million dollar enterprise for us for over 14 years without incident it would be reasonable for us to believe that we could trust him to manage his travel and entertainment allowance. While serving as president, he had unilateral signature authority over many thousands of dollars. Should the Board now be faulted for placing their faith in a man who for 14 years demonstrated his integrity by impeccably serving the best interests of the institution?*

*We would like the general public to know and understand that as an informed Board, we have always tried our utmost to act in the best interests of the University, the students, and the taxpayers of Missouri. We believe that every aspect of this contract, while it may personally benefit the president, also has a tangible benefit to the University, our students, and the taxpayers.*

*The former president's services are worth something, although the State Auditor may disagree with us as to exactly how much. It cannot be denied, however, that if the former president were to have left this University, he could have applied his fund-raising talents to the benefit of another institution, and could have received a handsome salary for such employment. In the private sector, to prevent such a thing from occurring, a valued departing CEO would be paid a severance in exchange for a covenant not to compete so that a talent as special as the former president's could not be recruited by the competition to benefit from his expertise, monetary philanthropic connections, and beneficial relationships cultivated over 14 years.*

*It cannot be disputed that the former president, working as a team with his wife, was instrumental in raising in excess of \$20 million for the foundation over the last 14 years. It is also true that the former president's wife is neither an employee nor a party to the contract at issue, nor does she have official duties, but she has also, undeniably, played a large part in raising these millions. As an alumna of the institution, in her own right she has many contacts and knows many friends of the University; her unique and special qualities have opened many doors for the University.*

*We believe the Auditor's conclusion that to provide the former president with funds to pay his wife's travel expenses is not in the best interests of the taxpayers is both erroneous and shortsighted, and is contrary to Rule 11 of the state travel regulations which permit payment of travel expenses to spouses and non-employees. (We refer to the State of Missouri Travel Regulations issued by the Office of Administration, which state at Rule 11: "State employees and officials may be reimbursed for travel expenses incurred for other employees or non-employees provided that the business reason necessary for doing so is indicated... Reimbursement for spouse expenses at an official business function requires a written justification pre-approved by the Commissioner of Administration. In our case, we believe that the Rule would imply Board approval should be sought, which is specifically why the former president's wife is mentioned in the contract). **STATE AUDITOR'S NOTE:** Information provided to the state auditor by the Office of Administration indicates pre-approval of spousal expenses pursuant to 1 CSR 10-11.010(11) has been limited to relocation expenses with only a few exceptions during the last 20 years.*

*The Auditor's application of this unwarranted negative judgmental standard also fails to acknowledge the general presumption that a professional fundraiser of the sort that the former president could be, outside of the University, would usually be accompanied by his spouse, particularly when she can add a level of comfort to female donors and prospects. Further, a professional fundraiser would be customarily accorded telephones, office staff, transportation, and other perquisites to accomplish the task at hand. Under established audit standards, including those applied by our outside auditors, the firm of Deloitte & Touche, all these costs of fund raising are considered reasonable valid expenses of the University, despite the fact that the State Auditor has seemingly applied a contrary audit judgment and ignores the state's own rules.*

*The State Auditor, we believe, has disparately devoted more subjective judgmental criticism to CMSU's contract than it has to other similar documents analyzed in the audit.*

*For example, the former president served the University for 14 years, and was given a 3-year contract with an approximate value of \$620,000. After only 3 years of service, SEMO created the position of Chancellor and then awarded its new Chancellor a 3-year contract with a value in excess of \$700,000. Yet, the Auditor devotes more than five pages of criticism to CMSU, while SEMO, with a very similar contract, receives less than one page! Given the State Auditor's public negative judgments rendered against CMSU in the press, even before this report was completed, we feared we would not be treated objectively. We resent the fact that we have already been portrayed by the Auditor in the press as acting in an "unbelievable" fashion. However, we understand that this matter has become a political football, which is being tossed about to appease an influential member of the Senate. It is highly inappropriate for elected officials to harm CMSU in their quest to elevate their political careers or to settle personal grudges.*

*Benefits extended long term to the former president by this Board and prior Boards have been characterized as "questionable," "not reasonable," "overly generous since we did not notice similar provisions in any of the other contracts reviewed," and other such negative terms. It would seem that the Auditor has, in some seven plus pages of specific and general criticism, unilaterally and subjectively overridden and superimposed her judgment on more than a decade of careful judgments, negotiations, considerations, and formal actions of Central Missouri State University's Board of Governors/Regents. The fact that the Board has provided benefits to its president that other institutions have not, does not in and of itself make these benefits unreasonable, questionable, or overly generous. Each Board of Governors, by statute, has the legal right and authority to "fix the duration, terms and conditions... and compensation" of the University president, and we think it inappropriate to judge the legitimate exercise of our statutory powers on the measuring stick of what other University Boards have done.*

*In short, we feel that the hindsight and subjective criticism meted out to the Board of Governors for its good-faith efforts to maintain the goodwill and talents of our former president, is unfair and unwarranted, particularly when, as we shared with you, we want and need our new president to have the time to adjust to his new role and local community, and to concentrate on particular internal matters. By entering into the contract with the former president, we felt we would not lose past goodwill, our international programs could continue to flourish, our participation in charter schools could progress, beneficial philanthropic relationships could be developed and maintained, and we could call on him to provide historical information, assistance and guidance to us on other matters. We tried to balance what is important to the institution with the benefits that derived from maintaining the former president's presence at the University, and we still believe these benefits far outweigh the cost. After the next 3 years, the bottom line will prove whether or not this contract was indeed reasonable, prudent, and the best interests of the University, taxpayers, and students. We have full faith that the results will be positive and valuable for Central Missouri State University and the citizens of Missouri.*

## **CONTRACT WITH FORMER COACH, UNIVERSITY OF MISSOURI (MU)**

In April 1999, a separation and consulting contract was entered into between MU and the men's head basketball coach. According to MU officials, this individual served as head basketball coach for 32 years. The contract called for this individual to resign as head basketball coach effective April 1, 1999, and to retire as a university employee in July 1999. The contract further provided that the coach would be retained as a consultant for the university for the period from July 1999 to June 2003. The coach would no longer be an employee of the university but would operate as an independent contractor.

The contract provided for payments totaling \$945,000 to the coach. This amount included payments related to his employment contract, including \$100,000 for the relinquishment of his right to operate a basketball camp, \$195,000 for the relinquishment of some contractual annuity payments, and \$150,000 for the relinquishment of his rights related to a shoe endorsement contract. In addition, the total payments included an annual fee of \$125,000 for the consulting services, or a total of \$500,000 in consulting fees during the 4 years of the agreement. The coach is entitled to an additional annual payment of \$72,360 for health and dental benefits and pension from the university retirement system

MU officials indicated that while the duties related to the consulting services are not well defined, the coach would serve primarily as a fund-raiser for the university. Those officials indicated it is envisioned that the coach will be very involved in raising funds for cancer research and treatment and help MU develop Ellis Fischel hospital into a premier cancer center, offering comprehensive cancer treatment services. They also indicated he would likely be involved in other fund-raising efforts, including those involving the athletic department. Those officials stated that the activities of the coach have been relatively unstructured during the first year of the consulting contract; however, they indicated the activities of the coach would likely be more structured in the future.

### **Contractual Safeguards**

The contract does not contain any contractual safeguards to protect the university's interests and to ensure that services would be provided. The contract lacks a termination clause and penalties if the coach does not perform under the contract.

|  |
|--|
| Lack of<br>termination<br>and penalty<br>clauses |
|--|

University officials stated that if the university did not receive the services contracted for they would sue for breach of contract, which would stop any payments under the contract and allow for recovery of any funds paid out for services not performed.

The performance provisions in the contract are sufficiently vague to allow the chancellor to assign duties to the coach as needed. Since these provisions are vague, a lawsuit for nonperformance might not be successful. In our opinion, the university's chances for winning a lawsuit for breach of contract would substantially improve if there had been a



termination or nonperformance clause in the contract. In such instances, the university would be a defendant rather than a plaintiff, which would then shift the burden of proof in the lawsuit from the university to the coach.

Termination clauses are common in consulting contracts and help provide adequate protection to the university in the event of nonperformance.

### **Advance Payments**

A provision in the contract entitles the coach to a consulting fee of \$125,000 paid in advance (during the first 10 days of July) during each year of the contract. The contract also provides that the coach has the option to receive the fees for the last 2 years of his consulting contract at the beginning of the third year of the 4-year contract. University officials said the coach negotiated the advance payments into the contract and they believed the university's acceptance of this provision resulted in a lower overall cost of the contract. Furthermore, general counsel for the university said if services were not performed the University could sue for breach of contract and recover any funds paid out for services not performed.

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|---|
| Coach to be<br>paid in<br>advance for<br>services |
|---|

As a general practice, most consulting contracts do not provide for full payment until service is performed. In our opinion, this contract provision does not provide a proper safeguard for the university if there is nonperformance. Using the court system to resolve a contract dispute can be costly and would not be necessary if the payments had not been made in advance.

### **MU Response**

*In view of the coach's remarkable 32-year career with the University of Missouri, his outstanding performance, and his proven reliability and trustworthiness, nonperformance and termination clauses, in the judgment of legal counsel, were deemed unnecessary and inappropriate. Performance provisions in the contract were left sufficiently flexible to enable the chancellor to capitalize on unforeseen development opportunities involving the coach. In the unlikely event that terms of the contract are not fulfilled, the University still has available to it sufficient legal avenues to seek redress.*

*The University is confident that the coach will continue to fulfill his obligations to the University of Missouri-Columbia in a satisfactory manner.*

## **CONTRACT WITH FORMER PRESIDENT, SOUTHEAST MISSOURI STATE UNIVERSITY (SEMO)**

On July 1, 1999, the Board of Regents for SEMO entered into a new contract with the then sitting president of the university. The new contract established the position of chancellor and called for the president to assume duties as chancellor (reporting to a new president of SEMO). This contract provides the chancellor an annual salary and annuity benefits of \$95,000 and \$23,000, respectively, for the period from July 1, 1999 to June 30, 2001. He is also entitled to the other fringe benefits offered to faculty members of that institution and he is provided a vehicle owned by the University foundation (a private entity with a separate board of governors) for business uses. The chancellor's contract is automatically renewable on an annual basis. The primary responsibilities of the chancellor are to raise funds for the university and to oversee development of a major campus addition to be built on land donated to the university. Unlike the other two contracts discussed in this report, there were termination clauses in the contract that would provide for removing the chancellor for nonperformance.

### **Residence**

According to the president, the chancellor had decided to move back to Ohio when he made his decision to resign from the presidency. In order for SEMO to continue benefiting from his abilities to raise funds, lobby the U.S. Congress, and work with federal organizations they agreed to the relocation. The SEMO Board of Regents contends that the location of the chancellor's primary residence is not important in the success of performing his duties and believes the results related to this contract have been very effective thus far. According to the president, the chancellor has been involved in raising about \$3 million this year for the university, with other donations/funding pending of over \$18 million for fiscal year 2001.

Distant  
location

In our opinion, the distant location, out of state, for a current employee of the university to perform duties that could be performed on campus gives the impression that the chancellor is irreplaceable and more valuable than other university employees who would not be afforded the same opportunity. It also creates some additional costs for the university. These would include travel expenses between the remote location and the university—expenses that would not be incurred if the chancellor had stayed on campus. This travel would occur approximately 12 times per year.

### **Travel and Entertainment Expenses**

The contract does not list specific dollar amounts for travel and entertainment expenses but requires reimbursement of reasonable and necessary expenses incurred in the performance of his duties as approved by the university. The contract does not place any limits on the maximum amount of expenses. The SEMO Board of Regents indicated the contract did not

specifically include a limit on the expenses because at the time the contract was entered into, the university did not have a good estimate of what those expenses might be. However, the current president indicated an annual budget has been established in the amount of \$25,000 from university funds and \$5,000 from foundation funds to monitor and control the level of these expenses. In addition, although not specified in the contract, the chancellor is required to submit documentation to support any expenses claimed and that documentation is reviewed and approved by the president prior to any reimbursement payments. These internal controls help in managing the contract but would have been better placed as a contract provision.

Among the listed acceptable expenses are country club fees and travel and entertainment expenses for his spouse when she is participating in the event involved. According to the current president, the country club fees are paid by the foundation and are not paid from taxpayer or other university funds. He stated that belonging to such an organization is an effective means of obtaining donations for the university and reducing the overall tuition costs of the students. Regarding the country club dues, it is not relevant that the foundation is paying for them. The university is obligated through the contract to pay for the dues since the foundation is not a party to the contract.

The president also indicated that in the higher education environment, the involvement of a spouse in fund-raising efforts can be very beneficial and that has been the case in certain instances involving the chancellor's spouse. The president stated that the chancellor's wife does not routinely travel with him, but if she does travel and it does not benefit the university, her expenses are not reimbursed. We remain of the opinion that since she is not an employee and not a party to the contract, she should not be paid travel expense.

## **SEMO Response**

### **Residence**

*On May 18, 1999, the Board of Regents received the resignation from the President of the University due to personal reasons. Since the President was just completing the first year of a 3-year contract, this resignation created several problems for the University.*

- 1. The President was given a 3-year contract because the following major initiatives at the University would be undertaken during that 3-year period:*

*The development of the Polytechnic Institute and the construction of the \$8 million Polytechnic building. This is the major expansion of our technical education program which is identified in the Statewide Post-Secondary Technical Education Plan and our Mission enhancement efforts approved by the Coordinating Board for Higher Education and funded by the Governor and General Assembly. Funding for the building will be 80% State and 20% University with private and Federal funding for equipping the laboratories.*

*The development of the \$36 million River Campus facility which will house the School for the Visual and Performing Arts. This facility requires renovation of 50,000 square feet of an historic building and the addition of 100,000 square feet of new facilities to accommodate the academic programs, performing center, and regional museum. Funding for this project will be approximately 50% State, 25% City, and 25% University.*

*A \$25+ million capital campaign was initiated to raise private funding for the River Campus (\$12 million), the Polytechnic building and equipment (\$3 million), and other projects such as scholarships, athletic facilities, and facility enhancements.*

- 2. The Provost (Chief Academic Officer) resigned to take the position of President at the University of North Dakota.*
- 3. Two vacancies in the University Advancement area had occurred or were eminent which would negatively impact the success of the capital campaign, thus negatively impacting the Polytechnic Institute and River Campus projects.*

*A President's leadership and fundraising efforts are vital to successful initiatives and capital campaigns. Major changes to the executive leadership can cause major donors to reconsider their financial support and major initiatives to lose momentum or fail completely. Consequently the Board of Regents had to determine in short order what actions to take to fill the President's position, and to plan for the successful continuation of the \$25 million capital campaign and completion of the Polytechnic and River Campus projects.*

*The Board decided to promote the Executive Vice president (eight years at the University) and employ the resigning President as the Chancellor for the Development of the River Campus and Polytechnic Institute due to his cultivation of private, corporate, and Foundation donors. The base salary of the President was reduced from \$138,250 to \$95,000, and the contract stipulated that the Chancellor could reside in Ohio which was the only terms on which the Chancellor would agree. This would not be a deterrent to responsibilities for the Chancellor since major and potential contributors to the University are located in Florida, Texas, Arizona, California, New York, Ohio, and Illinois as well as in Missouri, and since travel to Washington D.C. was necessary to work with Federal departments and the Missouri delegation to Congress to obtain Federal grants and appropriations. If the Chancellor had resided in Missouri, he would have had to do extensive traveling from the campus.*

*The Board of Regents believes it has fulfilled its fiduciary responsibilities and that the Chancellor's contract was in the best interests of the University, the students, and the taxpayers. There are adequate provisions to monitor the progress of the Chancellor and terminate the contract if performance is not adequate. As mentioned in the report, the Chancellor has been very successful raising funds to date (\$3 million) and the next year looks even better (\$18 million).*

#### *Travel and Entertainment*

*The University agrees that the current contract does allow for the reimbursement of expenses provided by the Foundation and that the University could then be liable if the Foundation does not provide for those expenses. Consequently, the Chancellor's contract will be amended to remove such expense provisions.*

*University policy and procedures provide that all employees may get reimbursed for reasonable and necessary expenses. Since the Chancellor is a University employee, the contract provision regarding reasonable and necessary expenses was probably not needed.*

*All employees and departments are restricted by budgets established by the University. We believe that the established budget limits and the regular University approval process as noted in the report provides prudent budgetary controls and use of funds and do not put the University at risk.*

## **Governing Boards and University Officials Placed Undue Reliance on Trust as an Element of Negotiations.**

A major theme in the contracts discussed in this report relates to the retention of services of key individuals to serve their respective universities in some capacity with salaries and perquisites commensurate to CEOs in the private sector. Meanwhile these corporate type packages lack the basic safeguard protections that a business contract would require. In many cases, these contracts did not have specific duties assigned to the official, did not have nonperformance provisions such as termination clauses, and did not set limits on expenses or require the official to account for expenses.

All of the contracts were silent as to whether they were publicly or privately funded. Our audit determined that all of the contracts were funded with public funds with the exception of three provisions in two contracts. The use of automobiles at CMSU and SEMO and the payment of country club dues at SEMO were privately funded from the foundations that support those universities.

In our opinion, the past services the former president provided to CMSU and the high regard the Board had for this individual had an undue influence on the negotiations related to the new contract and the awarding of benefits not seen in other contracts.

While the Board may trust that the president and his wife will use the funds in a way beneficial to the university, the contract does not require this and, according to the liberal interpretation clause, any dispute over the matter could be found in favor of the president.

As justification for the Board decisions on these benefits, the Board cited a publication from the American Association of State Colleges and Universities called Board and President: Facilitating the Relationship. According to this publication, “The Board assures the president that it recognizes the high risk, total immersion nature of the position, and from the outset of the relationship, the Board provides a graceful way out of the position and into a next career move without fear of financial debilitation. If the president has a spouse the Board determines what role if any the spouse is to have.” Our concern with this approach is that it lacks balance. In our opinion, the Board must be cautious in interpreting the provisions of this publication to ensure that “next career” transition assurances do not include unnecessary expenses and perquisites that are funded by the taxpayers.

This contract also raises concerns about compliance with the Missouri Constitution. The granting of university-owned property to the former president upon his retirement and providing various benefits to his spouse may violate Article III, Section 38(a) of the Missouri Constitution, which prohibits the granting of public funds to private individuals. In addition, it appears the extent of the compensation package provided in this contract may have, at least in part, been given to the former president for past services to the university. If so, this may violate Article III, Section 39(3) of the Missouri Constitution, which prohibits the granting of extra compensation after the

services have been provided. The Board believes that there would not be a violation of the constitution because they do not consider any of the compensation and benefits as remuneration for past services, gifts, or extra compensation. Our concern is that many of the provisions of the contract are provisions from prior employment contracts that carried more responsibilities than the current contract.

According to university officials from CMSU and MU, they trusted the officials to perform the duties they expected even when there were no provisions in the contracts to ensure the duties would be performed.

It is our opinion; the lack of termination and penalty clauses in the MU contract that were discussed earlier in the report were not built into the MU contract because the representatives of the governing board trusted that the coach would perform as intended by the university.

At SEMO, there were termination clauses in the contract that would provide for removing the chancellor for nonperformance. However, although there were internal controls to ensure expenses were proper, these internal controls were not a part of the contract and that could put the university at risk if there were disputes over expenses. The university president stated that since the chancellor is an employee of the university, normal university policies would apply.

## **Conclusion**

We concluded that the majority of separation and retention contracts for the officials included in the scope of our audit were entered into properly. The contracts identified in this report as exceptions demonstrate the need for governing boards to closely adhere to their fiduciary responsibilities for the universities, students, and taxpayers. Regardless of how well the officials under contract perform; there are (i) vulnerabilities built into those contracts that could have been avoided, (ii) benefits that should not have been provided, (iii) additional costs that did not have to be incurred, and (iv) failures to delineate with sufficient specificity the duties to be performed. Since the boards of governors and regents in the State of Missouri have sole responsibility for their respective universities, it is incumbent upon them to ensure that only reasonable compensation and perquisites are granted to departing officials who are retained for other duties.

## **APPENDIX I**

### **OBJECTIVE, SCOPE AND METHODOLOGY**

#### **Objective**

The purpose of the audit was to determine if colleges and universities were consistent in the types of contracts they entered into with presidents, chancellors, vice presidents, or head coaches. Additionally, our objective was to determine if college and university governing boards and regents properly considered their responsibilities to the institutions, students, and taxpayers when signing agreements with these departing officials.

#### **Scope and Methodology**

We requested separation/ termination/consulting contracts from all 13 Missouri (4-year degree) public institutions of higher education. Seven of the 13 institutions responded by sending a total of 14 contracts falling within the audit criteria. The remaining six institutions indicated they did not have any contracts or agreements that met the audit criteria.

We reviewed past state audits of public colleges or universities in Missouri, all applicable Missouri state statutes and the Missouri constitution to determine what authority the board of governors of these institutions have to enter into such contracts and what authority or oversight the state of Missouri has in the matter.

Once the contracts were received, they were reviewed and all key provisions were scheduled. A benchmark of provisions expected to be found in a professional services contract for a high-ranking college or university official was established using information obtained from the AGB and from a review of the 14 Missouri contracts.

The benchmark provisions and general contract management practices were used to distinguish between contract provisions that appeared to be standard practice and contract provisions that appeared to differ from standard practices. Those contracts with questionable provisions were subjected to further review. We interviewed members of the governing boards and/or high-ranking university officials to determine their rationale for entering into the contracts we questioned.

The audit was made in accordance with applicable generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate under the circumstances.



## APPENDIX II

### **LIST OF COLLEGES AND UNIVERSITIES CONTACTED**

In September 1999, we sent a letter to the 13 Missouri (4-year degree) public institutions of higher education requesting any termination/separation/consulting contracts or agreements the institution had entered into since January 1, 1995, with top outgoing officials of the institution, including the positions of president, chancellor, vice president and head coaches of major sports programs. The following is a list of the 13 institutions and their response:

| <b>Name</b>                         | <b>Response</b>                 |
|-------------------------------------|---------------------------------|
| Central Missouri State University   | sent contract(s)                |
| Harris Stowe University             | no contracts met audit criteria |
| Lincoln University                  | sent contract(s)                |
| Missouri Southern State College     | sent contract(s)                |
| Missouri Western State College      | no contracts met audit criteria |
| Northwest Missouri State University | no contracts met audit criteria |
| Southeast Missouri State University | sent contract(s)                |
| Southwest Missouri State University | sent contract(s)                |
| Truman State University             | no contracts met audit criteria |
| University of Missouri-Columbia     | sent contract(s)                |
| University of Missouri-Kansas City  | sent contract(s)                |
| University of Missouri-Rolla        | no contracts met audit criteria |
| University of Missouri-St. Louis    | no contracts met audit criteria |

## APPENDIX III

### **LIST OF CONTRACTS REVIEWED**

Seven of the 13 institutions contacted responded by sending 14 contracts matching the criteria of our request letter. The following is a list of the parties to the contract and the nature of the agreement:

| <b>Institution</b>                  | <b>Official</b>                                     | <b>Nature of Agreement</b>                     |
|-------------------------------------|---|--|
| Central Missouri State University   | Retiring President                                  | Termination and continuing employment contract |
| Missouri Southern State College     | Retiring Vice President                             | Consulting contract                            |
| Missouri Southern State College     | Resigning Coach                                     | Termination contract                           |
| University of Missouri System       | Retiring President                                  | Termination contract                           |
| University of Missouri-Columbia     | Retiring Coach                                      | Termination and consulting contract            |
| University of Missouri-Kansas City  | Resigning Chancellor                                | Termination and continuing employment contract |
| University of Missouri-Kansas City  | Resigning Vice Chancellor                           | Termination and consulting                     |
| University of Missouri-Kansas City  | Resigning Executive Vice Provost and Executive Dean | Termination and continuing employment contract |
| University of Missouri – Columbia   | Resigning Chancellor                                | Termination and continuing employment contract |
| Southwest Missouri State University | Resigning Coach                                     | Termination contract                           |
| Southwest Missouri State University | Resigning Coach                                     | Termination contract                           |
| Southeast Missouri State University | Resigning Vice President                            | Termination and consulting contract            |
| Southeast Missouri State University | Resigning President                                 | Retention of Services                          |
| Lincoln University                  | Resigning President                                 | Termination contract                           |

## **APPENDIX IV**

### **BACKGROUND**

We reviewed applicable Missouri state statutes to determine the authority the governing boards of these institutions had to enter into such contracts and what oversight responsibilities the Department of Higher Education might have related to such contracts. In the state of Missouri, each state-funded college or university is under the general control and management of its governing board. By statute and the Missouri constitution the governing board of each individual state college or university has the power to appoint and remove the president and other employees of the college or university, assign their powers and duties and fix their compensation. The applicable statutes regarding the boards' authority are as follows:

MO Const. Art IX Sec 9 (a) and RSMo 172.010 provides that a university (Missouri University) is hereby instituted in this state, the government whereof shall be vested in a board of curators.

Section 174.120, RSMo 1994, provides that each state teachers college shall be under the general control and management of its board of regents.

Sections 172.300 and 174.140, RSMo 1994, provide that the governing board of each institution may appoint and remove, at discretion, the president, deans, professors, instructors and other employees of the state college or university, may fix the duration, terms and conditions of their offices and compensation; may enter into agreements for and make contributions to both voluntary and statutory retirement plans as the board of governors deem proper for persons employed by the state college or university.

The Department of Higher Education currently does not have any oversight responsibilities regarding the compensation provided to top officials of colleges and universities.

## APPENDIX V

### **BENCHMARK PROVISIONS**

In 1994, the Association of Governing Boards of Universities and Colleges (AGB) surveyed 350 member institutions and collected more than 150 college/university presidential contracts. According to the AGB survey, most contracts referenced salary and routine fringe benefits. Some contracts mentioned tenure, sabbaticals, deferred compensation and extra insurance. More detailed contracts dealt with termination, including procedures covering the possibility of a president's long-term illness, arrangements for spouses and outside employment or post-presidential employment.

#### **The AGB found the following provisions in presidential contracts:**

- Statement of duties
- Salary level, including when and how salary will be adjusted
- Fringe benefits
- The use of housing and a car
- Deferred compensation, if applicable
- Arrangements for tenure and a sabbatical
- An entertainment allowance
- Terms of termination
- Performance evaluation
- Post-presidential employment

In addition to reviewing the guidelines provided by the AGB, we examined the provisions included in the 14 contracts we reviewed during this audit. The following contract provisions were found in 2 or more of the 14 contracts reviewed.

- Compensation level (salary or fees) for retained services
- Payout under remaining portion of employment contract
- Provision stating duration of contract
- Statement of duties
- Arrangements for tenure and annual leave
- Retirement benefits (state or the college/university retirement plan)
- Use of college/university-owned automobile
- Use of college/university owned property
- Use of college/university-owned residence
- Moving expenses
- Entertainment allowance
- Special privilege to attend university sporting events and other amenities
- Designation of third party beneficiary in the event of death

## **APPENDIX VI**

### **CENTRAL MISSOURI STATE UNIVERSITY CONTRACT**

# PROFESSIONAL SERVICES CONTRACT

This contract is entered into on this 2<sup>nd</sup> day of December, 1998 by and between the Board of Governors of Central Missouri State University (hereinafter referred to as "the Board") and Dr. Eddie Mayes Elliott (hereinafter referred to as "Dr. Elliott") for the express purpose of setting forth the Board's and Dr. Elliott's mutual understandings about

A) The nature, terms, salary and conditions of Dr. Elliott's continued employment with the Board;

B) The specific benefits, perquisites, privileges, and other compensation payable to Dr. Elliott under this Contract; and

C) The special considerations which will be extended to Dr. Elliott's spouse, Sandra Elliott ("Mrs. Elliott") under this Contract.

WHEREAS Dr. Elliott entered into a contract with the Board to render professional services as Chief Executive Officer of Central Missouri State University for a three year term commencing July 1, 1998 and ending June 30, 2001, which provided for an annual review of compensation and benefits, and for other perquisites; and

WHEREAS Dr. Elliott tendered his resignation as Chief Executive Officer of Central Missouri State University effective August 1, 1999, which the Board formally accepted at its regular meeting on October 28, 1998; and

WHEREAS Dr. Elliott has provided faithful and dedicated leadership to the Central Missouri State University for the past fourteen years and has earned and is therefore entitled to certain benefits upon the cessation of his duties as Chief Executive Officer (hereinafter referred to as "post-CEO service"), and

WHEREAS the Board desires to retain the services and goodwill of Dr. Elliott as a special consultant,

NOW, THEREFORE, BE IT RESOLVED AND AGREED AS FOLLOWS:

## A. Post-CEO Service

1. This Professional Services Contract dated December 2, 1998 is effective on the 1<sup>st</sup> day of August, 1999 and as of that date shall supercede the Professional Services Contract entered into between the parties on June 22, 1998. It is fully intended by the parties that the Professional Services Contract dated June 22, 1998 shall remain in force and effect until July

31, 1999, but nothing contained herein shall be construed or interpreted to nullify or diminish any post-CEO service stipulated benefit vesting upon Dr. Elliott's retirement or resignation from service as Chief Executive Officer due or payable to Dr. Elliott or his spouse Sandra Elliott (Mrs. Elliott) under said Contract dated June 22, 1998 or pursuant to any other document or agreement negotiated with the Board. The applicable post-CEO service provisions of the Professional Services Contract dated June 22, 1998 are hereby expressly incorporated by reference and made a part of this Contract, and it is both parties' expressed intention that all provisions of this Contract be liberally construed and to the benefit and favor of Dr. Elliott.

2. It is acknowledged by the parties that Dr. Elliott is a tenured Professor of Physical Education and Professor of Higher Education and that effective August 1, 1999 he is entitled to exercise the rights set forth in the Faculty Guide, in addition to other rights and benefits stipulated to within this Contract.
3. Effective August 1, 1999, Dr. Elliott shall hold the additional title of "President Emeritus and Distinguished University Fellow" with all customary and traditional rights appertaining thereto.
4. Dr. Elliott will continue on full payroll status using sixty (60) working days and five personal days and be considered as an active employee at the University system from the period starting August 1, 1999 and ending November 1, 1999. On November 2, 1999, Dr. Elliott shall commence a paid one year leave of absence at his current salary rate then in force and effect, including any usual and customary cost of living increases extended to Central Missouri State University employees, and including all other employment benefits such as sick leave and vacation accrual as herein stipulated, and as are currently in force and effect at the time said leave commences, and such other benefits as may be usually and customarily extended to Central Missouri State University employee during said leave.
5. Upon the expiration of Dr. Elliott's leave of absence on November 1, 2000, Dr. Elliott is entitled to the issuance of, and will be issued, a two year full time academic year employment agreement providing full employment benefits and salary placement at the top of the full professor salary maximum rate of pay then in effect at that time, including annual cost of living increments. The nature of this employment commitment shall be duties as assigned by the Board, consulting support for the Board and the University, fund raising for the renovation of Selmo Park, University Liaison for charter schools, legislative support for state and federal teacher initiatives, outreach support for implementation of the statewide mission and/or graduate instruction as appropriate. In addition, Dr. Elliott shall be given an active leadership role in the maintenance and development of international relationships and contacts in furtherance of Central Missouri State University's International Studies Program, and international sites. At all times during the academic year, Dr. Elliott's employment activities shall constitute full time faculty employment to ensure full time retirement credit under MOSERS. Upon Dr. Elliott's completion of these two years of academic employment,

additional contracts for additional academic employment may be negotiated by mutual agreement of the parties.

B. Benefits, perquisites, privileges, and other compensation

1. The Board will provide on an annual basis, for the duration of this Contract, the sum of \$15,000 plus ten per cent of Dr. Elliott's annual salary, paid over twelve monthly installments, for retirement investment purposes. Of this amount, the sum of \$9500 or the maximum allowable under the current tax codes will be paid out on a "pre-tax" basis to a qualified tax sheltered annuity; the remainder will be remitted to TIAA-CREF on an "after-tax" basis.

2. For the duration of this Contract, on an annual basis, Dr. Elliott shall be paid an additional twenty (20) per cent of his base salary in twelve monthly installments for the purpose of purchasing additional discretionary retirement investments; these payments will be taxable earnings as shown on the earnings record of the W-2 form.

3. The Board shall maintain in force and effect the insurance policy referred to as "long term care", or provide a suitable equivalent, until Dr. Elliott reaches the age of 65, or until his retirement, whichever is later. Dr. and Mrs. Elliott own this policy. In addition, the Board will provide Dr. Elliott with an additional monetary adjustment (a "gross up") for so long as the policy is in effect which will compensate him for his tax liability for the value of the insurance premiums paid out on his behalf.

4. The Board will keep in force and effect, or provide a suitable equivalent, the term life insurance policy in the amount of \$250, 000 covering Dr. Elliott, until he reaches the age of 65 or retires, whichever is later.

5. For the duration of this Contract, and for so long as he shall remain an employee, the Board shall provide Dr. Elliott with the use of an automobile, including maintenance, fuel and lubricants therefor. Dr. Elliott will keep the automobile he currently is using on the effective date of this contract, and will, at his option, be entitled to replace the automobile with a new model equivalent one time before October 31, 2002. If, at any time, Dr. Elliott should choose to retire or otherwise surrender his employment with the Board, Dr. Elliott will be permitted to purchase the automobile provided for his use from the Board, for the price of the original acquisition cost, minus the sum of one thousand (\$1000) dollars per month for each month the automobile was placed in use. In the event of Dr. Elliott's death, Mrs. Elliott shall be afforded the opportunity to purchase the automobile under these same terms.

6. At all times while Dr. Elliott is performing services under this Contract, he shall be provided with a suitable office on campus with an annual operating budget of \$15,000, which will be reviewed by the Board for sufficiency on an annual basis. In addition, secretarial support will be provided (outside of the annual operating budget), a computer with current up to date software



compatible with other University equipment and software, printer, facsimile machine, telephone, and such other office equipment as Dr. Elliott may deem necessary. All equipment shall be upgraded annually, and shall from time to time be serviced, repaired, and if necessary, replaced. In addition, the Board shall provide Dr. Elliott with an additional \$10,000 budget to provide discretionary support to the International Program, and such additional funds as he deems necessary for secretarial support. In addition, the desk, chair, and such other complementary office furnishings as are found in the Office of the President at the time of Dr. Elliott's leave will be moved to the new office, where they will remain for his use until such time as they are permanently transferred to the University Archives.

7. All office equipment and machinery, including computers and printers and telephone equipment, in use in Selmo Park or at Dr. Elliott's private residence as of the date of this Contract, shall remain in the possession of, and for the use of Dr. Elliott, and shall from time to time be serviced, repaired, and if necessary, replaced, until Dr. Elliott's duties to the Board and the University cease. Upon Dr. Elliott's severance from the University, all equipment herein described shall become his personal property.

8. All cell phones in possession or use by Dr. Elliott at the time this Contract commences, including the telephone in the automobile provided for Dr. Elliott's use, shall remain with Dr. Elliott, and the Board shall pay all reasonable charges incurred for their use. Upon Dr. Elliott's severance from the University, all telephone equipment herein described shall become his personal property, and thereafter, he shall assume all responsibility for charges incurred.

9. The Board shall purchase a notebook computer for Dr. Elliott's use prior to his leave which will be upgraded annually, and shall from time to time be serviced, repaired, and if necessary, replaced by the Board for the duration of this Contract. Upon Dr. Elliott's severance from the University, the notebook computer shall become his personal property.

10. All amenities, services, benefits and perquisites customarily provided to retired presidents and board members, such as Board of Governors parking stickers, admission tickets to all campus events, library privileges and the like, shall be provided to both Dr. Elliott and Mrs. Elliott. In addition, passes for two guests will be provided, for all campus events, concerts, theater productions, and lectures. Whenever possible, Dr. and Mrs. Elliott will be accorded box seats at the Walton Football Stadium.

11. For the one year period commencing August 1, 1999, the Board shall provide Dr. Elliott with the sum of \$19,350.00 for entertainment and special expenses, and the additional sum of \$26,650.00 for travel by Mrs. Elliott, for a total of \$45,000.00, which will be "grossed up" 48% and augmented to the total sum of \$76,968.00 for tax equalization purposes and to take into account joint tax liabilities. At the close of tax years 1999 and 2000, the gross up and equalization will be recalculated and augmented if necessary to ensure the Elliotts receive the full amount of this benefit. These amounts will be paid as taxable income and will be shown on the earnings record of the W-2 form. The Board encourages the travel and participation of Mrs. Elliott in all Dr. Elliott's endeavors.

12. Dr. Elliott and Mrs. Elliott will each be entitled to an annual physical exam at University expense until age 65, or until President Elliott retires, whichever is later.

13. Upon Dr. Elliott's retirement from full-time employment with the Board, the Board will pay the cost of health insurance premiums for Dr. Elliott and Mrs. Elliott until both parties are eligible for Medicare. In the event of Dr. Elliott's death, the Board will continue to pay Mrs. Elliott's health insurance premiums until she becomes eligible for Medicare.

C. Special considerations accorded Mrs. Elliott.

1. Title or ownership to any personal property which might vest with Dr. Elliott under this Contract will vest with Mrs. Elliott in the event of Dr. Elliott's death.

2. Should Dr. Elliott die while this Contract is in effect, Mrs. Elliott will be afforded reasonable access to University staff and shall be provided with legal counsel to assist her in settling all affairs arising out of this Contract. In addition, she will be provided with assistance in physically transporting, at Board expense, any and all personal property to the location of her choice.

3. In the event of Dr. Elliott's death, Mrs. Elliott shall be entitled to receive all amenities, services, benefits and perquisites customarily provided to retired board members, including parking stickers, admission tickets to all campus events, and such other benefits as Dr. Elliott was entitled to under Section B (10) of this Contract.

D. Other provisions

1. The Board and Dr. Elliott have amicably agreed that in the event a new President of the University has not taken office by August 5, 1999, Dr. Elliott may, at his option, elect to stay on as Chief Executive Officer for a period of time to be mutually agreed upon ("extension of CEO services"). In that event, the effective date of this Contract shall be the first day after Dr. Elliott's extension of CEO services ends. During the period, if any, Dr. Elliott's CEO services are extended, the terms, conditions, and benefits as set forth in the Professional Services Agreement dated June 22, 1998 shall govern, save that the annual compensation and benefits review shall take place at the time said services are extended.

2. In the event that Dr. Elliott's services as CEO are extended by the Board, all dates stipulated in this Contract shall be revised by mutual agreement to reflect the continuation of services and the spirit and intent of this Contract.

3. This Contract shall be governed by, construed and interpreted in accordance with the laws of the State of Missouri. Any action under this Contract shall be brought in Johnson County, Missouri.

4. This Contract shall be modified or amended by mutual agreement of the parties, in writing, either by express amendment or modification or by means as recorded in the Minutes of the Board of Governors of Central Missouri State University.

5. Should any provision or provisions of this Contract become illegal, invalid, null or void by force of law or other means, the remaining provisions of this Contract shall remain in force and effect.

IN WITNESS WHEREOF, the parties have executed this agreement on this 2nd day of December 1998.

THE BOARD OF GOVERNORS OF  
CENTRAL MISSOURI STATE UNIVERSITY

By: Lynn A. Harmon

Mr. Lynn Harmon

Maxine Jaeger

Mrs. Maxine Jaeger

Allan Browder

Mr. Allan Browder

Nickie B. Foster

Mrs. Nickie B. Foster

John W. Lenox

Mr. John W. Lenox

Robert E. Harmon

Mr. Robert E. Harmon

DR. EDDIE MAYES ELLIOTT:

Eddie Mayes Elliott

## **APPENDIX VII**

### **UNIVERSITY OF MISSOURI CONTRACT**

## INDEPENDENT CONTRACTOR AGREEMENT AND RELEASE

THIS INDEPENDENT CONTRACTOR AGREEMENT is entered into between THE CURATORS OF THE UNIVERSITY OF MISSOURI, a public corporation of the State of Missouri (hereinafter referred to as "University"), and NORMAN E. STEWART (hereinafter referred to as "Stewart").

WITNESSETH:

WHEREAS, the parties entered into an Employment Agreement dated December 3, 1992; and

WHEREAS, the parties entered into an Amendment of said Employment Agreement, dated April 30, 1996; and

WHEREAS, the parties entered into a Second Amendment of said Employment Agreement, dated October 14, 1996; and

WHEREAS, the parties entered into a Third Amendment of said Employment Agreement, dated July 3, 1997; and

WHEREAS, the parties now desire to enter into an Agreement and Release for the purpose of rescinding the above-described Employment Agreement and all amendments thereto, and setting forth new agreements and understandings between them regarding their relationships.

NOW, THEREFORE, in consideration of the above premises and the individual and mutual promises of the parties hereinafter set forth, it is hereby agreed between the parties hereto as follows:

1. Stewart agrees to resign and shall be deemed to have resigned as the Head Men's Basketball Coach at the University of Missouri-Columbia on the execution date of this Agreement and Release. Stewart will remain a full-time employee of the

University until June 30, 1999 at his current annual salary. His duties during this period will be set by the Athletic Director of the University of Missouri-Columbia.

2. Stewart will retire as an employee of the University on July 1, 1999, at which time he will be entitled to receive an annual retirement benefit payment from the University, to be paid in equal monthly installments, less appropriate deductions and withholdings, pursuant to the University of Missouri Retirement, Disability and Death Benefit Plan ("Plan"). Stewart will also be entitled to receive any other benefits set forth in the Plan.

3. University agrees to pay Stewart the amount of One Hundred Thousand Dollars (\$100,000.00) on August 1, 1999, in exchange for the relinquishment by Stewart of his right to operate at any time during the term of this Agreement (date of execution through June 30, 2003) a basketball camp as set forth in his Employment Agreement dated December 3, 1992, and as amended by the Second Amendment to said Employment Agreement dated October 14, 1996; provided, however, that Stewart will be permitted to operate a basketball camp as set forth in his Employment Agreement dated December 3, 1992, and as amended by Second Amendment to said Employment Agreement, with said Second Amendment dated October 14, 1996, during the summer of 1999, but not at any time thereafter during the term of this Agreement (date of execution through June 30, 2003) in the State of Missouri. Stewart will transfer all equipment used by him in the operation of said basketball camp to the University on August 1, 1999, and he will provide the University with a list of all past camp participants and any prospective camp participants at that time.

4. University agrees to pay to Stewart the amount of One Hundred Ninety-five Thousand Dollars (\$195,000.00) on July 1, 1999, in exchange for the relinquishment by

Stewart of his right to receive the annuity payments called for in paragraph "Fourth" of the Second Amendment to his Employment Agreement dated October 14, 1996 and the relinquishment of any other rights Stewart might have under the Employment Agreement as amended prior to the date of this Agreement and Release. All appropriate deductions will be withheld from these payments (meaning this payment and any other annuity payments made in calendar year 1999) as required by law.

5. University agrees to pay to Stewart Seventy-five Thousand Dollars (\$75,000.00) in the year July 1, 2000-June 30, 2001, said payment to be payable on July 1, 2000, and Seventy-five Thousand Dollars (\$75,000.00) in the year July 1, 2001-July 30, 2002, said payment to be payable on July 1, 2001, in exchange for the relinquishment by Stewart of his right to receive the payments set forth in paragraph "Fourth" of the Third Amendment to his Employment Agreement, dated July 3, 1997, and the relinquishment of any other rights Stewart might have under the Employment Agreement as amended prior to the date of this Agreement and Release.

6. It is agreed that the University will retain Stewart as a "Special Consultant to the Chancellor of the University of Missouri-Columbia" for the period July 1, 1999 to June 30, 2003. Stewart's services shall be to provide consultation for the method and process of accomplishment and final results of development projects and participation in said projects for the University of Missouri-Columbia. In exchange for his consulting services, Stewart will be paid an annual fee of One Hundred Twenty-five Thousand Dollars (\$125,000.00) to be paid annually in advance (for example, the payment for July 1, 1999 through June 30, 2000 to be made during the first ten (10) days of July 1999). At Stewart's option, he will be entitled to receive the payment due for the period July 1, 2002 to June 30, 2003 during the first ten (10) days of July 2001. It is agreed that in



providing these services to the University, Stewart is serving in the capacity of an independent contractor and not as an employee of the University. Stewart agrees that he is not serving in the capacity of an employee of the University in providing these services and will be solely responsible for the payment of any taxes due and owing in connection with his receipt of the consulting fees set forth herein, and will indemnify and hold the University harmless and reimburse the University for any amounts it may be required to pay as a result of a determination that the University should have carried out appropriate employee withholding and of Stewart's failure to meet his tax obligations in connection with the fees paid to him hereunder.

7. It is agreed that if Stewart dies before the payments are made to him as called for in paragraphs 3, 4, 5 and 6 of this Agreement and Release, these payments will be made to such individuals designated by Stewart, and who will provide any remaining services to be provided under this Agreement and Release at the times said payments are designated to be paid herein. The University reserves the right to obtain a policy of insurance on the life of Stewart in order to fund the payments called for in paragraphs 3, 4, 5 and 6 of this Agreement and Release.

8. Stewart agrees that except as otherwise provided herein, the University is released from any and all of its obligations to him as set forth in the Employment Agreement, dated December 3, 1992, the Amendment to said Employment Agreement, dated April 30, 1996, the Second Amendment to said Employment Agreement, dated October 14, 1996, and the Third Amendment to said Employment Agreement, dated July 3, 1997, and the University has no further obligations to Stewart except as otherwise set forth herein.

9. The parties agree that this Agreement and Release can be supplemented



or amended by the mutual agreement of the parties or their respective representatives reduced to writing.

IN WITNESS WHEREOF, the undersigned have executed this Agreement and Release on the 1 day of April, 1999.

THE CURATORS OF THE  
UNIVERSITY OF MISSOURI

By: Richard L. Wallace

Title: CHANCELLOR, UNIVERSITY OF MISSOURI - COLUMBIA

Appraised as  
to legal form  
by E. Knight

Norman E. Stewart  
NORMAN E. STEWART

## **APPENDIX VIII**

### **SOUTHEAST MISSOURI STATE UNIVERSITY CONTRACT**

## EMPLOYMENT AGREEMENT

THE BOARD OF REGENTS FOR SOUTHEAST MISSOURI STATE UNIVERSITY (herein called "Employer"), and DALE NITZSCHKE, presently residing at Wildwood, Cape Girardeau, Missouri 63701, (herein called "Chancellor") agree:

1) **EMPLOYMENT.** In consideration of the mutual promises contained in this agreement, and of the salary and other compensation to be paid, Employer hereby employs Chancellor to serve as the Chancellor of Southeast Missouri State University, and Chancellor accepts such employment, on the terms set out in this Agreement.

2) **TERM.** The term of this Agreement shall begin on July 1, 1999 and end June 30, 2001. Thereafter, this agreement shall be automatically renewed from year to year unless otherwise terminated as provided herein.

3) **DUTIES.** Chancellor is employed to serve as the Chancellor of Southeast Missouri State University. He shall perform all duties which may be required by law and the provisions of this agreement, and all duties incident to the office of Chancellor for the Development of the River Campus and Polytechnic Institute of the University, together with such other duties as may be properly assigned to him. He shall devote substantially his entire time, attention and energies to the duties of his office. Chancellor may devote reasonable amounts of time for personal, charitable and professional activities provided that such activities do not interfere with the performance of duties under this agreement. Chancellor shall not render services of any professional nature to or for any other person or entity (either with or without compensation) without the prior consent of Employer.

4) **COMPENSATION.** For all services rendered by Chancellor he shall be compensated as follows:

**A) Salary:**

1) For the period beginning July 1, 1999 and ending June 30, 2001, Chancellor shall be paid an annual salary of \$95,000.00.

2) Salary shall be paid in equal periodic installments in accordance with normal pay-roll procedures of Employer and is subject to withholding of taxes and other items required by law or allowed by University policy.

**B) "Fringe" Benefits:** Chancellor shall be entitled to all "fringe" compensation benefits offered to faculty members at Southeast Missouri University, including, without limitation,

life insurance programs, health, medical and hospitalization insurance, sick leave, disability, deferred compensation programs, I.R.C. Section 403, 457, or 125 programs, and similar benefits, but excluding sabbatical leave, except as such benefits may be limited by other provisions of this agreement.

C) Annuity. Employer shall purchase for Chancellor's benefit, and maintain in full force and effect during the period of Chancellor's employment as Chancellor, through TIAA-CREF or such other entity as Chancellor may designate, an annuity contract, to be owned by Chancellor, at a premium cost of \$23,000.00 per year, paid on a quarterly basis. Chancellor is responsible for any taxes which may be due as a result of this annuity.

**5) WORKING FACILITIES, EXPENSES, AND OTHER CONDITIONS OF EMPLOYMENT.**

A) Automobile. An automobile for the business use of Chancellor, including all service and maintenance of the automobile, will be provided at no expense to Chancellor. Liability protection for Chancellor in the use of the automobile in his duties as Chancellor is provided by the Legal Expense Fund of the State of Missouri, up to limits of \$100,000.00 per individual and \$1,000,000.00 per incident. Liability protection for personal use will be provided through commercial liability insurance with limits not less than \$100,000 per person and \$500,000.00 per incident. Any personal use is subject to the restrictions of the Internal Revenue Code.

B) Office and Staff. Chancellor will be provided with a private office at the Cape Girardeau campus of Employer, secretarial staff and other facilities and services as may be suitable and necessary for the proper performance of his duties.

C) Expenses. Employer shall pay, or shall reimburse Chancellor for, reasonable and necessary expenses incurred in the performance of his duties, including country club fees and dues and membership fees in professional, service, and social organizations as approved by Employer. Reimbursable travel and entertainment expense shall include spousal expense when Chancellor's spouse is participating in the event involved.

**D) Residence.**

1) Chancellor will be based in Milford, Ohio, with duties also in Washington, D.C., and in Cape Girardeau, Missouri. Employer will provide reasonable furniture and equipment for Chancellor's use as a supplemental office facility at Chancellor's residence in Milford, Ohio.

2) Employer shall pay for or reimburse Chancellor for reasonable residential expenses associated with his work in Washington, D.C.

While in Cape Girardeau, Missouri, Employer shall provide a place of residence for Chancellor at the residence known as "Wildwood". In addition to occupancy by Chancellor, Employer shall be permitted to use the residence (or allow its use, as may be appropriate), excluding the private apartment provided for Chancellor if Chancellor is in residence, for entertainment of visitors in the interest of the University, faculty events, and other events and purposes appropriate for the purposes of the University. Employer will provide reasonable furniture and furnishings at Wildwood, and will maintain the residence and surrounding grounds in good condition.

**6) VACATIONS AND HOLIDAYS.** Chancellor shall not be entitled to the same holidays and vacation afforded the faculty and staff of the University during the period of employment. Chancellor may sell all accrued but unused vacation time which he may have back to the University on June 30, 1999.

**7) EVALUATION.** Chancellor shall be subject to the evaluation procedures of the University and as may be required by state law. At least annually, as the parties may agree, the parties shall mutually evaluate the status of the University and its goals and long range plans.

**8) TERMINATION.** This Agreement may be terminated as follows:

**A) Death.** The death of Chancellor shall terminate this agreement. In such event, Chancellor's surviving spouse, or if there is no surviving spouse, Chancellor's estate, shall be paid Chancellor's salary for the full month in which Chancellor's death occurs.

**B) Resignation.** Chancellor may resign his employment by tendering his written resignation to Employer not less than thirty (30) days prior to the effective date of resignation.

**C) Non-renewal.** This agreement shall be automatically renewed from year to year, following the expiration date hereof, upon the terms contained herein, unless either party gives notice to the other party of intent not to renew. Notice of non-renewal shall be given in writing not later than 3 months prior to the applicable expiration date.

**D) Termination without cause.** Employer may terminate Chancellor's employment as Chancellor without cause at any time upon 30 days notice. In the event of such termination, however, Chancellor shall continue to be employed in the position of a full professor in an appropriate department at a salary equal to the then current average salary paid full professors at the University, for the period of time necessary for Chancellor to become 100% vested under the Missouri State Employees Retirement System. Termination resulting from inability (if reasonable

accommodation cannot be made) to perform substantially all the duties of Chancellor, due to illness or accident, shall be considered termination without cause. In such event, if Chancellor is also unable to perform substantially all the duties of a full professor (if reasonable accommodation cannot be made) Chancellor shall be entitled to the benefits afforded by the sick leave and disability policies of the University, and no other benefit or payment.

**E) Termination for cause** Employer may terminate this agreement for the following causes:

- 1) Conviction of a felony or misdemeanor.
- 2) Non-compliance with policies established by the Board of Regents.
- 3) Incompetence in the performance of Chancellor's duties.

In the event of termination for cause, Chancellor shall be notified in writing of the grounds for termination, and, within fifteen days after receipt of such notice, may request a hearing before the Board of Regents. A hearing shall be held within fifteen days after receipt of such request. The hearing shall be a closed hearing, unless Chancellor requests a hearing in an open session of the Board of Regents. At such hearing, Chancellor may be represented by counsel, and may present such evidence as Chancellor may desire, either documentary or oral, to support Chancellor's position. The decision of the Board of Regents following such hearing shall be final and binding on all parties.

**F) Termination by operation of law.** This agreement shall be automatically terminated as of the effective date of any legislative action terminating the existence of the University as an independent educational entity of the State of Missouri.

**9) WAIVER OF BREACH.** The waiver by either party of any breach of any provision of this agreement by the other party shall not operate or be construed as a waiver of any subsequent breach.

**10) ENTIRE AGREEMENT.** This agreement constitutes the entire agreement between the parties, and there are no other understandings, agreements, or representations between the parties, express or implied.

**11) GOVERNING LAW.** This agreement shall be deemed to have been executed in the City of Cape Girardeau, Missouri, and is to be construed as a Missouri contract and in accordance with the laws of Missouri.

12) NON-ASSIGNABILITY. This agreement is a contract for personal and professional services, and the benefits of the agreement shall not be pledged or assigned in any way by Chancellor.

13) NOTICES. Any notice required to be given under the terms of this Agreement shall be in writing, and either delivered personally to the other party or mailed, by certified mail, return receipt requested, addressed as follows:

To Chancellor:

Dr. Dale Nitzschke, Chancellor  
Southeast Missouri State University  
One University Plaza  
Cape Girardeau, Missouri 63701

To Employer:

President of the Board of Regents  
Southeast Missouri State University  
One University Plaza  
Cape Girardeau, Missouri 63701

IN WITNESS WHEREOF, The Parties have executed this Agreement in duplicate this  
30<sup>th</sup> day of June 1998.

THE BOARD OF REGENTS FOR SOUTHEAST  
MISSOURI STATE UNIVERSITY

By Donald L. Dickerson  
Donald L. Dickerson, President

Attest:

Heborah A. Fulton  
Secretary

"EMPLOYER"  
Dale Nitzschke  
Dale Nitzschke

"CHANCELLOR"



REVIEW OF  
CAREGIVER SCREENINGS

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-23  
April 12, 2000

AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**The following areas of concern were discovered as a result of a review conducted by our office of Care Giver Screenings.**

Our elderly, children and mentally challenged often do not have the capability to fully protect themselves from abuse and neglect. Various state agencies maintain listings of individuals who have been found to have abused or neglected children, the elderly, or the mentally challenged. We matched individuals on these listings to 1998 employment information and noted instances of illegal, inappropriate, or questionable employment situations. While several state agencies utilize these listings to some degree, no agency has developed an automated match to identify employers who were not performing the required screenings or who employ individuals contrary to guidelines. Except for recent legislation regarding certain child care workers, there currently are no laws which require these state agencies to screen for persons being employed inappropriately or illegally. Instead the laws either require certain employers to perform background checks, or simply state that certain employment situations are illegal. Also, most of the inappropriate or questionable employment situations identified in our report are not currently unlawful.

One of the goals of the Family Care Safety Act, and the Governor's Executive Order 99-05, both enacted in 1999, was to promote family and community safety by allowing access to comprehensive information accumulated by various state agencies.

We also noted that screenings will not require that the history of child and elder care workers be checked against information from other states, and will not require employees in schools to be checked against the listings of abusers. Finally, it will be an onerous task for individuals selecting personal care services to check backgrounds of employees of large providers and providers with high employee turnover.

Additional controls and procedures should be put into place to fully protect the elderly, children, and mentally challenged. These include:

- Placing all disqualified individuals (and their social security number) from the Division of Aging Employee Disqualification Listing, the Department of Mental Health Employee Disqualification Listing, as well as individuals who have been determined to have committed a serious child abuse or neglect incident, in a single abuse registry.

(over)

YELLOW SHEET

- Passing legislation which prohibits these individuals from being employed by care providers and schools.
- Implementing the necessary system improvements to allow for more timely background screening results.
- Requiring care providers and schools to check the abuse registry **prior** to employment of new individuals.
- Developing an automated process to periodically identify all instances of individuals inappropriately working for care providers and schools.
- Developing procedures to remove those individuals from inappropriate workplace settings.
- Developing procedures to aggressively fine and sanction care providers and schools who employ individuals listed on the abuse registry.
- Developing procedures so that family members can more easily and conveniently determine whether a particular care provider or school is employing individuals listed on the abuse registry. Consideration should also be given to what extent information on the registry should be available to the public.
- Requiring the backgrounds of Family Care Safety Registry registrants who have not resided in Missouri for the preceding three years be checked against information in the registrant's former state of residence. In addition, the state should promote the establishment of a national screening system.
- Establishing a fair and consistent appeal process which considers the nature and severity of the incident which resulted in placing an individual in the abuse registry, and the results of any subsequent rehabilitation.
- Passing legislation to clearly allow background information to be disclosed to state agencies responsible for monitoring provider compliance.

REVIEW OF  
CARE GIVER SCREENING

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly

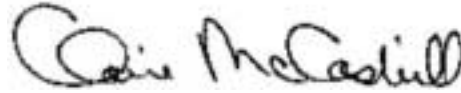
We conducted a review of state agencies' practices and procedures and of state legal provisions regarding care giver screenings. The objectives of this review were:

1. To determine whether persons who have abused the elderly, clients of the Department of Mental Health, and/or children are employed in illegal, inappropriate, or questionable work settings.
2. Review and evaluate various state agencies' compliance with certain executive orders and statutory requirements regarding care giver screenings.
3. Review certain state laws relating to abuse against persons and determine areas of concern needing improvement or clarification.
4. Review certain management controls and practices to determine the propriety and effectiveness of those controls and practices as they relate to care giver screenings.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable executive orders, state laws, interviewed or surveyed applicable personnel, and inspected relevant records and reports.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The Comments, Analysis, Conclusions, and Recommendation presented in the report represent the results of our review of care giver screenings.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 6, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Luetkemeyer, CPA  |
| In-Charge Auditor:  | Dennis Lockwood, CPA   |
| Audit Staff:        | Amanda George          |

## EXECUTIVE SUMMARY

## REVIEW OF CARE GIVER SCREENINGS EXECUTIVE SUMMARY

Our elderly, children, and mentally challenged often do not have the capability to fully protect themselves from abuse and neglect. Various state agencies maintain listings of individuals who have been found to have abused or neglected children, the elderly, or the mentally challenged. We matched individuals on these listings to 1998 employment information and noted instances of illegal, inappropriate, or questionable employment situations. While several state agencies utilize these listings to some degree, no agency has developed an automated match to identify employers who were not performing the required screenings or who employ individuals contrary to guidelines. Except for recent legislation regarding certain child care workers, there currently are no laws which require these state agencies to screen for persons being employed inappropriately or illegally. Instead the laws either require certain employers to perform background checks, or simply state that certain employment situations are illegal. Also, most of the inappropriate or questionable employment situations identified in our report are not currently unlawful.

One of the goals of the Family Care Safety Act, and the Governor's Executive Order 99-05, both enacted in 1999, was to promote family and community safety by allowing access to comprehensive information accumulated by various state agencies. Our review of this legislation and the executive order noted background screenings will not be totally comprehensive. We also noted that screenings will not require that the history of child and elder care workers be checked against information from other states, and will not require employees in schools to be checked against the listings of abusers. Finally, it will be an onerous task for individuals selecting personal care services to check backgrounds of employees of large providers and providers with high employee turnover.



## COMMENTS, ANALYSIS, CONCLUSIONS, AND RECOMMENDATION

REVIEW OF  
CARE GIVER SCREENINGS  
COMMENTS, ANALYSIS, CONCLUSIONS, AND RECOMMENDATION

**COMMENTS AND ANALYSIS**

|           |   |
|-----------|---|
| <b>1.</b> | <b>Data Match and Agency Procedures</b> |
|-----------|---|

Various sections of state law require the Division of Aging (DA) to maintain an Employee Disqualification Listing (EDL) which includes names of persons who have been finally determined by the department, pursuant to Section 660.315, RSMo 1994, to have recklessly, knowingly, or purposely abused or neglected, or to have misappropriated any property or funds of a nursing home resident or in-home services client. Section 660.315.11, RSMo 1994, establishes who will be provided the DA EDL.

There are approximately 700 persons on the DA EDL. Nursing homes and residential care facilities, providers of in-home services under contract with the Department of Social Services (DSS), employers who hire nurses and nursing assistants for temporary or intermittent placement in health care facilities, entities approved to issue certificates for nursing assistants training, hospitals and related health services, and home health and hospice providers are prohibited by state law from employing any person on the DA EDL.

The Department of Mental Health (DMH) maintains a listing of persons who have been administratively determined to have abused or neglected a DMH client under Section 630.167, RSMo Cumulative Supp. 1999. Pursuant to Section 630.167, RSMo Cumulative Supp. 1999, this listing is confidential. There are about 250 persons on this listing. Persons on the listing are disqualified by 9 CSR 10-5.200 from holding any position in any public or private facility or day program operated, funded, or licensed by the DMH or in any mental health facility or program.

The Division of Family Services, under Section 210.145, RSMo 1994, maintains a Central Registry of individuals where the division has found probable cause to believe or a court has substantiated through court adjudication that the individual has committed child abuse or neglect, or the person has pled guilty or has been found guilty of a crime under Sections 565.020, 565.021, 565.023, 565.024, or 565.050, RSMo. The Central Registry of Child Abuse and Neglect (CA/N) contains identifying information on the perpetrators of child abuse and neglect. Pursuant to Section 210.150, RSMo 1994, this listing is confidential.

- A. We obtained the listing of persons on the DA and DMH EDLs. We also obtained a listing of all persons listed in the CA/N for which the incident date was within the last five years. We further limited our selection criteria to the investigation conclusion codes of A (court adjudicated) or B (probable cause or reason to suspect); the severity codes of C (serious/severe), D (permanent injury), or E (fatal); and the categories of abuse of 1

(physical abuse), 2 (neglect), or 6 (sexual maltreatment). Applying that selection criteria to the CA/N, about 16,700 persons were identified, of which approximately 14,350 included a Social Security number of the person. We matched persons from the EDLs and the CA/N against 1998 employment information records and noted the following instances of illegal, inappropriate, or questionable workplaces:

| Employment Area                                | People on each listing<br>employed in the applicable area |        |         |
|--|---|--------|---------|
|  | CA/N  | DA EDL | DMH EDL |
| Nursing Home                                   | 1,009   | 12 *   | 15 **   |
| In-Home, Home Health, and Residential Services | 274   | 10 *   | 7       |
| Daycare  | 249   | 19     | 3       |
| Hospital                                       | 191   | 10 *   | 5       |
| Individual and Family Social Services          | 159   | 0      | 2       |
| Schools  | 120   | 13     | 5       |
| Job Training and Vocational Rehabilitation     | 48  | 0      | 1       |
| Foster Care                                    | 9   | 1      | 0       |
| Total  | 2,059   | 65     | 38      |

\* Employment is currently prohibited by state law.

\*\* 11 of these are also DMH providers and therefore employment is currently prohibited by state regulation.

In total, we identified thirty-two people that were employed in areas that were prohibited by state law. In addition, many of the 249 individuals listed in the CA/N Registry that were employed in the daycare area are now subject to restrictions under legislation which became effective August 28, 1999. We identified 1,870 instances in which people that abused or neglected the elderly, clients of the DMH, or children, were employed in potentially inappropriate or questionable work settings.

- B. As noted above, approximately 2,350 of the 16,700 persons listed (using our criteria) on the CA/N did not include a social security number. Considering social security numbers will be required in any computer matches to be performed, procedures should be improved to ensure social security numbers are entered for all individuals listed in the CA/N.
- C. State agencies utilize these EDL listings and the CA/N to varying degrees as follows:
  - C The DA performs quarterly checks of employment records for twenty-five percent of the persons on their EDL. Also, during inspections, inspectors review personnel

files on a test basis to determine if providers checked the DA EDL before employment.

- C During inspections of mental health facilities, DMH inspectors review personnel files on a test basis to determine if the provider checked the DMH EDL.
- C The Division of Family Services screens Foster Care providers against the CA/N. Foster Care providers with substantiated instances of child abuse or neglect are sometimes allowed to continue in the Foster Care program if deemed appropriate following a team review or determination of each case. The DFS also has begun screening new registered day care providers against the CA/N and it performed an automated match to screen existing registered day care providers against the CA/N. However, that match did not identify at least 38 instances in which a registered day care provider was listed in the CA/N. A specific cause for these instances being missed by DFS could not be determined. The DFS has no plans to perform periodic matches in the future, but intends to screen for providers in the CA/N at the local level upon completion of a probable cause determination.
- C The Department of Health (DOH) has screened applicants for day care licensure against the CA/N. Also during inspections of day care facilities, inspectors review personnel files on a test basis to determine if the provider checked the CA/N. If an applicant or day care employee is identified as being listed in the CA/N, the DOH reviews each case on an individual basis and, if deemed appropriate, allows the provider or employee to continue providing day care.

Instances of illegal employment noted during our review were referred to the appropriate state agency. While several state agencies utilize these listings to some degree, no agency has developed an automated match to identify providers who were not performing the required screenings or who employ individuals contrary to guidelines. Except for recent legislation regarding certain child care workers, there currently are no laws which require these state agencies to screen for persons being employed illegally. Instead, the laws either require certain providers to perform background checks, or simply state that certain employment situations are illegal. Also, many of the inappropriate or questionable instances identified above are not currently unlawful.

|  |
|--|
| <b>2. Family Care Safety Act and Executive Order 99-05</b> |
|--|

The Family Care Safety Act, passed by the 90th General Assembly in 1999, requires the DOH establish the Family Care Safety Registry (FCSR) by January 1, 2001. This Act is included in Section 210.900 through 210.936, RSMo Cumulative Supp. 1999. Every child care and elder care worker hired on or after January 1, 2001 must file a registration form with the DOH. Registrants will be screened against criminal records, the CA/N registry, the DA EDL, and foster

parent denials, revocations, and suspensions. The Act also requires the DOH to establish a toll-free telephone service. Persons contemplating placement of an individual in a child or elder care setting may obtain information from the registry regarding individuals registered in the FCSR. Callers may find out only if the individual is in the registry and for what background check they are listed. Under the law, the DOH is required to notify the registrants listed in the FCSR of the name and address of inquirers. The DOH is also required to report to the General Assembly by January 1, 2001 on its recommendations regarding various issues applicable to the FCSR.

On March 31, 1999, the Governor signed Executive Order 99-05. The goal of the Executive Order was to provide Missouri families with a more comprehensive and streamlined access to information on individuals who have a history of abuse and neglect. Under this order, individuals can submit a single form to obtain information related to whether a caregiver is included on either the DA or DMH EDL, the CA/N registry, or has a criminal background. However, due to the state's existing confidentiality laws, the signature of the caregiver must be obtained prior to disclosure of information related to the EDLs and CA/N registry. In addition, two state agencies and one industry association expressed concerns that current screenings take two weeks or longer to complete resulting in substantial delays before an individual could be hired. Another state agency suggested a real-time interface between the various state agencies to allow for more timely background screening results.

Our review on the Family Care Safety Act and Executive Order 99-05 noted the following concerns:

- A. The FCSR will not be a comprehensive listing of potentially inappropriate or abusive individuals identified by state records. Except for some childcare workers, only workers entering employment on or after January 1, 2001 will be entered into the FCSR. As a result, many of the people currently on various listings (noted in part 1 above) would not even be listed in the FCSR. In addition, the Act does not require the Registry to check against individuals listed on the DMH EDL.

One of the goals of the Family Care Safety Act was to promote family and community safety by allowing access to comprehensive information accumulated by various state agencies. Obviously, by not including current care givers within the FCSR, and not checking against individuals who have been determined to have abused clients of the DMH, the goals of the Act cannot be fully achieved.

- B. The FCSR will not check registrants against information from other states. As a result, care workers who are disqualified in other states could come to Missouri and continue in similar employment without detection.

The State of Wisconsin has laws in effect which require that the backgrounds of registrants who have not resided in that state for the preceding three years be checked against information in the registrant's former state of residence. Current caregiver background

screening already requires registrants to disclose addresses for the previous three years.

- C. Under the Act, individuals will be able to check whether potential care givers are listed in the FCSR and use this information in determining their placement decisions. Under the Executive Order, individuals can currently find out whether caregivers are on the C/AN registry or either the DA or DMH EDL, but must obtain the caregiver's signature and approval before obtaining this information. These processes may work well for smaller care providers with low turnover of employees. However, it would be an onerous task to expect individuals selecting personal care services to screen for numerous employees at large care providers, such as a nursing home, large day care provider, or Home Health Agency. Also, staff turnover is often high for these types of employment. It would not appear feasible to expect individuals to constantly check new hires against the FCSR.

The State of Wisconsin may refuse to license, certify or register a care giver who has failed the background check.

- D. The Department of Elementary and Secondary Education (DESE) performs criminal background checks of teachers as required by Section 168.071, RSMo Cumulative Supp. 1999. However, the DESE is not required to screen school district employees against the CA/N, the DA EDL, or the DMH EDL.

Missouri's public schools should at least consider whether individuals who have been found to have abused or neglected children, elders, or the mentally ill should be allowed to work in our public schools.

- E. Another state agency noted the Act allows to disclosure of background information for employment purposes only. The Act does not address whether information can be disclosed to state agencies responsible for monitoring provider compliance. For example, there is no specific allowance for a licensing state agency, such as the DA when inspecting nursing homes, to obtain and have access to information in the FCSR. To avoid any duplication of effort between state agencies, and to help ensure that providers take appropriate action when an employee fails a background check, these state agencies should be allowed access to information in the FCSR.

## **CONCLUSIONS**

Additional controls and procedures should be put into place to fully protect the elderly, children, and mentally challenged. These include:

- C Placing all disqualified individuals (and their social security number) from the DA EDL, the DMH EDL, as well as individuals who have been determined to have committed a serious child abuse or neglect incident, in a single abuse registry.

- C Passing legislation which prohibits these individuals from being employed by care providers and schools.
- C Implementing the necessary system improvements to allow for more timely background screening results.
- C Requiring care providers and schools to check the abuse registry **prior** to the employment of new individuals.
- C Developing an automated process to periodically identify all instances of individuals inappropriately working for care providers and schools.
- C Developing procedures to remove those individuals from inappropriate workplace settings.
- C Developing procedures to aggressively fine and sanction care providers and schools who employ individuals listed on the abuse registry.
- C Developing procedures so that family members can more easily and conveniently determine whether a particular care provider or school is employing individuals listed on the abuse registry. Consideration should be given to what extent information on the registry should be available to the public.
- C Requiring the backgrounds of FCSR registrants who have not resided in Missouri for the preceding three years be checked against information in the registrant's former state of residence. In addition, the state should promote the establishment of a national screening system.
- C Establishing a fair and consistent appeal process which considers the nature and severity of the incident which resulted in placing an individual in the abuse registry, and the results of any subsequent rehabilitation.
- C Passing legislation to clearly allow background information to be disclosed to state agencies responsible for monitoring provider compliance.

### **RECOMMENDATION**

Since many of the conclusions noted above require statutory revisions through additional legislation, **WE RECOMMEND** the General Assembly consider the contents of this report when enacting future legislation that addresses the safety and protection of Missouri's children, elderly, and mentally challenged.

This report is intended for the information of applicable government officials. However, this report is a matter of public record and its distribution is not limited.



DEPARTMENT OF INSURANCE

TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-22  
April 3, 2000

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**The following problems were discovered as a result of an audit conducted by our office of the Department of Insurance.**

---

State law provides the director of the Missouri Department of Insurance with the authority to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. At June 30, 1999, there were three Missouri chartered insurance companies in rehabilitation and eleven in liquidation. Many of these receiverships have continued for several years, with three companies in receivership since the 1980's.

For those companies involved in the liquidation process, significant administrative expenses are incurred which decrease the overall assets available at final liquidation. These expenses can include items such as special deputy receiver fees, legal fees, investment fees, payroll, travel, professional services, and office expenses, but do not include payments of claims. Based on reports submitted to the department total administrative expenses for receiverships exceeded \$31 million in 1998.

The Missouri Department of Insurance has established regulations regarding reporting requirements for insurance companies in receivership and, based on the reports submitted by the special deputy receivers or agents, the department tracks administrative costs closely. However, insurance department personnel indicated they only sporadically visit the special deputy receivers and agents to review the accounting records which support these reports. In addition, while audit reports are required for insurance companies in rehabilitation, there is no requirement for independent audits of insurance companies in liquidation. Without performing a review of the accounting records maintained by the special deputy receivers or requiring an audit of these records, the Missouri Department of Insurance has less assurance that the reports submitted to the department are accurate and can be relied upon.

The State Auditor recommends the Missouri Department of Insurance require independent audits for all receiverships or perform other monitoring procedures to ensure the information and reports submitted by the special deputy receivers or agents are accurate.

(over)

YELLOW SHEET

The Missouri Departments of Insurance and Revenue share responsibilities for assessing and collecting premium taxes. The Missouri Department of Insurance maintains delinquent premium tax listings and also receives delinquent tax listings from the Department of Revenue; however, these listings are not reconciled by the department in a timely manner. In addition, the department's delinquent tax listing requires several reconciling items and manual adjustments to agree to the Department of Revenue's delinquent tax listing. The monitoring of delinquent premium taxes needs improvement.

State law requires health maintenance organizations (HMOs) to file various reports with the department. The department's Managed Care Section has developed written procedures outlining what is to be included in the various HMO reports but not how the organization's reports are to be analyzed. Additionally, reports are frequently filed late by the various HMOs and, while the Managed Care Section does follow-up on these delinquent reports, no fine or fee is assessed to the organizations for filing late reports.

Only ten of the thirty organizations filed the quarterly reports due July 15, 1999 by the due date. Fifteen organizations filed the report late and five organizations still had not filed the report as of September 30, 1999. State law provides for a forfeiture fee not to exceed \$100 for each violation.

We noted various concerns regarding insurance examiners' expense accounts, including unreasonable meal claims, inefficient use of automobiles, and unnecessary expenses incurred on non-travel weekends.

Other areas of concern noted in the report included untimely deposits of receipts, the lack of adequate review of supporting documentation for expenditures under a federal insurance counseling service program, the lack of a formal contingency plan for the department's computer system, and the lack of written examination programs for some market conduct examinations.

DEPARTMENT OF INSURANCE

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Honorable Mel Carnahan, Governor  
and  
Keith Wenzel, Director  
Department of Insurance  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Department of Insurance as of and for the years ended June 30, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the General Revenue Fund-Federal, Insurance Examiners Fund, Department of Insurance Dedicated Fund, Trans-National Warranty Accounts, and the Rehabilitation Accounts; the receipts of the General Revenue Fund-State, Worker's Compensation Fund, Second Injury Fund, and the State School Moneys Fund; and the appropriations and expenditures of the various funds of the Department of Insurance and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the department.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and

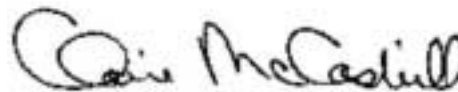
investments of the General Revenue Fund-Federal, Insurance Examiners Fund, Department of Insurance Dedicated Fund, Trans-National Warranty Accounts, and the Rehabilitation Accounts; the receipts of the General Revenue Fund-State, Worker's Compensation Fund, Second Injury Fund, and the State School Moneys Fund; and the appropriations and expenditures of the various funds of the Department of Insurance as of and for the years ended June 30, 1999 and 1998, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 20, 1999, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A part of the department's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill  
State Auditor

September 20, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Alice Fast, CPA, CIA   |
| In-Charge Auditor:  | Mike Lemler, CPA       |
| Audit Staff:        | LaToya Smith           |
|                     | Dana Spurgeon          |
|                     | Jeff Wilson            |





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Mel Carnahan, Governor  
and  
Keith Wenzel, Director  
Department of Insurance  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Department of Insurance as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated September 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Department of Insurance are free of material misstatement, we performed tests of the department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

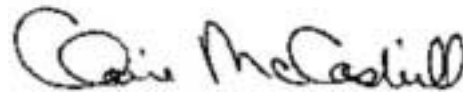
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Department of Insurance, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal

control over financial reporting that, in our judgment, could adversely affect the department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Department of Insurance and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 20, 1999 (fieldwork completion date)

## Financial Statements

## Exhibit A-1

DEPARTMENT OF INSURANCE  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
 AND INVESTMENTS  
 YEAR ENDED JUNE 30, 1999

|  | General<br>Revenue<br>Fund -<br>Federal | Insurance<br>Examiners<br>Fund | Department<br>Of Insurance<br>Dedicated<br>Fund | Trans-<br>National<br>Warranty<br>Accounts | Rehabilitation<br>Accounts | Total<br>(Memorandum<br>Only) |
|--|---|--------------------------------|---|--|----------------------------|-------------------------------|
| RECEIPTS   |   |                                |   |  |                            |                               |
| Federal grant  | \$ 255,523                              | 0                              | 0   | 0  | 0                          | 255,523                       |
| Examination fees                                     | 0                                       | 7,160,944                      | 0   | 0  | 0                          | 7,160,944                     |
| Regulatory fees                                      | 0                                       | 0                              | 1,878,059                                       | 0  | 0                          | 1,878,059                     |
| Agents' licenses                                     | 0                                       | 0                              | 1,248,676                                       | 0  | 0                          | 1,248,676                     |
| Brokers' licenses                                    | 0                                       | 0                              | 408,311   | 0  | 0                          | 408,311                       |
| Agency and other licenses and fees                   | 0                                       | 0                              | 818,435   | 0  | 0                          | 818,435                       |
| Appointment and termination fees                     | 0                                       | 0                              | 1,608,590                                       | 0  | 0                          | 1,608,590                     |
| Filing fees  | 0                                       | 0                              | 861,520   | 0  | 0                          | 861,520                       |
| Late licensing fees                                  | 0                                       | 0                              | 173,485   | 0  | 0                          | 173,485                       |
| Certifications and clearance letters                 | 0                                       | 0                              | 372,104   | 0  | 0                          | 372,104                       |
| Interest   | 0                                       | 0                              | 482,642   | 6,344                                      | 6,352                      | 495,338                       |
| Miscellaneous  | 0                                       | 141                            | 73,048  | 0  | 0                          | 73,189                        |
| Total Receipts                                       | 255,523                                 | 7,161,085                      | 7,924,870                                       | 6,344                                      | 6,352                      | 15,354,174                    |
| DISBURSEMENTS  |   |                                |   |  |                            |                               |
| Personal service                                     | 0                                       | 4,199,151                      | 3,989,019                                       | 0  | 0                          | 8,188,170                     |
| Employee fringe benefits                             | 0                                       | 1,017,882                      | 1,092,179                                       | 0  | 0                          | 2,110,061                     |
| Expense and equipment                                | 0                                       | 1,968,592                      | 1,545,991                                       | 0  | 0                          | 3,514,583                     |
| State office building rent (Note 4)                  | 0                                       | 35,853                         | 296,263   | 0  | 0                          | 332,116                       |
| Workers' compensation claims                         | 0                                       | 272                            | 16,271  | 0  | 0                          | 16,543                        |
| Insurance counseling contract costs (Note 5)         | 255,523                                 | 0                              | 0   | 0  | 0                          | 255,523                       |
| Office of Information Technology upgrade<br>(Note 6) | 0                                       | 0                              | 186,184   | 0  | 0                          | 186,184                       |
| Lease parking (Note 7)                               | 0                                       | 0                              | 7,770   | 0  | 0                          | 7,770                         |
| Article X refunds (Note 3)                           | 0                                       | 0                              | 309,443   | 0  | 0                          | 309,443                       |
| Other refunds  | 0                                       | 0                              | 32,815  | 0  | 0                          | 32,815                        |
| Claims   | 0                                       | 0                              | 0   | 4,398                                      | 0                          | 4,398                         |
| Payments to Rehabilitation Administrator             | 0                                       | 0                              | 0   | 0  | 14,500                     | 14,500                        |
| Other  | 0                                       | 0                              | 0   | 0  | 768                        | 768                           |
| Total Disbursements                                  | 255,523                                 | 7,221,750                      | 7,475,935                                       | 4,398                                      | 15,268                     | 14,972,874                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                  | 0                                       | -60,665                        | 448,935   | 1,946                                      | -8,916                     | 381,300                       |
| CASH AND INVESTMENTS, JULY 1                         | 0                                       | 499,251                        | 7,608,108                                       | 133,920                                    | 121,968                    | 8,363,247                     |
| CASH AND INVESTMENTS, JUNE 30                        | \$ 0                                    | 438,586                        | 8,057,043                                       | 135,866                                    | 113,052                    | 8,744,547                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit A-2

DEPARTMENT OF INSURANCE  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
 AND INVESTMENTS  
 YEAR ENDED JUNE 30, 1998

|  | General<br>Revenue<br>Fund -<br>Federal | Insurance<br>Examiners<br>Fund | Department<br>Of Insurance<br>Dedicated<br>Fund | Trans-<br>National<br>Warranty<br>Accounts | Rehabilitation<br>Accounts | Total<br>(Memorandum<br>Only) |
|--|---|--------------------------------|---|--|----------------------------|-------------------------------|
| RECEIPTS   |   |                                |   |  |                            |                               |
| Federal grant  | \$ 181,387                              | 0                              | 0   | 0  | 0                          | 181,387                       |
| Examination fees                                     | 0                                       | 6,620,119                      | 0   | 0  | 0                          | 6,620,119                     |
| Regulatory fees                                      | 0                                       | 0                              | 1,914,979                                       | 0  | 0                          | 1,914,979                     |
| Agents' licenses                                     | 0                                       | 0                              | 1,195,260                                       | 0  | 0                          | 1,195,260                     |
| Brokers' licenses                                    | 0                                       | 0                              | 429,245   | 0  | 0                          | 429,245                       |
| Agency and other licenses and fees                   | 0                                       | 0                              | 672,186   | 0  | 0                          | 672,186                       |
| Appointment and termination fees                     | 0                                       | 0                              | 1,657,500                                       | 0  | 0                          | 1,657,500                     |
| Filing fees  | 0                                       | 0                              | 858,950   | 0  | 0                          | 858,950                       |
| Late licensing fees                                  | 0                                       | 0                              | 138,330   | 0  | 0                          | 138,330                       |
| Certifications and clearance letters                 | 0                                       | 0                              | 336,626   | 0  | 0                          | 336,626                       |
| Interest   | 0                                       | 0                              | 445,085   | 6,891                                      | 4,269                      | 456,245                       |
| Miscellaneous  | 0                                       | 1,184                          | 16,090  | 0  | 0                          | 17,274                        |
| Total Receipts                                       | 181,387                                 | 6,621,303                      | 7,664,251                                       | 6,891                                      | 4,269                      | 14,478,101                    |
| DISBURSEMENTS  |   |                                |   |  |                            |                               |
| Personal service                                     | 0                                       | 4,154,962                      | 3,722,787                                       | 0  | 0                          | 7,877,749                     |
| Employee fringe benefits                             | 0                                       | 918,131                        | 922,790   | 0  | 0                          | 1,840,921                     |
| Expense and equipment                                | 6,720                                   | 1,712,972                      | 1,486,529                                       | 0  | 0                          | 3,206,221                     |
| State office building rent (Note 4)                  | 0                                       | 0                              | 298,550   | 0  | 0                          | 298,550                       |
| Workers' compensation claims                         | 0                                       | 329                            | 14,265  | 0  | 0                          | 14,594                        |
| Insurance counseling contract costs (Note 5)         | 174,667                                 | 0                              | 0   | 0  | 0                          | 174,667                       |
| Office of Information Technology upgrade<br>(Note 6) | 0                                       | 0                              | 71,669  | 0  | 0                          | 71,669                        |
| Lease parking (Note 7)                               | 0                                       | 0                              | 5,653   | 0  | 0                          | 5,653                         |
| Article X refunds (Note 3)                           | 0                                       | 40,000                         | 392,804   | 0  | 0                          | 432,804                       |
| Other refunds  | 0                                       | 0                              | 20,358  | 0  | 0                          | 20,358                        |
| Claims   | 0                                       | 0                              | 0   | 8,327                                      | 0                          | 8,327                         |
| Payments to Rehabilitation Administrator             | 0                                       | 0                              | 0   | 0  | 6,500                      | 6,500                         |
| Other  | 0                                       | 0                              | 0   | 38   | 210                        | 248                           |
| Total Disbursements                                  | 181,387                                 | 6,826,394                      | 6,935,405                                       | 8,365                                      | 6,710                      | 13,958,261                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                  | 0                                       | -205,091                       | 728,846   | -1,474                                     | -2,441                     | 519,840                       |
| CASH AND INVESTMENTS, JULY 1                         | 0                                       | 704,342                        | 6,879,262                                       | 135,394                                    | 124,409                    | 7,843,407                     |
| CASH AND INVESTMENTS, JUNE 30                        | \$ 0                                    | 499,251                        | 7,608,108                                       | 133,920                                    | 121,968                    | 8,363,247                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF INSURANCE  
COMPARATIVE STATEMENT OF RECEIPTS

|   | Year Ended June 30,   |                    |
|---|-----------------------|--------------------|
|   | 1999                  | 1998               |
| GENERAL REVENUE FUND - STATE                |                       |                    |
| Premium taxes                               | \$ 151,259,429        | 155,669,407        |
| Surplus lines taxes                         | 7,681,185             | 7,832,194          |
| Total General Revenue Fund - State Receipts | <u>\$ 158,940,614</u> | <u>163,501,601</u> |
| WORKERS' COMPENSATION FUND                  |                       |                    |
| Workers' compensation taxes                 | <u>\$ 24,412,634</u>  | <u>12,890,246</u>  |
| SECOND INJURY FUND                          |                       |                    |
| Second injury assessments                   | <u>\$ 33,230,373</u>  | <u>17,998,969</u>  |
| STATE SCHOOL MONEYS FUND                    |                       |                    |
| Fines and forfeitures                       | \$ 1,245,850          | 804,505            |
| Miscellaneous                               | 0                     | 500                |
| Total State School Moneys Fund Receipts     | <u>\$ 1,245,850</u>   | <u>805,005</u>     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit C

DEPARTMENT OF INSURANCE  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |              |                 |                |              |                 |
|--|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|  | 1999                |              |                 | 1998           |              |                 |
|  | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND - FEDERAL   |                     |              |                 |                |              |                 |
| Purpose of funding programs providing counseling on health insurance coverage and benefits to Medicare beneficiaries | \$ 435,674          | 406,906      | 28,768          | 323,624        | 164,734      | 158,890         |
| Total General Revenue Fund - Federal   | 435,674             | 406,906      | 28,768          | 323,624        | 164,734      | 158,890         |
| INSURANCE EXAMINERS FUND   |                     |              |                 |                |              |                 |
| Market conduct and financial examinations of insurance companies - Personal Service and/or Expense and Equipment     | 6,500,000           | 6,138,258    | 361,742         | 5,881,151      | 5,852,597    | 28,554          |
| Total Insurance Examiners Fund   | 6,500,000           | 6,138,258    | 361,742         | 5,881,151      | 5,852,597    | 28,554          |
| DEPARTMENT OF INSURANCE DEDICATED FUND   |                     |              |                 |                |              |                 |
| Planning grants - Personal Service and/or Expense and Equipment  | 0                   | 0            | 0               | 100,000        | 0            | 100,000         |
| Personal Service   | 4,417,462           | 4,062,342    | 355,120         | 3,978,586      | 3,724,028    | 254,558         |
| Expense and Equipment  | 1,755,651           | 1,393,176    | 362,475         | 1,836,273      | 1,686,869    | 149,404         |
| Refunds  | 35,000              | 34,806       | 194             | 25,000         | 20,358       | 4,642           |
| Total Department of Insurance  | 6,208,113           | 5,490,324    | 717,789         | 5,939,859      | 5,431,255    | 508,604         |
| Dedicated Fund   |                     |              |                 |                |              |                 |
| Total All Funds  | \$ 13,143,787       | 12,035,488   | 1,108,299       | 12,144,634     | 11,448,586   | 696,048         |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements



DEPARTMENT OF INSURANCE  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Department of Insurance.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the General Revenue Fund-Federal, Insurance Examiners Fund, Department of Insurance Dedicated Fund, Trans-National Warranty Accounts, and the Rehabilitation Accounts. Except for the Trans-National Warranty Accounts and the Rehabilitation Accounts, appropriations from these funds are expended by or for the department for restricted purposes. The Trans-National Warranty Accounts and the Rehabilitation Accounts are not subject to appropriations.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Receipts are presented in Exhibit B for the General Revenue Fund-State, Workers' Compensation Fund, Second Injury Fund, and the State School Moneys Fund. Receipts include monies the department collects during its normal activities and remits to the funds. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Statement of Receipts, Exhibit B, prepared on the cash basis of accounting, presents amounts when received.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

#### C. Fiscal Authority and Responsibility

The department administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly, except for the Trans-National Warranty Accounts and the Administrative Supervision Accounts which are controlled entirely by the department.

General Revenue Fund-Federal: The department administers a program financed wholly or partially by federal monies maintained in the state treasury in the Department of Insurance's-Federal Fund. These federal funds may be received in advance, when related expenditures are made, or after they are made. Appropriations from this fund authorize the disbursements of the department's federal funds.

Insurance Examiners Fund: This fund is authorized by Sections 374.160 and 374.162, RSMo 1994, to receive all monies paid to the state by insurance companies for the costs incurred by the department in conducting examinations, valuations, or proceedings against such companies. Expenditures, authorized by appropriations, are to be used for the purposes of paying the compensation of insurance examiners and expenses incurred for supervision and support of the examiners. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund.

Department of Insurance Dedicated Fund: This fund is authorized by Section 374.150, RSMo 1994, to receive all fees due the state under the provisions of the insurance laws.

Appropriations from this fund are to be used solely for the payment of expenditures incurred by the department in performing the duties required by law which are not paid for by another source of funds. Any unexpended balances in this fund are perpetually maintained for the purposes of this fund unless the unencumbered balance at the close of the biennium year exceeds two times the total amount appropriated, paid, or transferred to the fund during such fiscal year.

Trans-National Warranty Accounts - The MDI established various accounts to pay claims for an insurance company that had issued vehicle warranty agreements in Missouri but was not licensed to conduct business in the state. These bank accounts were established outside the state treasury and are not state funds.

Rehabilitation Accounts - The MDI established various joint bank accounts and investments outside of the state treasury for the payment of claims and administrative expenses for an insurance company that was placed under rehabilitation by the department. These funds are not state funds.

General Revenue Fund - State: The department does not receive appropriations from this fund and does not maintain a proprietary interest in the fund. Receipts collected by the department and deposited into the General Revenue Fund - State include the following:

- 1) Premium taxes: In accordance with various provisions of Chapter 148, RSMo 1994 and RSMo Cumulative Supp. 1999, insurance companies licensed in the state are required to pay a two percent tax on direct premiums received during the calendar year. The department certifies to the Department of Revenue the amount of premium taxes due together with the amount of quarterly installments to be paid by the insurance companies. The Department of Revenue collects the premium taxes and deposits them into the General Revenue Fund - State. Some premium taxes deposited into the General Revenue Fund - State are not available for general revenue purposes. The provisions of Chapter 148, RSMo 1994 and RSMo Cumulative Supp. 1999, restrict about 50 percent of such premium taxes for distribution to the various school districts in the state.
- 2) Surplus lines taxes: In accordance with various provisions of Chapter 384, RSMo 1994, the department collects and deposits into the General Revenue Fund - State a five percent tax on net premiums for high risk insurance which is underwritten by a surplus lines insurer. The department certifies to the Department of Revenue all penalties and interest due as a result of late payments. The Department of Revenue collects the penalties and interest and deposits them into the General Revenue Fund - State.

Workers' Compensation Fund: In accordance with Section 287.690, RSMo 1994, on October 31 each year, the director of the Division of Workers' Compensation estimates

the amount of revenue required to administer this chapter and determines the rate of tax for the following calendar year based on that estimate as well as the estimated December 31 balance of the fund. The tax, which is imposed upon all insurance companies providing workers' compensation insurance coverage and authorized self-insurers, shall not exceed two percent in lieu of all other taxes on the workers' compensation net deposits, net premiums, or net assessments. The Department of Revenue collects these taxes and deposits them into the Workers' Compensation Fund.

Second Injury Fund: In accordance with Section 287.715.2, RSMo 1994, on October 31 each year, the director of the Division of Workers' Compensation estimates the amount of benefits payable from the Second Injury Fund during the ensuing calendar year and calculates the total amount of the annual surcharge based on that estimate to be imposed upon all workers' compensation policyholders and authorized self-insurers. The surcharge imposed shall be set at and calculated against a percentage of the policyholder's or self-insured's workers' compensation net deposits, net premiums, or net assessments for the previous policy year. The Department of Revenue collects the surcharges and deposits them into the Second Injury Fund.

State School Moneys Fund: Fines and forfeitures imposed and collected by the department under the Missouri Insurance Code are deposited into the State School Moneys Fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the Insurance Examiners Fund and the Department of Insurance Dedicated Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

2. Cash and Investments

The balances of the General Revenue Fund-Federal, Insurance Examiners Fund, and the Department of Insurance Dedicated Fund are pooled with other state funds and invested by the state treasurer.

### Deposits

The department's deposits in the Trans-National Warranty Accounts and the Administrative Supervision Accounts at June 30, 1999 and 1998, were entirely covered by federal depository insurance.

### Investments

The Rehabilitation Accounts' only investment at June 30, 1999 and 1998, was a U.S. Treasury note with a reported amount of \$85,000 (which approximated fair value).

This investment was held by the custodial bank in the name of the insurance company and the department.

### 3. Article X Refunds/Refund Replenishments

Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. Total state revenues exceeded this limit in fiscal years 1997, 1996, and 1995 which triggered income tax refund liabilities under provisions of the Constitution. The Office of Administration calculated the proportional share of the liabilities to be allocated to each fund and transfers were made from Insurance Examiners Fund and the Department of Insurance Dedicated Fund to the state's General Revenue Fund to cover each fund's share of the liabilities.

### 4. State Office Building Rent

The Office of Administration calculated the proportional share of costs for state office building space to be allocated to each fund, and monthly transfers were made from the Insurance Examiners Fund and the Department of Insurance Dedicated Fund to the state's General Revenue Fund to cover each fund's share of the costs.

### 5. Insurance Counseling Contract Costs

The MDI contracted with the Missouri Patient Care Review Foundation to provide insurance counseling services for senior citizens. This expenditure category represents the costs associated with this contract paid from the General Revenue Fund - Federal.

### 6. Office of Information Technology Upgrade

The Missouri General Assembly made appropriations from the Department of Insurance Dedicated Fund for the department's proportionate share of the statewide upgrade, replacement, and improvements to information technology systems. These appropriations are administered by the Office of Administration.

7. Lease Parking

The Missouri General Assembly made appropriations from the Department of Insurance Dedicated Fund for the department's proportionate share of lease parking at the state office buildings in St. Louis and Kansas City. These appropriations are administered by the Office of Administration, Division of Facilities Management.

8. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

|   |    | Year Ended June 30,                |                                |   |                                    |                                |   |
|---|----|------------------------------------|--------------------------------|---|------------------------------------|--------------------------------|---|
|   |    | 1999                               |                                |   | 1998                               |                                |   |
|   |    | General<br>Revenue<br>Fund-Federal | Insurance<br>Examiners<br>Fund | Department<br>of Insurance<br>Dedicated<br>Fund | General<br>Revenue<br>Fund-Federal | Insurance<br>Examiners<br>Fund | Department<br>of Insurance<br>Dedicated<br>Fund |
| DISBURSEMENTS PER EXHIBIT A                 | \$ | 255,523                            | 7,546,215                      | 7,475,935                                       | 191,843                            | 7,165,749                      | 6,935,405                                       |
| Employee fringe benefits                    |    | 0                                  | (1,017,882)                    | (1,092,179)                                     | 0                                  | (918,131)                      | (922,790)                                       |
| State office building rent                  |    | 0                                  | (35,583)                       | (296,263)                                       | 0                                  | 0                              | (298,550)                                       |
| Workers' compensation claims                |    | 0                                  | (272)                          | (16,271)  | 0                                  | (329)                          | (14,265)  |
| Office of Information technology<br>upgrade |    | 0                                  | 0                              | (186,184)                                       | 0                                  | 0                              | (71,669)  |
| Lease parking                               |    | 0                                  | 0                              | (7,770)   | 0                                  | 0                              | (5,653)   |
| Article X refunds                           |    | 0                                  | (324,465)                      | (309,443)                                       | (10,456)                           | (379,355)                      | (392,804)                                       |
| Lapse period expenditures:                  |    |                                    |                                |   |                                    |                                |   |
| 1999  |    | 175,179                            | 103,074                        | 193,263   | 23,796                             | 0                              | 0   |
| 1998  |    | (23,796)                           | (124,560)                      | (277,669)                                       | (40,449)                           | 124,560                        | 277,669   |
| 1997  |    | 0                                  | 0                              | 0   | 0                                  | (119,816)                      | (84,815)  |
| Accounts payable, June 30:                  |    |                                    |                                |   |                                    |                                |   |
| 1999  |    | 0                                  | 5,706                          | 18,420  | 0                                  | 0                              | 0   |
| 1998  |    | 0                                  | (13,705)                       | (11,515)  | 0                                  | 13,705                         | 11,515  |
| 1997  |    | 0                                  | 0                              | 0   | 0                                  | (33,786)                       | (2,788)   |
| EXPENDITURES PER EXHIBIT C                  | \$ | 406,906                            | 6,138,528                      | 5,490,324                                       | 164,734                            | 5,852,597                      | 5,431,255                                       |

9. Securities on Deposit

Insurance companies doing business in Missouri are required to deposit securities with the department for the protection of policy holders and creditors in accordance with various provisions of Chapters 354, 376, 379, 381, and 384, RSMo 1994 and RSMo Cumulative Supp. 1999. Only capital securities are required and the requirements are dependent on the type of insurance company.

Securities having a total accepted value of approximately \$268.5 and \$261.9 million at December 31, 1998 and 1997, respectively, were on deposit with the contracted bank. The accepted value is the market value of each security at year-end. These amounts are not included in the financial statements because the department has no ownership interest in them. Missouri domiciled insurance companies sometimes maintain securities on deposit in excess of Missouri requirements to meet the depository requirements of other states in which they do business. Foreign domiciled insurance companies are frequently not required to deposit securities with the department if securities meeting Missouri requirements are on deposit with the applicable state of domicile.

## Supplementary Data



## Schedule

DEPARTMENT OF INSURANCE  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30,  |                   |                   |                   |                  |
|--|----------------------|-------------------|-------------------|-------------------|------------------|
|  | 1999                 | 1998              | 1997              | 1996              | 1995             |
| Personal service                             | \$ 8,266,621         | 7,882,737         | 7,489,150         | 6,828,128         | 6,165,544        |
| Program specific                             | 441,712              | 185,064           | 223,775           | 199,039           | 185,439          |
| Travel and vehicle expense                   | 1,772,251            | 1,496,993         | 1,720,007         | 1,512,583         | 1,770,992        |
| Transportation equipment purchases           | 0                    | 14,514            | 0                 | 12,329            | 11,000           |
| Office expense                               | 244,625              | 242,225           | 209,414           | 186,096           | 193,290          |
| Office and communication equipment purchases | 47,470               | 77,299            | 56,422            | 73,622            | 116,290          |
| Communication expense                        | 265,945              | 288,177           | 219,198           | 151,163           | 208,161          |
| Institution and physical plant:              |                      |                   |                   |                   |                  |
| Expense                                      | 2,211                | 1,727             | 5,112             | 11,942            | 9,594            |
| Purchases                                    | 2,393                | 1,149             | 338               | 369               | 1,259            |
| Data processing expense and equipment        | 580,667              | 815,141           | 745,623           | 633,274           | 573,147          |
| Professional services                        | 293,931              | 287,391           | 493,956           | 339,886           | 177,519          |
| Other expense                                | 117,662              | 156,169           | 107,232           | 139,734           | 134,449          |
| Total Expenditures                           | <u>\$ 12,035,488</u> | <u>11,448,586</u> | <u>11,270,227</u> | <u>10,088,165</u> | <u>9,546,684</u> |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Recommendations

DEPARTMENT OF INSURANCE  
SUMMARY OF FINDINGS

1. Receipts (pages 26-27)

Some receipts are not transmitted to the Department of Revenue for deposit on a timely basis and some checks are not restrictively endorsed immediately upon receipt.

2. Examiners' Expense Accounts (pages 27-29)

For the expense accounts reviewed, examiners claimed the maximum meal allowance for every meal even though the department's policy indicates the lesser of the meal allowance rate or actual expenses will be reimbursed. In addition, the examiners sometimes use inefficient travel practices causing additional expenses to be incurred.

3. Federal Grant Expenditures (pages 29-30)

The department is not adequately reviewing the monthly invoices submitted for insurance counseling services for senior citizens and obtaining explanations for items such as overtime hours worked and indirect costs billed.

4. Computer Information Systems (page 30)

The department does not have a formal contingency plan for the computer system.

5. Receiverships (pages 30-31)

Reports are submitted by the special deputy receivers or agents for insurance companies in receivership; however, MDI personnel only occasionally visit the special deputy receivers and agents to review the accounting records which support these reports. In addition, while independent audit reports are required for insurance companies in rehabilitation, there is no requirement for audits of insurance companies in liquidation.

6. Delinquent Taxes (pages 31-33)

The MDI receives a delinquent tax listing from the Department of Revenue; however, these listings are not reconciled with the MDI's delinquent tax listings in a timely manner. In addition, the MDI delinquent tax listing requires several reconciling items and manual adjustments to agree to the Department of Revenue delinquent tax listing.

7. Regulation of Health Maintenance Organizations (pages 33-34)

The MDI has developed written procedures outlining what is to be included in the various health maintenance organization reports but not how the health maintenance organization reports are to be analyzed. Additionally, reports are frequently filed late by the various health maintenance organizations and, while the Managed Care Section does follow-up on these delinquent reports, no forfeiture is assessed to the organizations for filing late reports.

8. Market Conduct Section (page 34)

Written examination programs are sometimes not included in the working papers.

DEPARTMENT OF INSURANCE  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S RECOMMENDATIONS

We have audited the special-purpose financial statements of the Department of Insurance as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated September 20, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the Department of Insurance's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                 |
|-----------|-----------------|
| <b>1.</b> | <b>Receipts</b> |
|-----------|-----------------|

The Missouri Department of Insurance (MDI) collects receipts for various fees, licenses, taxes, and other miscellaneous items; however, some receipts are not transmitted to the Department of Revenue (DOR) for deposit on a timely basis. Frequently, checks are held by the Support Services Section until notification is received from another section of the MDI that the check is for the correct amount. If the check is not for the correct amount, it will be returned to the party submitting it. The Support Services Section records checks being held on a "pending check log" and the date the check is eventually transmitted or returned is recorded on the log.

On September 8, 1999, we counted the receipts being held by the Support Services Section and found 163 checks totaling approximately \$460,000 on hand. Forty-five of these checks, totaling approximately \$27,000, were dated between February 5, 1999 and July 31, 1999. Furthermore, only one of these checks had been restrictively endorsed. In addition, the "pending check log" is not kept up to date. Several checks which had already been transmitted or returned still remained on the log.

To adequately safeguard monies and reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt and transmitted to the DOR on a timely basis.

**WE RECOMMEND** the MDI restrictively endorse checks immediately upon receipt and transmit receipts to the DOR in a timely manner. In addition, the MDI should ensure the "pending check log" is properly updated.

## **AUDITEE'S RESPONSE**

*The department agrees in part and will implement the recommendations to the extent possible. The checks in question are those that are not readily attributable to a specific invoice or are for an incorrect amount. They may be categorized into three areas: (1) those ultimately deposited into the Dedicated Fund, (2) those ultimately deposited into the Exam Fund, and (3) those ultimately deposited into funds (General Revenue and the School Fund) supervised by other departments. The MDI can immediately deposit those funds that go into the Dedicated Fund and reconcile the accuracy of the amounts received post-deposit. There is no appropriation, however, for refund of receipts that exceed the amount due when funds are deposited into the Exam Fund. An appropriation will need to be requested. MDI will work with the other departments on the third category of funds to determine their ability to reconcile receipts post-deposit.*

|                                       |
|---------------------------------------|
| <b>2. Examiners' Expense Accounts</b> |
|---------------------------------------|

The Insurance Examiners Fund was established pursuant to Section 374.162, RSMo 1994, to pay market conduct and financial examiners' salaries and expenses. The fund is reimbursed through payments by insurance companies being examined. These companies subsequently deduct 100 percent of the billing amounts from the premium taxes paid to the state. The MDI computes billings for the companies using the examiners' expense reports, time sheets, and other miscellaneous expense amounts. The MDI adds an additional 15 percent administrative fee to each billing in accordance with Section 374.160(3), RSMo 1994.

Travel expenses are frequently incurred by the examiners since they must travel to the insurance companies to perform the examinations. Travel expenses paid from the Insurance Examiners Fund totaled approximately \$1.64 million and \$1.38 million for fiscal years 1999 and 1998, respectively. The MDI has developed travel policies which are included in the department's policy manual.

A. During our review of all market conduct and financial examiners' expense accounts for the period from April 15, 1999 to May 15, 1999, we noted the following concerns:

1. All examiners claimed the maximum meal allowances every day ranging from \$30 to \$46 per day. It does not appear reasonable that every examiner would always spend the maximum amount.
- 2.a. Two employees working on the same market conduct examination in Des Moines, Iowa drove separate vehicles from Jefferson City on three different occasions and received mileage reimbursements of approximately \$540 each rather than only incurring mileage expenses for one vehicle. Additionally, a third examiner flew from St. Louis to Des Moines, and then rented a vehicle while in Des Moines. His airfare and rental car expenses during this same time period were over \$1,000.

- b. For another market conduct examination in Des Moines, Iowa, one examiner drove from Kansas City, a second examiner drove from Jefferson City, and the third examiner flew from Springfield and then rented a vehicle while in Des Moines. Total mileage, airfare, and rental car costs for this time period totaled over \$3,000.
- c. Two employees working on the same financial examination drove separate vehicles from Kansas City to Springfield on three different occasions and received mileage reimbursements of approximately \$300 each rather than only incurring mileage expenses for one vehicle.

We also reviewed several other months during the audit period and noted similar practices regarding incurring and reporting travel expense. The department's travel policy indicates that the Federal Travel Directory rates will be used as a meal guide; however, the policy also indicates this meal allowance amount is not an entitlement and the lesser of the meal allowance rate or actual expenses will be reimbursed. In addition, the department's travel policies indicate employees traveling to the same location are expected to efficiently use available automobile space. Furthermore, the department's travel policies indicate that employees are expected to exercise the same care in incurring expenses as a prudent person would exercise if traveling on personal business.

The MDI should ensure that employees comply with the department's travel policy and establish adequate controls over business travel to ensure that unnecessary expenses are not incurred or claimed by employees. Any questioned expenses could be denied for reimbursement or the department should request additional documentation to support the charges.

- B. The department's travel policies provide for the examiners to return to their domicile every other weekend. On non-travel weekends, the examiners remain at the job site and are reimbursed for expenses just like normal work days. While in many instances it is more cost effective for the MDI to pay hotel and meal expenses than to pay the necessary expenses for the examiners to return to their domicile, we noted an instance where an examiner remained in Kansas City for the weekend rather than returning to his domicile 114 miles away. The examiner incurred hotel and meal expenses of approximately \$400 while the mileage expense for a round trip between Kansas City and his domicile would have only been approximately \$65.

The MDI should consider changes to the department's travel policies so that examiners would be required to determine if it is more economical to remain at the job site or return to their domicile on non-travel weekends. This would help ensure that unnecessary expenses are not incurred and help reduce examination costs.



Since insurance companies pay for these travel expenses and then receive a credit on their premium taxes thus reducing state revenues, it is especially important for the MDI to ensure expenses are reasonable.

**WE RECOMMEND** the MDI:

- A. Ensure expenses claimed by the examiners are reasonable and in compliance with the department's travel policies.
- B. Consider changes to the department's travel policies so that examiners do not remain at the job site over the weekend when it would be more economical to return to their domicile.

**AUDITEE'S RESPONSE**

- A. *The department agrees and will implement the recommendation. The department is committed to conducting examinations in as cost-effective a manner as possible. We will continue to seek ways to ensure only reasonable expenditures are made.*
- B. *The department will consider changes to the travel policies.*

**3.**

**Federal Grant Expenditures**

The MDI receives a federal grant from the U.S. Department of Health and Human Services, Health Care Financing Administration, which is used to contract with a not-for-profit foundation to provide insurance counseling services for senior citizens. The foundation submits a monthly invoice listing the hours spent by various personnel and the hourly reimbursement rate for the applicable personnel; an amount for materials, equipment, and supplies; and amounts for indirect costs, fringe benefits, and travel. We reviewed the October and November 1998 monthly invoices and noted the following concerns:

- C One employee was billed for 217 work hours for the month of October which would mean the employee would have worked at least 40 hours of overtime.
- C The indirect costs for October and November combined was \$17,826 of the \$47,529 billed (37.5 percent) with no explanation on the invoice or in the contract indicating how the indirect costs were calculated or what expenses they were designed to cover.
- C While mileage costs for October and November totaled \$1,648, the invoices only indicated the total number of miles for the month. No detail was provided to indicate the destination or the purpose of the travel.

While we requested and reviewed documentation to support these expenditures from the foundation, MDI does not adequately review these expenditures and obtain explanations for unusual items. The grant agreement with the Health Care Financing Administration requires the MDI to closely monitor contractor activities and contractor use of grant funds. Without a thorough review of the foundation's invoices, the MDI has less assurance that grant funds are being expended appropriately in compliance with grant requirements.

**WE RECOMMEND** the MDI require the foundation to submit adequate supporting documentation and review this documentation for reasonableness. Any undocumented or unusual items should be investigated and explained before approving invoices for payment.

#### **AUDITEE'S RESPONSE**

*The department agrees and has begun implementation of the recommendation. All grant expenditures will be closely scrutinized by appropriate MDI personnel.*

**4.**

#### **Computer Information Systems**

The department does not have a formal contingency plan for their computer system. As a result, the department has no formally negotiated arrangements for backup facilities in the event of a breakdown or disaster. All functions presently handled through the computer system, which include licensing, consumer complaints, various accounting processes, and many other systems, would have to be handled manually until repair or replacement was achieved. Failure to develop a formal contingency plan and arrangements for backup facilities increases the risk of prolonged down-time of the computer systems.

Development of contingency plans should include plans for a variety of situations, such as both short- and long-term plans for backup hardware, software, facilities, personnel, and power. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies.

The major benefit of thorough contingency planning comes from the ability of the department to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the department. The department's degree of reliance on the computer function justifies the need for contingency plans and periodic review of the plans .

**WE RECOMMEND** the MDI develop formal contingency plans and provide a system for periodic review and testing of the contingency plans.

#### **AUDITEE'S RESPONSE**

*The department agrees and has begun implementation of the recommendation. A large part of the development of a formal contingency plan was completed during Y2K planning activities.*

|                         |
|-------------------------|
| <b>5. Receiverships</b> |
|-------------------------|

Sections 375.1150 to 375.1246, RSMo 1994, provide the director of the MDI with the authority to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. Such companies placed into receivership are under circuit court supervision with the judge appointing the MDI director as receiver. The director may appoint a special deputy receiver or agent. At June 30, 1999, there were three Missouri chartered insurance companies in rehabilitation and eleven in liquidation. Many of these receiverships have continued for several years with three companies in receivership since the 1980s.

For those companies involved in the liquidation process, significant administrative expenses are incurred which decrease the overall assets available at final liquidation. These expenses can include items such as special deputy receiver fees, legal fees, investment fees, payroll, travel, professional services, and office expenses, but do not include payments of claims. Based on reports submitted to the MDI, total administrative expenses for receiverships exceeded \$31 million in 1998, with over \$26 million being incurred by one receivership.

The MDI has established regulations regarding reporting requirements for insurance companies in receivership and based on the reports submitted by the special deputy receivers or agents, the MDI tracks administrative costs closely. However, MDI personnel indicated they only sporadically visit the special deputy receivers and agents to review the accounting records which support these reports. In addition, while audit reports are required for insurance companies in rehabilitation, there is no requirement for independent audits of insurance companies in liquidation. Without performing a review of the accounting records maintained by the special deputy receivers or requiring an audit of these records, the MDI has less assurance that the reports submitted to the MDI are accurate and can be relied upon.

**WE RECOMMEND** the MDI require independent audits for all receiverships or perform other monitoring procedures to ensure the information and reports submitted by the special deputy receivers or agents are accurate.

**AUDITEE'S RESPONSE**

*The department agrees and will begin looking at ways to improve oversight of information and reports from special deputy receivers or agents.*

|                            |
|----------------------------|
| <b>6. Delinquent Taxes</b> |
|----------------------------|

In accordance with the provisions of Chapter 148, RSMo 1994, the MDI certifies to the Department of Revenue (DOR) the amount of premium taxes due together with the amount of the quarterly installments to be made by the insurance companies licensed in Missouri. If the taxes are not paid on the dates specified by statute, they become delinquent. Delinquent tax amounts are used by the MDI when preparing premium tax reconciliations. Although the DOR is responsible for keeping the primary record of delinquent taxes, the MDI's listing serves as a means to monitor collections and delinquencies.

- A. The MDI receives a delinquent tax listing from the DOR monthly. Current MDI procedures are to perform a reconciliation between the DOR and the MDI listings on a quarterly basis; however, these quarterly reconciliations are not being performed in a timely manner. As of September 30, 1999, MDI personnel were still working on the March 31, 1999 reconciliation.

Timely reconciliations are necessary to ensure all taxes are properly collected and recorded, and to ensure delinquent taxes are promptly followed up. Only by performing such reconciliations can the MDI detect and correct errors on a timely basis.

- B. At March 31, 1999, the MDI computerized delinquent tax listing totaled approximately \$5.47 million while the actual delinquent taxes totaled only approximately \$1.44 million. The MDI delinquent tax listing requires several reconciling items and manual adjustments including the following:

- 1) Taxes for 1992 totaling over \$3.5 million that were actually paid are included on the delinquent listing. MDI personnel stated that when reporting requirements changed for some self-insurers from individual to group reporting, the payments were received under the group name and the computer system treated all of the individual self-insurer taxes as delinquent.
- 2) Taxes for 1990 totaling approximately \$440,000 that were never due are included on the delinquent listing. MDI personnel indicated this amount relates to prepayments for 1991 taxes for two insurers who were non-taxable in 1990 but became taxable in 1991, and the computer system treated these prepayments as 1990 delinquent taxes.

It appears that the MDI makes manual adjustments to the delinquent tax totals so that the delinquent tax amounts shown on the premium tax reconciliations are fairly stated. This takes additional time, however, and also increases the possibility that errors would not be discovered, causing delinquent taxes to be overstated and the premium tax reconciliations to be misstated. In addition, all taxes actually delinquent may not be properly identified by the MDI, which could result in a loss of tax monies due to the state.

**WE RECOMMEND** the MDI:

- A. Perform reconciliations between the DOR and the MDI delinquent tax listings in a timely manner.
- B. Correct the computer system and work with the DOR to ensure that the delinquent tax listing is accurate.

**AUDITEE'S RESPONSE**

- A. *The department agrees and will implement the recommendation.*
- B. *The department agrees and has scheduled the computer software for a rewrite.*

|  |
|--|
| <b>7. Regulation of Health Maintenance Organizations</b> |
|--|

Health maintenance organizations (HMOs) established and operated under Chapter 354, RSMo 1994, are entities which provide or arrange for basic and supplemental health care services to enrollees on a prepaid basis. The MDI has licensed 30 such organizations in the state and has also created a Managed Care Section within the MDI to monitor the activities of these organizations. Chapters 354 and 376, RSMo 1994, require these organizations to file various reports with the MDI. During our review of these reports, we noted the following concerns:

- A. The MDI has developed written procedures outlining what is to be included in the various HMO reports but not how the HMO reports are to be analyzed. The various analysts in the Managed Care Section have developed different methods, including checklists, computer reports, and correspondence with the organizations, to document their review of the reports; however, no standard, consistent procedures have been developed.

Documentation of the procedures used in the review process is necessary to ensure that all reports are reviewed using consistent criteria and to ensure that the required information is contained in each report.

- B. Reports are frequently filed late by the various HMOs. Only ten of the thirty organizations filed the quarterly reports due July 15, 1999 by the due date. Fifteen organizations filed the report late and five organizations still had not filed the report as of September 30, 1999. While the Managed Care Section does follow-up on these delinquent reports, no fine or fee is assessed to the organizations for reports that are filed late.

Section 354.444, RSMo Cumulative Supp. 1999, provides for a forfeiture fee not to exceed \$100 for each violation of Sections 354.400 to 354.636, RSMo 1994 and Cumulative Supp. 1999, for which no specific punishment is provided. The MDI should

consider assessing such forfeiture fees to HMOs which do not file statutorily required reports in a timely manner. This would encourage HMOs to file reports on a timely basis and reduce the amount of time necessary for the Managed Care Section to follow-up on reports not filed.

**WE RECOMMEND** the MDI:

- A. Develop standardized, written procedures for the review of health maintenance organizations' reports. These procedures should indicate how the review is to be documented, including the name of the reviewer, date prepared, and the results of the review.
- B. Consider assessing fines or fees to HMOs which do not file statutorily required reports in a timely manner.

**AUDITEE'S RESPONSE**

- A. *The department agrees and has begun the process of developing standardized, written procedures.*
- B. *The department agrees and will consider assessing fines or fees to HMOs which do not file required reports in a timely manner.*

|                                  |
|----------------------------------|
| <b>8. Market Conduct Section</b> |
|----------------------------------|

The Market Conduct Section is responsible for examining various aspects of insurance companies including licensing of agents, sales and advertising policies, underwriting, rate application, cancellations and renewals, consumer complaints, and claims practices. Market conduct examinations are scheduled based on a number of factors including certain issues the Director deems a priority, the number of complaints received for a company, a rapid increase in the number of complaints, shifts in the lines of insurance offered, information obtained from other states, and prior examinations.

Market Conduct Section personnel indicated that they follow procedures set by the National Association of Insurance Commissioners (NAIC) as outlined in the NAIC Market Conduct Examiners Handbook in performing market conduct examinations; however, written examination programs are sometimes not included in the working papers. The NAIC Market Conduct Examiners Handbook states the examiner-in-charge should provide to the other examiners "specific instructions concerning the conduct and purpose of the examination" and "develop audit trail procedures for the examination". Examination programs should be developed for each examination and filed with the working papers. Use of such programs would provide more assurance that all necessary areas have been reviewed and all examination steps have been completed. Without such

programs, there is a greater likelihood that examination objectives and procedures may not be completed.

**WE RECOMMEND** the MDI require the Market Conduct Section utilize formal written examination programs documenting the procedures performed. A copy of the program should be included in the working papers and an indication of the steps performed as well as the examiner performing the steps should be made.

### **AUDITEE'S RESPONSE**

*The department agrees and will implement the recommendation.*

This report is intended for the information of the management of the Missouri Department of Insurance and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION



History, Organization, and  
Statistical Information

DEPARTMENT OF INSURANCE  
HISTORY, ORGANIZATION  
AND STATISTICAL INFORMATION

The Missouri Division of Insurance was created by an act of the Missouri legislature in 1869. With the enactment of the state Omnibus Reorganization Act of 1974, the agency was transferred to the Department of Consumer Affairs, Regulation and Licensing. Constitutional Amendment No. 6, passed in August 1984, changed the name of the Department of Consumer Affairs, Regulation and Licensing, to the Department of Economic Development, effective September 7, 1984. Constitutional Amendment No. 4, passed in August 1990, created a new Department of Insurance (MDI), effective July 1, 1991.

The department operates under the authority of Chapter 374, RSMo. The management and control of the department is vested in a director who is nominated by the governor with the advice and consent of the Senate. Jay Angoff served as Director from February 16, 1993 to October 31, 1998, and A.W. McPherson served as acting Director from November 1, 1998 to May 9, 1999. Keith Wenzel was appointed Director on May 10, 1999, and continues to serve in that capacity.

When the agency was organized in 1869, 51 domestic and 120 foreign insurance companies were licensed in Missouri. As of December 1998, there were 293 domestic and 1,560 foreign insurance companies licensed in Missouri.

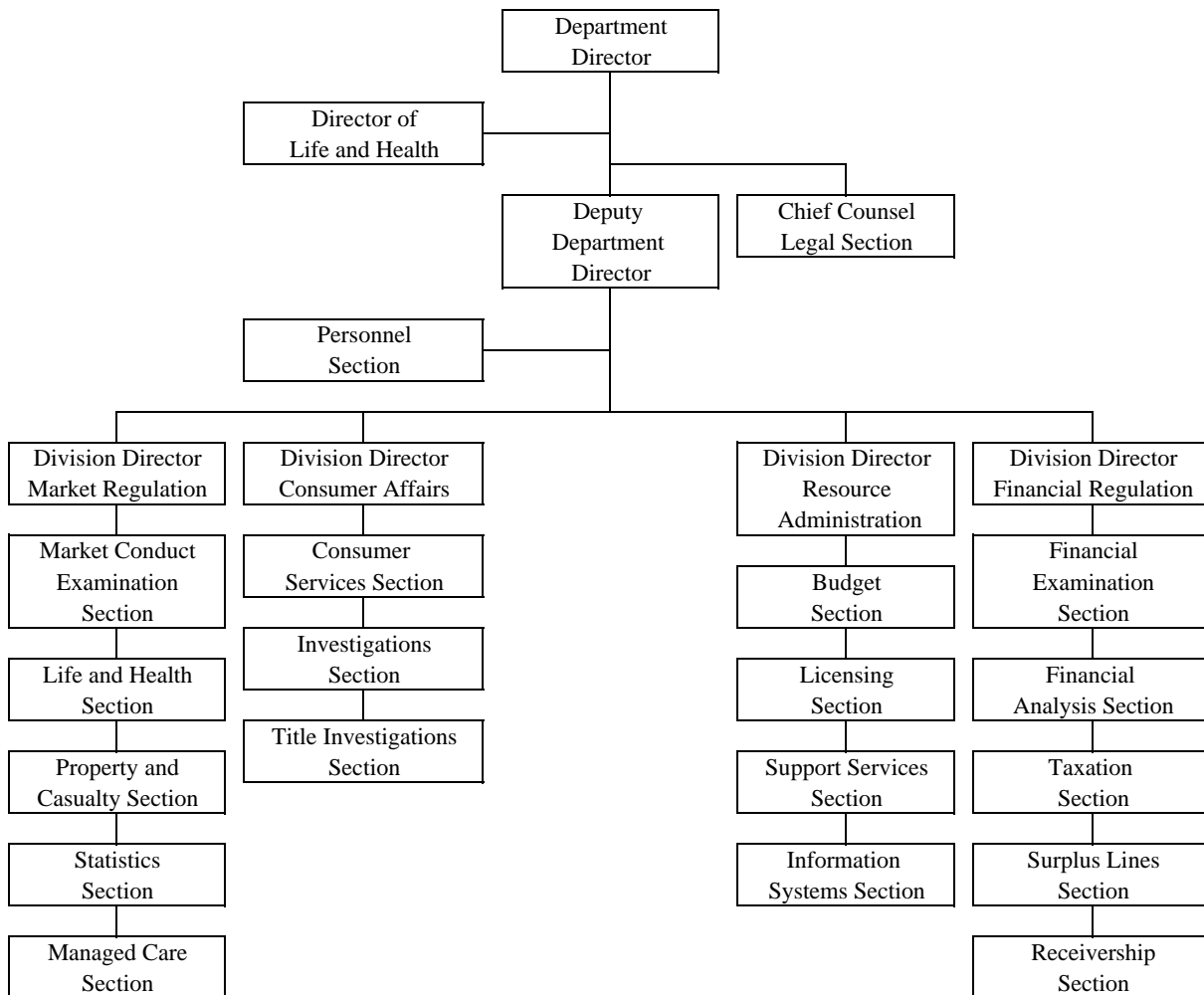
The MDI regulates the insurance industry in the state through enforcement of Chapters 325, 354, and 374 through 385, RSMo. The department regulates and licenses the insurance industry in the state; ensures that the insurance industry is financially sound, trustworthy, competent, and responsive to the insurance-buying public; and ensures that the insurance industry complies with the laws of the state. To fulfill these responsibilities, the department maintains a central office in Jefferson City and branch offices in St. Louis and Kansas City. As illustrated in the following organization chart, the MDI is organized into these functional units: Market Regulation, Financial Regulation, Resource Administration, and Consumer Affairs. The MDI had 209 employees at June 30, 1999.

The following provides a breakdown of the type of companies licensed in the state.

| Type of Company                     | As of December 31, 1998 |              |
|-------------------------------------|-------------------------|--------------|
|                                     | Missouri<br>Domicile    | Foreign      |
| Assessment                          | 2                       | 0            |
| FAIR Plan                           | 1                       | 0            |
| Foreign Fire                        | 0                       | 6            |
| Fraternal Benefit                   | 2                       | 32           |
| Health Maintenance Organization     | 24                      | 7            |
| Health Service Corporation          | 2                       | 0            |
| Life                                | 43                      | 637          |
| Malpractice                         | 2                       | 0            |
| Missouri (Farm) Mutuals             | 42                      | 0            |
| Missouri Mutuals                    | 88                      | 0            |
| Mutual Casualty                     | 7                       | 43           |
| Mutual Fire                         | 0                       | 29           |
| Prepaid Dental Plan                 | 9                       | 6            |
| Reciprocal Inter-Insurance Exchange | 9                       | 10           |
| Reinsurer                           | 0                       | 61           |
| Risk Retention Group                | 0                       | 39           |
| Self-Insured Liability              | 9                       | 0            |
| Stipulated Premium                  | 1                       | 0            |
| Stock Casualty                      | 45                      | 576          |
| Stock Fire                          | 4                       | 100          |
| Title                               | 3                       | 14           |
| Totals                              | <u>293</u>              | <u>1,560</u> |

According to the National Association of Insurance Commissioners (NAIC), for 1998, Missouri ranks tenth nationally in the number of companies incorporated in the state and eighteenth in the amount of premium volume written. The department's budget for fiscal year 1999 ranks seventeenth nationally.

DEPARTMENT OF INSURANCE  
 ORGANIZATION CHART  
 JUNE 30, 1999



\* \* \* \* \*



REVIEW OF THE  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF YOUTH SERVICES

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-21  
April 3, 2000

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2000

**The following problems were discovered as a result of a review conducted by our office of the Department of Social Services, Division of Youth Services.**

---

In recent years the Division of Youth Services has begun developing performance measures through its strategic planning process. However, additional performance measures need to be developed. For example, the Division of Youth Services does not currently measure recidivism rates into adult correctional facilities. Recidivism is the tendency of youth to relapse into delinquent or criminal behavior after their release from the Division of Youth Services. The division prepared a study of recidivism approximately eight years ago matching youth who had been released from the Division of Youth Services with inmates in the Department of Corrections. Since the study was so old, there was no documentation of how the study was conducted and the Division of Youth Services was not even able to locate a copy of the study for us to review.

To help the Division of Youth Services determine if their mission is accomplished and statutory obligations are met, the division tracks recidivism rates for juveniles who recidivate back into the Division of Youth Services. However, recidivism rates into the Department of Corrections are not considered.

As a part of our audit, we reviewed a national study that was published in October 1998. The study included information on new programs that several states were using to evaluate the effectiveness of juvenile programs. These programs included:

- The State of Texas continuously tracks outcomes for their specialized programs that treat committed serious and chronic juvenile offenders and are currently in the process of piecing together a more comprehensive program to include non-state facilities.
- The State of Maryland is including a system-wide recidivism analysis into their program evaluations for all programs, even informal supervision.
- The State of Florida provides annual reports on program accountability measures (measured in recidivism rates and program costs) that include state and locally operated residential, nonresidential, and boot camp programs.
- The State of Ohio has developed a tracking form used to track progress of juvenile offenders during and after their commitment to a juvenile program. This information is entered into a statewide tracking system.

(over)

YELLOW SHEET

An outcome listed in the Division of Youth Services' budget request is to return youth to their families and communities with the necessary skills to live and work within their communities. Without monitoring the recidivism rates into the Department of Corrections, which would be a measure of the long-term success of the division's programs, the Division of Youth Services has less assurance that this outcome is achieved. According to financial information obtained from the division, expenditures of state and federal funds by the division have increased from \$26.5 million in 1995 to over \$52 million in 1999. The State Auditor noted that the establishment of appropriate performance measures are particularly important for state agencies that have experienced such a rapid growth in expenditures.

For \$6.6 million of Juvenile Court Diversion Program costs incurred during fiscal year 1999, the Division of Youth Services did not have standardized procedures in place to monitor local juvenile courts to ensure they were properly submitting reimbursement requests based upon actual expenditures and were accurately reporting the number of at-risk and diverted youth.

State law allows the division to bill local school districts for the cost of educating youth while in the division's custody. The Division of Youth Services is owed approximately \$435,000 in overdue educational services billings, and does not have the authority to bill interest and penalties on and/or withhold from future state distributions for delinquent educational services billings.

REVIEW OF THE  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF YOUTH SERVICES

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Gary J. Stangler, Director  
Department of Social Services  
and  
Mark D. Steward, Director  
Division of Youth Services  
Jefferson City, Missouri 65102

We have conducted a review of the Department of Social Services, Division of Youth Services (DYS). The scope of our review included, but was not limited to, the two fiscal years ended June 30, 1999. The objectives of this review were to:

1. Review the operation of selected DYS programs.
2. Review selected financial transactions of the DYS.
3. Review certain internal control procedures, legal compliance issues, and management practices to determine the propriety, efficiency, and effectiveness of those procedures and practices.

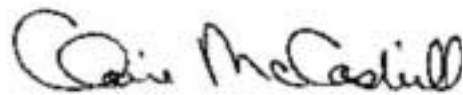
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable state and federal laws, interviewed applicable personnel, inspected relevant records and reports of the DYS, and reviewed selected studies and reports related to the treatment of juvenile offenders.

As part of our review, we assessed the DYS's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain policies and procedures.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the DYS's management and was not subjected to the procedures applied in the review of the DYS.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the DYS.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 27, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Luetkemeyer, CPA  |
| In-Charge Auditor:  | David Martin, CPA      |
| Audit Staff:        | Heather Thompson       |
|                     | Susan Cessac           |
|                     | Michael Monia, Jr.     |
|                     | LaToya Smith           |

## MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF THE  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF YOUTH SERVICES  
SUMMARY OF FINDINGS

1. Recidivism Study (pages 6-7)

The DYS does not monitor the recidivism of youth who were formerly in the custody of DYS and later are committed to the Department of Corrections. In addition, the DYS needs to establish additional objective and quantifiable performance measures to measure the success of DYS programs.

2. Juvenile Court Diversion Program (pages 7-9)

The DYS does not have standardized procedures in place to monitor local juvenile courts to ensure they are properly submitting reimbursement requests based upon actual expenditures and are accurately reporting the number of at-risk and diverted youth.

3. Educational Services Billings (pages 9-10)

The DYS is owed approximately \$435,000 in overdue educational services billings, and does not have the authority to bill interest and penalties on delinquent amounts.

REVIEW OF THE  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF YOUTH SERVICES  
STATE AUDITOR'S RECOMMENDATIONS

**1.**

**Recidivism Study**

In recent years the DYS has begun developing performance measures through its strategic planning process. However, additional performance measures need to be developed. For example, the DYS does not currently measure recidivism rates into adult correctional facilities. Recidivism is the tendency of youth to relapse into delinquent or criminal behavior after their release from the DYS. The DYS prepared a study of recidivism approximately eight years ago matching youth who had been released from the DYS with inmates in the Department of Corrections. Since the study was so old, there was no documentation of how the study was conducted and the DYS was not even able to locate a copy of the study for us to review.

The mission of the DYS is to enable youth to fulfill their needs in a responsible manner within the context of and with respect for the needs of the family and the community. Section 219.016.1, RSMo 1994, states the DYS is responsible for “the prevention and control of juvenile delinquency and the rehabilitation of children.” To help the DYS determine if its mission is accomplished and statutory obligations are met, the DYS tracks recidivism rates for juveniles who recidivate back into DYS. For example, the recidivism rate was eleven percent, fourteen percent, and twelve percent for the years ended June 30, 1999, 1998, and 1997, respectively. However, recidivism rates into the Department of Corrections are not considered.

As a part of our audit, we reviewed a national study prepared by the Koch Crime Institute entitled “White Paper Report on the Standardization of Juvenile Offender Program Evaluation” that was published in October 1998. The study included information on new programs that several states were using to evaluate the effectiveness of juvenile programs. These programs included:

- The State of Texas continuously tracks outcomes for its specialized programs that treat committed serious and chronic juvenile offenders and are currently in the process of piecing together a more comprehensive program to include non-state facilities.
- The State of Maryland is including a system-wide recidivism analysis into its program evaluations for all programs, even informal supervision.
- The State of Florida provides annual reports on program accountability measures (measured in recidivism rates and program costs) that include state and locally operated residential, nonresidential, and boot camp programs.

- The State of Ohio has developed a tracking form used to track progress of juvenile offenders during and after their commitment to a juvenile program. This information is entered into a statewide tracking system.

An outcome listed in the DYS's budget request is to return youth to their families and communities with the necessary skills to live and work within their communities. Without monitoring the recidivism rates into the Department of Corrections, which would be a measure of the long-term success of DYS's programs, the DYS has less assurance that this outcome is achieved. The DYS's performance measures should include measures of recidivism of youth released from the DYS's custody and targets for future levels of recidivism. This will give policy makers accurate information on successful juvenile offender programming necessary for effective decision making.

**WE RECOMMEND** the DYS measure the rate of recidivism of youth released from the DYS's custody who are subsequently committed to the Department of Corrections and set targets for future levels of recidivism. Also, the DYS should consider developing additional objective and quantifiable performance measures to measure the success of DYS's programs.

### **AUDITEE'S RESPONSE**

*Over the past couple of years, the division has developed and will continue to develop additional quantifiable measures of success for its programs. We concur that additional quantifiable measures should be developed to further measure the success of our programs.*

**2.**

### **Juvenile Court Diversion Program**

The Department of Social Services, Division of Youth Services (DYS), receives federal funds to operate the Juvenile Court Diversion (JCD) program. The JCD program provides funding for local juvenile courts to operate various treatment programs as an alternative to committing the youth to DYS. These treatment programs include various intervention and monitoring services. Local juvenile courts are to submit reimbursement requests to DYS monthly based on the actual expenditures of the previous month. During the year ended June 30, 1999, the division awarded approximately \$6.6 million in JCD funds to local juvenile courts throughout the state. The DYS tracks the success of the program by monitoring the number of youth served and the number of youth diverted from commitment to DYS. Among other uses, this information is provided to the General Assembly in the division's budget request. Our review of the DYS's monitoring of the JCD program indicated the following areas where improvements are needed:

- A. The DYS allows each of the five regions to determine what monitoring procedures are appropriate for the JCD programs in their region. In all of the regions, this monitoring includes on-site visits to the program and preparing a standardized monitoring form to document the monitoring visit. The objective of this monitoring visit is to determine if the

program is operational and if it is operating in a successful manner. Also, Section 219.041.5, RSMo 1994 states the purpose of these visits is to “examine the facilities, programs, books, and records.” Our review of the procedures for the on-site monitoring visits done by the regions noted the following.

- 1) Although a few of the regions also review financial records which support the monthly reimbursement requests, there are no standard procedures or documentation for this review. An audit conducted by the State Auditor's Office in one of these juvenile courts revealed the following:

- C Original invoices were not available to support expenditures claimed.
- C The juvenile court had not entered into a written contract with a local school district.
- C Payments were made to the judge administering the grant without proper documentation.
- C Reimbursements claimed exceeded actual expenditures.
- C Records to account for JCD funds received and for assets purchased from these funds, were not adequate.

The grant agreement requires the juvenile court to maintain financial records consistent with acceptable accounting practices and sufficient to provide an audit trail. The agreement also requires the court to submit reimbursement requests for actual costs incurred in delivering services during the project period. The DYS indicated it relies on external audits as a review of the fiscal aspects of the program. However, in many counties the JCD program funding is not significant to the overall financial operation of the county. As a result, the JCD funding may receive little or no audit coverage.

To ensure the juvenile courts are submitting reimbursement requests in accordance with their contract and any problems are detected and corrected in a timely manner, DYS should review the supporting documentation for reimbursement requests during monitoring visits.

- 2) None of the regions review case files to determine if the juvenile court properly reported to the DYS the number of at-risk youth and diverted youth that were served by the program. The DYS relies solely on the information provided by the juvenile courts to determine the number of at-risk and diverted youth. To verify the number of at-risk and diverted youth that are reported by the juvenile courts is accurate, DYS should review case files or other records during monitoring visits.



In addition, standardized monitoring procedures should be developed to aid the regions in consistently monitoring JCD programs throughout the state.

- B. According to DYS records, 91% and 89% of youth entering JCD programs were successfully diverted from commitment to DYS during the years ending June 30, 1998 and 1997, respectively. However, the DYS defines a youth as being diverted if they complete the program successfully and are not committed to DYS during the same program year. A youth completing the program one week before the end of the program year would be considered diverted, as long as he was not committed to DYS during the last week of the program year. The DYS indicated it relies on the juvenile courts to track the number of youth diverted, and the juvenile courts have no way to track the youth after the end of the program year. However, the juvenile court provides the names of all youth diverted through the program, but DYS does not track the youth beyond the end of the program year. To determine the effectiveness of this program, it appears necessary to track youth for a more extended period of time.

**WE RECOMMEND** the DYS:

- A. Develop standardized procedures for the regions to follow during monitor visits of JCD programs that include reviewing financial records which support reimbursement requests and other records which support the number of at-risk and diverted youth reported by the juvenile court.
- B. Track diverted youth for extended periods of time and use this data to help measure the success of the JCD program.

**AUDITEE'S RESPONSE**

*We concur with the recommendations.*

|   |
|---|
| <b>3. Educational Services Billings</b> |
|---|

In accordance with Section 163.073, RSMo 1994, the DYS bills local school districts for the cost of educating youth while in the DYS's custody. For the 1997-1998 school year, the DYS billed approximately \$1.5 million to local school districts. Bills are usually sent out to the local school districts in February and are due in 90 days, or usually May. As of August 23, 1999, our review noted the following approximate amounts that were unpaid:

| <u>School Year</u> | <u>Amount<br/>Unpaid</u> |
|--------------------|--------------------------|
| 1997-1998          | \$180,000                |
| 1996-1997          | 221,000                  |

|           |                         |
|-----------|-------------------------|
| 1995-1996 | <u>34,000</u>           |
| Total     | <u><u>\$435,000</u></u> |

Approximately one-half of the unpaid amount is owed by the City of St. Louis School District. Furthermore, we noted only approximately two-thirds of the billings are paid to the DYS by the due date.

The DYS works closely with the school districts on these billings and sends a notice to the local school districts the November before the bills are mailed informing the school districts of the students they will be billed for in February. This is intended to give the school districts time to research the youth they will be billed for to ensure they reside in their school district. The DYS sends out notices of unpaid amounts ninety days after the original billing and periodically sends out any changes made to the school district's bill as a result of youth actually residing in a different school district.

The DYS indicated there is no provision in the statutes to charge any interest or penalties on unpaid amounts for these educational services billings. In addition, there appears to be no provision which authorizes the state to withhold delinquent amounts from future state distributions to be made to these school districts. The DYS also indicated it has been working with their service coordinators to ensure DYS's records accurately list each youth's local school district in an effort to ensure it bills the correct school district the first time. To ensure all monies due to the state are received in a timely manner, DYS should seek legislative changes to mandate interest and penalties on and/or withholdings from future distributions for unpaid educational services billings.

**WE RECOMMEND** the DYS continue to bill unpaid amounts and seek legislative changes to provide for interest and penalties to be charged on and/or withholdings from future distributions for delinquent educational services billings.

### **AUDITEE'S RESPONSE**

*The division will work with the various entities in state government to determine the most appropriate course to pursue.*

This report is intended for the information of the management of the Department of Social Services, Division of Youth Services, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF YOUTH SERVICES  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Omnibus State Reorganization Act of 1974 created the Division of Youth Services within the Department of Social Services. Previously the Division of Youth Services had been known as the State Board of Training Schools. During the 1970's, systematic agency planning began which resulted in the de-emphasis of large rural institutions and the establishment of smaller treatment facilities. This enabled geographic regionalization where youth could be served closer to their homes.

During the 1990's, the division continued in the direction of regionalization and the expansion of the continuum of treatment services. An array of community-based services was developed including day treatment, tracking, and case management. The Juvenile Crime Bill was passed in 1995 and included measures for determinate sentencing, granting the division the ability to petition for increased length of stay up to the age of twenty-one, removed the lower age limit for commitment, and provided for the development of dual jurisdiction.

The Division of Youth Services is administered by a director who is appointed by the director of the Department of Social Services. Mark D. Steward has been the director since May 6, 1988. The Division of Youth Services Advisory Board consists of fifteen members appointed by the director of the Department of Social Services. The Division of Youth Services Advisory Board oversees the operation of the division and is charged with the responsibility to advise the director, the legislature, and the general public on all matters pertaining to the operation of the division. Members of the Division of Youth Services Advisory Board as of June 30, 1999, were:

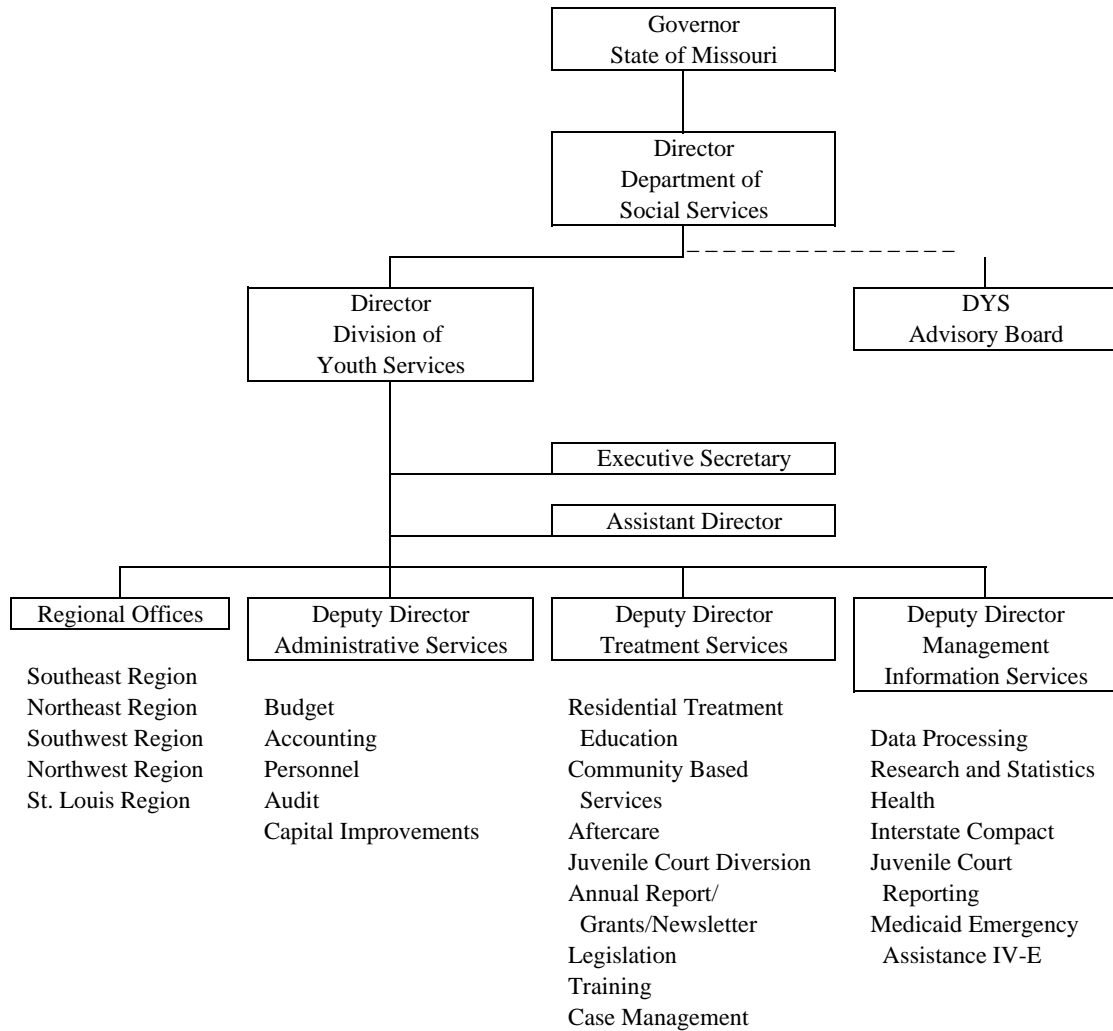
| <u>Member</u>              | <u>Term Expires</u> |
|----------------------------|---------------------|
| Dennis J. Kehm, Chairman   | November 15, 2002   |
| Thelma Neff, Vice-Chairman | September 30, 2001  |
| Sue Barr                   | April 23, 2001      |
| Barbara Eggebrecht         | December 27, 2000   |
| Jack E. Gant               | June 30, 2001       |
| Sherry L. Gant, PhD.       | July 17, 2000       |
| Andrew Jackson Higgins     | September 30, 1999  |
| Walter R. Jacobs           | October 1, 1999     |
| Herman A. Johnson          | May 10, 2000        |
| Peggy Patterson            | March 27, 2002      |
| Lt. James W. Richardson    | July 11, 2001       |
| Almira Sant                | April 23, 2001      |
| William B. Smith           | September 14, 2001  |
| H. Morely Swingle          | June 17, 2003       |
| Joe Z. Satterfield         | October 14, 2003    |
| Debbye Turner, D.V.M.      | Ex-Officio Member   |

The agency provides services to youth committed from the forty-five Judicial Circuit Courts in the state. The services include residential (secure, moderate, and community based) and non-residential (tracking, day treatment, alternative living service, family therapy, and aftercare). All youth receive case management services and are assigned a service coordinator who ensures the assessment, treatment planning, and the coordination, monitoring, and evaluation of services occurs for all youth.

As of June 30, 1999, the division operated twenty-nine residential facilities with a total of 663 beds and eleven non-residential facilities with a total of 225 day treatment slots.

On June 30, 1999, the division employed approximately 1,455 individuals. An organization chart follows:

DEPARTMENT OF SOCIAL SERVICES  
 DIVISION OF YOUTH SERVICES  
 ORGANIZATION CHART  
 JUNE 30, 1999



## Appendix A

DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF YOUTH SERVICES  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|   | Year Ended June 30, |              |                 |                |              |                 |
|---|---------------------|--------------|-----------------|----------------|--------------|-----------------|
|   | 1999                |              |                 | 1998           |              |                 |
|   | Appropriations      | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| <b>GENERAL REVENUE FUND - STATE</b>   |                     |              |                 |                |              |                 |
| Incentive payments to counties for community-based treatment programs for youth   | \$ 0                | 0            | 0               | 5,880,000      | 5,038,186    | 841,814         |
| Planning, design, construction, and improvements of a waste water treatment facility at Delmina Woods   | 117,000             | 9,266        | 107,734         | 0              | 0            | 0               |
| Personal Service  | 1,710,894           | 1,685,959    | 24,935          | 1,390,416      | 1,328,771    | 61,645          |
| Expense and Equipment   | 315,077             | 314,663      | 414             | 275,964        | 272,695      | 3,269           |
| Treatment services including foster care and contractual payments - Personal Service  | 22,659,861          | 22,612,219   | 47,642          | 21,227,867     | 20,013,308   | 1,214,559       |
| Treatment services including foster care and contractual payments - Expense and Equipment   | 2,655,474           | 2,650,321    | 5,153           | 7,893,753      | 7,825,095    | 68,658          |
| Treatment services including foster care and contractual payments - Personal Service and/or Expense and Equipment   | 386,348             | 386,348      | 0               | 386,348        | 362,855      | 23,493          |
| Costs associated with increased commitments and bed space, including, but not limited to Personal Service, Expense and Equipment, and contractual services                | 8,190,000           | 3,649,960    | 4,540,040       | 2,245,367      | 1,396,424    | 848,943         |
| Operating maintenance and repair  | 78,794              | 78,755       | 39              | 0              | 0            | 0               |
| Total General Revenue Fund - State  | 36,113,448          | 31,387,491   | 4,725,957       | 39,299,715     | 36,237,334   | 3,062,381       |
| <b>DIVISION OF YOUTH SERVICES - FEDERAL AND OTHER</b>   |                     |              |                 |                |              |                 |
| Incentive payments to counties for community-based treatment programs for youth   | 6,180,000           | 5,515,710    | 664,290         | 301,000        | 256,874      | 44,126          |
| Expense and Equipment   | 113,943             | 113,821      | 122             | 113,943        | 113,712      | 231             |
| Personal Service  | 513,031             | 458,520      | 54,511          | 490,290        | 488,136      | 2,154           |
| Treatment services including foster care and contractual payments - Personal Service  | 6,439,701           | 3,906,881    | 2,532,820       | 3,689,083      | 3,206,497    | 482,586         |
| Treatment services including foster care and contractual payments - Expense and Equipment   | 7,706,610           | 7,600,774    | 105,836         | 1,778,272      | 1,689,663    | 88,609          |
| Treatment services including foster care and contractual payments - Personal Service and/or Expense and Equipment foster care and contractual payments - Personal Service | 250,566             | 250,566      | 0               | 250,566        | 204,062      | 46,504          |
| Operating maintenance and repair  | 138,243             | 138,238      | 5               | 0              | 0            | 0               |
| Total Division of Youth Services - Federal and Other  | 21,342,094          | 17,984,510   | 3,357,584       | 6,623,154      | 5,958,944    | 664,210         |
| <b>HEALTH INITIATIVES FUND</b>  |                     |              |                 |                |              |                 |
| Treatment services including foster care and contractual payments - Personal Service  | 96,082              | 87,441       | 8,641           | 91,980         | 35,509       | 56,471          |
| Treatment services including foster care and contractual payments - Expense and Equipment   | 10,135              | 9,184        | 951             | 20,585         | 15,703       | 4,882           |
| Total Health Initiatives Fund   | 106,217             | 96,625       | 9,592           | 112,565        | 51,212       | 61,353          |
| <b>GAMING COMMISSION FUND</b>   |                     |              |                 |                |              |                 |
| Incentive payments to counties for community-based treatment programs for youth   | 500,000             | 479,388      | 20,612          | 500,000        | 500,000      | 0               |
| Total Gaming Commission Fund  | 500,000             | 479,388      | 20,612          | 500,000        | 500,000      | 0               |
| <b>DEPARTMENT OF SOCIAL SERVICES EDUCATIONAL IMPROVEMENT FUND</b>   |                     |              |                 |                |              |                 |
| Treatment services including foster care and contractual payments - Personal Service  | 1,516,661           | 1,516,602    | 59              | 1,307,957      | 1,184,906    | 123,051         |
| Treatment services including foster care and contractual payments - Expense and Equipment   | 627,719             | 557,313      | 70,406          | 938,192        | 926,350      | 11,842          |
| Total Department of Social Services Educational Improvement Fund  | 2,144,380           | 2,073,915    | 70,465          | 2,246,149      | 2,111,256    | 134,893         |
| Total All Funds   | \$ 60,206,139       | 52,021,929   | 8,184,210       | 48,781,583     | 44,858,746   | 3,922,837       |



Appendix B

DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF YOUTH SERVICES  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30, |            |            |            |            |
|--|---------------------|------------|------------|------------|------------|
|  | 1999                | 1998       | 1997       | 1996       | 1995       |
| Personal services                            | \$ 31,946,291       | 26,657,603 | 23,139,000 | 19,910,119 | 18,444,106 |
| Capital improvements                         | 9,266               | 0          | 87,105     | 52,071     | 362,336    |
| Program specific                             | 6,537,945           | 6,345,889  | 3,964,865  | 2,469,311  | 708,405    |
| Travel and vehicle expense                   | 1,388,015           | 1,243,547  | 798,582    | 634,116    | 585,951    |
| Transportation equipment purchases           | 315,432             | 756,883    | 446,051    | 265,435    | 586,643    |
| Office expense                               | 417,017             | 344,768    | 340,429    | 230,675    | 233,067    |
| Office and communication equipment purchases | 759,742             | 381,018    | 479,016    | 265,436    | 337,207    |
| Communication expense                        | 529,434             | 450,368    | 413,641    | 345,840    | 322,804    |
| Institution and physical plant expense       | 3,687,738           | 3,346,617  | 2,739,523  | 2,405,101  | 2,414,916  |
| Institution and physical plant purchases     | 1,102,958           | 647,423    | 660,165    | 361,144    | 396,527    |
| Data processing expense and equipment        | 701,462             | 738,135    | 394,687    | 196,748    | 296,017    |
| Professional services                        | 4,163,245           | 3,613,201  | 5,747,051  | 3,389,160  | 1,577,636  |
| Other expense                                | 463,384             | 333,294    | 303,797    | 267,284    | 251,721    |
| Total Expenditures                           | \$ 52,021,929       | 44,858,746 | 39,513,912 | 30,792,440 | 26,517,336 |

\* \* \* \* \*



REVIEW OF INDEPENDENT AUDITS OF  
FIRE PROTECTION DISTRICTS  
IN ST. LOUIS COUNTY

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-20  
March 27, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2000

**The annual review of audits of fire protection districts in St. Louis County has been completed. This review covered reports for the year ended December 31, 1998.**

The State Auditor accepted all of the required reports that were received for the year ended December 31, 1998.

For 1998, sixteen of twenty-two districts had increases in their General Fund balances. The aggregate General Fund balance of all districts increased by eight percent in 1998. Since 1991, the General Fund balances of fire districts overall have increased between eight and fifteen percent annually.

The following chart shows recent years' aggregate information.

| General Fund |               |              |               |
|--------------|---------------|--------------|---------------|
|              | Total         | Total        | Total         |
|              | Revenues      | Expenditures | Fund Balances |
| 1991         | \$ 48,915,503 | 44,395,868   | 52,480,031    |
| 1992         | 52,295,317    | 47,537,634   | 57,237,714    |
| 1993         | 53,989,806    | 48,373,722   | 62,853,798    |
| 1994         | 57,135,381    | 51,965,982   | 68,023,197    |
| 1995         | 61,991,961    | 54,654,061   | 75,361,097    |
| 1996         | 68,187,085    | 57,186,465   | 86,361,717    |
| 1997         | 69,942,182    | 62,514,665   | 93,789,234    |
| 1998         | 74,548,435    | 66,937,792   | 101,399,877   |

In previous reviews it was noted that several districts had large General Fund balances in relation to expenditures. Ten districts reserved a portion of their 1998 fund balance for new firehouses, additional equipment, future years' operations and other uses. The following chart shows the total fund balance to General Fund expenditures ratio as well as the ratio of unreserved fund balance to expenditures ratio.

(over)

Ratio of Fund Balance to General Expenditures

Total      Unreserved

| <u>Fire District</u>          | <u>Fund Balance</u> | <u>Fund Balance</u> |
|-------------------------------|---------------------|---------------------|
| Affton                        | 1.41                | 1.21                |
| Black Jack                    | 1.08                | 1.08                |
| Chesterfield                  | 1.68                | 1.68                |
| Community                     | 0.98                | 0.13                |
| Creve Coeur                   | 3.07                | 1.49                |
| Eureka                        | 0.58                | 0.58                |
| Fenton                        | 1.62                | 1.03                |
| Florissant Valley             | 1.25                | 1.25                |
| Lemay                         | 0.51                | 0.51                |
| Maryland Heights              | 2.52                | 2.49                |
| Mehlville                     | 1.60                | 1.16                |
| Metro West                    | 1.19                | 0.17                |
| Mid-County                    | 0.97                | 0.97                |
| Moline                        | 0.94                | 0.94                |
| Normandy                      | 1.60                | 1.18                |
| Pattonville/Bridgeton Terrace | 0.78                | 0.78                |
| Riverview                     | 1.30                | 0.26                |
| Robertson                     | 2.19                | 2.19                |
| Spanish Lake                  | 1.05                | 1.05                |
| Valley Park                   | 1.08                | 1.08                |
| West County EMS               | 1.72                | 0.48                |
| West Overland                 | 1.19                | 1.19                |

Since property tax is the main source of revenue, and is received at the end of each year, districts need larger fund balances to provide an adequate cash flow. For those that have reserved a portion of their fund balance, the ratios have decreased; however, thirteen districts still have unreserved fund balances greater than one year's cost of operations. In addition, two districts have cash balances at year end that exceed total expenditures for the year. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

The Ambulance Fund in several districts had significant fund balances compared to expenditures. Ambulance Fund balances in total have increased by 18 percent over the past two years. Of the 18 districts with Ambulance Funds, ten had fund balance to expenditure ratios greater than 1.00. In addition to property tax revenues and interest, many districts collect ambulance fees or contract services fees. Approximately eight percent of total revenues in the Ambulance funds come from these fees.

Dispatching Fund balances in total have increased by 30 percent over the past two years. Of the 22 districts with Dispatch Funds, five had fund balance to expenditure ratios greater than 1.00 and three had ratios greater than 1.50. All of the districts contract dispatching services; however, some do purchase equipment from this fund.

# REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY

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REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN ST. LOUIS COUNTY

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly  
and  
Boards of Directors of Fire Protection  
Districts in St. Louis County

We have conducted a special review of independent audits of the fire protection districts in St. Louis County as required by Section 321.690, RSMo Cumulative Supp. 1999. The purposes of this review were to:

1. Evaluate the impact of statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in St. Louis County.
2. Assess the degree of compliance by these districts with statutory audit requirements and the State Auditor's regulations.
3. Bring to the attention of the various fire districts and independent auditors any specifically identifiable reporting deficiencies which should be taken into consideration and corrected in future audit reports.
4. Summarize and evaluate the financial data presented for the various fire districts.
5. Summarize and review the comments for improvement made by the independent auditors for the various districts.

Section 321.690, RSMo Cumulative Supp. 1999, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all of the required reports that were received for the year ended December 31, 1998.

During our review, we considered Section 321.690, RSMo Cumulative Supp. 1999, and 15 CSR 40-4 (which are presented in Appendices B and C), and audit reports submitted to the State Auditor by the various fire districts for the year ended December 31, 1998. In addition, financial data for the year ended December 31, 1997, has been presented for comparative purposes. Because some data presented in the schedules and appendices was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures, we express no opinion on the schedules and appendices.

Our review was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Some problems were noted in our review of the fire protection district's audit reports and the compliance deficiencies are summarized on Schedule 10. The problems noted included, the failure to submit complete reports with management letters to the State Auditor's office (SAO) by the date required, the failure to submit engagement letters to the SAO, the failure to include some needed compliance recommendations in the management letters, and the lack of complete and adequate footnote disclosures.

To better determine the quality of the fire district audits, we reviewed the supporting working papers of various independent auditors' reports for the year ended December 31, 1998. The information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters. Generally Accepted Governmental Auditing Standards (GAGAS) require that a written record of the auditor's work be retained. However, some auditors' working papers need to be improved.

For 1998, sixteen of twenty-two districts had increases in their General Fund balances. The aggregate General Fund balance of all districts increased by eight percent in 1998. Since 1991, the General Fund balances of fire districts overall have increased between eight percent and fifteen percent annually.

The following chart shows recent years' aggregate information.



|      |    | General Fund      |                       |                        |
|------|----|-------------------|-----------------------|------------------------|
|      |    | Total<br>Revenues | Total<br>Expenditures | Total<br>Fund Balances |
| 1991 | \$ | 48,915,503        | 44,395,868            | 52,480,031             |
| 1992 |    | 52,295,317        | 47,537,634            | 57,237,714             |
| 1993 |    | 53,989,806        | 48,373,722            | 62,853,798             |
| 1994 |    | 57,135,381        | 51,965,982            | 68,023,197             |
| 1995 |    | 61,991,961        | 54,654,061            | 75,361,097             |
| 1996 |    | 68,187,085        | 57,186,465            | 86,361,717             |
| 1997 |    | 69,942,182        | 62,514,665            | 93,789,234             |
| 1998 |    | 74,548,435        | 66,937,792            | 101,399,877            |

In previous reviews it was noted that several districts had large General Fund balances in relation to expenditures. Ten districts reserved a portion of their 1998 fund balance for new firehouses, additional equipment, future years' operations and other uses. The following chart shows the total fund balance to General fund expenditures ratio as well as the ratio of unreserved fund balance to expenditures ratio.

### Ratio of Fund Balance to General Expenditures

| Fire District                 | Total<br>Fund Balance | Unreserved<br>Fund Balance |
|-------------------------------|-----------------------|----------------------------|
| Affton                        | 1.41                  | 1.21                       |
| Black Jack                    | 1.08                  | 1.08                       |
| Chesterfield                  | 1.68                  | 1.68                       |
| Community                     | 0.98                  | 0.13                       |
| Creve Coeur                   | 3.07                  | 1.49                       |
| Eureka                        | 0.58                  | 0.58                       |
| Fenton                        | 1.62                  | 1.03                       |
| Florissant Valley             | 1.25                  | 1.25                       |
| Lemay                         | 0.51                  | 0.51                       |
| Maryland Heights              | 2.52                  | 2.49                       |
| Mehlville                     | 1.60                  | 1.16                       |
| Metro West                    | 1.19                  | 0.17                       |
| Mid-County                    | 0.97                  | 0.97                       |
| Moline                        | 0.94                  | 0.94                       |
| Normandy                      | 1.60                  | 1.18                       |
| Pattonville/Bridgeton Terrace | 0.78                  | 0.78                       |
| Riverview                     | 1.30                  | 0.26                       |
| Robertson                     | 2.19                  | 2.19                       |
| Spanish Lake                  | 1.05                  | 1.05                       |
| Valley Park                   | 1.08                  | 1.08                       |
| West County EMS               | 1.72                  | 0.48                       |
| West Overland                 | 1.19                  | 1.19                       |

Since property tax is the main source of revenue, and is received at the end of each year, districts need larger fund balances to provide an adequate cash flow. For those that have reserved a portion of their fund balance, the ratios have decreased; however, thirteen districts still have unreserved fund balances greater than one year's cost of operations. In addition, two districts have cash balances at year end that exceed total expenditures for the year. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

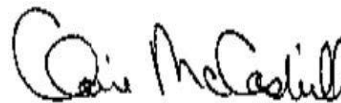
The Ambulance Fund in several districts had significant fund balances compared to expenditures as shown on Schedule 2. Ambulance Fund balances in total have increased by 18 percent over the past two years. Of the 18 districts with Ambulance Funds, ten had fund balance to expenditure ratios greater than 1.00. In addition to property tax revenues and interest, many districts collect ambulance fees or contract services fees. Approximately eight percent of total revenues in the Ambulance Funds come from these fees.

Dispatching Fund balances in total have increased by 30 percent over the past two years. Of the 22 districts with Dispatch Funds, five had fund balance to expenditure ratios greater than 1.00 and three

had ratios greater than 1.50. All of the districts contract dispatching services; however, some do purchase equipment from this fund.

As shown in Appendix A, independent auditors made specific recommendations to improve the overall management of fire districts. Recommendations included concerns regarding segregation of duties, receipts and purchasing procedures, various accounting records, investments, fixed assets, payroll, accounting software, pledged securities, year 2000 issues, insurance, unclaimed property and other various policies and procedures. In addition, recommendations were made concerning budgets and pension plans. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

The State Auditor's office has performed reviews of fire protection districts' annual reports for several years and many improvements have been noted. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. We solicit from the readers of this report any suggestions for changes or requests for other new information which may be of benefit to those involved with St. Louis County fire protection districts.



Claire C. McCaskill  
State Auditor

November 30, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Alice Fast, CPA, CIA  |
| Audit Staff:        | Monique Williams      |

## SCHEDULES

## Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -  
 GENERAL FUNDS

| District                      | Year Ended December 31,   |                   |                   |                        |                         |                   |                   |                        |
|-------------------------------|---------------------------|-------------------|-------------------|------------------------|-------------------------|-------------------|-------------------|------------------------|
|                               | 1997                      |                   |                   |                        | 1998                    |                   |                   |                        |
|                               | Beginning<br>Fund Balance | Revenues          | Expenditures      | Ending Fund<br>Balance | Adjustments<br>(Note 2) | Revenues          | Expenditures      | Ending Fund<br>Balance |
| Affton                        | \$ 2,697,740              | 2,397,840         | 2,570,238         | 2,525,342              | 0                       | 2,361,227         | 2,025,925         | 2,860,644              |
| Black Jack                    | 3,011,342                 | 2,928,886         | 2,906,335         | 3,033,893              | 0                       | 3,139,934         | 2,970,241         | 3,203,586              |
| Chesterfield                  | 6,108,056                 | 6,720,387         | 5,036,257         | 7,792,186              | 0                       | 6,919,189         | 5,482,635         | 9,228,740              |
| Community                     | 3,802,974                 | 3,155,978         | 3,145,878         | 3,813,074              | 0                       | 3,383,051         | 3,628,658         | 3,567,467              |
| Creve Coeur                   | 14,159,744                | 5,947,138         | 4,473,856         | 15,633,026             | 0                       | 6,648,474         | 5,478,461         | 16,803,039             |
| Eureka                        | 585,540                   | 1,174,786         | 1,087,990         | 672,336                | 0                       | 1,399,174         | 1,311,556         | 759,954                |
| Fenton                        | 3,499,283                 | 3,133,330         | 2,667,526         | 3,965,087              | 0                       | 3,332,970         | 2,784,197         | 4,513,860              |
| Florissant Valley             | 4,446,638                 | 3,357,049         | 3,007,518         | 4,796,169              | -400,472                | 3,814,149         | 3,642,615         | 4,567,231              |
| Lemay                         | 615,800                   | 1,350,541         | 1,205,590         | 760,751                | 0                       | 1,334,127         | 1,388,255         | 706,623                |
| Maryland Heights              | 7,714,688                 | 4,081,131         | 4,041,172         | 7,754,647              | 0                       | 5,067,764         | 3,645,591         | 9,176,820              |
| Mehlville                     | 10,717,661                | 9,080,150         | 8,251,300         | 11,546,511             | 0                       | 9,846,233         | 8,226,687         | 13,166,057             |
| Metro West                    | 5,903,764                 | 6,218,134         | 5,183,332         | 6,938,566              | 0                       | 6,482,843         | 6,137,379         | 7,284,030              |
| Mid-County                    | 1,507,534                 | 1,791,686         | 1,796,594         | 1,502,626              | 0                       | 1,638,300         | 1,591,097         | 1,549,829              |
| Moline                        | 1,039,418                 | 1,259,336         | 1,171,283         | 1,127,471              | 0                       | 1,269,969         | 1,237,897         | 1,159,543              |
| Normandy                      | 2,094,273                 | 1,619,822         | 1,489,086         | 2,225,009              | 0                       | 1,669,204         | 1,495,794         | 2,398,419              |
| Pattonville/Bridgeton Terrace | 3,802,767                 | 4,097,343         | 3,735,222         | 4,164,888              | 0                       | 4,089,143         | 4,631,171         | 3,622,860              |
| Riverview                     | 1,697,748                 | 1,493,820         | 1,401,630         | 1,789,938              | 0                       | 1,510,038         | 1,434,132         | 1,865,844              |
| Robertson                     | 2,772,010                 | 2,348,351         | 2,050,280         | 3,070,081              | 0                       | 2,675,702         | 1,802,693         | 3,943,090              |
| Spanish Lake                  | 1,817,626                 | 1,783,912         | 1,616,444         | 1,985,094              | 0                       | 1,891,332         | 1,895,249         | 1,981,177              |
| Valley Park                   | 1,422,231                 | 1,021,948         | 911,867           | 1,532,312              | 0                       | 1,070,352         | 1,251,198         | 1,351,466              |
| West County EMS               | 5,340,931                 | 3,759,453         | 3,475,884         | 5,624,500              | 0                       | 4,088,825         | 3,572,889         | 6,140,436              |
| West Overland                 | 1,603,949                 | 1,221,161         | 1,289,383         | 1,535,727              | 0                       | 1,316,907         | 1,303,472         | 1,549,162              |
| Total                         | \$ <u>86,361,717</u>      | <u>69,942,182</u> | <u>62,514,665</u> | <u>93,789,234</u>      | <u>-400,472</u>         | <u>74,948,907</u> | <u>66,937,792</u> | <u>101,399,877</u>     |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -  
 SPECIAL REVENUE FUND - AMBULANCE

| District                      | Year Ended December 31,   |            |              |                        |                         |            |              |                        |
|-------------------------------|---------------------------|------------|--------------|------------------------|-------------------------|------------|--------------|------------------------|
|                               | 1997                      |            |              |                        | 1998                    |            |              |                        |
|                               | Beginning<br>Fund Balance | Revenues   | Expenditures | Ending Fund<br>Balance | Adjustments<br>(Note 2) | Revenues   | Expenditures | Ending Fund<br>Balance |
| Affton                        | \$ 274,805                | 1,004,117  | 568,815      | 710,107                | 0                       | 739,347    | 703,235      | 746,219                |
| Black Jack                    | 0                         | 0          | 0            | 0                      | 0                       | 0          | 0            | 0                      |
| Chesterfield                  | 3,741,353                 | 3,702,725  | 3,141,433    | 4,302,645              | 0                       | 4,032,934  | 3,319,863    | 5,015,716              |
| Community                     | 1,000,963                 | 1,020,895  | 1,039,461    | 982,397                | 0                       | 1,092,876  | 1,060,202    | 1,015,071              |
| Creve Coeur                   | 189,198                   | 2,447,065  | 2,636,263    | 0                      | 0                       | 2,034,365  | 1,729,955    | 304,410                |
| Eureka                        | 714,124                   | 614,708    | 594,597      | 734,235                | 0                       | 710,663    | 650,492      | 794,406                |
| Fenton                        | 2,261,539                 | 1,878,460  | 1,551,799    | 2,588,200              | 0                       | 1,978,234  | 1,836,248    | 2,730,186              |
| Florissant Valley             | 402,165                   | 254,521    | 209,402      | 447,284                | -27,882                 | 277,007    | 323,169      | 373,240                |
| Lemay                         | 175,915                   | 585,548    | 396,631      | 364,832                | 0                       | 473,417    | 427,497      | 410,752                |
| Maryland Heights              | -763,477                  | 561,502    | 762,401      | -964,376               | 0                       | 907,326    | 809,444      | -866,494               |
| Mehlville                     | 3,514,616                 | 3,114,343  | 2,992,915    | 3,636,044              | 0                       | 3,278,693  | 3,040,711    | 3,874,026              |
| Metro West                    | 2,833,386                 | 3,161,341  | 2,993,093    | 3,001,634              | 0                       | 3,188,592  | 3,014,170    | 3,176,056              |
| Mid-County                    | 125,311                   | 219,589    | 226,707      | 118,193                | 0                       | 221,337    | 275,500      | 64,030                 |
| Moline                        | 0                         | 0          | 0            | 0                      | 0                       | 0          | 0            | 0                      |
| Normandy                      | 515,526                   | 449,998    | 508,008      | 457,516                | 0                       | 460,146    | 450,566      | 467,096                |
| Pattonville/Bridgeton Terrace | 1,183,532                 | 1,224,747  | 1,315,439    | 1,092,840              | 0                       | 1,500,866  | 1,513,679    | 1,080,027              |
| Riverview                     | 0                         | 0          | 0            | 0                      | 0                       | 0          | 0            | 0                      |
| Robertson                     | 296,302                   | 660,848    | 745,498      | 211,652                | 0                       | 803,705    | 930,481      | 84,876                 |
| Spanish Lake                  | 0                         | 0          | 0            | 0                      | 0                       | 0          | 0            | 0                      |
| Valley Park                   | 452,005                   | 466,646    | 435,607      | 483,044                | 0                       | 480,711    | 473,190      | 490,565                |
| West County EMS               | 1,552,544                 | 1,649,513  | 1,413,975    | 1,788,082              | 0                       | 1,745,602  | 1,398,445    | 2,135,239              |
| West Overland                 | 310,387                   | 423,620    | 383,875      | 350,132                | 0                       | 451,081    | 426,355      | 374,858                |
| Total                         | \$ 18,780,194             | 23,440,186 | 21,915,919   | 20,304,461             | -27,882                 | 24,376,902 | 22,383,202   | 22,270,279             |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -  
 SPECIAL REVENUE FUND - DISPATCHING

| District                      | Year Ended December 31,   |                  |                  |                        |                         |                  |                  |                        |  |
|-------------------------------|---------------------------|------------------|------------------|------------------------|-------------------------|------------------|------------------|------------------------|--|
|                               | 1997                      |                  |                  |                        | 1998                    |                  |                  |                        |  |
|                               | Beginning<br>Fund Balance | Revenues         | Expenditures     | Ending Fund<br>Balance | Adjustments<br>(Note 2) | Revenues         | Expenditures     | Ending Fund<br>Balance |  |
| Afton                         | \$ -138,007               | 325,765          | 71,807           | 115,951                | 0                       | 107,793          | 101,585          | 122,159                |  |
| Black Jack                    | 76,274                    | 126,692          | 122,858          | 80,108                 | 0                       | 225,963          | 195,720          | 110,351                |  |
| Chesterfield                  | 376,198                   | 332,939          | 290,248          | 418,889                | 0                       | 365,110          | 351,391          | 432,608                |  |
| Community                     | 110                       | 120,803          | 120,903          | 10                     | 0                       | 127,053          | 127,053          | 10                     |  |
| Creve Coeur                   | 0                         | 252,861          | 252,861          | 0                      | 0                       | 276,272          | 276,272          | 0                      |  |
| Eureka                        | 0                         | 42,373           | 42,373           | 0                      | 0                       | 52,098           | 52,098           | 0                      |  |
| Fenton                        | 533,523                   | 251,864          | 172,698          | 612,689                | 0                       | 269,021          | 216,574          | 665,136                |  |
| Florissant Valley             | 225,709                   | 125,521          | 111,878          | 239,352                | -4,401                  | 129,858          | 122,912          | 241,897                |  |
| Lemay                         | 106,311                   | 27,660           | 38,267           | 95,704                 | 0                       | 28,801           | 79,799           | 44,706                 |  |
| Maryland Heights              | 0                         | 144,539          | 144,539          | 0                      | 0                       | 184,652          | 184,652          | 0                      |  |
| Mehlville                     | 582,808                   | 469,537          | 363,121          | 689,224                | 0                       | 496,527          | 411,397          | 774,354                |  |
| Metro West                    | 208,548                   | 301,718          | 276,856          | 233,410                | 0                       | 314,606          | 312,081          | 235,935                |  |
| Mid-County                    | 0                         | 43,625           | 43,625           | 0                      | 0                       | 56,481           | 56,481           | 0                      |  |
| Moline                        | 0                         | 30,300           | 30,300           | 0                      | 0                       | 30,340           | 30,339           | 1                      |  |
| Normandy                      | 0                         | 60,875           | 60,875           | 0                      | 0                       | 62,317           | 62,317           | 0                      |  |
| Pattonville/Bridgeton Terrace | 6,045                     | 132,439          | 132,944          | 5,540                  | 0                       | 196,460          | 187,087          | 14,913                 |  |
| Riverview                     | 0                         | 44,649           | 44,649           | 0                      | 0                       | 47,007           | 47,007           | 0                      |  |
| Robertson                     | 0                         | 102,303          | 102,303          | 0                      | 0                       | 127,882          | 127,882          | 0                      |  |
| Spanish Lake                  | 27,685                    | 52,364           | 40,947           | 39,102                 | 0                       | 56,913           | 51,876           | 44,139                 |  |
| Valley Park                   | 39,656                    | 44,797           | 42,149           | 42,304                 | 0                       | 46,652           | 48,836           | 40,120                 |  |
| West County EMS               | 132,837                   | 108,850          | 138,578          | 103,109                | 0                       | 153,764          | 155,893          | 100,980                |  |
| West Overland                 | 59                        | 62,628           | 62,628           | 59                     | 0                       | 65,516           | 65,516           | 59                     |  |
| Total                         | \$ <u>2,177,756</u>       | <u>3,205,102</u> | <u>2,707,407</u> | <u>2,675,451</u>       | <u>-4,401</u>           | <u>3,421,086</u> | <u>3,264,768</u> | <u>2,827,368</u>       |  |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE SCHEDULE OF ADDITIONS, DEDUCTIONS, AND FUND BALANCE -  
 FIDUCIARY FUNDS (PENSION FUND)

| District                      | Year Ended December 31,   |            |            |                        |                         |            |            |                        |  |
|-------------------------------|---------------------------|------------|------------|------------------------|-------------------------|------------|------------|------------------------|--|
|                               | 1997                      |            |            |                        | 1998                    |            |            |                        |  |
|                               | Beginning<br>Fund Balance | Additions  | Deductions | Ending Fund<br>Balance | Adjustments<br>(Note 2) | Additions  | Deductions | Ending Fund<br>Balance |  |
| Aftton                        | \$ 3,872,753              | 1,639,140  | 23,419     | 5,488,474              | 0                       | 713,372    | 140,674    | 6,061,172              |  |
| Black Jack                    | 2,974,192                 | 560,915    | 673,272    | 2,861,835              | 0                       | 647,796    | 33,286     | 3,476,345              |  |
| Chesterfield                  | 18,292,615                | 5,793,233  | 2,779,300  | 21,306,548             | -2,448,215              | 2,530,943  | 817,594    | 20,571,682             |  |
| Community                     | 5,195,374                 | 1,102,902  | 9,386      | 6,288,890              | 0                       | 943,319    | 797,241    | 6,434,968              |  |
| Creve Coeur                   | 11,900,948                | 2,813,229  | 767,774    | 13,946,403             | 0                       | 3,871,067  | 791,903    | 17,025,567             |  |
| Eureka                        | 1,515,522                 | 248,593    | 16,815     | 1,747,300              | 0                       | 300,022    | 33,245     | 2,014,077              |  |
| Fenton                        | 10,736,364                | 2,695,144  | 931,249    | 12,500,259             | 1,017,796               | 2,048,417  | 1,437,821  | 14,128,651             |  |
| Florissant Valley             | 3,018,953                 | 891,385    | 617,698    | 3,292,640              | 122,080                 | 979,413    | 108,640    | 4,285,493              |  |
| Lemay                         | 311,367                   | 150,220    | 326,853    | 134,734                | 0                       | 134,081    | 137,730    | 131,085                |  |
| Maryland Heights              | 6,226,326                 | 1,014,035  | 616,722    | 6,623,639              | 0                       | 1,732,519  | 131,914    | 8,224,244              |  |
| Mehlville                     | 27,648,234                | 5,024,940  | 1,465,016  | 31,208,158             | 0                       | 4,089,598  | 2,318,774  | 32,978,982             |  |
| Metro West                    | 8,666,520                 | 3,367,230  | 1,335,805  | 10,697,945             | -346,749                | 4,178,599  | 1,379,258  | 13,150,537             |  |
| Mid-County                    | 1,471,376                 | 272,589    | 263,936    | 1,480,029              | 0                       | 298,824    | 209,837    | 1,569,016              |  |
| Moline                        | 2,348,765                 | 369,819    | 272,373    | 2,446,211              | 0                       | 403,171    | 11,211     | 2,838,171              |  |
| Normandy                      | 1,136,314                 | 484,262    | 224,857    | 1,395,719              | 0                       | 323,880    | 56,544     | 1,663,055              |  |
| Pattonville/Bridgeton Terrace | 6,790,902                 | 1,541,785  | 864,725    | 7,467,962              | 0                       | 1,406,285  | 757,860    | 8,116,387              |  |
| Riverview                     | 1,903,000                 | 395,879    | 284,616    | 2,014,263              | 0                       | 248,743    | 26,881     | 2,236,125              |  |
| Robertson                     | 2,905,948                 | 836,858    | 577,815    | 3,164,991              | 360,444                 | 944,526    | 20,321     | 4,449,640              |  |
| Spanish Lake                  | 2,985,462                 | 639,970    | 16,737     | 3,608,695              | 0                       | 695,054    | 11,074     | 4,292,675              |  |
| Valley Park                   | 1,044,201                 | 193,698    | 1,651      | 1,236,248              | 0                       | 232,502    | 92,616     | 1,376,134              |  |
| West County EMS               | 9,860,905                 | 2,475,369  | 79,132     | 12,257,142             | 0                       | 1,782,401  | 12,435,129 | 1,604,414              |  |
| West Overland                 | 3,120,454                 | 1,409,327  | 482,218    | 4,047,563              | 0                       | 914,273    | 135,014    | 4,826,822              |  |
| Total                         | \$ 133,926,495            | 33,920,522 | 12,631,369 | 155,215,648            | -1,294,644              | 29,418,805 | 21,884,567 | 161,455,242            |  |

The accompanying Notes to the Schedules are an integral part of this schedule.



## Schedule 5

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 COMPARATIVE 'SCHEDULE OF REVENUES, EXPENSES, AND FUND BALANCE -  
 CAPITAL PROJECT FUNDS

| District                      | Year Ended December 31,   |                  |                  |                        |                  |                  |                        |   |
|-------------------------------|---------------------------|------------------|------------------|------------------------|------------------|------------------|------------------------|---|
|                               | 1997                      |                  |                  |                        | 1998             |                  |                        |   |
|                               | Beginning<br>Fund Balance | Revenues         | Expenses         | Ending Fund<br>Balance | Revenues         | Expenses         | Ending Fund<br>Balance |   |
| Affton                        | \$ 0                      | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Black Jack                    | 171,359                   | 140,557          | 0                | 311,916                | 14,753           | 16,964           | 309,705                |   |
| Chesterfield                  | 849,030                   | 256,402          | 1,069,683        | 35,749                 | 9,427            | 10,820           | 34,356                 |   |
| Community                     | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Creve Coeur                   | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Eureka                        | 349,893                   | 395,665          | 411,708          | 333,850                | 307,365          | 267,423          | 373,792                |   |
| Fenton                        | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Florissant Valley             | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Lemay                         | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Maryland Heights              | 388,358                   | 1,685            | 455,416          | -65,373                | 0                | 1                | -65,374                |   |
| Mehlville                     | 1,189,031                 | 63,358           | 195,925          | 1,056,464              | 134,416          | 919,401          | 271,479                |   |
| Metro West                    | 1,615,878                 | 1,965,841        | 2,068,119        | 1,513,600              | 2,030,890        | 2,479,421        | 1,065,069              |   |
| Mid-County                    | 145,397                   | 1,599            | 146,996          | 0                      | 0                | 0                | 0                      | 0 |
| Moline                        | 109,019                   | 2,230            | 14,490           | 96,759                 | 1,715            | 36,633           | 61,841                 |   |
| Normandy                      | 13,595                    | 0                | 0                | 13,595                 | 0                | 0                | 13,595                 |   |
| Pattonville/Bridgeton Terrace | -277,473                  | 277,473          | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Riverview                     | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Robertson                     | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Spanish Lake                  | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Valley Park                   | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| West County EMS               | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| West Overland                 | 0                         | 0                | 0                | 0                      | 0                | 0                | 0                      | 0 |
| Total                         | \$ <u>4,554,087</u>       | <u>3,104,810</u> | <u>4,362,337</u> | <u>3,296,560</u>       | <u>2,498,566</u> | <u>3,730,663</u> | <u>2,064,463</u>       |   |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 6

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 SCHEDULE OF BOND OBLIGATIONS (NOTE 3)  
 YEAR ENDED DECEMBER 31, 1998

|                               | Fund Balance<br>December 31,<br>1997 | Revenues         | Expenditures<br>and<br>Transfers Out | Fund Balance<br>December 31,<br>1998 | 1998<br>Obligations | Outstanding<br>Bonds at<br>December 31,<br>1998 |
|-------------------------------|--------------------------------------|------------------|--------------------------------------|--------------------------------------|---------------------|---|
| Affton                        | \$ 0                                 | 0                | 0                                    | 0                                    | 0                   | 0   |
| Black Jack                    | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Chesterfield                  | 731,691                              | 483,921          | 424,327                              | 791,285                              | 265,000             | 3,265,000                                       |
| Community                     | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Creve Coeur                   | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Eureka                        | 336,113                              | 200,819          | 181,393                              | 355,539                              | 170,738             | 325,000   |
| Fenton                        | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Florissant Valley             | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Lemay                         | 234,551                              | 185,315          | 147,615                              | 272,251                              | 151,996             | 980,000   |
| Maryland Heights              | 429,990                              | 335,725          | 267,102                              | 498,613                              | 267,645             | 1,000,000                                       |
| Mehlville                     | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Metro West                    | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Mid-County                    | 154,015                              | 13,350           | 81,049                               | 86,316                               | 73,500              | 70,000  |
| Moline                        | 105,853                              | 72,046           | 64,224                               | 113,675                              | 67,520              | 230,000   |
| Normandy                      | 128,497                              | 50,893           | 72,609                               | 106,781                              | 68,250              | 350,000   |
| Pattonville/Bridgeton Terrace | 858,522                              | 382,179          | 1,085,826                            | 154,875                              | 84,925              | 675,000   |
| Riverview                     | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Robertson                     | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Spanish Lake                  | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Valley Park                   | 117,396                              | 65,537           | 67,909                               | 115,024                              | 66,248              | 505,000   |
| West County EMS               | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| West Overland                 | 0                                    | 0                | 0                                    | 0                                    | 0                   | 0   |
| Total                         | \$ <u>3,096,628</u>                  | <u>1,789,785</u> | <u>2,392,054</u>                     | <u>2,494,359</u>                     | <u>1,215,822</u>    | <u>7,400,000</u>                                |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 7

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
SCHEDULE OF GENERAL FIXED ASSETS

| District                      | December 31, 1998        |                               |                   | December 31,<br>1997 |
|-------------------------------|--------------------------|-------------------------------|-------------------|----------------------|
|                               | Land<br>and<br>Buildings | Furniture<br>and<br>Equipment | Total             | Total                |
| Affton                        | \$ 402,099               | 1,359,251                     | 1,761,350         | 1,592,681            |
| Black Jack                    | 741,299                  | 1,374,142                     | 2,115,441         | 2,007,749            |
| Chesterfield                  | 9,433,124                | 3,710,117                     | 13,143,241        | 13,317,745           |
| Community                     | 268,886                  | 1,368,176                     | 1,637,062         | 1,464,643            |
| Creve Coeur                   | 2,624,200                | 3,306,814                     | 5,931,014         | 5,683,287            |
| Eureka                        | 1,460,113                | 1,527,803                     | 2,987,916         | 2,651,271            |
| Fenton                        | 1,993,795                | 2,279,019                     | 4,272,814         | 3,800,958            |
| Florissant Valley             | 1,295,643                | 1,335,359                     | 2,631,002         | 2,058,074            |
| Lemay                         | 1,776,720                | 909,358                       | 2,686,078         | 2,586,973            |
| Maryland Heights              | 3,490,496                | 2,586,682                     | 6,077,178         | 5,705,213            |
| Mehlville                     | 4,824,491                | 5,963,224                     | 10,787,715        | 9,930,838            |
| Metro West                    | 7,448,234                | 6,078,350                     | 13,526,584        | 11,088,191           |
| Mid-County                    | 759,220                  | 917,894                       | 1,677,114         | 1,659,669            |
| Moline                        | 181,912                  | 637,081                       | 818,993           | 782,490              |
| Normandy                      | 763,813                  | 988,028                       | 1,751,841         | 1,713,318            |
| Pattonville/Bridgeton Terrace | 3,395,424                | 2,224,682                     | 5,620,106         | 5,242,045            |
| Riverview                     | 1,110,880                | 718,693                       | 1,829,573         | 1,780,161            |
| Robertson                     | 1,396,943                | 1,500,610                     | 2,897,553         | 2,695,177            |
| Spanish Lake                  | 572,176                  | 768,423                       | 1,340,599         | 1,062,244            |
| Valley Park                   | 1,084,253                | 1,206,510                     | 2,290,763         | 2,013,054            |
| West County EMS               | 1,603,944                | 2,511,244                     | 4,115,188         | 4,092,569            |
| West Overland                 | 220,944                  | 971,697                       | 1,192,641         | 1,189,364            |
| Total                         | \$ <u>46,848,609</u>     | <u>44,243,157</u>             | <u>91,091,766</u> | <u>84,117,714</u>    |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 8

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
 SCHEDULE OF ASSESSED VALUATION AND TAX LEVIES  
 YEARS ENDED DECEMBER 31, 1998 AND 1997

| District                      | Tax Levy Per \$100 of Assessed Valuation |               |       |      |         |      |         |      |             |      |           |      |              |      |
|-------------------------------|--|---------------|-------|------|---------|------|---------|------|-------------|------|-----------|------|--------------|------|
|                               |  |               | Total |      | General |      | Pension |      | Dispatching |      | Ambulance |      | Debt Service |      |
|                               | 1998                                     | 1997          | 1998  | 1997 | 1998    | 1997 | 1998    | 1997 | 1998        | 1997 | 1998      | 1997 | 1998         | 1997 |
| Affton                        | \$ 325,161,088                           | 345,557,690   | 0.94  | 0.92 | 0.64    | 0.63 | 0.07    | 0.07 | 0.03        | 0.03 | 0.20      | 0.19 | 0.00         | 0.00 |
| Black Jack                    | 415,186,551                              | 412,387,144   | 0.79  | 0.78 | 0.65    | 0.65 | 0.10    | 0.10 | 0.04        | 0.03 | 0.00      | 0.00 | 0.00         | 0.00 |
| Chesterfield                  | 1,184,644,239                            | 1,136,783,246 | 1.03  | 1.03 | 0.53    | 0.53 | 0.10    | 0.10 | 0.03        | 0.03 | 0.33      | 0.33 | 0.04         | 0.04 |
| Community                     | 408,213,428                              | 406,162,596   | 1.13  | 1.12 | 0.75    | 0.74 | 0.10    | 0.10 | 0.03        | 0.03 | 0.25      | 0.25 | 0.00         | 0.00 |
| Creve Coeur                   | 890,267,492                              | 870,820,749   | 1.02  | 1.01 | 0.62    | 0.61 | 0.15    | 0.15 | 0.03        | 0.03 | 0.22      | 0.22 | 0.00         | 0.00 |
| Eureka                        | 167,783,627                              | 149,635,728   | 1.28  | 1.28 | 0.74    | 0.74 | 0.10    | 0.10 | 0.03        | 0.03 | 0.30      | 0.30 | 0.11         | 0.11 |
| Fenton                        | 737,328,514                              | 723,850,300   | 0.74  | 0.74 | 0.38    | 0.38 | 0.10    | 0.10 | 0.03        | 0.03 | 0.23      | 0.23 | 0.00         | 0.00 |
| Florissant Valley             | 544,628,341                              | 594,614,754   | 0.71  | 0.70 | 0.55    | 0.54 | 0.10    | 0.10 | 0.02        | 0.02 | 0.04      | 0.04 | 0.00         | 0.00 |
| Lemay                         | 128,185,495                              | 127,163,935   | 1.48  | 1.48 | 0.99    | 0.99 | 0.10    | 0.10 | 0.02        | 0.02 | 0.23      | 0.23 | 0.14         | 0.14 |
| Maryland Heights              | 509,614,246                              | 500,080,914   | 1.13  | 1.06 | 0.80    | 0.80 | 0.13    | 0.06 | 0.03        | 0.03 | 0.11      | 0.11 | 0.06         | 0.06 |
| Mehlville                     | 1,427,994,504                            | 1,396,404,671 | 0.92  | 0.90 | 0.58    | 0.58 | 0.10    | 0.08 | 0.03        | 0.03 | 0.21      | 0.21 | 0.00         | 0.00 |
| Metro West                    | 1,027,484,895                            | 987,291,870   | 1.03  | 1.03 | 0.59    | 0.59 | 0.11    | 0.11 | 0.03        | 0.03 | 0.30      | 0.30 | 0.00         | 0.00 |
| Mid-County                    | 122,192,326                              | 125,272,540   | 1.28  | 1.33 | 1.00    | 1.00 | 0.10    | 0.10 | 0.03        | 0.03 | 0.15      | 0.15 | 0.00         | 0.05 |
| Moline                        | 99,730,935                               | 100,042,842   | 1.50  | 1.50 | 1.25    | 1.25 | 0.15    | 0.15 | 0.03        | 0.03 | 0.00      | 0.00 | 0.07         | 0.07 |
| Normandy                      | 164,415,824                              | 162,109,994   | 1.39  | 1.39 | 0.95    | 0.95 | 0.10    | 0.10 | 0.04        | 0.04 | 0.27      | 0.27 | 0.03         | 0.03 |
| Pattonville/Bridgeton Terrace | 510,411,817                              | 442,337,117   | 1.22  | 1.28 | 0.75    | 0.75 | 0.15    | 0.15 | 0.05        | 0.04 | 0.25      | 0.25 | 0.02         | 0.09 |
| Riverview                     | 118,425,786                              | 118,289,658   | 1.40  | 1.39 | 1.25    | 1.25 | 0.11    | 0.11 | 0.04        | 0.03 | 0.00      | 0.00 | 0.00         | 0.00 |
| Robertson                     | 172,065,951                              | 166,001,725   | 1.25  | 1.25 | 0.81    | 0.81 | 0.15    | 0.15 | 0.04        | 0.04 | 0.25      | 0.25 | 0.00         | 0.00 |
| Spanish Lake                  | 140,630,672                              | 141,566,872   | 1.44  | 1.44 | 1.25    | 1.25 | 0.15    | 0.15 | 0.04        | 0.04 | 0.00      | 0.00 | 0.00         | 0.00 |
| Valley Park                   | 151,857,305                              | 146,723,881   | 1.13  | 1.12 | 0.66    | 0.65 | 0.10    | 0.09 | 0.03        | 0.03 | 0.30      | 0.30 | 0.04         | 0.05 |
| West County EMS               | 486,083,879                              | 484,720,872   | 0.62  | 0.62 | 0.38    | 0.38 | 0.05    | 0.05 | 0.03        | 0.03 | 0.16      | 0.16 | 0.00         | 0.00 |
| West Overland                 | 147,522,277                              | 146,488,064   | 1.15  | 1.15 | 0.71    | 0.71 | 0.15    | 0.15 | 0.04        | 0.04 | 0.25      | 0.25 | 0.00         | 0.00 |

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 9

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY  
COMPARATIVE SCHEDULE OF FEES FOR AUDIT SERVICES (NOTE 4)

| District              | 1998<br>Audit<br>Fees | 1997<br>Audit<br>Fees | Independent<br>Auditor |
|-----------------------|-----------------------|-----------------------|------------------------|
| Affton                | 6,600                 | 5,400                 | Same                   |
| Black Jack            | 6,800                 | 6,300                 | Same                   |
| Chesterfield *        | 14,000                | 26,228                | Same                   |
| Community             | 3,900                 | 3,750                 | Same                   |
| Creve Coeur           | 12,000                | 9,300                 | Same                   |
| Eureka                | 3,750                 | 3,750                 | Same                   |
| Fenton                | 5,460                 | 5,500                 | Same                   |
| Florissant Valley     | 4,567                 | 4,800                 | Different              |
| Lemay                 | 2,940                 | 2,995                 | Same                   |
| Maryland Heights      | 4,500                 | 5,000                 | Same                   |
| Mehlville             | 10,400                | 8,900                 | Same                   |
| Metro West            | 8,250                 | 6,980                 | Same                   |
| Mid-County            | 4,000                 | 4,000                 | Same                   |
| Moline                | 3,775                 | 4,600                 | Same                   |
| Normandy              | 4,275                 | 4,257                 | Same                   |
| Pattonville/Bridgeton | 4,250                 | 6,350                 | Same                   |
| Riverview             | 2,060                 | 2,060                 | Same                   |
| Robertson             | 4,500                 | 4,800                 | Different              |
| Spanish Lake          | 5,000                 | 4,200                 | Same                   |
| Valley Park           | 5,900                 | 5,200                 | Same                   |
| West County EMS       | 5,000                 | 5,200                 | Same                   |
| West Overland         | 3,900                 | 3,900                 | Same                   |

\* The 1997 amount includes additional fees for extra work performed.

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 10

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST LOUIS COUNTY  
SUMMARY OF COMPLIANCE DEFICIENCIES NOTED CONCERNING 15 CSR 40  
YEAR ENDED DECEMBER 31, 1998

| Description of Deficiencies   | Title           | Number of<br>Errors |    | Number of<br>Applicable<br>Reports | Percent |
|---|-----------------|---------------------|----|------------------------------------|---------|
| Engagement letter was not submitted to<br>the State Auditor.                            | 15 CSR 40-4.010 | 13                  |    | 22                                 | 59%     |
| Audit report was not submitted by<br>June 30, 1999.                                     | 15 CSR 40-4.010 | 4                   |    | 22                                 | 18%     |
| Appropriate footnote disclosures were<br>not included.                                  | 15 CSR 40-4.030 | 15                  | *  | 22                                 | 68%     |
| Some needed comments and recommendations<br>were not included in the management letter. | 15 CSR 40-4.030 | 12                  | ** | 22                                 | 55%     |

\* Although the audit reports contained most of the necessary footnotes, we noted various deficiencies regarding appropriate footnote disclosure including the following areas: budget basis, cash and cash equivalents, statutory violations, compensated absences, risk management, component units and Year 2000 issues.

\*\* A problem noted that apparently should have been reported in the management letters included overspending the budgets.

## NOTES TO THE SCHEDULES

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS  
IN ST. LOUIS COUNTY  
NOTES TO THE SCHEDULES

1. Significant Information

A. General

At December 31, 1998, there were twenty-three fire protection districts in St. Louis County. Districts are required to have a biennial audit performed if revenues exceed \$50,000. The Kinloch Fire Protection District reported receipts of \$23,482; therefore, a biennial audit was not required.

Upon completion of the audit, copies of the report and management letter are to be submitted to the State Auditor for review. Twenty-two audits have been received and reviewed.

B. Schedules

Information included in these schedules was compiled from the audit reports, management letters, questionnaires, etc., received from the St. Louis County fire protection districts.

In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Reasons for some problems in comparison are:

- 1) The pension fund is presented differently by the fire districts. Nine districts offer defined contribution plans and seven offer defined benefit plans. Six districts offer both types.
- 2) Some districts may have major bond issues and related capital project funds.
- 3) Some districts collect user fees and others may not.
- 4) Some districts have significant transfers to and from funds which cause disparity in comparison.
- 5) Some districts account for capital improvements and large asset purchases in the General Fund while others have a Capital Projects Fund.



The schedules presented are as follows:

Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format.

Schedule 2 presents revenues, expenditures, and fund balance for the Ambulance Funds in a combined format.

Schedule 3 presents revenues, expenditures, and fund balance for the Dispatching Funds in a combined format.

Schedule 4 presents additions, deductions, and fund balance for the fiduciary funds (Pension Funds) in a combined format.

Schedule 5 presents revenues, expenses, and fund balance for the Capital Project Funds in a combined format.

Interfund and equity transfers are included in the revenues and expenditure numbers on Schedules 1, 2, 3, 4 and 5. (See Note 7)

Schedule 6 presents the operations of the Debt Service Fund for the year ended December 31, 1998, the amount of bonds outstanding, and the obligations of the districts for 1999.

Schedule 7 presents the General Fixed Asset balances of the districts at December 31, 1998, with comparative totals of general fixed assets at December 31, 1997.

Schedule 8 presents the assessed valuations of the individual fire protection districts as well as tax levies for each of the districts' various funds as reported in the audit reports. Differences were noted in the assessed valuations presented in the audit reports and the amounts submitted by the district to the State Auditor's office. In addition, in 1999, 1998, 1997 and 1996, Mid-County Fire Protection District levied .02 in excess of the General Revenue Fund levy approved by the State Auditor's Office.

Schedule 9 is a listing of the audit fees for each fire protection district. This information was obtained from a questionnaire sent to the districts.

Schedule 10 is a listing of deficiencies noted regarding compliance with State Auditor's regulation 15 CSR 40.

C. Methods of Accounting

All governmental type funds (General Fund, Capital Projects Fund, Special Revenue Fund, Debt Service Fund, etc.) are to be accounted for on the modified accrual basis. The modified accrual basis recognizes revenues in the period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred.

All proprietary funds and certain fiduciary funds are to be accounted for on the accrual basis. The accrual basis recognizes revenues when they are earned and expenses when they are incurred.

The Pension Fund is an example of a fiduciary fund that is to be accounted for on the accrual basis. In addition, Pension Fund assets (investments held outside the fire district) are to be reported at market value as fund assets on the balance sheet.

All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that financed the acquisition or construction and are capitalized in the General Fixed Assets Account Group. Purchased fixed assets are capitalized at historical cost or at estimated historical cost if actual historical cost is not available.

Depreciation is usually not provided on general fixed assets; however, the Black Jack Fire Protection District did provide for depreciation over the useful lives of the general fixed assets. The total accumulated depreciation through December 31, 1998, was \$792,787.

#### D. Funds

Fire protection districts may not always have the same number of funds. Funds that a district may have and their intended purpose are as follows:

General Fund: The General Fund is the general operating fund of the district and is used to account for all resources except those accounted for in other funds.

Ambulance Fund: This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted for ambulance operations. In addition, some districts receive contract revenues and ambulance fees.

Dispatching Fund: This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted to the purchasing of dispatching services. This is commonly accomplished by means of a contractual agreement with outside entities which provide dispatching services for several districts.

Capital Projects Fund: This fund is used to account for the revenues and expenditures needed to finance the acquisition or construction of capital assets and improvements.

Debt Service Fund: This fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest.

Pension Fund: This fiduciary fund accounts for assets held in trust by the fire district or by an outside agency for the payment of retirement benefits and long-term disability benefits to eligible fire fighters. The fund's primary source of revenue is property taxes. The Pattonville - Bridgeton Terrace Fire Protection District Pension Fund includes Deferred Compensation agency funds as well as pension monies.

## 2. Audit Adjustments

Audit adjustments to the ending fund balance for the various funds at December 31, 1997, were made by the independent certified public accountants for the following fire districts.

| Fire District           | Amount                | Reason   |
|-------------------------|-----------------------|--|
| <u>General Fund</u>     |                       |  |
| Florissant Valley       | \$ <u>(400,472)</u>   | To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues.  |
| <u>Ambulance Fund</u>   |                       |  |
| Florissant Valley       | \$ <u>(27,882)</u>    | To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues.  |
| <u>Dispatching Fund</u> |                       |  |
| Florissant Valley       | \$ <u>(4,401)</u>     | To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues.  |
| <u>Pension Fund</u>     |                       |  |
| Chesterfield            | \$ (2,910,409)        | To adjust for additional pension distributions made in 1997 and included as net assets when the defined benefit plan was converted to a defined contribution plan. |
|                         | <u>462,194</u>        | To adjust for distributions that were mistakenly accounted for in the Pension Trust Fund.  |
| Total                   | \$ <u>(2,448,215)</u> |  |

3. Outstanding Bond Obligations

Schedule 6 shows the revenues, expenditures and fund balance of the fire protection districts' Debt Service Funds. The legal debt limit for a fire protection district is five percent of the fire protection districts' assessed valuation. The reports submitted show that all fire protection districts had debt outstanding that was within their statutory limits. The 1999 obligation amount includes principal and interest amounts due for all districts except Chesterfield which includes only the principal amount due.

4. Independent Audits

During 1998, one independent auditor performed eight audits, one performed three audits, one performed two audits, and nine independent auditors each performed one audit.

5. Compensation Of Directors

|                   |                     |   |
|-------------------|---------------------|---|
| Fenton            | \$ <u>1,017,796</u> | To adjust for prior years appreciation in market value of investments.  |
| Florissant Valley | \$ (68,432)         | To remove tax receivable amounts not available within 60 days of year-end which were previously recorded as revenues. |
|                   | <u>190,512</u>      | To adjust for recording pension investments at market value due to a change in accounting principle.                  |
| Total             | <u>122,080</u>      |   |
| Metro West        | <u>(346,749)</u>    | To remove the unrealized net gain on investments in 1997.   |
| Robertson         | \$ <u>360,444</u>   | To adjust for correction of error related to accounting for benefit payments.   |

The independent audit reports included the names of the principal officeholders during the year ended December 31, 1998 and 1997 and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 1994. Although there were instances when more than three names would be listed, each of the fire districts had three director positions. When more than three names were listed, it was due to a change in the officials serving on the board.

The following is a list of total compensation paid to directors by each district:

| Total Compensation Paid       |    |        |        |
|-------------------------------|----|--------|--------|
| District                      |    | 1998   | 1997   |
| Affton                        | \$ | 6,900  | 5,383  |
| Black Jack                    |    | 8,450  | 9,550  |
| Chesterfield                  |    | 16,617 | 13,966 |
| Community                     |    | 17,600 | 17,683 |
| Creve Coeur                   |    | 17,600 | 17,600 |
| Eureka                        |    | 7,000  | 7,250  |
| Fenton                        |    | 11,000 | 10,000 |
| Florissant Valley             |    | 17,600 | 17,600 |
| Lemay                         |    | 8,700  | 10,181 |
| Maryland Heights              |    | 12,800 | 10,883 |
| Mehlville                     |    | 16,433 | 17,229 |
| Metro West                    |    | 11,750 | 11,950 |
| Mid-County                    |    | 14,681 | 14,517 |
| Moline                        |    | 17,600 | 17,600 |
| Normandy                      |    | 10,200 | 9,924  |
| Pattonville/Bridgeton Terrace |    | 17,600 | 15,850 |
| Riverview                     |    | 17,117 | 17,600 |
| Robertson                     |    | 17,600 | 15,066 |
| Spanish Lake                  |    | 17,600 | 17,600 |
| Valley Park                   |    | 11,900 | 10,800 |
| West County EMS               |    | 16,208 | 13,150 |
| West Overland                 |    | 17,614 | 17,614 |

6. Kinloch Fire Protection District

The Kinloch Fire Protection District submitted financial information to the State Auditor for the year ended December 31, 1998. Amounts reported by the Kinloch Fire Protection District (on a cash basis of accounting) are as follows:

| (UNAUDITED)                   |              |              |
|-------------------------------|--------------|--------------|
|                               | 1998         | 1997         |
| Cash on hand, January 1, \$   | 2,256        | 805          |
| Cash receipts                 | 23,482       | 28,446       |
| Cash disbursements            | (23,894)     | (26,996)     |
| Cash on hand, December 31, \$ | <u>1,844</u> | <u>2,256</u> |

The assessed valuation and tax levies for 1998 and 1997 are as follows:

|   | 1998        | 1997        |
|---|-------------|-------------|
| Assessed Valuation \$                     | 3,797,109   | 4,319,967   |
| Tax Levies (per \$100 assessed valuation) |             |             |
| Maintenance (General)                     | 0.00        | 0.51        |
| Dispatching                               | <u>0.00</u> | <u>0.03</u> |
| Total \$                                  | <u>0.00</u> | <u>0.54</u> |

7. Interfund Transfers

Various transfers between funds were made during 1998. It appears that the General Fund is supplementing other funds which may impact the financial position reported. The transfers made between the various funds are as follows:

| Year Ended December 31, 1998  |                 |                   |                     |                 |                 |                     |
|-------------------------------|-----------------|-------------------|---------------------|-----------------|-----------------|---------------------|
| District                      | General<br>Fund | Ambulance<br>Fund | Dispatching<br>Fund | Pension<br>Fund | Debt<br>Service | Capital<br>Projects |
| Afton                         | \$ 0            | 0                 | 0                   | 0               | 0               | 0                   |
| Black Jack                    | 16,964          | 0                 | 0                   | 0               | 0               | (16,964)            |
| Chesterfield                  | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Community                     | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Creve Coeur                   | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Eureka                        | (400,000)       | 100,000           | 0                   | 0               | 0               | 300,000             |
| Fenton                        | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Florissant Valley             | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Lemay                         | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Maryland Heights              | (207,913)       | 207,913           | 0                   | 0               | 0               | 0                   |
| Mehlville                     | 158,400         | (158,400)         | 0                   | 0               | 0               | 0                   |
| Metro West                    | (1,498,390)     | (431,971)         | 0                   | 0               | 0               | 1,930,361           |
| Mid-County                    | 147,732         | (160,500)         | 12,768              | 0               | 0               | 0                   |
| Moline                        | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Normandy                      | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Pattonville/Bridgeton Terrace | 100,000         | (100,000)         | 0                   | 0               | 0               | 0                   |
| Riverview                     | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Robertson                     | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Spanish Lake                  | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Valley Park                   | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| West County EMS               | (158)           | 158               | 0                   | 0               | 0               | 0                   |
| West Overland                 | 0               | 0                 | 0                   | 0               | 0               | 0                   |
| Total                         | \$ (1,683,365)  | (542,800)         | 12,768              | 0               | 0               | 2,213,397           |

## APPENDICES



## Appendix A

### REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR ENDED DECEMBER 31, 1998

The following is a summary of the various comments contained in those management letters received by the State Auditor for audits of the year ended December 31, 1998. The comments apply to individual fire protection districts unless otherwise noted. The comments extracted from the management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

#### Revenues/Receipts

- C The EMS collection system was not operating effectively or efficiently.
- C Permit and inspections fees were not deposited timely.
- C Amounts which were reimbursed for certain expenses were recorded as miscellaneous income instead of being posted to the expense account originally charged.
- C Ambulance fees were deposited and recorded as miscellaneous income in the general fund.
- C EMS rates have not been evaluated or reviewed for possible revision in recent years.

#### Expenditures/Purchasing

- C An invoice could not be located.
- C The amount transferred from the ambulance fund to the general fund for emergency medical call reimbursement has not been reviewed for possible revision in recent years.

#### Accounting Records

- C The accounting department was unable to supply the Board of Directors with monthly or quarterly financial statements for 1998.
- C Audit adjustments from several years had not been posted to the general ledger.
- C Activity relative to debt service and capital projects were recorded in the general fund instead of establishing separate funds for debt service and capital project transactions.

- C Miscellaneous receipts were maintained manually, separate from the automated system.
- C Lease agreements were not centrally filed, and an executed copy of one lease was not on file.
- C Payments totaling approximately \$11,400 representing fees withheld by the district's collection agency, were not included in the monthly financial statements.
- C Accounting records were not received in a timely manner from their outside accounting service.

#### Investments

- C A district did not meet with their bank regularly regarding the various types of investments, the rate of return on the district's investments, and recommendations to improve this return.

#### Fixed Assets

- C A detailed permanent record of fixed assets was not maintained in seven districts.
- C Corrective action for specific internal control matters relating to the care, custody and control of the fixed assets as noted in previous recommendations has not been taken
- C The fixed asset database is unable to generate reports of additions and deletions for any given previous year. In addition, the database appears to be incomplete for some items, including missing cost figures and dates of purchase.
- C The fixed asset listing has not been updated to reflect all significant assets. In addition, the fixed asset listing was not reconciled to the fixed asset account group balance.
- C Fixed asset records are not summarized into useful and accurate reports. Addition and deletion reports with year end balances were not available.

#### Budgets

- C The correct tax rate was not budgeted for 1998 and revenues collected from a city were omitted. The interim management reports excluded budgetary data for comparisons to actual.
- C The amended 1998 budget did not use the correct beginning budgeted amount. In addition, the budget did not foot in the expenditures area.
- C The 1998 budget was not amended for capital and operating expenditures.
- C The 1998 budget included budgeted interfund transfers; however, the interfund transfers did not net to zero.

- C Actual expenditures exceeded budgeted expenditures in various funds for four districts.
- C Budgeted expenditures were in excess of revenues plus the beginning of the year fund balance for the ambulance special revenue fund. In addition, the ambulance special revenue fund reflected a deficit fund balance at year end.
- C A budget was not prepared for the capital projects fund.
- C A five year budget was not prepared to outline specific needs and replacement of equipment.
- C Financial statements did not reflect budgets for the current year. The ambulance fund was consistently over budget for the past several years including 1998. The district's accountant has not taken an active role in ensuring budgeted results are adequately reported to the Board.

#### Payroll

- C A food allowance paid to firefighters was not reported as income on Form W-2.
- C Bonuses paid to some firefighters for physical achievements were not included on the W-2.
- C Amounts were deposited directly into several employees' 457 accounts, but were not reflected on the payroll records or W-2 forms.
- C The vacation policy for one district did not clearly document how vacation time can be earned or if vacation time can be carried forward into the following year.

#### Policies and Procedures

- C A formal written purchasing policy does not exist.
- C A written accounting procedures manual does not exist.
- C A planning committee was bypassed in executing a contract with a computer company to maintain the district's computer system.

#### Pensions

- C Pension investment activity was not recorded during the year, except for contributions made. Activities not included were investment earnings, employee contributions, benefit payments and administrative expenses.
- C Pension investment account changes due to income earned and market value fluctuations were not recorded.

#### Accounting Software

- C Frequent assistance from the software provider is needed to operate and produce necessary financial reports from a new in-house accounting system. The accounting system allows the input of data affecting several funds, thus unbalancing the fund on an individual basis by posting an incomplete journal entry to each fund. The field to input explanations for journal entries and/or the purpose of the entry is very limited and does not allow for an adequate explanation of the journal entry. The general ledger accounts with posted financial data were deleted from the system after they had a zero balance.

#### Pledged Securities

- C Bank deposits were uninsured or uncollateralized due to a bank error resulting from a bank merger.
- C Deposits held at the district's safekeeping bank were under collateralized by approximately \$78,000.

#### Year 2000

- C Exposures to the Year 2000 (Y2K) syndrome were not fully assessed for two districts.

#### Insurance

- C Insurance needs and requirements have not been discussed in committee. The district's insurance agent's presentation did not include any "contents" coverage for the new computer systems, and it was noted that the coverage on the buildings and contents has not been reviewed for several years and appears inadequate. A public official bond was not executed for one Board member.

#### Unclaimed Property

- C Several checks outstanding for over one year were written off, but had not been turned over to the state under the Unclaimed Property law.

#### Personnel

- C Due to growth, it was suggested that a district consider hiring an additional employee to assist with administrative filing, bookkeeping, and other accounting duties to ensure these functions are completed on a timely basis.

## Appendix B

### Title 15—ELECTED OFFICIALS

#### Division 40—State Auditor Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties

##### 15 CSR 40-4.010 Requirements for Districts

**PURPOSE:** *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.*

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

##### 15 CSR 40-4.020 Standards for Auditing and Financial Reporting

**PURPOSE:** *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.*

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

##### 15 CSR 40-4.030 Contents of Audit Reports

**PURPOSE:** *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.*

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

## Appendix B

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

### 15 CSR 40-4.040 Scope of Audit

**PURPOSE:** *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

## Appendix C

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.



THIRTY-FIRST JUDICIAL CIRCUIT

GREENE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-19  
March 22, 2000

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2000

**During our audit of the Thirty-First Judicial Circuit, Greene County, Missouri, we identified certain management practices which we believe could be improved.**

Monthly reconciliations between the receipts, disbursements, cash balances and open-items are not performed for the child support account. A running cash balance is not maintained in the check register. The composition of child support receipts is not reconciled to the composition of deposits. Old outstanding checks are not disbursed in accordance with state law.

At December 31, 1998, outstanding checks over one year old totaling approximately \$32,000 remained in the main child support bank account. In addition, a second child support bank account was maintained with a balance of approximately \$15,600 at December 31, 1998, representing additional outstanding checks dating back to 1983.

The Circuit Division should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

The Circuit Division's fee account open-items listing includes some bonds and court deposits that date back to 1989. We noted bonds and court deposits totaling approximately \$414,000 that were received prior to 1997. If it appears unlikely the remaining amounts due will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs as allowed by a 1973 Attorney General's Opinion.

Copy monies are not properly handled and recorded. Photocopy and certified copy fees totaling approximately \$36,000 were deposited into the Circuit Clerk's supply account rather than being turned over to the County Treasurer, and there is no statutory provision for the Circuit Clerk to maintain custody of these fees. Bids were not solicited for some major purchases. These conditions were also noted in the prior audit report but no changes or improvements have been made.

The Greene County Circuit Clerk provided no responses to any of the current recommendations regarding the supply account.

(over)

YELLOW SHEET

The composition of receipts are not reconciled to the composition of deposits by the Associate Division. Some payments are held until the corresponding traffic ticket is received. As a result, some collections were not deposited in a timely manner. Also, receipts are not deposited on a timely basis by the Probate Division.

A law library budget was not prepared for the two years ended December 31, 1998 and 1997. Formal monthly bank reconciliations are not documented and monies are maintained in a noninterest-bearing checking account. Annual physical inventories of books purchased with law library funds are not performed.

THIRTY-FIRST JUDICIAL CIRCUIT  
GREENE COUNTY, MISSOURI

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge and Court en banc  
and  
The Circuit Clerk of the  
Thirty-First Judicial Circuit  
Greene County, Missouri

We have audited the accompanying special-purpose financial statements of the various funds of the Thirty-First Judicial Circuit, Greene County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the judicial circuit's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

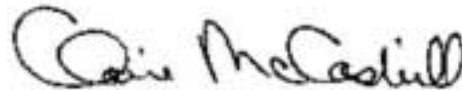
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the various funds of the Thirty-First Judicial Circuit, Greene County, Missouri, and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the judicial circuit.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the various funds of the Thirty-First Judicial Circuit, Greene County, Missouri, as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with Government Auditing Standards, we also have issued our report dated September 28, 1999, on our consideration of the judicial circuit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the State Courts Administrator's office, Greene County, and the Thirty-First Judicial Circuit and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 28, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | David Holtmann, CPA    |
| In-Charge Auditor:  | April McHaffie, CPA    |
| Audit Staff:        | Amy Fast               |
|                     | Ted Fugitt             |
|                     | Misty Weiss            |



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge and Court en banc  
and  
The Circuit Clerk of the  
Thirty-First Judicial Circuit  
Greene County, Missouri

We have audited the special-purpose financial statements of various funds of the Thirty-First Judicial Circuit, Greene County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated September 28, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Thirty-First Judicial Circuit, Greene County, Missouri, are free of material misstatement, we performed tests of the judicial circuit's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

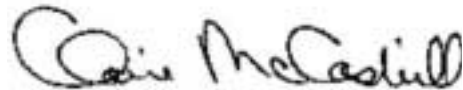
In planning and performing our audit of the special-purpose financial statements of the various funds of the Thirty-First Judicial Circuit, Greene County, Missouri, we considered the judicial circuit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the judicial circuit's ability to record, process, summarize,



and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Thirty-First Judicial Circuit, Greene County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 28, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A

THIRTY-FIRST JUDICIAL CIRCUIT  
 GREENE COUNTY, MISSOURI  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 1998

|  | Circuit<br>Division<br>Fund | Associate<br>Circuit<br>Division<br>Fund | Probate<br>Division<br>Fund | Juvenile<br>Division<br>Fund | Family<br>Court<br>Fund | Law<br>Library<br>Fund | Total<br>(Memorandum<br>Only) |
|--|-----------------------------|--|-----------------------------|------------------------------|-------------------------|------------------------|-------------------------------|
| RECEIPTS                                   |                             |  |                             |                              |                         |                        |                               |
| Court deposits, fees, bonds,<br>and others | \$ 2,580,353                | 2,098,186                                | 423,249                     | 139,125                      | 165,905                 | 64,817                 | 5,471,635                     |
| Child support                              | 18,536,594                  | 0  | 0                           | 0                            | 0                       | 0                      | 18,536,594                    |
| Interest income                            | 38,799                      | 5,698                                    | 6,651                       | 267                          | 0                       | 235                    | 51,650                        |
| Total Receipts                             | 21,155,746                  | 2,103,884                                | 429,900                     | 139,392                      | 165,905                 | 65,052                 | 24,059,879                    |
| DISBURSEMENTS                              |                             |  |                             |                              |                         |                        |                               |
| State of Missouri:                         |                             |  |                             |                              |                         |                        |                               |
| Court fees                                 | 239,484                     | 424,545                                  | 101,119                     | 10,715                       | 133,878                 | 0                      | 909,741                       |
| Title IV-D                                 | 1,234,455                   | 0  | 0                           | 0                            | 0                       | 0                      | 1,234,455                     |
| County officials                           | 276,822                     | 1,004,051                                | 32,479                      | 45,445                       | 0                       | 0                      | 1,358,797                     |
| Child support                              | 17,171,832                  | 0  | 0                           | 0                            | 0                       | 0                      | 17,171,832                    |
| Supplies and equipment                     | 50,142                      | 5,557                                    | 785                         | 0                            | 0                       | 24,389                 | 80,873                        |
| Refunds and others                         | 1,920,981                   | 621,843                                  | 91,289                      | 79,950                       | 0                       | 0                      | 2,714,063                     |
| Total Disbursements                        | 20,893,716                  | 2,055,996                                | 225,672                     | 136,110                      | 133,878                 | 24,389                 | 23,469,761                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | 262,030                     | 47,888                                   | 204,228                     | 3,282                        | 32,027                  | 40,663                 | 590,118                       |
| CASH, JANUARY 1                            | 1,709,714                   | 187,009                                  | 48,778                      | 17,360                       | 858                     | 13,428                 | 1,977,147                     |
| CASH, DECEMBER 31                          | \$ 1,971,744                | 234,897                                  | 253,006                     | 20,642                       | 32,885                  | 54,091                 | 2,567,265                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

THIRTY-FIRST JUDICIAL CIRCUIT  
 GREENE COUNTY, MISSOURI  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH-VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 1997

|  | Circuit<br>Division<br>Fund | Associate<br>Circuit<br>Division<br>Fund | Probate<br>Division<br>Fund | Juvenile<br>Division<br>Fund | Family<br>Court<br>Fund | Law<br>Library<br>Fund | Total<br>(Memorandum<br>Only) |
|--|-----------------------------|--|-----------------------------|------------------------------|-------------------------|------------------------|-------------------------------|
| <b>RECEIPTS</b>                            |                             |  |                             |                              |                         |                        |                               |
| Court deposits, fees, bonds,<br>and others | \$ 2,822,707                | 2,479,265                                | 255,578                     | 130,400                      | 150,490                 | 38,493                 | 5,876,933                     |
| Child support                              | 17,364,097                  | 0  | 0                           | 0                            | 0                       | 0                      | 17,364,097                    |
| Interest income                            | 36,685                      | 6,285                                    | 916                         | 278                          | 0                       | 38                     | 44,202                        |
| Total Receipts                             | 20,223,489                  | 2,485,550                                | 256,494                     | 130,678                      | 150,490                 | 38,531                 | 23,285,232                    |
| <b>DISBURSEMENTS</b>                       |                             |  |                             |                              |                         |                        |                               |
| State of Missouri:                         |                             |  |                             |                              |                         |                        |                               |
| Court fees                                 | 242,045                     | 389,723                                  | 100,682                     | 11,152                       | 175,692                 | 0                      | 919,294                       |
| Title IV-D                                 | 1,171,148                   | 0  | 0                           | 0                            | 0                       | 0                      | 1,171,148                     |
| County officials                           | 326,698                     | 1,188,546                                | 32,723                      | 43,654                       | 0                       | 0                      | 1,591,621                     |
| Child support                              | 16,188,943                  | 0  | 0                           | 0                            | 0                       | 0                      | 16,188,943                    |
| Supplies and equipment                     | 65,707                      | 7,788                                    | 1,133                       | 0                            | 0                       | 25,665                 | 100,293                       |
| Refunds and others                         | 5,234,651                   | 886,896                                  | 126,051                     | 76,808                       | 0                       | 0                      | 6,324,406                     |
| Total Disbursements                        | 23,229,192                  | 2,472,953                                | 260,589                     | 131,614                      | 175,692                 | 25,665                 | 26,295,705                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS        | -3,005,703                  | 12,597                                   | -4,095                      | -936                         | -25,202                 | 12,866                 | -3,010,473                    |
| CASH, JANUARY 1                            | 4,715,417                   | 174,412                                  | 52,873                      | 18,296                       | 26,060                  | 562                    | 4,987,620                     |
| CASH, DECEMBER 31                          | \$ 1,709,714                | 187,009                                  | 48,778                      | 17,360                       | 858                     | 13,428                 | 1,977,147                     |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

THIRTY-FIRST JUDICIAL CIRCUIT  
GREENE COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Thirty-First Judicial Circuit, Greene County, Missouri.

Receipts, disbursements, and changes in cash are presented for the various funds administered by the Thirty-First Judicial Circuit, Greene County, Missouri. The operating costs of the offices within the circuit are paid directly from appropriations authorized by the Greene County Commission within the judicial circuit and the state of Missouri and are not included in these financial statements.

The “Total (Memorandum Only)” column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash for the Thirty-First Judicial Circuit, Greene County, Missouri, are prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The Thirty-First Judicial Circuit, Greene County, Missouri, includes the transactions of the Circuit Clerk, the Associate Circuit Divisions, the Probate Division, the Juvenile Division, the Family Court Fund, and the Law Library Fund. Each officeholder has been charged with the responsibility of administering transactions in his or her division. The court en banc has appointed the Greene County Treasurer as custodian of the Family Court Fund, and disbursements from this fund are made at the direction of the Family Court Judge. The court en banc has appointed the Greene County Bar Association as law library custodian. The bar association’s treasurer maintains the fund, and a law library committee is responsible for administering the fund’s transactions.

The Thirty-First Judicial Circuit, Greene County, Missouri, administers transactions within the following funds:

Circuit Division Fund: This fund accounts for the transactions of the Circuit Clerk’s office. These transactions include receipts and disbursements of the fee, child support, and supply accounts. These transactions also include receipts and disbursements of some circuit court

cases for which the Circuit Clerk has been named as trustee to invest the assets under Section 483.310, RSMo 1994.

Associate Circuit Division Fund: This fund accounts for the transactions of the three Associate Circuit Divisions. These transactions include receipts and disbursements of court deposits, fees, fines, bonds, and interest.

Probate Division Fund: This fund accounts for the transactions of the Probate Division. These transactions include receipts and disbursements of court deposits, fees, and interest.

Juvenile Division Fund: This fund accounts for the transactions of the Juvenile Office. These transactions include receipts and disbursements of court deposits, fees, reimbursements from the county, and interest.

Family Court Fund: This fund accounts for fees collected on family court cases. These transactions include receipts and disbursements of court fees and interest. Disbursements are legally restricted for services provided by the family court and for reimbursing the State of Missouri for the salaries of the family court commissioners.

Law Library Fund: This fund accounts for transactions of the law library including fees collected from Circuit Division deposits and the related interest income. Disbursements are legally restricted for maintenance of a law library.

## 2. Cash

Section 483.310, RSMo Cumulative Supp.1999, authorizes circuit courts to place their funds in savings deposits in banks and savings and loan associations or in U.S. Treasury bills.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, and savings institutions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

### Deposits

The circuit court's deposits at December 31, 1998 and 1997, were entirely covered by federal depository insurance or by collateral securities held by the circuit court's custodial bank in the circuit court's name.

### Investments

The Associate Circuit Division invests in repurchase agreements. At December 31, 1998 and 1997, the carrying amounts of these investments totaled \$150,000 and \$100,000, respectively (which approximated market).

These investments represent uninsured and unregistered investments for which the securities were held by the dealer bank.

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Current Recommendations

THIRTY-FIRST JUDICIAL CIRCUIT  
GREENE COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Circuit Clerk - Fee Account (pages 17-18)

The composition of receipts are not reconciled to the composition of deposits. Checks totaling \$3,236 have been outstanding for over a year. Open-items totaling approximately \$414,000 have been held over two years with some cases dating back to 1989. Collection procedures are not adequate.

2. Circuit Clerk - Child Support Account (pages 19-20)

Monthly reconciliations between the receipts, disbursements, cash balances and open-items are not performed. A running cash balance is not maintained in the check register. The composition of child support receipts is not reconciled to the composition of deposits. Old outstanding checks are not disbursed in accordance with state law.

3. Circuit Clerk - Supply Account (pages 20-21)

Copy monies are not properly handled and recorded. Photocopy and certified copy fees totaling approximately \$36,000 were deposited into the Circuit Clerk's supply account rather than being turned over to the County Treasurer, and there is no statutory provision for the Circuit Clerk to maintain custody of these fees. Bids were not solicited for some major purchases. The supply account bank statements and invoices were not retained for 1997.

4. Associate Division (pages 22-23)

The composition of receipts are not reconciled to the composition of deposits. Some payments are held prior to receiving the corresponding traffic ticket.

5. Probate Division (page 23)

Receipts are not deposited on a timely basis. Checks totaling \$3,290 have been outstanding for over a year.

6. Law Library (pages 23-24)

A law library budget was not prepared for the two years ended December 31, 1998 and 1997. Formal monthly bank reconciliations are not documented and monies are maintained in a noninterest-bearing checking account. Annual physical inventories of books purchased with law library funds are not performed.

THIRTY-FIRST JUDICIAL CIRCUIT  
GREENE COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the Thirty-First Judicial Circuit, Greene County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated September 28, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the judicial circuit's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                                   |
|-----------|-----------------------------------|
| <b>1.</b> | <b>Circuit Clerk -Fee Account</b> |
|-----------|-----------------------------------|

- A. The Circuit Clerk accepts cash, checks, and money orders for the payment of civil and criminal fees. The method of payment is recorded on the computerized receipt listing; however, the composition of recorded receipts is not reconciled to the composition of bank deposits.

To ensure that receipts are deposited intact, the composition of receipts recorded on the receipt listing should be reconciled to the composition of bank deposits.

A similar condition was also noted in our prior report.

- B. At December 31, 1998, the circuit bank account had \$3,236 in outstanding checks that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities.

The circuit division should adopt procedures to routinely follow up on old outstanding checks and reissue them if the payee can be located. If the payee cannot be located or identified, these monies should be disposed of in accordance with state law.

- C. The Circuit Division's open-items listing includes some bonds and court deposits that date back to 1989. We noted bonds and court deposits totaling approximately \$414,000 that were received prior to 1997. If it appears unlikely the remaining amounts due will be collected, a court order should be obtained to allow the balance in each case to be prorated among the various court costs. Attorney General's Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated."

Old inactive case balances increase the volume of cases which must be monitored and

controlled, putting a greater burden on personnel resources. Procedures should be established to ensure that monies on deposit are properly distributed immediately upon final disposition of cases.

- D. The accounts receivable balance at August 30, 1999 totaled \$1,336,206. These accounts receivables represent approximately 15,000 cases where amounts were owed to the court. The Circuit Clerk does not monitor or review the old cases to follow up on uncollectible cases.

Proper and timely follow-up action of amounts due the court helps maximize court revenues. The court should review those cases which are long outstanding and take action to collect any amounts determined to be collectible. In addition, any uncollectible amounts receivable should be written off following review and approval by the Circuit Judge.

**WE RECOMMEND** the Circuit Clerk:

- A. Reconcile the composition of recorded receipts to the composition of bank deposits and retain documentation of these reconciliations.
- B. Establish procedures to routinely follow up on old outstanding checks and reissue them if payees can be located. If payees cannot be located, the monies should be disposed of in accordance with state law.
- C. Along with the Circuit Judge, review the cases on the open items listing and determine the appropriate disposition of inactive cases.
- D. Review those cases which are outstanding and pursue any amounts determined to be collectible. Any amounts determined to be uncollectible should be written off following review and approval by the Circuit Judge.

**AUDITEE'S RESPONSES**

*The Circuit Clerk provided the following responses:*

- A. *The Circuit Clerk did not provide a response.*

*B&C. This has been implemented in 1999.*

- D. *We do not have the authority to enforce the collection of costs. That is left up to the discretion of the litigants.*

Receipts recorded for the Child Support Account were approximately \$18.5 million and \$17.4 million for the years ended December 31, 1998 and 1997, respectively. Our review of the accounting controls for the Child Support Account disclosed the following weaknesses:

- A. The court started using the statewide child support computer system in September 1998. This system generates daily and monthly receipt and disbursement reports, open-items (liabilities) and bank reconciliation reports. However, many of these reports are not printed and reviewed for accuracy by the court. The daily receipt reports are reconciled to daily bank deposits and daily disbursement totals are written in the manual checkbook but a running book balance is not maintained. Monthly summary reports are not printed or reconciled to the deposits and disbursements of the child support bank account. Also, the court has turned over reconciling responsibilities to the Office of State Courts Administrator (OSCA) and the court does not review the reconciliation reports prepared by OSCA for accuracy. Open-items are not printed and reconciled to the cash balance.

Reconciliations between monthly summary reports and bank receipts and disbursements are essential to ensure all child support receipts and disbursements are accurately recorded by the Circuit Clerk. Also, to ensure that receipts and disbursements are properly handled and accurately posted to case payment history reports and that all liabilities for open cases can be traced to the cash balance, open-items listings should be reconciled to the cash balance monthly. Such reconciliations would allow for prompt detection of errors and allow the Circuit Clerk to determine the disposition of any unidentified monies remaining over a period of time.

- B. The Circuit Clerk accepts cash, checks and money orders for the payment of child support. The method of payment is recorded on the computerized receipt listing; however, the composition of recorded receipts is not reconciled to the composition of bank deposits.

To ensure that receipts are deposited intact, the composition of receipts recorded on the receipt listing should be reconciled to the composition of bank deposits.

A similar condition was also noted in our prior two reports.

- C. At December 31, 1998, outstanding checks over one year old totaling approximately \$32,000 remained in the main child support bank account. In addition, a second child support bank account is maintained with a balance of approximately \$15,600 at December 31, 1998, representing additional outstanding checks dating back to 1983. The circuit division should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

**WE RECOMMEND** the Circuit Clerk:

- A. Perform monthly reconciliations between the receipts, disbursements, bank reconciliations and open-items. A running cash balance should be maintained in the check register and reconciled to the monthly reconciliation reports.
- B. Reconcile the composition of child support recorded receipts to the composition of bank deposits and retain documentation of these reconciliations.
- C. Establish procedures to routinely follow up on old outstanding checks and reissue them if payees can be located. If payees cannot be located, the monies should be disposed of in accordance with state law.

### **AUDITEE'S RESPONSE**

*The Circuit Clerk responded that the statewide collection system (MACCS) will solve these problems.*

|           |  |
|-----------|--|
| <b>3.</b> | <b>Circuit Clerk -- Supply Account</b> |
|-----------|--|

The Circuit Clerk maintains a supply account for interest earned from investment of court deposits and for copy monies. This account is used for purchases in accordance with Section 483.310.2, RSMo Cumulative Supp. 1999. The following concerns were noted with the supply account:

- A. All employees of the Circuit Clerk's office collect copy monies. Receipt slips are not issued for these copies and a receipt log is not kept of the monies. The duties of recording, depositing, and reconciling copy monies are not adequately segregated. The Deputy Circuit Clerk performs all of these duties.

To properly account for all receipts, prenumbered receipt slips should be issued or receipts should be recorded on a log immediately upon receipt. The method of payment received (cash, check, or money order) should be noted on the receipt slips or receipt log. To ensure all receipts are properly accounted for, an employee should reconcile receipt slips or receipt log amounts, including the composition of receipts, to amounts deposited. Also, to safeguard against possible loss or misuse of funds, internal controls should provide for reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. An adequate system of internal controls requires segregation of duties.

- B. The Circuit Clerk collected approximately \$36,000 during the two years ended December 31, 1998, for making photocopies and issuing certified copies. The monies are deposited into the supply account to purchase office supplies. There is no statutory provision for the Circuit Clerk to retain such fees and expend them on supplies for the office.

Section 50.370, RSMo 1994, states that county officials shall at the end of each month pay over to the County Treasurer all fees received during the month.

A similar condition was also noted in our prior two reports.

- C. Bids were not always solicited for various purchases made by the Circuit Clerk, nor was adequate bid documentation always retained. Examples of items purchased for which evidence of bidding could not be located are as follows:

|                    | <u>1998</u>  | <u>1997</u> |
|--------------------|--------------|-------------|
| Office supplies    | \$ 20,042    | \$ 22,144   |
| Office furniture   | 14,507 3,154 |             |
| Computer equipment | 2,009 15,229 |             |

Bidding procedures for major purchases provide a framework for economical management of public resources and help ensure the Circuit Clerk receives fair value by contracting with the lowest and best bidders. Competitive bidding assures all parties are given equal opportunity to participate in court business.

A similar condition was also noted in our prior report.

- D. Bank statements were not retained for the supply account for 1997. Bank statements are necessary to ensure the validity and propriety of receipts, disbursements, and cash balances. Court records should be retained in accordance with Supreme Court Administrative Rule 8. In addition, the vendor invoices were not retained for 1997. Invoices should be maintained to document the disbursement and verify the expenditure.

**WE RECOMMEND** the Circuit Clerk:

- A. Establish procedures to record and account for the copy monies. Also, develop an adequate system of internal controls that requires segregation of duties.
- B. Transmit all photocopy and certified copy monies to the County Treasurer for deposit in the county General Revenue Fund.
- C. Solicit bids for major purchases and retain documentation of bids solicited and the justification for bid awards.
- D. Retain all bank statements and documentation of disbursements.

**AUDITEE'S RESPONSE**

*The Circuit Clerk did not provide a response for the above recommendations.*

|           |                           |
|-----------|---------------------------|
| <b>4.</b> | <b>Associate Division</b> |
|-----------|---------------------------|

- A. The court accepts cash, check, and money order. The method of payment is recorded on the computerized receipt; however, the composition of recorded receipts is not reconciled to the composition of bank deposits.

To ensure that all receipts are properly accounted for and deposited intact, the composition of receipts recorded on the receipt listing should be reconciled to the

composition of bank deposits.

A similar condition was also noted in our prior report.

- B. The court sometimes receives payments on traffic tickets before the Prosecuting Attorney has filed on the ticket; however, the payments are not deposited until the ticket has been filed by the Prosecuting Attorney. If the ticket is never filed or cannot be located, the payment is mailed back to the individual. At September 21, 1999, twenty-seven checks and money orders totaling \$2,346 were on hand.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited immediately upon receipt or when accumulated receipts exceed \$100.

**WE RECOMMEND** the Presiding Circuit Judge ensure the Associate Division:

- A. Reconcile the composition of recorded receipts to the composition of bank deposits and retain documentation of these reconciliations.
- B. Deposit all receipts intact daily or when accumulated receipts exceed \$100.

### **AUDITEE'S RESPONSE**

*The Clerk of the Associate Division provided the following responses:*

- A. *The financial section of the Associate Clerk's Office was told to follow the recommendations of the prior audit to reconcile daily cash and checks to the receipts and deposits. This was apparently not being done on a consistent basis. Presently, we are in compliance with the recommendation and will remain in compliance.*
- B. *The recommendation of the last audit allowed us to keep the money for a time period as long as we kept a daily log, which we did faithfully.*

*We have had a consistent problem receiving our traffic tickets promptly. We receive payments daily for traffic tickets that we do not have. We could receipt money without a case number, but it would require duplicate work to do so. Presently, we are sending the money back with a letter of instructions for the defendants. We were told during the audit process, that this would be acceptable.*

*We are presently working toward the goal of depositing all receipts intact daily to conform to the recommendation and expect to meet this by April 1, 2000.*

|                            |
|----------------------------|
| <b>5. Probate Division</b> |
|----------------------------|

- A. Receipts are not deposited on a timely basis. Deposits are made once a ledger page is filled and on the last day of the month. We noted only six deposits were made during December 1998. The amount of these deposits ranged from \$2,065 to \$3,737.



To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, monies should be deposited daily or when accumulated receipts exceed \$100.

- B. At December 31, 1998, the Probate Division's bank account had \$3,290 in outstanding checks that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities.

The probate division should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

Similar conditions were also noted in our prior report.

**WE AGAIN RECOMMEND** the Probate Division Judge ensure that:

- A. Receipts are deposited daily or when accumulated receipts exceed \$100.
- B. Procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

### **AUDITEE'S RESPONSE**

*The Probate Commissioner and Probate Clerk provided the following responses:*

- A. *We are currently making daily deposits.*
- B. *We will review the relevant statutes and dispose of the outstanding checks in accordance with state law.*

|                       |
|-----------------------|
| <b>6. Law Library</b> |
|-----------------------|

The Springfield Metropolitan Bar Association is the court-appointed custodian of the Law Library Fund, and responsibility for the fund rests with the law library committee appointed by the Presiding Circuit Judge. Law library books are in two locations, the Judicial Courts Building and the Woodruff Building. Our review of the law library noted the following concerns:

- A. A law library budget was not prepared for the years ended December 31, 1998 and 1997. The law library committee makes recommendations to the Circuit Court for the expenditures of law library funds. Section 514.480, RSMo 1994, provides the law library monies shall be applied and expended under the direction and order of the judges of the circuit court. A law library budget would provide a means for the circuit court judges to determine that the law library monies are being spent in compliance with state law.

- B. Formal monthly bank reconciliations are not documented. Bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner.
- C. Law library monies are maintained in a noninterest-bearing checking account. Bank balances were \$33,674 and \$14,983 at December 31, 1998 and 1997, respectively. To maximize revenues, law library monies should be deposited into an interest-bearing account.
- D. Annual physical inventories of books purchased with law library funds are not performed. Adequate procedures are necessary to maintain control over assets, and to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, and detect theft of assets.

**WE RECOMMEND** the Circuit Court:

- A. Require that annual budgets be prepared for the law library.
- B. Ensure monthly bank reconciliations are performed and documented.
- C. Consider depositing Law Library Fund monies into an interest-bearing account.
- D. Ensure annual inventories of law library assets are performed, and promptly update property records for any differences identified.

**AUDITEE'S RESPONSE**

*The Treasurer of the Law Library Fund provided the following responses:*

- A. *A budget will be prepared.*
  - B. *The checkbook was balanced to the bank statement on a monthly basis; however, not documented on the back of the bank statement.*
- C&D. This has been implemented.*

This report is intended for the information of the management of the Thirty-First Judicial Circuit, Greene County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

THIRTY-FIRST JUDICIAL CIRCUIT  
GREENE COUNTY, MISSOURI  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Thirty-First Judicial Circuit, Greene County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the two years ended December 31, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR.

1.     Circuit Clerk - Fee Account

- A.     The Circuit Clerk's office maintained bank accounts with balances that periodically exceeded the Federal Deposit Insurance Corporation (FDIC) insurance coverage.
- B.     The composition of receipts was not reconciled to the composition of deposits.
- C.     Bank statements were not retained for approximately 22 trust accounts in 1993 and 1994.

Recommendation:

The Circuit Clerk:

- A.     Monitor the balances at each bank and require collateral securities to be pledged for any amount in excess of the FDIC insurance coverage.
- B.     Reconcile the composition of recorded receipts to the composition of bank deposits and retain documentation of these reconciliations.
- C.     Retain all bank statements.

Status:

- A.     Implemented.
- B.     Not implemented. See MAR No. 1.
- C.     Partially implemented. Bank statements were retained for the trust account; however, bank statements were not retained for the supply account during 1997. See MAR No. 3.

2. Circuit Clerk - Child Support Account

- A. The receipt ledger did not effectively account for the numerical sequence of receipt slips issued.
- B. The composition of receipts was not reconciled to the composition of deposits.

Recommendation:

The Circuit Clerk:

- A. Modify the child support receipts ledger to be presented in receipt slip number order, rather than case number order, and account for the numerical sequence of receipt slips issued.
- B. Reconcile the composition of child support recorded receipts to the composition of bank deposits and retain documentation of these reconciliations.

Status:

- A. In September 1998, the court converted to the Statewide Child Support System.
- B. Not implemented. See MAR No. 2.

3. Circuit Clerk - Supply Account

- A. The Circuit Clerk collected fees for making photocopies and issuing certified copies and deposited these monies into the supply account to purchase office supplies. There was no statutory provision for the Circuit Clerk to retain such fees and expend them on supplies for the office.
- B. Bids were not obtained or bid documentation was not retained for some purchases from the supply account.

Recommendation:

The Circuit Clerk:

- A. Transmit all photocopy and certified copy fees to the County Treasurer for deposit in the county General Revenue Fund.

- B. Solicit bids for major purchases and retain documentation of bids solicited and the justification for bid awards.

Status:

A&B. Not implemented. See MAR No. 3.

4. Associate Circuit Divisions:

- A. The composition of receipts was not reconciled to the composition of deposits and court employees were allowed to cash personal checks from court receipts.
- B. The open items listing included many old cases, some that were dismissed, closed, or appeared inactive.
- C. The court held payments received on traffic tickets before the Prosecuting Attorney filed the ticket with the court. Some payments were mailed back to the individual if the ticket was never filed on or could not be located. Documentation was not maintained to indicate payment was ever received.
- D. The Associate Circuit Divisions charged and collected a \$2 sheriff fee for all criminal and traffic cases. There appeared to be no statutory authority to collect this fee.

Recommendation:

The Presiding Circuit Judge ensure the Associate Divisions:

- A. Reconcile the total cash, checks, and money orders received to bank deposits and discontinue the practice of cashing personal checks from court receipts.
- B. Establish procedures to follow up on and properly dispose of open items in a timely manner, including forfeiting bonds to the county schools fund and turning over unclaimed bonds to the state's Unclaimed Property Section, as applicable.
- C. Establish procedures to record payments that are held prior to the filing of the related traffic ticket and to record payments that are returned.
- D. Review the statutory authority for assessing and collecting the \$2 sheriff fee, and take appropriate action.

Status:

A. Partially implemented. The court no longer cashes personal checks; however, composition of receipts is not adequately reconciled to bank deposits. See MAR No. 4.

B-D. Implemented.

5. Probate Division

A. Receipts were not deposited in a timely manner.

B. Checks totaling \$987 had been outstanding for more than one year. Some of these checks were written in 1990.

Recommendation:

The Probate Division Judge ensure that:

A. Receipts are deposited daily or when accumulated receipts exceed \$100.

B. Procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of through the applicable statutory provisions.

Status:

A&B. Not implemented. See MAR No. 5.

6. Juvenile Division

A. Summary records of restitution amounts received and owed from juvenile offenders were not maintained and procedures to follow up on all unpaid amounts were not adequate.

B. The Juvenile Office did not maintain an open-items (liabilities) listing.

Recommendation:

The Circuit Judge - Juvenile Division ensure:

A. Summary records are maintained of restitution amounts received and owed from juvenile offenders and adopt procedures to follow up on all unpaid amounts.

B. Monthly open-items listings are prepared and reconciled to cash balances.

Status:

A&B. Implemented.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

THIRTY-FIRST JUDICIAL CIRCUIT  
GREENE COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organization

The Thirty-First Judicial Circuit includes only Greene County.

The Thirty-First Judicial Circuit consists of five circuit judges, three associate circuit judges, two Family Court Commissioners, and a Probate Commissioner. The court en banc consists of all the divisions of the circuit acting collectively. The judges elect by secret ballot, a presiding judge for a two-year term. The court en banc determines questions of policy for the court, promulgates court rules, and designates the assignment of particular judges to specialized types of cases. The presiding judge has supervision of general administrative matters relating to the court, and an administrative staff assists the court.

The court en banc appoints commissioners who must possess the same qualifications as a circuit judge to hear family court cases.

In addition to the judges and commissioners, the personnel of the Thirty-First Judicial Circuit, Greene County, Missouri include a circuit clerk, an associate circuit division clerk, a probate division clerk, forty-eight deputy clerks, five court reporters, twelve secretaries, a chief juvenile officer, fourteen juvenile office secretaries and support staff, thirty-two juvenile detention and group home employees, and a court reporter.

Operating Costs

The operating expenses of the various courts and the juvenile division are paid by Greene County. The salaries of full-time court personnel, except for the bailiffs, are paid by the State of Missouri. The salary of the juvenile officer is paid in part by the State of Missouri and in part by Greene County, while all other juvenile salaries are paid by Greene County. Bailiff salaries are also paid by Greene County.

Expenditures incurred for the Thirty-First Judicial Circuit, Greene County, Missouri, were obtained from Greene County and information provided by the State Courts Administrator's Office and are as follows:

| Year Ended December 31,   |                  |                  |                |                  |                  |                |
|---------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| 1998                      |                  |                  | 1997           |                  |                  |                |
|                           | State of         | Greene County    |                | State of         | Greene County    |                |
|                           | Missouri -       | Personal         | Expenses       | Missouri -       | Personal         | Expenses       |
|                           | Personal         |                  |                | Personal         |                  |                |
|                           | Service          | Service          |                | Service          | Service          |                |
| Circuit courts:           |                  |                  |                |                  |                  |                |
| Divisions I-IV            | 688,368          | 253,696          | 214,641        | 652,219          | 245,083          | 208,252        |
| Division V-Probate        | 278,931          | 28,219           | 9,555          | 223,252          | 21,808           | 10,099         |
| Associate Circuit Courts: |                  |                  |                |                  |                  |                |
| Divisions 21-23           | 681,084          | 90,405           | 25,919         | 658,410          | 87,498           | 28,910         |
| Circuit Clerk             | 650,969          | 0                | 41,060         | 619,106          | 0                | 26,611         |
| Juvenile Division         | 23,158           | 1,851,974        | 439,864        | 19,664           | 1,728,242        | 476,765        |
| Court Reporters           | 217,115          | 0                | 0              | 206,190          | 0                | 0              |
|                           | <u>2,539,625</u> | <u>2,224,294</u> | <u>731,039</u> | <u>2,378,841</u> | <u>2,082,631</u> | <u>750,637</u> |

The Thirty-First Judicial Circuit was the recipient of six grants during the two years ended December 31, 1998, awarded by the Division of Youth Services for the Juvenile Court Diversion Programs. The Greene County Treasurer served as custodian of all grant monies.

#### Caseload and Time Standards Statistics

Caseload statistics of the filings and dispositions of the Thirty-First Judicial Circuit, Greene County, Missouri, provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

| Year Ended June 30, |               |               |               |               |
|---------------------|---------------|---------------|---------------|---------------|
|                     | 1998          |               | 1997          |               |
|                     | Filings       | Dispositions  | Filings       | Dispositions  |
| Civil               | 11,511        | 10,581        | 11,176        | 10,061        |
| Criminal            | 19,800        | 18,629        | 18,518        | 16,873        |
| Juvenile            | 1,248         | 1,212         | 1,235         | 1,175         |
| Probate             | 416           | 403           | 449           | 379           |
| Total               | <u>32,975</u> | <u>30,825</u> | <u>31,378</u> | <u>28,488</u> |

Compliance by the Thirty-First Judicial Circuit, Greene County, Missouri, with time standards for disposition of certain types of cases, provided by the State Courts Administrator's Missouri Judicial Report

| Type of Case       | Time Standard    | Thirty-First<br>Judicial Circuit<br>Greene County<br>Missouri | % | State<br>Total | % |
|--------------------|------------------|---|---|----------------|---|
| Circuit Civil      | 90% in 18 months | 70  |   | 79             |   |
|                    | 98% in 24 months | 81  |   | 87             |   |
| Domestic Relations | 90% in 8 months  | 72  |   | 83             |   |
|                    | 98% in 12 months | 79  |   | 90             |   |
| Associate Civil    | 90% in 6 months  | 93  |   | 84             |   |
|                    | 98% in 12 months | 98  |   | 95             |   |
| Circuit Felony     | 90% in 8 months  | 77  |   | 85             |   |
|                    | 98% in 12 months | 88  |   | 93             |   |
| Associate Criminal | 90% in 4 months  | 66  |   | 79             |   |
|                    | 98% in 6 months  | 79  |   | 89             |   |

for fiscal year 1998, is as follows:

### Personnel

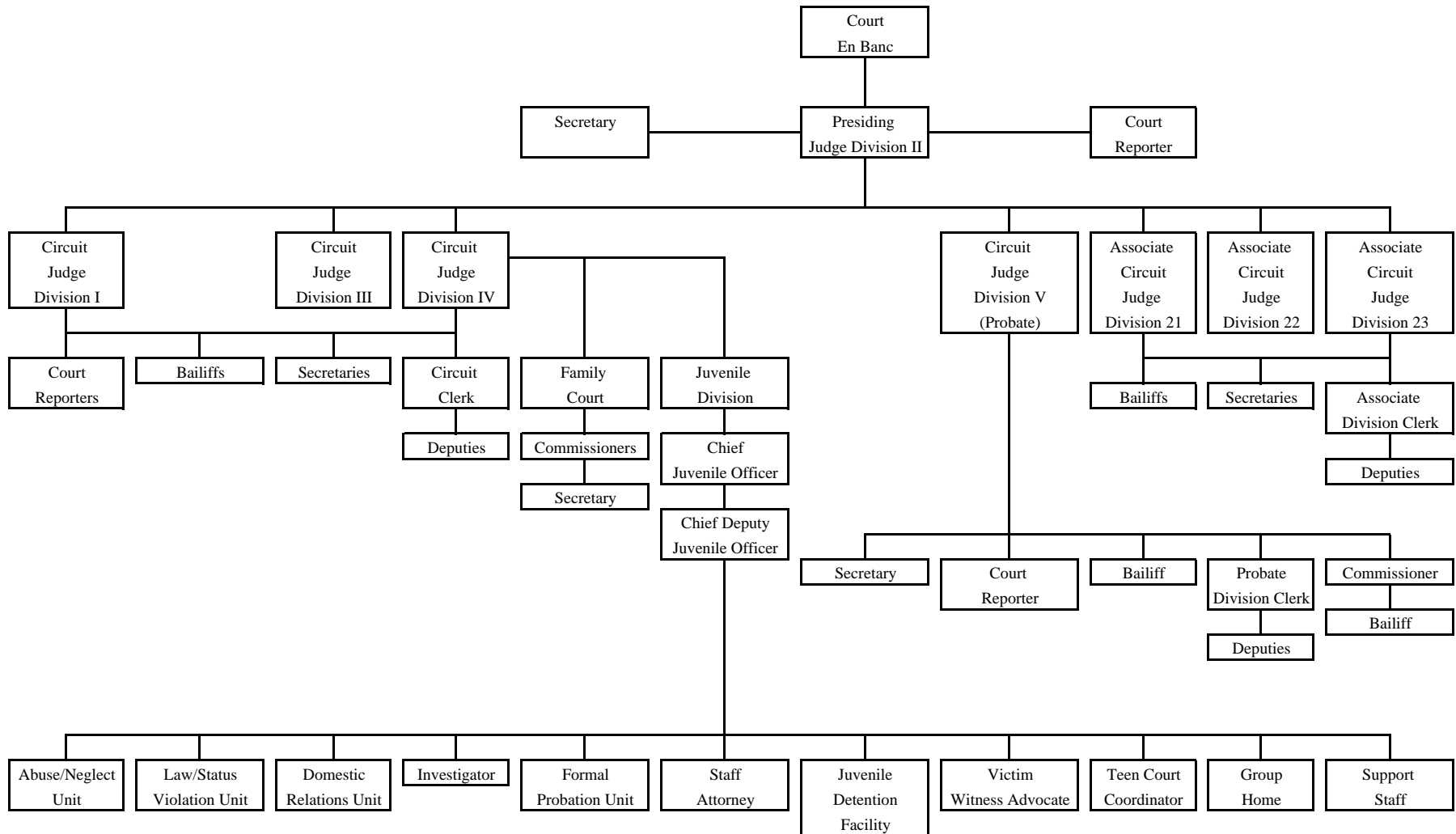
On December 31, 1998, the judges, court commissioners, Circuit Clerk, and key juvenile division personnel of the Thirty-First Judicial Circuit, Greene County, Missouri, were:

Don E. Burrell Jr., Circuit Judge, Division I  
J. Miles Sweeney, Circuit Judge, (Presiding Judge) Division II  
Henry W. Westbrooke, Jr., Circuit Judge, Division III  
Thomas E. Mountjoy, Circuit Judge, Division IV -  
Family Court and Juvenile Division  
Calvin R. Holden, Circuit Judge, Division V  
Max E. Bacon, Associate Circuit Judge, Division 21  
J. Dan Conklin, Associate Circuit Judge, Division 22  
Mark E. Fitzsimmons, Associate Circuit Judge, Division 23  
Winston Davis, Family Court Commissioner  
Scott Tinsley, Family Court Commissioner  
Carol T. Aiken, Probate Commissioner \*  
Michael A. Carr, Circuit Clerk  
Mickie Stark, Chief Juvenile Officer

\* Effective May 1997, Carol T. Aiken was appointed as Probate Commissioner.

An organization chart follows:

THIRTY-FIRST JUDICIAL CIRCUIT  
 GREENE COUNTY, MISSOURI  
 ORGANIZATION CHART  
 DECEMBER 31, 1998



\*\*\*\*\*



REVIEW OF ARTICLE X  
SECTIONS 16 THROUGH 24  
CONSTITUTION OF MISSOURI

TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-18  
March 22, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2000

**The following is a review conducted by our office of Article X, Sections 16 through 24, Constitution of Missouri.**

---

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The State Auditor's Office performs a review of the state's compliance with the provisions of the Hancock Amendment to verify the accuracy of the revenue limit computation performed by the Office of Administration, Division of Budget and Planning (OB-BP). The amount of the refund due to taxpayers for the year ended June 30, 1998 was \$166,740,970. In addition, a total of \$12,102,110 was also due to taxpayers from the prior years of 1995, 1996 and 1997. The state refunded the total of \$178,843,080 to taxpayers in late 1999. The amount of the refund due to taxpayers for the year ended June 30, 1999 is \$98,861,466.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of total state revenue unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43 (b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in total state revenue.

YELLOW SHEET



REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly  
and  
Richard A. Hanson, Commissioner  
Office of Administration  
Jefferson City, Missouri 65102

We have conducted a review of revenues of the state of Missouri for the years ended June 30, 1999 and 1998, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 1997. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

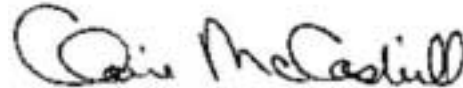
1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenues.
3. Verify the accuracy of the revenue limit computation and comparing that limit to total state revenues.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we held discussions with personnel of the Office of Administration, Division of Budget and Planning (OA, BP), inspected relevant records and reports compiled by that office, and reviewed reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the following Exhibits and Schedules are fairly stated in all material respects.

Our review was limited to the specific matters described earlier and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The following Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, Constitution of Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is cursive and fluid, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

February 8, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA  
Audit Manager: Randy Doerhoff, CPA

## EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 1999, 1998, 1997, 1996, and 1995. The calculations for years prior to 1998 have been changed to comply with a Supreme Court decision as further explained below.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.
2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.
3. Revenue from the one dollar portion of the state imposed two dollar admission fee to gaming riverboats that is remitted to the "home dock city or county" and is not deposited in the state treasury, is not included in TSR.
4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.

On November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee to gaming riverboats is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR.

The State Auditor's Office (SAO) and OA-BP did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43(b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in TSR.

This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 and 1996. The Conservation Federation filed suit declaring that moneys in the Conservation Fund may not be used to make these refunds and that the sales tax proceeds are not includable in TSR. The Supreme Court ruled that Article IV, Section 43(b) requires that conservation funds be expended for conservation purposes as specified in that section and using these funds to pay for Hancock refunds is, therefore, unconstitutional.

This decision also related to whether the conservation sales tax should be included in TSR. The Supreme Court noted that the conservation sales tax imposed by Section 42(a) was enacted by a vote of the people in 1976, which was four years before the Hancock Amendment was approved. However, Section 43(b) was adopted contemporaneously with the Hancock Amendment and, therefore, went into effect after the Hancock Amendment's baseline period for TSR, which was fiscal year 1980-81. Thus, this case presents the unique situation that a tax was approved by the voters prior to the Hancock Amendment, but the voter-approved (indeed voter mandated) spending of that revenue was approved after the Hancock Amendment's initial tax and spending ceiling was calculated.

Since the state had already paid refunds to taxpayers for fiscal years 1995, 1996, and 1997, the state has decided not to recalculate TSR for those years. However, starting in fiscal year 1998, the state has excluded the conservation sales tax (and related interest earnings) from TSR in accordance with the Supreme Court decision. In addition, the state will not pay any refunds (for prior years or future years) from the Conservation Fund.

Although we agree with OA-BP's calculation of TSR for 1999 and 1998, we consider a few items open to interpretation, which deal with whether to include or exclude from TSR the monies received by the state for cost reimbursements and recovery costs. These issues are discussed in more depth later in this report.

In December, 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and TSR.

## EXHIBITS

Exhibit A

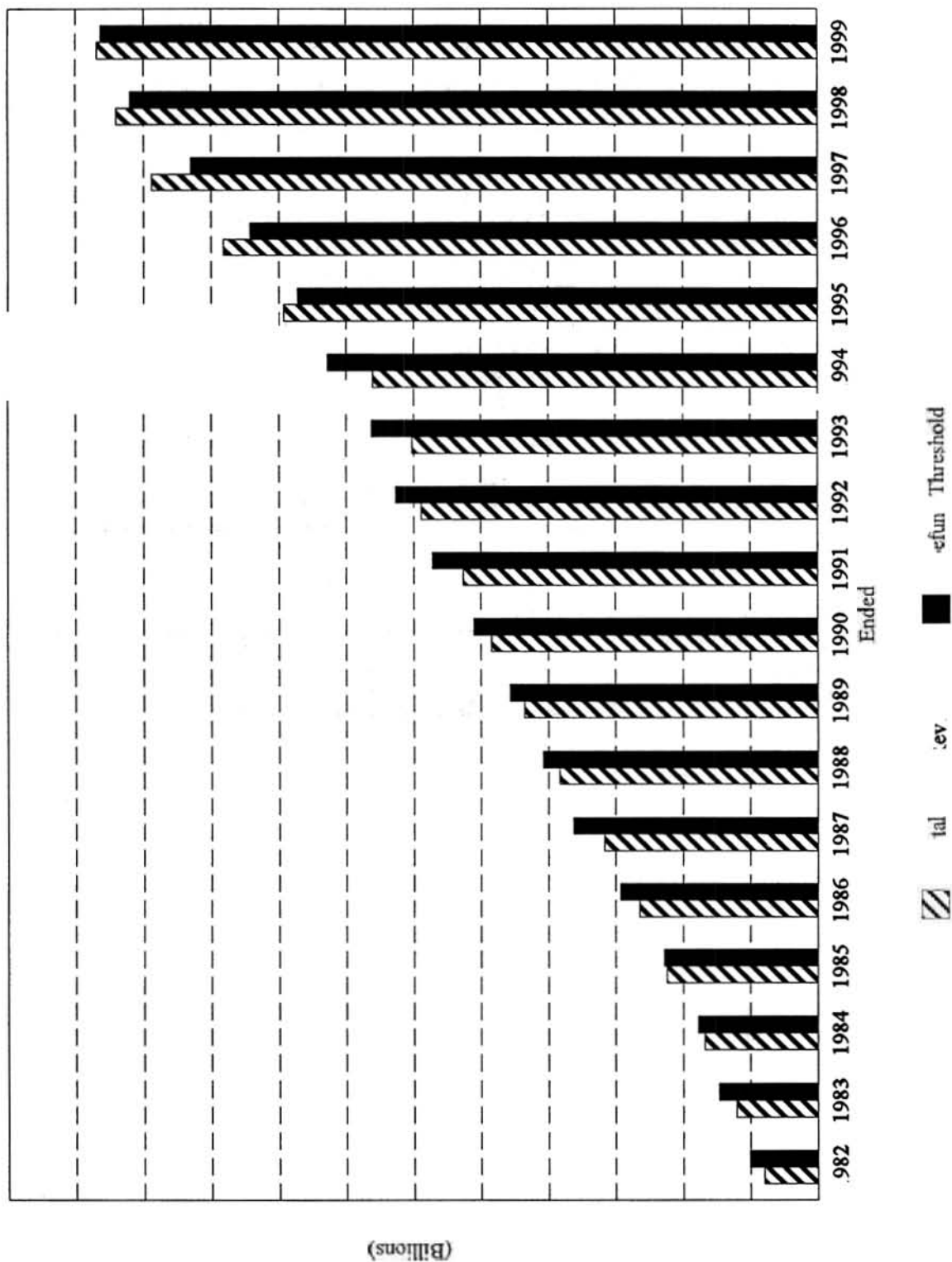
REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI  
SUMMARY OF TOTAL STATE REVENUE AND REFUND CALCULATIONS  
FIVE YEARS ENDED JUNE 30, 1999  
(IN MILLIONS)

|                                    |    | Year Ended June 30, |                 |                 |                 |                 |
|------------------------------------|----|---------------------|-----------------|-----------------|-----------------|-----------------|
|                                    |    | 1995                | 1996            | 1997            | 1998            | 1999            |
| TOTAL STATE REVENUE (TSR)          |    |                     |                 |                 |                 |                 |
| Total state receipts               | \$ | 11,892.90           | 12,308.50       | 13,225.70       | 14,162.44       | 15,076.69       |
| Less excluded revenue              |    | -5,448.48           | -5,391.98       | -5,765.43       | -6,360.21       | -6,846.96       |
| Less expenditure refunds           |    | -492.18             | -529.59         | -551.53         | -647.09         | -886.05         |
| TSR                                | \$ | <u>5,952.24</u>     | <u>6,386.93</u> | <u>6,908.74</u> | <u>7,155.14</u> | <u>7,343.68</u> |
| REVENUE LIMIT AND REFUND THRESHOLD |    |                     |                 |                 |                 |                 |
| MPI                                | \$ | 102,386.00          | 108,519.00      | 116,154.00      | 123,280.00      | 127,795.00      |
| Base year ratio                    | x  | 0.056395            | 0.056395        | 0.056395        | 0.056395        | 0.056395        |
| Base limit                         |    | 5,774.06            | 6,119.93        | 6,550.50        | 6,952.38        | 7,207.00        |
| Judicial article amendment         |    | 30.52               | 31.74           | 33.98           | 36.02           | 37.82           |
| Revenue limit                      |    | <u>5,804.58</u>     | <u>6,151.67</u> | <u>6,584.48</u> | <u>6,988.40</u> | <u>7,244.82</u> |
| 1 percent adjustment               |    | 58.05               | 61.52           | 65.84           | 69.88           | 72.45           |
| Refund threshold                   | \$ | <u>5,862.63</u>     | <u>6,213.19</u> | <u>6,650.32</u> | <u>7,058.28</u> | <u>7,317.27</u> |
| REFUND CALCULATION                 |    |                     |                 |                 |                 |                 |
| TSR                                | \$ | 5,952.24            | 6,386.93        | 6,908.74        | 7,155.14        | 7,343.68        |
| Less refund threshold              |    | <u>5,862.63</u>     | <u>6,213.19</u> | <u>6,650.32</u> | <u>7,058.28</u> | <u>7,317.27</u> |
| Over (Under) Threshold             |    | 89.61               | 173.74          | 258.42          | 96.86           | 26.41           |
| 1 percent adjustment               |    | 58.05               | 61.52           | 65.84           | 69.88           | 72.45           |
| Refund                             | \$ | <u>147.66</u>       | <u>235.26</u>   | <u>324.26</u>   | <u>166.74</u>   | <u>98.86</u>    |

See the accompanying Note to the Exhibits.



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## NOTE TO THE EXHIBITS

REVIEW OF ARTICLE X, SECTION 16 THROUGH 24  
CONSTITUTION OF MISSOURI  
NOTE TO THE EXHIBITS

Refunds paid for the year ended June 30, 1998, totaled \$178,843,080 which included \$166,740,970 for 1998 plus \$12,102,110 due from the prior years of 1995, 1996, and 1997. Of the amount due from prior years \$12,071,930 related to the court decision that payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats should be included in total state revenue. The remaining \$30,180 related to various minor adjustments for 1995, 1996, and 1997.

## SCHEDULES

## Schedule 1

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

| Fund<br>Number | Fund Name  | Year Ended June 30, |               |               |               |               |
|----------------|--|---------------------|---------------|---------------|---------------|---------------|
|                |  | 1995                | 1996          | 1997          | 1998          | 1999          |
| 101            | General Revenue  | \$ 4,848,175,570    | 5,203,140,977 | 5,608,125,529 | 5,876,559,243 | 6,001,497,597 |
| 104            | Vocational Rehabilitation - Federal  | 5,303               | 511,415       | 1,370         | 11,508        | 7,262         |
| 105            | Elementary and Secondary Education - Federal and Other                                     | 72,197              | 72,241        | 192,813       | 177,318       | 108,542       |
| 106            | Cash Operating Reserve - General Revenue   | 10,624,657          | 12,166,856    | 12,716,720    | 13,953,430    | 15,066,578    |
| 107            | Budget Stabilization   | 1,858,127           | 1,467,772     | 5,022,803     | 6,823,161     | 7,354,863     |
| 108            | Uncompensated Care   | 0                   | 0             | 0             | 0             | 0             |
| 109            | Mental Health Interagency Payments   | 0                   | 0             | 0             | 0             | 245           |
| 111            | Division of Youth Services - Federal and Other   | 2,378               | 2,519         | 3,351         | 2,335         | 1,605         |
| 112            | Office of the State Public Defender - Federal and Other                                    | -3,423              | 0             | 0             | 7,244         | 0             |
| 115            | State Auditor - Federal  | 0                   | 0             | 0             | 0             | 0             |
| 116            | Department of Higher Education - Federal   | 0                   | 9,505         | 0             | 0             | 0             |
| 117            | Department of Labor and Industrial Relations -<br>Commission on Human Rights - Federal     | 0                   | 0             | 0             | 0             | 0             |
| 118            | Department of Economic Development -<br>Community Development Block Grant (Pass-through)   | 0                   | 0             | 0             | 0             | 0             |
| 119            | Department of Economic Development -<br>Women's Council - Federal                          | 15,210              | 79,272        | 20,089        | 400           | 0             |
| 121            | Department of Public Safety - JAIBG  | 0                   | 0             | 0             | 0             | 45,964        |
| 123            | Department of Economic Development -<br>Community Development Block Grant (Administration) | 0                   | 0             | 0             | -1,000        | 0             |
| 124            | Facilities Maintenance Reserve   | 0                   | 0             | 0             | 95,631        | 240,483       |
| 125            | Food Stamp EBT Settlement  | 0                   | 0             | 0             | 0             | 0             |
| 126            | Department of Transportation - Federal and Other   | 1,131,172           | 669,562       | 1,154,513     | 12,852        | 4,204         |
| 129            | Department of Economic Development - Federal and Other                                     | -200                | 16,711        | 0             | 0             | 0             |
| 130            | Department of Corrections - Federal  | 0                   | 0             | 0             | 20,045        | 0             |
| 132            | Department of Revenue - Federal  | 0                   | 0             | 0             | 0             | 2,095         |
| 133            | Department of Agriculture - Federal and Other  | 0                   | 0             | 0             | -8,512        | 0             |
| 134            | Utilicare Utilization  | 0                   | 0             | 0             | 0             | 975,731       |
| 135            | Office of Administration - Federal and Other   | 0                   | 0             | 0             | 0             | 0             |
| 136            | Attorney General - Federal and Other   | -59,999             | -138,041      | -25,702       | -14,811       | -33           |
| 137            | Supreme Court - Federal and Other  | -5,459              | 9,912         | -2,773        | 0             | 0             |
| 138            | Department of Economic Development - Missouri Council<br>on the Arts - Federal and Other   | 0                   | 0             | 0             | 0             | 0             |
| 140            | Department of Natural Resources - Federal and Other  | 19,248              | 77,355        | 35,037        | 14,673        | -65           |
| 141            | DED - Federal and Other  | 200,000             | 1,152,541     | 0             | 0             | 0             |
| 142            | Federal Reimbursement Allowance  | 1,140,070           | 11,017,229    | 16,646,623    | 18,898,674    | 15,343,821    |
| 143            | Department of Health - Federal   | 1,058,805           | 609,738       | -834,612      | 219,742       | 191,277       |
| 145            | State Emergency Management - Federal and Other   | 0                   | 0             | 0             | 0             | 0             |
| 148            | Department of Mental Health - Federal  | 8,391               | 8,302         | 10,219        | 32,323        | -1,670        |
| 149            | Department of Public Safety - Highway Safety   | 153                 | 0             | 0             | 101           | -147,738      |
| 152            | Department of Public Safety - Federal  | -17,355             | 9,549         | 81,466        | 38,898        | 184,687       |
| 153            | Division of Aging - Federal and Other  | 39,816              | 25            | 0             | 3             | 0             |
| 155            | Job Development and Training   | 0                   | -6,155        | 24            | 0             | 0             |
| 156            | Department of Social Services - Federal and Other  | 244                 | 10,579        | 54,638        | 2,520         | 0             |
| 161            | Title XIX - Patient Placement - General Revenue  | 0                   | 0             | 0             | 0             | 0             |
| 162            | ADC - Federal  | 0                   | 3,734         | 0             | 0             | 0             |
| 163            | Title XIX - Federal  | 0                   | 0             | 0             | 71            | 0             |
| 167            | Division of Family Services Donations  | 7,261               | 12,193        | 111,811       | 189,051       | 83,699        |
| 168            | Division of Aging Donations  | 0                   | 0             | 0             | 0             | 0             |
| 169            | Child Support Enforcement Collections  | -124,388            | -98,339       | -112,745      | -145,227      | -458,743      |
| 176            | General Revenue Reimbursements   | 0                   | 0             | -5,399        | -313          | 0             |
| 177            | Missouri Humanities Council Trust  | 0                   | 0             | 6,687         | 10,445        | 18,909        |
| 184            | Missouri Veterans Commission - Federal   | 0                   | 0             | 0             | 0             | 0             |
| 185            | MCSAP/Division of Transportation - Federal   | 3,566               | 4,456         | 0             | 94            | 140           |
| 186            | Division of Labor Standards - Federal  | 0                   | 0             | 0             | 0             | 0             |
| 187            | Division of Workers' Compensation - Federal  | 0                   | 0             | 0             | 0             | 0             |
| 188            | Governor's Committee on Employment of the<br>Handicapped - Federal                         | 19,768              | 29,693        | 29,180        | 3,395         | 0             |
| 189            | Federal and Other  | -3,143              | -2,312        | -13,915       | 52,452        | -66,128       |
| 190            | Adjutant General - Federal   | -135,316            | -22,444       | -129,430      | -174,584      | -142,549      |
| 191            | Department of Labor and Industrial Relations - Crime<br>Victims - Federal                  | 0                   | 0             | 0             | 0             | 0             |
| 192            | Federal - MDI  | 175,620             | 170,532       | 0             | 0             | 0             |
| 194            | Federal Drug Seizure   | 17,939              | 29,080        | 32,051        | 50,807        | 108,330       |
| 195            | Secretary of State - Federal   | 598                 | 103           | 727           | 0             | 0             |

|     |  |            |            |            |            |            |
|-----|--|------------|------------|------------|------------|------------|
| 196 | Nursing Facility Federal Reimbursement Allowance                           | 1,401,973  | 3,479,394  | 5,332,352  | 6,419,455  | 6,330,886  |
| 197 | Community Service Commission - Federal and Other                           | 0          | 0          | 0          | 0          | 0          |
| 198 | Post Closure Fund  | 0          | 0          | 0          | 45,676     | 14,645     |
| 199 | Temporary Assistance for Needy Families - Federal                          | 0          | 0          | 0          | 0          | 0          |
|     | Water Pollution Control Bond and Interest:                                 |            |            |            |            |            |
| 220 | Pre Tax Act 1986   | 487,568    | 484,563    | 395,046    | 125,400    | 32,919     |
| 221 | Series B 1987  | 15,586     | 0          | 0          | 0          | 0          |
| 222 | Series A 1989  | 59,017     | 54,675     | 62,204     | 59,432     | 67,820     |
| 224 | Series A 1991  | 59,038     | 54,011     | 61,186     | 58,239     | 67,225     |
| 225 | Series B 1992  | 157,926    | 147,110    | 247,412    | 270,073    | 311,916    |
| 226 | Series A 1992  | 141,453    | 129,903    | 148,120    | 141,688    | 161,752    |
| 227 | Series B&C 1991  | 197,964    | 234,974    | 232,510    | 238,548    | 242,318    |
| 228 | Series A 1993  | 115,424    | 105,473    | 120,046    | 114,512    | 130,881    |
| 229 | Series B 1993  | 332,588    | 307,088    | 352,439    | 420,455    | 528,382    |
|     | Third State Building Bond Interest and Sinking:                            |            |            |            |            |            |
| 230 | Pre Tax Act 1986   | 971,377    | 1,033,963  | 646,518    | 8,298      | 0          |
| 231 | Post Tax Act 1986  | 33,484     | 0          | 0          | 0          | 0          |
| 232 | Series A&B 1991  | 414,212    | 489,089    | 483,718    | 674,779    | 515,075    |
| 233 | Series A 1992  | 824,491    | 762,647    | 1,254,351  | 1,456,912  | 1,738,811  |
| 234 | Series A 1993  | 468,105    | 432,507    | 496,347    | 756,003    | 1,026,325  |
|     | Water Pollution Control Bond and Interest -                                |            |            |            |            |            |
| 235 | Series A 1995  | 49,068     | 111,403    | 128,950    | 124,739    | 143,090    |
| 236 | Series A 1996  | 0          | 0          | 104,408    | 147,391    | 169,010    |
| 237 | Series A 1998  | 0          | 0          | 0          | 6          | 111,817    |
|     | Fourth State Building Bond and Interest -                                  |            |            |            |            |            |
| 240 | Series A 1995  | 45,231     | 273,396    | 322,451    | 311,714    | 357,709    |
| 241 | Series A 1996  | 0          | 0          | 372,751    | 526,591    | 603,466    |
| 242 | Series A 1998  | 0          | 0          | 0          | 9          | 159,738    |
| 246 | Motorcycle Safety Trust  | 0          | 2,385      | 3,972      | 4,001      | 2,592      |
| 247 | Hearing Instrument Specialist  | 0          | 22,590     | 70,665     | 71,590     | 67,750     |
| 249 | Compulsive Gamblers  | 0          | 300,000    | 0          | 165,000    | 50,000     |
| 253 | Missouri Crime Prevention Information and Programming                      | 0          | 0          | 0          | 0          | 0          |
| 254 | Missouri Housing Trust   | 2,343,493  | 3,595,779  | 3,717,438  | 4,218,072  | 5,101,111  |
| 255 | Treasurer's Information  | 457        | 14,608     | -12,604    | 0          | 0          |
| 261 | Residential Mortgage Licensing   | 0          | 0          | 229,718    | 206,779    | 253,577    |
| 262 | Missouri Arts Council Trust  | 0          | 40,758     | 360,162    | 646,287    | 868,759    |
| 263 | Board of Geologist Registration  | 0          | 129,540    | 97,035     | 98,735     | 97,360     |
| 264 | Missouri Commission for the Deaf Board of Certification<br>of Interpreters | 0          | 19         | 23,741     | 57,452     | 55,180     |
| 265 | Gaming Commission Bingo  | 138,704    | 126,089    | 127,261    | 102,865    | 93,223     |
| 266 | Secretary of State's Technology Trust Fund Account                         | 1,653,024  | 2,216,093  | 2,284,533  | 2,300,375  | 2,237,163  |
| 269 | Missouri National Guard Training Site                                      | 137,151    | 172,645    | 200,022    | 209,420    | 251,972    |
| 270 | Statewide Court Automation   | 2,381,223  | 4,134,134  | 4,184,606  | 4,389,356  | 4,650,327  |
| 271 | Nursing Facility Quality of Care   | 192,022    | 761,874    | 1,083,679  | 998,513    | 1,035,715  |
| 272 | Missouri Student Grant Program Gift  | 0          | 0          | 0          | 0          | 0          |
| 274 | Division of Tourism Supplemental Revenue                                   | 0          | 0          | 0          | 0          | 0          |
| 275 | Health Initiatives   | 31,057,762 | 32,275,006 | 32,223,483 | 32,706,731 | 32,481,966 |
| 276 | Health Access Incentive  | 0          | 850,000    | 0          | 0          | -27        |
| 277 | Mental Health Housing Trust  | 0          | 0          | 4,019      | 176        | 195        |
| 278 | Family Support Loan Program  | 1,613      | 9,647      | 16,884     | 20,627     | 20,782     |
| 279 | School Building Revolving  | 0          | 0          | 0          | 0          | 170,232    |
| 280 | Business Extension Service Team  | 0          | 0          | 0          | 0          | 0          |
| 281 | Peace Officers Standards and Training Commission                           | 246,941    | 301,104    | 418,625    | 983,415    | 1,330,822  |
| 284 | Independent Living Center  | 121,332    | 138,900    | 170,204    | 215,370    | 229,851    |
| 285 | Gaming Proceeds for Education  | 0          | 0          | 0          | 0          | 0          |
| 286 | Gaming Commission  | 3,549,967  | 10,073,218 | 10,894,185 | 11,598,983 | 12,932,432 |
| 287 | Outstanding Schools Trust  | 5,080,843  | 10,068,818 | 14,204,380 | 18,753,652 | 19,830,070 |
| 288 | Mental Health Earnings   | 1,964,418  | 2,515,064  | 1,646,729  | 1,518,350  | 1,667,082  |
| 289 | Bingo Proceeds for Education   | 0          | 0          | 0          | 0          | 0          |
| 290 | Highway Department - Grade Crossing Safety Account                         | 833,805    | 1,241,628  | 1,046,319  | 1,087,828  | 1,092,874  |
| 291 | Lottery Proceeds   | 0          | 289        | 1,436      | 327        | 0          |
| 292 | Animal Health Laboratory Fee   | 206,987    | 232,636    | 262,064    | 298,099    | 323,488    |
| 293 | Mammography  | 56,784     | 63,984     | 86,684     | 91,434     | 91,550     |
| 295 | Animal Care Reserve  | 241,580    | 243,647    | 253,783    | 266,084    | 269,657    |
| 296 | Division of Aging - Elderly Home Delivered Meals Trust                     | 1,042      | 182        | 211        | 19,892     | 140        |
| 297 | Highway Patrol Inspection  | 852,835    | 877,026    | 1,076,350  | 1,088,625  | 1,081,460  |
| 298 | Missouri Public Health Services  | 543,625    | 758,657    | 639,393    | 1,688,006  | 1,440,800  |
| 299 | Livestock Brands   | 22,870     | 18,375     | 16,920     | 30,120     | 31,025     |
| 304 | Veteran's Homes Capital Improvement Trust                                  | 0          | 68,831     | 275,570    | 1,391,613  | 3,233,103  |
| 320 | State Road   | 17,557,065 | 20,927,760 | 11,228,850 | 18,296,844 | 21,192,666 |
| 325 | Veterans Homes Capital Improvement   | 96,453     | 136,091    | 47,801     | 0          | 0          |
| 346 | Water Pollution Control - Series A 1992 - 37E                              | 0          | 0          | 0          | 0          | 0          |
| 347 | Water Pollution Control - Series A 1992 - 37C                              | 0          | 0          | 0          | 0          | 0          |
| 348 | Water Pollution Control - Series A 1993 - 37C                              | 373,030    | 162,446    | 34,581     | 0          | 0          |

|     |   |           |            |            |           |            |
|-----|---|-----------|------------|------------|-----------|------------|
| 349 | Water Pollution Control - Series A 1993 - 37E                               | 362,960   | 15,445     | 0          | 0         | 0          |
| 351 | Water Pollution Control - Series A 1995 - 37C                               | 52,555    | 242,872    | 112,250    | 0         | 0          |
| 352 | Water Pollution Control - Series A 1995 - 37E                               | 262,750   | 1,004,170  | 313,244    | 0         | 0          |
| 353 | Water Pollution Control - Series A 1996 - 37C                               | 0         | 0          | 502,120    | 484,911   | 385,676    |
| 354 | Water Pollution Control - Series A 1996 - 37E                               | 0         | 0          | 844,553    | 880,504   | 476,218    |
| 355 | Water Pollution Control - Series A 1998 - 37C                               | 0         | 0          | 0          | 36        | 331,841    |
| 356 | Water Pollution Control - Series A 1998 - 37E                               | 0         | 0          | 0          | 131       | 1,220,732  |
| 360 | Third State Building - Pre Tax Act 1986                                     | 395,464   | 301,821    | 199,935    | 120,177   | 70,179     |
| 371 | Third State Building Trust - Pre Tax Act 1986                               | 0         | 1,925      | 1,669      | 0         | 1,658      |
| 380 | Fourth State Building - Series A 1995                                       | 786,728   | 3,211,948  | 1,391,385  | 0         | 0          |
| 381 | Fourth State Building - Series A 1996                                       | 0         | 0          | 4,803,635  | 4,050,880 | 809,357    |
| 382 | Fourth State Building - Series A 1998                                       | 0         | 0          | 0          | 236       | 2,026,496  |
| 403 | Mental Health Central Supply  | 0         | 0          | 0          | 0         | 0          |
| 406 | Commodity Council Merchandising   | 8,715,352 | 8,929,820  | 10,748,958 | 9,727,565 | 336,529    |
| 407 | Federal Surplus Property  | 1,853,998 | 1,616,386  | 1,403,661  | 1,813,341 | 1,949,854  |
| 408 | Single-purpose Animal Facilities Loan Program                               | 0         | 54,146     | 235,061    | 154,112   | 118,793    |
| 410 | State Fair Fees   | 2,948,455 | 2,516,152  | 2,393,159  | 2,719,103 | 3,124,498  |
| 412 | Agricultural Product Utilization Business Development<br>Loan Program       | 0         | 0          | 0          | 0         | 14,591     |
| 413 | Agricultural Product Utilization Grant                                      | 0         | 0          | 0          | 0         | 9,079      |
| 415 | State Parks Earnings  | 5,142,735 | 5,755,621  | 5,526,811  | 7,168,783 | 5,910,361  |
| 420 | State Parks Revolving   | 123,327   | 145,172    | 389,949    | 447,305   | 505,293    |
| 425 | Natural Resources Revolving Services  | 237,624   | 254,343    | 281,535    | 414,256   | 433,814    |
| 430 | Historic Preservation Revolving   | 751       | 89,034     | 17,227     | 16,739    | 35,129     |
| 460 | Missouri Veterans' Homes  | 8,835,638 | 9,181,603  | 9,200,352  | 9,121,616 | 10,172,503 |
| 465 | Missouri State Chest Hospital   | 2,751,013 | 3,377,440  | 197,193    | 0         | 0          |
| 500 | Department of Natural Resources Cost Allocation                             | 21        | -1,005     | 62         | 0         | 207        |
| 501 | State Facility Maintenance and Operation                                    | 0         | 0          | 198,889    | 199,295   | 201,053    |
| 505 | Office of Administration Revolving Administrative Trust                     | 3,814,326 | 12,930,918 | 12,775,659 | 9,828,139 | 11,329,043 |
| 510 | Working Capital Revolving   | 1,531,389 | 1,866,955  | 1,840,155  | 1,907,847 | 2,270,013  |
| 511 | Microfilming Service Revolving Trust  | 881       | 561        | 12         | 3,391     | 12         |
| 515 | Central Check Mailing Service Revolving                                     | 0         | 0          | 0          | 0         | 0          |
| 520 | House of Representatives Revolving  | 52,153    | 31,170     | 24,001     | 21,305    | 19,345     |
| 525 | Supreme Court Publications Revolving  | 116,399   | 112,359    | 124,282    | 53,679    | 162,043    |
| 530 | Adjutant General Revolving  | 48,579    | 59,093     | 49,134     | 50,447    | 63,179     |
| 535 | Senate Revolving  | 13,848    | 10,880     | 42,610     | 9,336     | 11,427     |
| 540 | Inmate Revolving  | 2,837,488 | 3,085,362  | 3,260,298  | 3,431,892 | 3,459,684  |
| 545 | Department of Social Services Administrative Trust                          | 224,695   | 183,463    | 445,050    | 170,745   | 44,827     |
| 546 | Statutory Revision  | 727,955   | 225,824    | 162,149    | 170,458   | 178,802    |
| 547 | Department of Economic Development Administrative                           | 2,214,666 | 1,839,580  | 38,984     | 23,941    | 7,976      |
| 548 | Division of Credit Unions   | 617,733   | 735,264    | 794,654    | 832,926   | 871,050    |
| 549 | Division of Savings and Loan Supervision                                    | 450,514   | 42,865     | 38,751     | 38,635    | 37,550     |
| 550 | Division of Finance   | 6,811,399 | 6,763,194  | 7,199,578  | 7,331,979 | 7,023,357  |
| 551 | Industrial/Commercial Energy Conservation Loan                              | 159,916   | 173,974    | 136,144    | 0         | 0          |
| 552 | Insurance Examiners   | 6,130,048 | 6,353,390  | 7,032,816  | 6,620,279 | 7,161,085  |
| 553 | Design and Construction - Donated   | 2,450     | 0          | 0          | 0         | 0          |
| 554 | Firing Range Fee  | 700       | 470        | 0          | 0         | 0          |
| 555 | Natural Resources Protection  | 322,648   | 354,204    | 260,030    | 30,168    | 554,307    |
| 556 | Youth Service and Conservation Corps  | 0         | 0          | 0          | 0         | 0          |
| 559 | Deaf Relay Service  | 4,320,598 | 4,503,021  | 4,754,625  | 5,045,207 | 5,218,209  |
| 560 | Mortgage Broker Administration  | 62,095    | 1,100      | 0          | 0         | 0          |
| 561 | Real Estate Appraisers  | 327,941   | 314,764    | 297,049    | 277,744   | 306,221    |
| 562 | Endowed Care Cemetery Audit   | 207,179   | 203,290    | 153,771    | 141,131   | 133,368    |
| 563 | Missouri Community College Job Training Program                             | 3,695,728 | 6,393,596  | 6,924,397  | 7,791,944 | 9,355,975  |
| 565 | Professional and Practical Nursing Student Loan and<br>Nurse Loan Repayment | 352,728   | 370,452    | 699,999    | 76,423    | 704,444    |
| 566 | Department of Insurance Dedicated   | 5,908,814 | 6,880,730  | 6,707,213  | 7,643,287 | 7,848,903  |
| 567 | International Trade Show Revolving  | 71,583    | 37,390     | 85,077     | 44,390    | 22,906     |
| 568 | Natural Resources Protection - Water Pollution Permit<br>Fee Subaccount     | 2,657,205 | 2,850,079  | 4,685,674  | 4,580,914 | 5,331,953  |
| 569 | Solid Waste Management - Scrap Tire Subaccount                              | 1,600,186 | 1,651,838  | 1,728,208  | 1,767,698 | 1,925,453  |
| 570 | Solid Waste Management  | 7,201,983 | 7,075,466  | 7,357,325  | 8,066,622 | 9,194,937  |
| 573 | Aquaculture Marketing Development   | 18,966    | 18,053     | 19,020     | 10,837    | 10,597     |
| 574 | Clinical Social Workers   | 318,090   | 234,869    | 286,463    | 282,363   | 289,935    |
| 575 | Metallic Minerals Waste Management  | 89,708    | 92,429     | 93,142     | 94,108    | 104,153    |
| 576 | Landscape Architectural Council   | 24,098    | 19,360     | 21,180     | 22,445    | 22,210     |
| 577 | Local Records Preservation  | 1,138,421 | 1,190,145  | 1,250,992  | 1,372,966 | 1,730,569  |
| 579 | Veterans Trust  | 14,083    | 16,509     | 19,305     | 21,243    | 24,294     |
| 580 | State Committee of Psychologists  | 338,998   | 366,572    | 350,699    | 354,581   | 371,552    |
| 581 | Livestock Sales and Markets Fees  | 15,600    | 14,990     | 13,875     | 13,725    | 13,505     |
| 582 | Manufactured Housing  | 426,908   | 500,876    | 552,592    | 534,724   | 502,155    |
| 583 | Missouri Health Care Providers  | 99,155    | 114,664    | 75,815     | 13,270    | -70        |
| ::  |   |           |            |            |           |            |
| 584 | Natural Resources Protection - Air Pollution Asbestos                       |           |            |            |           |            |

|     |   |             |             |             |             |             |
|-----|---|-------------|-------------|-------------|-------------|-------------|
|     | Fee Subaccount  | 448,141     | 519,895     | 450,613     | 327,665     | 250,230     |
| 585 | Underground Storage Tank Insurance                    | 2,603,788   | 4,363,430   | 16,685,770  | 18,001,607  | 18,031,848  |
| 586 | Underground Storage Tank Regulation Program           | 251,765     | 86,483      | 94,443      | 687,277     | 385,798     |
| 587 | Chemical Emergency Preparedness                       | 700,364     | 734,915     | 723,515     | 687,261     | 741,172     |
| 588 | Motor Vehicle Commission                              | 942,513     | 999,572     | 1,023,983   | 909,808     | 938,732     |
| 589 | Health Spa Regulatory                                 | 8,200       | 5,800       | 5,700       | 5,400       | 4,050       |
| 591 | State Forensic Laboratory                             | 250,000     | 250,000     | 250,000     | 250,000     | 250,000     |
| 592 | Services to Victims                                   | 971,101     | 925,240     | 1,706,463   | 2,567,069   | 3,004,163   |
| 594 | Natural Resources Protection Air Pollution Permit     |             |             |             |             |             |
|     | Fee Subaccount  | 6,425,326   | 5,995,951   | 7,051,966   | 6,968,599   | 6,310,586   |
| 598 | Medical School Loan and Loan Repayment Program        | 0           | 0           | 0           | 0           | -379        |
| 599 | Video Instructional Development and Educational       |             |             |             |             |             |
|     | Opportunity   | 0           | 0           | 0           | 0           | 0           |
| 600 | Missouri Job Development                              | 0           | 388         | 0           | 0           | 0           |
| 601 | Children's Services Commission                        | 5,311       | 747         | 746         | 858         | 861         |
| 602 | Water and Wastewater Loan Revolving                   | 4,259,193   | 4,137,706   | 6,162,800   | 7,245,092   | 9,078,862   |
| 603 | Attorney General's Court Costs                        | 193         | 19,612      | 5,858       | 9,525       | 19,310      |
| 605 | Missouri Breeders                                     | 3,321       | 3,619       | 3,732       | 3,976       | 4,119       |
| 607 | Public Service Commission                             | 10,617,489  | 11,873,034  | 11,576,967  | 12,200,053  | 14,282,975  |
| 608 | Grade Crossing and Safety Account                     | 0           | 0           | 0           | 0           | 0           |
| 609 | Conservation Commission                               | 97,465,656  | 104,348,924 | 110,506,508 | 28,454,208  | 34,207,585  |
| 610 | Division of Family Services - Administrative          | -160,062    | -257,217    | -581,740    | -1,065,749  | -2,915,384  |
| 613 | Parks Sales Tax                                       | 8,597       | 62,295      | 27,193      | -8,290      | 20,566      |
| 614 | Soil and Water Sales Tax                              | 13          | 1,555       | 3,570       | 0           | 0           |
| 615 | Apple Merchandising                                   | 4,832       | 4,715       | 5,064       | 5,184       | 838         |
| 616 | State School Money                                    | 59,392,720  | 59,253,661  | 58,712,784  | 57,747,838  | 57,596,218  |
| 619 | Department of Revenue Information                     | 3,315,158   | 3,844,376   | 3,903,445   | 3,129,572   | 2,699,485   |
| 620 | Department of Social Services Educational Improvement | -7          | 0           | 0           | -2          | 0           |
| 621 | Blind Pension   | 14,033,071  | 14,625,859  | 15,570,167  | 16,786,123  | 17,417,008  |
| 622 | Tort Victims Compensation                             | 7,956       | 9,565       | 16,689      | 4,816,845   | 2,555,773   |
| 623 | State Seminary Money                                  | 197,574     | 224,084     | 236,788     | 211,031     | 232,976     |
| 624 | Livestock Dealer Law Enforcement and Administration   | 2,054       | 3,709       | 4,946       | 6,293       | 1,438       |
| 626 | State Guaranty Student Loan                           | 5,085,949   | 4,316,116   | 4,380,199   | 0           | 0           |
| 627 | Board of Accountancy                                  | 768,913     | 589,961     | 635,199     | 623,635     | 540,727     |
| 628 | Board of Barber Examiners                             | 169,860     | 174,133     | 170,760     | 175,563     | 171,263     |
| 629 | Board of Podiatry                                     | 43,868      | 44,927      | 53,408      | 51,686      | 53,051      |
| 630 | Board of Chiropractic Examiners                       | 275,770     | 277,104     | 257,485     | 271,048     | 283,110     |
| 631 | Merchandising Practices Revolving                     | 556,434     | 1,129,952   | 862,469     | 835,698     | 772,612     |
| 632 | Board of Cosmetology                                  | 235,544     | 1,896,202   | 376,286     | 2,103,511   | 210,279     |
| 633 | Board of Embalmers and Funeral Directors              | 347,710     | 437,156     | 455,466     | 467,823     | 483,901     |
| 634 | Board of Registration for Healing Arts                | 3,116,765   | 3,168,610   | 3,243,660   | 3,515,430   | 3,530,403   |
| 635 | Board of Nursing                                      | 1,665,337   | 1,737,466   | 3,097,964   | 1,041,452   | 2,686,608   |
| 636 | Board of Optometry                                    | 87,595      | 88,084      | 125,612     | 124,604     | 128,351     |
| 637 | Board of Pharmacy                                     | 813,706     | 1,058,506   | 1,120,302   | 1,118,388   | 1,177,263   |
| 638 | Missouri Real Estate Commission                       | 1,973,277   | 1,496,353   | 1,964,355   | 1,534,040   | 2,059,250   |
| 639 | Veterinary Medical Board                              | 333,135     | 341,293     | 340,726     | 344,216     | 341,247     |
| 644 | Highway Department                                    | 131,434,168 | 138,282,043 | 138,954,472 | 136,850,756 | 147,650,514 |
| 645 | Milk Inspection Fees                                  | 1,512,667   | 1,483,842   | 1,461,870   | 1,390,580   | 1,427,041   |
| 646 | Department of Health Document Services                | 124,494     | 132,284     | 221,169     | 197,143     | 141,887     |
| 647 | Grain Inspection Fees                                 | 1,421,303   | 1,374,474   | 1,755,887   | 1,505,428   | 1,458,494   |
| 648 | Petition Audit Revolving Trust                        | 142,461     | 102,392     | 111,143     | 168,398     | 103,612     |
| 649 | Water and Waste Water Loan                            | 37,301      | 46,293      | 62,319      | 56,047      | 82,562      |
| 650 | Tourism Marketing                                     | 824         | 395         | 0           | 1,000       | 1,000       |
| 651 | Excellence in Education                               | 1,523,880   | 1,969,563   | 2,108,992   | 1,851,521   | 86,305      |
| 652 | Workers' Compensation                                 | 2,305,544   | 1,192,237   | 13,588,696  | 13,597,121  | 25,275,726  |
| 653 | Workers' Compensation - Second Injury                 | 5,980,545   | 2,780,461   | 3,928,274   | 19,036,957  | 33,556,340  |
| 654 | State Environmental Improvement Authority             | 0           | 0           | 0           | 1,631       | 0           |
| 655 | Missouri Prospective Teachers Loan                    | 1,960       | 1,030       | 360         | 240         | 90          |
| 657 | Lottery Enterprise                                    | 0           | 0           | 0           | 0           | 0           |
| 658 | Department of Health - Donated                        | 76,362      | 181,473     | 909,455     | 487,508     | 997,118     |
| 659 | Railroad Expense                                      | 499,949     | 502,560     | 507,778     | 765,196     | 701,545     |
| 660 | Water Well Drillers                                   | 463,735     | 481,901     | 491,579     | 494,758     | 495,165     |
| 662 | Petroleum Inspection                                  | 1,902,235   | 1,886,807   | 1,700,177   | 1,796,504   | 1,792,948   |
| 663 | Missouri Disaster                                     | 0           | 0           | 0           | 0           | 0           |
| 666 | Attorney General's Anti-trust                         | 40,000      | 104,976     | 454,528     | 332,771     | 0           |
| 667 | Energy Set-Aside Program                              | 553,836     | 556,801     | 695,146     | 1,088,875   | 1,163,367   |
| 668 | State Land Survey Program                             | 1,131,484   | 1,183,239   | 1,253,040   | 1,372,894   | 1,730,569   |
| 669 | Petroleum Violation Escrow                            | 1,114,858   | 1,163,320   | 1,232,242   | 1,256,533   | 1,199,858   |
| 670 | Legal Defense and Defender                            | 329,890     | 654,082     | 438,558     | 653,048     | 999,043     |
| 671 | Criminal Record System                                | 899,476     | 1,210,678   | 1,603,159   | 2,164,400   | 2,478,711   |
| 672 | Committee on Professional Counselors                  | 253,257     | 266,289     | 299,190     | 317,889     | 337,047     |
| 673 | Motor Fuel Tax  | 485,843,150 | 499,231,650 | 562,182,075 | 596,880,734 | 599,443,779 |
| 674 | Highway Patrol Academy                                | 160,711     | 167,808     | 259,883     | 337,139     | 390,149     |
| 675 | State Transportation                                  | 143         | 0           | 0           | 0           | 0           |



|     |  |            |            |            |            |            |
|-----|--|------------|------------|------------|------------|------------|
| 676 | Hazardous Waste  | 1,098,495  | 1,174,939  | 1,121,670  | 980,823    | 1,188,104  |
| 677 | Dental Board   | 510,807    | 512,403    | 678,038    | 656,139    | 649,006    |
| 678 | State Board of Architects, Engineers and Land Surveyors  | 1,169,388  | 550,425    | 1,019,932  | 531,831    | 1,093,343  |
| 679 | Safe Drinking Water  | 2,938,524  | 2,885,439  | 2,911,110  | 2,852,193  | 2,871,008  |
| 680 | Missouri Office of Prosecution Services  | 161,980    | 164,906    | 159,777    | 191,131    | 207,709    |
| 681 | Crime Victims' Compensation  | 4,248,257  | 4,336,598  | 3,825,731  | 4,490,679  | 4,988,090  |
| 683 | Marketing Development  | 385,672    | 432,942    | 433,748    | 450,575    | 471,587    |
| 684 | Coal Mine Land Reclamation   | 287,389    | 375,778    | 221,410    | 132,818    | 181,852    |
| 685 | Missouri Horse Racing Commission   | 104        | 88         | 0          | 0          | 0          |
| 686 | State Elections Subsidy  | 0          | 0          | 0          | 0          | 0          |
| 687 | Fair Share   | 25,347,571 | 25,632,040 | 25,078,896 | 24,959,778 | 24,684,130 |
| 688 | School District Trust  | 0          | 100        | 0          | 0          | 0          |
| 689 | Professional Registration Fees   | -45,308    | -28,543    | -30,474    | -33,258    | -32,180    |
| 690 | Hazardous Waste Remedial   | 2,566,414  | 2,391,093  | 3,104,501  | 2,066,329  | 3,274,060  |
| 691 | Missouri Air Pollution Control   | 868,268    | 888,741    | 921,777    | 948,257    | 949,193    |
| 692 | State Legal Expense  | 0          | 0          | 0          | 1,500      | 0          |
| 693 | Athletic   | 59,357     | 88,705     | 210,211    | 356,416    | 426,397    |
| 694 | Children's Trust   | 1,564,441  | 1,529,200  | 1,651,531  | 1,612,737  | 1,719,145  |
| 695 | Highway Patrol Motor Vehicle Revolving   | 3,585,067  | 4,318,508  | 4,429,562  | 5,103,182  | 5,137,004  |
| 696 | Local Government Energy Conservation Loan  | 202,176    | 214,050    | 143,099    | 0          | 0          |
| 697 | Abandoned Mine Reclamation   | 11,431     | 20,585     | 24,729     | 27,586     | 32,134     |
| 698 | Meramac-Onondaga State Parks   | 41,835     | 45,997     | 46,948     | 50,259     | 52,744     |
| 699 | Oil and Gas Remedial   | 0          | 38,199     | 0          | 0          | 0          |
| 706 | Missouri State Employees' Deferred Compensation  |            |            |            |            |            |
|     | Incentive Plan Administration  | 0          | 39,775     | 51,250     | 0          | 0          |
| 710 | Proceeds of Surplus Property Sales   | 1,048,905  | 929,115    | 1,016,777  | 393,129    | 337,213    |
| 715 | ADA Compliance   | 0          | 0          | 0          | -30        | 0          |
| 753 | Debt Offset Escrow   | -3,742,353 | -6,195,085 | -4,821,258 | -5,568,241 | -3,213,563 |
| 756 | Agriculture Bond Trustee   | -10,000    | 0          | 0          | 0          | 0          |
| 760 | Proprietary School Bond  | 0          | 0          | 0          | 9,393      | -9,393     |
| 812 | Confederate Memorial Park  | 4,662      | 5,237      | 5,456      | 5,940      | 6,347      |
| 817 | State Public School  | 25,430     | 85,105     | 121,065    | 95,009     | 146,340    |
| 820 | Marital and Family Therapists'   | 0          | 0          | 0          | 0          | 47,985     |
| 824 | Organ Donor Program  | 0          | 124,099    | 353,369    | 367,465    | 373,458    |
| 826 | Child Labor Enforcement  | 0          | 400        | 5,850      | 45,915     | 69,025     |
| 828 | Inmate Incarceration Reimbursement Act Revolving   | 0          | 17,200     | 57,245     | 55,129     | 35,737     |
| 829 | Secretary of State's Investor Education  | 0          | 15,100     | 124,608    | 22,980     | 104,392    |
| 830 | Property Reuse   | 0          | 0          | 107,322    | 181,324    | 188,312    |
| 831 | State Court Administration Revolving   | 0          | 0          | 0          | 0          | -117       |
| 833 | Respiratory Care Practitioners   | 0          | 0          | 0          | 245        | 168,060    |
| 834 | Concentrated Animal Feeding Operation Indemnity  | 0          | 0          | 0          | 25,086     | 33,583     |
| 836 | State Document Preservation  | 0          | 0          | 20,053     | 9,289      | 12,409     |
| 838 | Light Rail Safety  | 0          | 0          | 0          | 3,000      | 0          |
| 839 | Student Grant  | 0          | 0          | 0          | 0          | 0          |
| 840 | Academic Scholarship   | 0          | 0          | 0          | 0          | 0          |
| 841 | State Transportation Assistance Revolving  | 0          | 0          | 0          | 52,718     | 53,685     |
| 842 | Criminal Justice Network and Technology Revolving  | 0          | 0          | 0          | 0          | 0          |
| 844 | Missouri Office of Prosecuting Services Revolving  | 0          | 0          | 0          | 1,710      | 60,035     |
| 845 | Missouri Board of Occupational Therapy   | 0          | 0          | 0          | 1,037      | 315,717    |
| 846 | Licensed Purfusionists   | 0          | 0          | 0          | 0          | 13,606     |
| 849 | Bridge Scholarship   | 0          | 0          | 0          | 0          | 0          |
| 851 | U.S. Department of Education/Coordinating Board for<br>Higher Education P.L. 105-33 Interest Account | 0          | 0          | 0          | 0          | 0          |
| 852 | Domestic Relations Resolution  | 0          | 0          | 0          | 0          | 177,217    |
| 853 | Correctional substance Abuse Earnings  | 0          | 0          | 0          | 0          | 16,171     |
| 855 | Missouri Wine Marketing and Research Development   | 0          | 0          | 0          | 0          | 7,308      |
| 858 | Missouri College Guarantee   | 0          | 0          | 0          | 0          | 8,033      |
| 859 | Early Childhood Development, Education and Care  | 0          | 0          | 0          | 0          | 62,048     |
| 862 | Escheats   | 688,495    | 455,928    | 330,704    | 620,640    | 849,278    |
| 863 | Abandoned Fund Account   | 15,362,885 | 16,537,096 | 21,184,632 | 11,757,373 | 13,462,992 |
| 872 | State Seminary   | 0          | 0          | 0          | 0          | 0          |
| 873 | Champ W. Smith & Mary C. Smith Memorial<br>Endowment Trust   | 19,297     | 20,537     | 20,330     | 21,062     | 21,268     |
| 900 | Missouri National Guard Trust  | 0          | 0          | 0          | 0          | 11,183     |
| 904 | Agriculture Development  | 164,387    | 180,467    | 161,484    | 76,686     | -60,578    |
| 905 | Alternative Care Trust   | 0          | 0          | 0          | 0          | 0          |
| 906 | Mined Land Reclamation   | 366,037    | 321,068    | 304,803    | 402,954    | 499,294    |
| 910 | Missouri State Employees' Voluntary Life Insurance   | 0          | 0          | 0          | 0          | 0          |
| 911 | Babler State Park  | 246,630    | 284,337    | 281,006    | 335,810    | 292,429    |
| 920 | School for Blind Trust   | 43,781     | 399,400    | 745,171    | 1,311,301  | 1,671,881  |
| 922 | School for Deaf Trust  | 0          | 15,000     | 0          | 8,038      | 0          |
| 925 | Institution Gift Trust   | 0          | 0          | 5,500      | 697        | 10,106     |
| 926 | Mental Health Institution Gift Trust   | 6,080,906  | 6,937,519  | 6,023,564  | 5,234,238  | 7,276,348  |
| 927 | Department of Health Institution Gift Trust  | 21,874     | 20,876     | 123        | 0          | 0          |

|                            |  |                  |               |               |               |               |
|----------------------------|--|------------------|---------------|---------------|---------------|---------------|
| 928                        | Higher Education Institution Gift Trust            | 0                | 3,811         | 8,059         | 29,649        | 45,718        |
| 929                        | Secretary of State Institution Gift Trust          | 96,575           | 58,510        | 55,081        | 53,653        | 46,963        |
| 948                        | Unemployment Compensation Administration           | -174             | 79            | -3,871        | -25           | -21,611       |
| 949                        | Special Employment Security                        | 4,245,071        | 981,705       | 811,942       | 715,630       | 847,281       |
| 950                        | Crippled Children                                  | 1,817            | 5,867         | 28,950        | 3,420         | 3,790         |
| 951                        | State Fair Trust                                   | 4,496            | 4,904         | 4,007         | 3,890         | 3,339         |
| 952                        | Aviation Trust                                     | 458,456          | 418,275       | 428,161       | 467,588       | 2,985,393     |
| 963                        | Pansey Johnson-Travis Memorial State Gardens Trust | 30,345           | 36,395        | 37,868        | 0             | 0             |
| 969                        | Prosecuting and Circuit Attorneys' Retirement      | 4,138            | 0             | 0             | 0             | 0             |
| Total State Revenues (TSR) |  | \$ 5,952,239,457 | 6,386,936,483 | 6,908,736,259 | 7,155,138,374 | 7,343,678,391 |

## Schedule 2

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

| Object<br>Code | Type of Revenue   | Year Ended June 30, |               |               |               |               |
|----------------|---|---------------------|---------------|---------------|---------------|---------------|
|                |   | 1995                | 1996          | 1997          | 1998          | 1999          |
|                | Taxes:  |                     |               |               |               |               |
|                | Sales and use taxes -   |                     |               |               |               |               |
| 1001           | Sales and use tax   | \$ 1,500,216,708    | 1,572,942,103 | 1,661,577,698 | 1,638,007,711 | 1,597,791,851 |
| 1002 (i)       | Parks sales and use tax                                       | 27,464,734          | 28,831,212    | 30,147,296    | 31,352,894    | 32,935,172    |
| 1003 (h)       | Soil and water sales and use tax                              | 27,464,743          | 28,831,220    | 30,147,300    | 31,352,898    | 32,935,175    |
| 1004           | GR reimbursement - local use tax                              | 0                   | 0             | 0             | 0             | 79,096,168    |
| 1005           | Motor vehicle sales and use tax                               | 166,606,905         | 176,976,510   | 183,282,751   | 202,713,704   | 219,599,654   |
| 1007 (u)       | Conservation sales and use tax                                | 68,668,633          | 72,082,941    | 75,372,032    | 78,385,982    | 82,340,252    |
| 1008 (b)       | Proposition C sales and use tax                               | 546,940,077         | 573,887,136   | 599,874,927   | 623,639,845   | 655,249,994   |
| 1009           | Sales and use taxes paid under protest                        | -500                | 372,590       | 330,458       | 9,423,439     | 2,176,870     |
|                | Income taxes -  |                     |               |               |               |               |
| 1010           | Individual income tax   | 2,870,296,890       | 3,119,662,175 | 3,417,345,814 | 3,772,640,819 | 4,092,591,906 |
| 1011           | Individual income taxes paid under protest                    | 34,502              | -44,851       | 52,260        | 132,709       | 85,845        |
| 1015           | Corporate income tax  | 422,130,243         | 475,543,706   | 471,803,854   | 449,267,624   | 439,289,076   |
| 1016           | Corporate income taxes paid under protest                     | -73,723             | 1,200,484     | -243,289      | -594,437      | -294,907      |
|                | Premium taxes -   |                     |               |               |               |               |
| 1020           | County foreign insurance tax                                  | 164,815,554         | 166,069,784   | 158,043,999   | 150,357,021   | 145,801,929   |
| 1023           | County stock insurance tax                                    | 3,305,610           | 4,635,617     | 5,293,720     | 5,312,386     | 5,457,500     |
| 1025           | Workers' compensation insurance tax                           | 2,340,213           | 1,102,132     | 12,930,619    | 12,890,246    | 24,412,634    |
| 1030           | Workers' compensation insurance tax - second injury           | 3,406,167           | 453,685       | 2,260,522     | 17,998,969    | 33,230,373    |
| 1032           | Excess lines of insurance tax                                 | 8,205,283           | 8,263,241     | 7,178,036     | 7,832,193     | 7,681,185     |
|                | Commodity taxes -   |                     |               |               |               |               |
| 1035           | Cigarette tax   | 113,454,810         | 115,877,272   | 113,954,350   | 113,829,230   | 112,785,479   |
| 1040           | Heavy beer tax  | 7,564,576           | 7,413,845     | 7,522,370     | 7,652,979     | 7,871,069     |
| 1045           | Light beer tax  | 85,486              | 78,097        | 67,390        | 61,942        | 58,753        |
| 1047           | Liquor tax  | 13,402,780          | 13,317,705    | 13,322,732    | 13,401,423    | 14,066,925    |
| 1050           | Wine tax  | 2,329,404           | 2,599,439     | 2,601,203     | 2,704,029     | 2,800,571     |
|                | Miscellaneous taxes -   |                     |               |               |               |               |
| 1055           | Corporation franchise tax                                     | 67,624,527          | 72,274,454    | 78,462,670    | 81,537,660    | 91,159,167    |
| 1060 (c) (n)   | Motor vehicle fuel tax  | 424,360,346         | 434,673,292   | 491,041,894   | 504,631,858   | 559,590,832   |
| 1065 (c) (n)   | Special fuel tax  | 141,024,078         | 146,173,382   | 170,151,257   | 180,374,017   | 120,953,914   |
| 1070           | Inheritance tax   | 73,088,557          | 57,329,820    | 82,808,839    | 100,860,722   | 120,578,663   |
| 1073 (o)       | Bingo tax   | 6,016,548           | 4,400,745     | 4,314,178     | 4,008,145     | 3,927,639     |
| 1074 (p)       | Gaming commission receipts tax                                | 0                   | 95,833,764    | 116,631,782   | 144,001,648   | 160,727,218   |
| 1080           | Incorporation tax   | 9,440,289           | 10,101,429    | 10,741,031    | 10,395,638    | 10,986,913    |
| 1085           | Real and personal property tax                                | 12,503,874          | 13,543,245    | 12,433,841    | 13,803,719    | 15,124,684    |
| 1090           | Delinquent real and personal property tax                     | 1,529,197           | 1,082,614     | 3,098,424     | 2,961,617     | 2,292,324     |
| 1094           | Miscellaneous taxes paid under protest                        | 0                   | 0             | 0             | 0             | 146           |
| 1095           | Other taxes   | 4,017,091           | 14,694,075    | 22,267,080    | 25,555,718    | 21,982,073    |
| 1095 (e)       | Other taxes - Lottery   | 0                   | 252           | 0             | 0             | 0             |
|                | License, permits, and fees:                                   |                     |               |               |               |               |
|                | Licenses and permits -  |                     |               |               |               |               |
| 1100           | Professional licenses or permits                              | 12,202,534          | 13,386,050    | 14,618,353    | 13,149,301    | 14,959,793    |
| 1105           | Recreational licenses or permits                              | 3,518,910           | 3,221,729     | 3,507,553     | 3,912,627     | 3,770,000     |
| 1108           | All-terrain vehicle licenses or permits                       | 330,278             | 366,280       | 3,517         | 4,805         | 5,217         |
| 1110 (c)       | Motor vehicle licenses or permits                             | 216,613,049         | 223,109,380   | 225,784,047   | 229,814,047   | 239,609,478   |
| 1113           | Driver's licenses or permits                                  | 16,733,367          | 17,902,082    | 18,660,249    | 20,536,364    | 21,487,425    |
| 1115           | Land reclamation commission permits                           | 279,109             | 426,668       | 416,422       | 377,692       | 523,367       |
| 1117           | Salesman licenses or permits                                  | 9,256,379           | 9,664,765     | 10,400,422    | 11,981,323    | 12,815,287    |
| 1119           | Motor vehicle and boat manufacturer and dealer licenses       | 922,458             | 975,585       | 997,816       | 859,527       | 881,314       |
| 1120           | Liquor licenses or permits                                    | 3,388,388           | 3,452,377     | 3,535,290     | 3,537,491     | 3,619,106     |
| 1122           | Gaming commission licenses                                    | 2,133,548           | 2,706,346     | 2,998,949     | 2,633,356     | 2,639,534     |
| 1125           | Beer licenses or permits                                      | 20,654              | 17,405        | 16,546        | 14,808        | 15,284        |
| 1130           | Motor carrier licenses  | 3,131,450           | 2,557,957     | 2,551,975     | 2,678,385     | 2,843,312     |
| 1132           | Hunting and fishing licenses and permits                      | 20,321,729          | 21,451,397    | 25,905,843    | 18,599,630    | 24,826,238    |
| 1133           | Hazardous waste transportation permits                        | 0                   | 0             | 0             | 92,865        | 399,225       |
| 1135           | Other licenses and permits                                    | 7,702,828           | 8,422,128     | 9,291,738     | 9,351,576     | 9,474,911     |
|                | Collection fees -   |                     |               |               |               |               |
| 1140           | City sales tax collection fees                                | 10,748,925          | 11,548,704    | 11,728,152    | 12,962,850    | 13,944,697    |
| 1145           | County collectors fees  | 0                   | 6,678         | 0             | 3             | 0             |
| 1150           | Jackson County cigarette tax collection fees                  | 28,013              | 28,333        | 29,753        | 28,001        | 29,199        |
| 1155           | St. Louis County cigarette tax collection fees                | 48,551              | 48,696        | 47,871        | 46,915        | 46,734        |
| 1160           | Financial institution intangible property tax collection fees | 464,729             | 380,695       | 254,439       | 234,842       | 232,480       |

|  |  |             |            |             |            |            |
|--|--|-------------|------------|-------------|------------|------------|
| Registration fees -                    |  |             |            |             |            |            |
| 1170                                   | Motorboat fees                                       | 3,415,680   | 3,667,343  | 4,694,914   | 5,140,333  | 5,351,150  |
| 1175                                   | Narcotics and dangerous drugs fees                   | 626,170     | 632,630    | 626,150     | 676,500    | 673,300    |
| 1180                                   | Outboard motor fees                                  | 497,515     | 484,113    | 0           | 0          | 0          |
| 1185                                   | Occupational boards fees - individual                | 991,997     | 1,051,954  | 1,034,060   | 1,053,453  | 570,501    |
| 1186                                   | Occupational boards fees - corporate                 | 160,175     | 127,096    | 139,015     | 143,495    | 168,000    |
| 1187                                   | Nonmotor fuel decal fees                             | 299,652     | 287,917    | 273,711     | 258,588    | 261,646    |
| 1189                                   | Other registration fees                              | 426,405     | 509,300    | 509,002     | 473,979    | 602,540    |
| Regulatory fees -                      |  |             |            |             |            |            |
| 1190                                   | Athletic (commission) fees                           | 37,622      | 56,410     | 177,426     | 319,173    | 391,618    |
| 1195                                   | PSC/Division of Transportation - regulatory fees     | 15,302,992  | 16,603,654 | 16,512,014  | 17,584,910 | 19,803,548 |
| 1200                                   | Milk control fees                                    | 67,365      | 59,684     | 57,799      | 46,556     | 76,437     |
| 1204                                   | Home health care license fees                        | 180,300     | 197,400    | 228,000     | 213,000    | 162,000    |
| 1205                                   | Nursing home license fees                            | 22,590      | 19,640     | 18,130      | 15,602     | 17,235     |
| 1206                                   | Title V emissions fees                               | 4,360,307   | 4,010,668  | 4,286,862   | 4,135,106  | 4,485,555  |
| 1207                                   | Boarding home license fees                           | 238,413     | 692,690    | 749,906     | 735,087    | 783,412    |
| 1209                                   | Hospital license fees                                | 105,072     | 107,152    | 98,664      | 96,295     | 96,536     |
| 1210                                   | Grain warehouse license fees                         | 55,288      | 50,893     | 49,980      | 50,428     | 50,806     |
| 1211                                   | Missouri primacy fees                                | 2,318,310   | 2,238,168  | 2,413,183   | 2,366,976  | 2,378,180  |
| 1212                                   | Underground storage tank annual participation fees   | 1,089,231   | 1,521,791  | 1,506,037   | 1,553,954  | 1,379,907  |
| 1213                                   | Transport load fees                                  | 18,107      | 1,234,193  | 13,073,438  | 13,638,343 | 13,584,334 |
| 1215                                   | Tourist cabin permit fees                            | 138,229     | 96,868     | 124,768     | 171,966    | 108,660    |
| 1218                                   | New tire fees  | 1,590,293   | 1,641,537  | 1,713,438   | 1,756,898  | 1,915,894  |
| 1219                                   | Livestock sales and marketing fees                   | 15,725      | 150        | 0           | 0          | 0          |
| 1221                                   | Insurance companies regulatory fees                  | 1,054,906   | 1,946,490  | 1,931,466   | 1,914,979  | 1,878,059  |
| 1222                                   | Air conservation commission permit fees              | 203,582     | 310,308    | 477,569     | 485,245    | 298,621    |
| 1223                                   | Bingo license fees                                   | 135,537     | 122,072    | 120,821     | 103,758    | 87,566     |
| Inspection fees -                      |  |             |            |             |            |            |
| 1225                                   | Beverage inspection fees                             | 471,889     | 532,106    | 491,242     | 481,415    | 485,704    |
| 1230                                   | Grain warehouse inspection fees                      | 1,364,728   | 1,305,079  | 1,713,361   | 1,462,182  | 1,422,410  |
| 1235                                   | Milk inspection fees                                 | 1,512,727   | 1,483,863  | 1,461,870   | 1,390,580  | 1,427,041  |
| 1237                                   | Ice cream products inspection fees                   | 65,309      | 44,245     | 38,760      | 27,710     | 30,875     |
| 1240                                   | Mine inspection fees                                 | 61,543      | 64,604     | 73,414      | 79,090     | 79,776     |
| 1245                                   | Mobile home and recreational vehicle inspection fees | 426,908     | 487,188    | 535,050     | 534,815    | 500,392    |
| 1249                                   | Oil inspection fees                                  | 1,849,263   | 1,801,916  | 1,603,507   | 1,692,286  | 1,678,959  |
| 1253                                   | Other inspection fees                                | 580,846     | 679,262    | 716,007     | 925,826    | 836,222    |
| Miscellaneous fees -                   |  |             |            |             |            |            |
| 1255                                   | Admission fees                                       | 1,224,845   | 856,156    | 850,362     | 913,696    | 963,906    |
| 1257                                   | State auditor fees                                   | 423,430     | 428,807    | 515,808     | 734,817    | 893,928    |
| 1260                                   | Secretary of state fees                              | 2,042,609   | 2,103,117  | 2,130,122   | 2,194,018  | 2,051,185  |
| 1262                                   | Savings and loan association fees                    | 394,132     | 37,314     | 35,372      | 35,372     | 34,527     |
| 1263                                   | Grade crossing safety fees                           | 210,090     | 217,017    | 0           | 0          | 0          |
| 1265                                   | Court fees   | 17,244,125  | 18,948,444 | 19,068,093  | 20,760,582 | 22,101,149 |
| 1267                                   | Financial institutions examination fees              | 6,962,249   | 6,943,207  | 7,386,374   | 7,417,667  | 6,987,414  |
| 1268                                   | Consumer finance license fees                        | 246,275     | 268,900    | 317,425     | 381,525    | 593,525    |
| 1270                                   | Institutional support fees                           | 811,815     | 840,035    | 115,005     | 71,971     | 52,539     |
| 1275                                   | Land survey fees                                     | 2,259,370   | 2,366,477  | 2,501,984   | 2,745,789  | 3,461,137  |
| 1282                                   | Marketing development fees                           | 8,935,485   | 9,515,159  | 10,906,547  | 9,815,567  | 439,942    |
| 1285                                   | Miscellaneous insurance fees                         | 3,095,598   | 2,122,278  | 2,138,781   | 336,626    | 372,104    |
| 1285 (y)                               | Miscellaneous insurance fees - Fund 626              | 0           | 0          | 0           | 2,247,871  | 2,870,508  |
| 1287                                   | Gaming commission fees                               | 1,165,440   | 6,468,169  | 6,173,978   | 6,462,499  | 123,208    |
| 1287 (p)                               | Gaming commission fees - Admission fees excluded     | 12,608,261  | 22,297,394 | 31,904,943  | 39,509,717 | 40,689,436 |
| 1290                                   | Motor vehicle inspection sticker fees                | 4,028,411   | 4,146,514  | 4,160,557   | 4,211,327  | 4,176,488  |
| 1291                                   | Hunting and fishing tag fees                         | 1,177,346   | 1,163,143  | 1,203,458   | 1,234,293  | 1,435,463  |
| 1293                                   | Public defender fees                                 | 328,472     | 647,409    | 429,399     | 646,431    | 989,944    |
| 1296                                   | County recorders fees                                | 3,118,225   | 4,262,538  | 4,390,182   | 4,837,415  | 5,774,246  |
| 1297                                   | Other fees   | 24,912,537  | 25,608,894 | 29,867,818  | 32,215,808 | 32,389,387 |
| 1297 (e)                               | Other fees - Lottery                                 | 44,592      | 115,284    | 145,090     | 81,506     | 105,778    |
| Sales:                                 |  |             |            |             |            |            |
| 1305 (d)                               | Bond sales   | 105,219,799 | 0          | 160,000,000 | 85,270,126 | 0          |
| 1310                                   | Land sales   | 1,521,315   | 2,855,015  | 1,786,479   | 1,280,032  | 3,050,617  |
| 1315                                   | Natural resources sales                              | 1,648,300   | 1,551,477  | 1,928,865   | 2,187,523  | 2,928,587  |
| 1320                                   | Agriculture sales                                    | 1,368,864   | 954,432    | 1,387,826   | 1,936,122  | 1,664,596  |
| 1325                                   | Commodity sales                                      | 663,883     | 474,683    | 395,710     | 308,329    | 293,368    |
| 1330                                   | Information sales                                    | 5,551,054   | 5,791,902  | 5,758,040   | 4,656,064  | 4,417,064  |
| 1340                                   | Surplus property sales - state                       | 9,221,262   | 9,902,391  | 8,824,226   | 9,145,474  | 8,607,322  |
| 1340 (e)                               | Surplus property sales - state - Lottery             | 50,705      | 191,125    | 101,516     | 99,571     | 103,185    |
| 1341                                   | Surplus property sales - federal                     | 11,163      | 31,699     | 27,398      | 14,775     | 44,998     |
| 1343                                   | Unclaimed property sales                             | 0           | 0          | 0           | 738        | 0          |
| 1344                                   | Sales of fixed assets                                | 0           | 0          | 28,500      | 1,945      | 4,079      |
| 1345                                   | Vital records sales                                  | 1,939,188   | 1,794,726  | 1,308,634   | 1,167,305  | 1,180,599  |
| Working Capital Revolving Fund sales - |  |             |            |             |            |            |
| 1346 (g)                               | Intragovernmental                                    | 17,584,686  | 22,785,926 | 28,736,005  | 35,303,959 | 26,586,333 |

|      |     |   |               |               |               |               |               |
|------|-----|---|---------------|---------------|---------------|---------------|---------------|
| 1346 | (e) | Intragovernmental - Lottery                                       | 0             | 0             | 1,969         | 0             | 0             |
| 1347 |     | External  | 1,336,076     | 1,786,804     | 1,659,819     | 1,741,105     | 2,129,365     |
| 1348 | (e) | Instant game ticket sales   | 81,858,017    | 91,018,456    | 95,085,120    | 111,662,147   | 104,481,103   |
| 1349 | (e) | Lotto ticket sales  | 155,675,399   | 144,410,037   | 140,392,242   | 152,846,421   | 168,201,949   |
| 1350 |     | Other sales   | 2,616,845     | 4,525,050     | 2,198,796     | 2,786,099     | 3,061,741     |
| 1350 | (e) | Other sales - Lottery   | 0             | 0             | 150           | 0             | 0             |
|      |     | Leases and rentals:   |               |               |               |               |               |
| 1425 |     | Office and parking rentals and leases                             | 276,174       | 280,604       | 493,628       | 504,036       | 315,610       |
| 1435 |     | Concessions and recreational rentals and leases                   | 2,201,137     | 2,049,831     | 2,224,635     | 2,365,241     | 2,611,204     |
| 1440 |     | Housing rentals and leases  | 17,615        | 132,151       | 272,056       | 273,940       | 317,963       |
| 1450 |     | Other leases and rentals  | 3,657,353     | 5,248,479     | 3,766,771     | 4,276,053     | 4,708,059     |
|      |     | Services:   |               |               |               |               |               |
|      |     | Medical services -  |               |               |               |               |               |
| 1470 | (a) | Managed care - Medicaid   | 0             | 84,717        | 325,873       | 76,038        | 314,987       |
| 1472 |     | Managed care - Other  | 0             | -1,752        | 0             | 0             | 222,502       |
| 1475 | (a) | Hospital services - Medicare                                      | 5,276,563     | 8,035,839     | 4,476,075     | 5,070,578     | 6,032,770     |
| 1477 | (a) | Hospital services - Medicaid                                      | 205,679,465   | 107,073,018   | 181,708,691   | 180,612,347   | 179,084,728   |
| 1479 |     | Hospital services - other insurance                               | 2,993,617     | 3,076,603     | 1,786,822     | 1,954,458     | 1,403,036     |
| 1481 |     | Hospital services - private payments                              | 7,211,360     | 6,537,551     | 6,447,658     | 6,906,480     | 6,447,187     |
| 1483 |     | Hospital services - county court payments                         | 887           | 12,093        | 38,505        | 213,423       | 31,137        |
| 1485 | (a) | Professional services - Medicare                                  | 2,816,995     | 2,094,605     | 2,442,939     | 2,163,739     | 2,158,578     |
| 1487 | (a) | Professional services - Medicaid                                  | 435           | 5,899         | 0             | 0             | 0             |
| 1489 |     | Professional services - other insurance                           | 230,721       | 183,080       | 172,285       | 147,777       | 85,260        |
| 1491 |     | Professional services - private payments                          | 320,086       | 397,574       | 424,859       | 408,498       | 429,995       |
| 1493 |     | Professional services - county court payments                     | 678           | 4,653         | 0             | 0             | 0             |
| 1494 | (g) | State facility modification services                              | 0             | 0             | 408,829       | 656,607       | 772,697       |
| 1495 | (g) | OA revolving trust fund services                                  | 37,243,729    | 41,631,934    | 49,732,062    | 73,314,576    | 81,289,647    |
| 1497 | (g) | Central check mailing service revolving fund services             | 42,554        | 47,642        | 47,554        | 49,650        | 52,844        |
| 1498 | (g) | Central supply services   | 2,061,368     | 1,650,161     | 1,219,951     | 101,718       | 72,194        |
| 1499 | (g) | Natural resources revolving services                              | 28,265        | 382,206       | 1,276,710     | 2,151,289     | 2,177,124     |
| 1500 | (g) | Revolving fund services   | 0             | 0             | 0             | 1,101,676     | 2,161,768     |
|      |     | Contributions and intergovernmental receipts:                     |               |               |               |               |               |
| 1505 |     | Donations - private or community donations                        | 1,945,814     | 3,037,234     | 2,822,028     | 3,488,581     | 4,981,606     |
|      |     | Federal receipts -  |               |               |               |               |               |
| 1510 | (a) | Health grants   | 142,585,458   | 151,930,415   | 146,250,014   | 156,144,040   | 161,677,718   |
| 1510 | (l) | Health grants - Fund 905  | 0             | 439           | 540           | 0             | 0             |
| 1511 | (a) | National forest timber grants                                     | 2,089,031     | 2,329,509     | 2,637,899     | 1,985,152     | 2,363,853     |
| 1512 | (a) | U.S. flood control grants   | 454,708       | 566,029       | 742,423       | 815,277       | 743,540       |
| 1513 | (a) | Adjutant General grants   | 6,902,025     | 9,125,625     | 9,626,254     | 9,815,410     | 13,312,839    |
| 1514 | (a) | Environmental grants  | 47,481,460    | 66,901,172    | 57,231,957    | 50,800,353    | 51,697,478    |
| 1515 | (a) | Education grants  | 388,479,231   | 383,864,074   | 412,821,223   | 459,376,094   | 499,134,037   |
| 1520 | (a) | Public assistance grants  | 2,083,534,317 | 2,176,156,876 | 2,146,446,705 | 2,521,766,382 | 2,912,621,605 |
| 1525 | (a) | Recreational grants   | 245,611       | 71,576        | 170,407       | 325,447       | 217,211       |
| 1530 | (a) | Construction grants   | 8,895         | 20,416        | 0             | 1,625         | 0             |
| 1535 | (a) | Other grants  | 233,459,212   | 216,966,701   | 180,194,048   | 185,178,404   | 205,599,931   |
| 1550 | (a) | Federal reimbursements  | 529,882,164   | 455,062,633   | 479,041,135   | 490,564,495   | 524,725,639   |
| 1560 | (a) | Interagency receipts  | 32,224,873    | 42,941,505    | 36,016,034    | 47,422,773    | 49,184,127    |
| 1565 | (y) | Defaulted loan buyouts and advances                               | 19,938,448    | 29,592,325    | 32,168,856    | 38,140,085    | 30,079,468    |
| 1569 | (a) | Other miscellaneous receipts - federal                            | 96,429,846    | 82,960,776    | 86,701,369    | 78,283,646    | 75,946,793    |
|      |     | Other contributions and Intergovernmental receipts (nonfederal) - |               |               |               |               |               |
| 1570 | (g) | Interagency receipts  | 71,866,488    | 76,089,182    | 84,746,397    | 89,929,286    | 102,537,868   |
| 1585 |     | Other contributions or intergovernmental receipts                 | 16,173,361    | 17,191,651    | 15,266,800    | 15,004,381    | 17,833,390    |
|      |     | Interest, penalties, and unclaimed properties:                    |               |               |               |               |               |
| 1615 |     | Time deposit interest   | 9,584,101     | 17,516,605    | 19,893,706    | 19,647,661    | 20,001,311    |
| 1615 | (b) | Time deposit interest - Fund 688                                  | 232,743       | 324,657       | 313,930       | 300,250       | 333,170       |
| 1615 | (e) | Time deposit interest - Fund 657                                  | 102,825       | 152,525       | 133,507       | 103,864       | 167,070       |
| 1615 | (h) | Time deposit interest - Fund 614                                  | 213,226       | 234,023       | 164,798       | 86,754        | 90,333        |
| 1615 | (i) | Time deposit interest - Fund 613                                  | 98,216        | 154,833       | 150,362       | 126,757       | 128,427       |
| 1615 | (l) | Time deposit interest - Fund 905                                  | 12,763        | 19,588        | 16,068        | 13,609        | 13,031        |
| 1615 | (o) | Time deposit interest - Fund 289                                  | 30,822        | 41,699        | 42,279        | 46,127        | 61,803        |
| 1615 | (p) | Time deposit interest - Fund 285                                  | 91,514        | 585,882       | 247,689       | 60,392        | 66,231        |
| 1615 | (q) | Time deposit interest - Fund 963                                  | 0             | 0             | 0             | 4,872         | 5,523         |
| 1615 | (u) | Time deposit interest - Fund 609                                  | 0             | 0             | 0             | 65,208        | 84,538        |
| 1615 | (y) | Time deposit interest - Fund 626                                  | 0             | 0             | 0             | 320,494       | 270,232       |
| 1615 | (y) | Time deposit interest - Fund 851                                  | 0             | 0             | 0             | 0             | 109,724       |
| 1625 |     | U. S. securities interest   | 82,495,800    | 112,687,360   | 140,764,110   | 161,189,015   | 159,256,032   |
| 1625 | (b) | Time deposit interest - Fund 688                                  | 1,744,057     | 1,862,716     | 1,923,039     | 2,184,639     | 2,251,694     |
| 1625 | (e) | Time deposit interest - Fund 657                                  | 784,460       | 887,955       | 829,734       | 741,698       | 1,146,957     |
| 1625 | (h) | Time deposit interest - Fund 614                                  | 1,589,400     | 1,370,818     | 1,020,145     | 630,518       | 604,166       |
| 1625 | (i) | Time deposit interest - Fund 613                                  | 747,332       | 890,127       | 926,055       | 920,088       | 878,354       |
| 1625 | (l) | Time deposit interest - Fund 905                                  | 96,870        | 113,491       | 98,575        | 99,383        | 89,458        |
| 1625 | (o) | Time deposit interest - Fund 289                                  | 227,016       | 241,734       | 259,122       | 329,903       | 422,865       |
| 1625 | (p) | Time deposit interest - Fund 285                                  | 771,458       | 3,290,089     | 1,528,494     | 409,570       | 469,868       |

|                         |     |  |                |                |                |                |                |
|-------------------------|-----|--|----------------|----------------|----------------|----------------|----------------|
| 1625                    | (q) | Time deposit interest - Fund 963                 | 0              | 0              | 0              | 35,338         | 37,638         |
| 1625                    | (u) | Time deposit interest - Fund 609                 | 0              | 0              | 0              | 476,825        | 544,571        |
| 1625                    | (y) | Time deposit interest - Fund 626                 | 0              | 0              | 0              | 2,325,629      | 1,740,242      |
| 1625                    | (y) | Time deposit interest - Fund 851                 | 0              | 0              | 0              | 0              | 840,926        |
| 1630                    |     | Delinquent taxes interest                        | 93,189         | 52,350         | 63,546         | 64,138         | 75,970         |
| 1637                    |     | Interest on loans                                | 291,209        | 326,308        | 485,462        | 457,555        | 241,708        |
| 1640                    |     | Other interest                                   | 1,090,712      | 601,576        | 798,136        | 1,947,906      | 1,777,493      |
| 1640                    | (b) | Other interest - Fund 688                        | 47,605         | 108,813        | 84,975         | 117,109        | 165,926        |
| 1640                    | (h) | Other interest - Fund 614                        | 2,391          | 5,468          | 4,271          | 5,891          | 8,348          |
| 1640                    | (i) | Other interest - Fund 613                        | 2,391          | 5,468          | 4,271          | 5,891          | 8,348          |
| 1640                    | (p) | Other interest - Fund 285                        | 7,294          | 20,586         | 11,424         | 18,769         | 24,031         |
| 1640                    | (q) | Other interest - Fund 963                        | 0              | 0              | 0              | 1,120          | 1,196          |
| 1640                    | (u) | Other interest - Fund 609                        | 0              | 0              | 0              | 9,323          | 13,230         |
| 1640                    | (y) | Other interest - Fund 626                        | 0              | 0              | 0              | 84,285         | 113,191        |
| 1645                    |     | Penalties - penalties and court awards           | 11,206,759     | 7,789,762      | 8,334,746      | 15,595,343     | 13,941,904     |
| 1645                    | (e) | Penalties - penalties and court awards - Lottery | 0              | 0              | 0              | 0              | 0              |
| 1650                    |     | Estates  | 417,470        | 407,884        | 251,658        | 582,332        | 638,496        |
| 1665                    |     | Other unclaimed properties                       | 15,422,817     | 16,594,852     | 21,251,390     | 16,186,636     | 18,842,289     |
| Refunds:                |     |  |                |                |                |                |                |
| 1700                    | (f) | Salary refunds                                   | 476,461        | 545,339        | 551,879        | 580,423        | 453,199        |
| 1700                    | (e) | Salary refunds - Lottery                         | 0              | 1,084          | 0              | 0              | 0              |
| 1705                    | (f) | Old age assistance pension refunds               | 0              | 0              | 0              | 0              | 0              |
| 1710                    | (f) | General relief pension refunds                   | 5,523,552      | 6,037,376      | 4,821,368      | 3,227,525      | 3,277,364      |
| 1715                    | (f) | Aid to Disabled pension refunds                  | 0              | 66             | 0              | 0              | 0              |
| 1720                    | (f) | Blind pension refunds                            | 1,214          | 1,130          | 10,660         | 3,435          | 15,924         |
| 1725                    | (f) | Dependent children pension refunds               | 460,594        | 558,368        | 580,810        | 681,834        | 1,806,395      |
| 1730                    | (f) | Day care refunds                                 | 75,387         | 33,959         | 54,590         | 69,476         | 80,438         |
| 1735                    | (f) | Medicare - medicaid refunds                      | 69,785,994     | 67,635,106     | 72,917,011     | 84,292,233     | 103,436,122    |
| 1740                    | (f) | Cost in criminal cases refunds                   | 81,383         | 117,075        | 129,811        | 143,651        | 163,031        |
| 1745                    | (f) | Vendor refunds                                   | 2,053,606      | 1,965,360      | 1,573,916      | 1,956,888      | 1,940,718      |
| 1745                    | (e) | Vendor refunds - Lottery                         | 55,960         | 3,072          | 35,938         | 9,260          | 4,372          |
| 1745                    | (o) | Vendor refunds - Bingo                           | 0              | 0              | 0              | 0              | 88             |
| 1750                    | (f) | Refunds from political subdivisions              | 443,425        | 352,954        | 102,623        | 128,718        | 97,476         |
| 1755                    | (f) | School refunds                                   | 4,220,711      | 4,647,105      | 7,389,300      | 8,972,442      | 7,739,295      |
| 1760                    | (f) | Miscellaneous highway department refunds         | 4,924,902      | 3,433,944      | 2,552,507      | 3,930,413      | 3,703,472      |
| 1765                    | (f) | Other refunds                                    | 26,126,303     | 27,213,983     | 46,884,752     | 16,666,100     | 12,031,336     |
| 1765                    | (e) | Other refunds - Lottery                          | 0              | 0              | 0              | 0              | 0              |
| 1765                    | (y) | Other refunds - Fund 626                         | 0              | 0              | 0              | 22,278,790     | 24,174,558     |
| Miscellaneous receipts: |     |  |                |                |                |                |                |
| 1800                    | (k) | Outlawed checks                                  | 2,507,656      | 3,061,127      | 2,501,963      | 3,481,102      | 5,881,891      |
| 1800                    | (e) | Outlawed checks - Lottery                        | 2,190          | 362            | 3,678          | 740            | 1,233          |
| 1800                    | (l) | Outlawed checks - Fund 905                       | 4,237          | 5,407          | 3,870          | 3,658          | 3,748          |
| 1800                    | (y) | Outlawed checks - Fund 626                       | 0              | 0              | 0              | 263            | 1,330          |
| 1802                    | (r) | Canceled checks                                  | 0              | 0              | 0              | 24,020         | 52,564         |
| 1804                    | (s) | Redeposit of state funds                         | 0              | 0              | 0              | 4,080          | 1,351          |
| 1805                    | (j) | Redeposit of investment principal                | 9,173,790      | 15,113,621     | 11,725,349     | 9,396,483      | 14,398,546     |
| 1807                    | (m) | Redeposit of loan principal                      | 2,218,108      | 2,873,778      | 43,399,046     | 10,035,757     | 20,613,258     |
| 1808                    |     | Deposit of surplus property funds                | 0              | 0              | 0              | 0              | 84,572         |
| 1809                    |     | Telephone commissions                            | 3,643,002      | 11,740,727     | 9,750,416      | 12,066,526     | 13,122,902     |
| 1810                    |     | Other miscellaneous receipts                     | 15,068,951     | 16,349,300     | 12,484,191     | 8,689,070      | 7,003,295      |
| 1810                    | (e) | Other miscellaneous receipts - Lottery           | 50             | 306            | 50             | 0              | 100            |
| 1810                    | (l) | Other miscellaneous receipts - Fund 905          | 9,315,334      | 9,237,109      | 9,260,078      | 8,536,808      | 8,133,130      |
| 1810                    | (y) | Other miscellaneous receipts - Fund 626          | 0              | 0              | 0              | 81,535         | 26,287         |
| 1816                    |     | Inmate housing receipts                          | 29,566         | 104,924        | 286,226        | 275,644        | 2,640,113      |
| 1817                    | (v) | State employee expense reimbursement             | 351            | 64,967         | -57,612        | 35,562         | 2,798          |
| 1818                    | (w) | Recovery costs                                   | 58,338,205     | 72,882,493     | 79,626,339     | 67,014,922     | 66,103,879     |
| 1818                    | (e) | Recovery costs -Lottery                          | 0              | 60,390         | 42,804         | 125            | 704            |
| 1818                    | (l) | Recovery costs - Fund 905                        | 69,850         | 75,150         | 0              | 0              | 684            |
| 1818                    | (p) | Recovery costs - Fund 285                        | 0              | 0              | 0              | 0              | 295            |
| 1818                    | (l) | Recovery costs - Professional Registration       | 0              | 0              | 0              | 0              | 539,494        |
| 1819                    | (x) | Cost reimbursements                              | 33,632,944     | 19,144,309     | 18,379,206     | 18,172,648     | 33,779,776     |
| 1819                    |     | Cost reimbursements - Riverboat Gaming           | 0              | 0              | 0              | 0              | 7,668,300      |
| 1820                    |     | Bond account                                     | 4,360,131      | 3,729,610      | 3,947,452      | 2,465,266      | 2,641,429      |
| 1820                    | (e) | Bond account - Lottery                           | 108,498        | 109,370        | 109,715        | 108,375        | 108,704        |
| 1821                    | (t) | Loan proceeds                                    | 0              | 0              | 0              | 48,424,243     | 3,883,913      |
| Total Revenues          |     |  | 11,837,159,779 | 12,308,495,799 | 13,225,697,550 | 14,162,443,978 | 15,076,688,023 |
| Exclusions:             |     |  |                |                |                |                |                |
| (a)                     |     | Federal funds                                    | -3,797,488,737 | -3,735,783,710 | -3,779,001,902 | -4,190,401,801 | -4,684,815,834 |
| (b)                     |     | Proposition C sales and use tax/interest         | -548,964,482   | -576,183,322   | -602,196,870   | -626,241,843   | -658,000,784   |
| (c)                     |     | Proposition A gas tax and license fee increases  | -156,801,130   | -160,030,224   | -162,129,652   | -165,120,958   | -166,879,447   |
| (d)                     |     | Bond sales                                       | -105,219,799   | 0              | -160,000,000   | -85,270,126    | 0              |
| (e)                     |     | Lottery  | -238,682,696   | -236,950,218   | -236,881,512   | -265,653,707   | -274,321,155   |
| (f)                     |     | Refunds  | -114,173,532   | -112,541,765   | -137,569,227   | -120,653,138   | -134,744,770   |

|     |  |                  |               |               |               |               |
|-----|--|------------------|---------------|---------------|---------------|---------------|
| (g) | Interagency sales and receipts                     | -128,798,825     | -142,587,051  | -166,167,508  | -202,608,761  | -215,650,475  |
| (h) | Soil and water sales and use tax/interest          | -29,269,758      | -30,441,529   | -31,336,514   | -32,076,061   | -33,638,022   |
| (i) | Parks sales and use tax/interest                   | -28,312,673      | -29,881,640   | -31,227,984   | -32,405,630   | -33,950,301   |
| (j) | Redeposit of investment principal                  | -9,173,790       | -15,113,621   | -11,725,349   | -9,396,483    | -14,398,546   |
| (k) | Outlawed checks                                    | -2,507,656       | -3,061,127    | -2,501,963    | -3,481,102    | -5,881,891    |
| (l) | Alternative Care Trust Fund                        | -9,499,054       | -9,451,184    | -9,379,131    | -8,653,458    | -8,240,051    |
| (m) | Redeposit of loan principal                        | -2,218,108       | -2,873,778    | -43,399,046   | -10,035,757   | -20,613,258   |
| (n) | Amendment 8 motor fuel tax to local governments    | -109,921,832     | -118,268,947  | -139,026,185  | -141,692,422  | -142,360,295  |
| (o) | Bingo  | -6,253,704       | -4,684,178    | -4,615,579    | -4,384,175    | -4,412,395    |
| (p) | Riverboat Gambling                                 | -69,224,542      | -122,027,715  | -150,324,332  | -184,000,096  | -201,977,079  |
| (q) | Pansey Johnson-Travis Memorial State Gardens Trust | 0                | 0             | 0             | -41,330       | -44,357       |
| (r) | Cancelled checks                                   | 0                | 0             | 0             | -24,020       | -52,564       |
| (s) | Redeposit of state funds                           | 0                | 0             | 0             | -4,080        | -1,351        |
| (t) | Loan proceeds                                      | 0                | 0             | 0             | -48,424,243   | -3,883,913    |
| (u) | Conservation sales and use tax/interest            | 0                | 0             | 0             | -78,937,338   | -82,982,591   |
| (v) | State employee expense reimbursement               | -351             | -64,967       | 57,612        | -35,562       | -2,798        |
| (w) | Recovery costs                                     | -58,338,205      | -72,882,493   | -79,626,339   | -67,014,922   | -66,103,879   |
| (x) | Cost reimbursements                                | -33,632,944      | -19,144,309   | -18,379,206   | -18,172,648   | -33,779,776   |
| (y) | State Guaranty Student Loan Fund                   | 0                | 0             | 0             | -65,478,952   | -60,226,466   |
|     | Total Revenues after Exclusions                    | 6,388,677,961    | 6,916,524,021 | 7,460,266,863 | 7,802,235,365 | 8,229,726,025 |
|     | Less expenditure refunds (Schedule 3)              | 0                | 0             | 0             | 0             | 0             |
|     | Total State Revenues (TSR)                         | \$ 6,388,677,961 | 6,916,524,021 | 7,460,266,863 | 7,802,235,365 | 8,229,726,025 |

## Schedule 3

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
 CONSTITUTION OF MISSOURI  
 SCHEDULE OF EXPENDITURE REFUNDS, BY TYPE

| Object<br>Code | Type of Expenditure Refund                       | Year Ended June 30, |             |             |             |             |
|----------------|--|---------------------|-------------|-------------|-------------|-------------|
|                |  | 1995                | 1996        | 1997        | 1998        | 1999        |
| 2530           | Expense and equipment -<br>miscellaneous refunds | \$ 1,276,309        | 1,521,137   | 7,718,935   | 1,980,545   | 4,028,216   |
| 2905           | Sales tax refunds                                | 17,392,843          | 15,387,532  | 23,709,060  | 37,632,112  | 47,065,832  |
| 2906           | Local use tax refunds                            | 0                   | 0           | 0           | 0           | 79,096,174  |
| 2910           | Motor vehicle sales tax refunds                  | 1,499,726           | 1,400,723   | 1,552,623   | 3,348,218   | 3,066,023   |
| 2915           | Motor vehicle use tax refunds                    | 736,243             | 614,653     | 666,653     | 1,041,866   | 801,397     |
| 2920           | Conservation sales tax refunds                   | 45,572              | 42,724      | 47,510      | 0           | 0           |
| 2925           | Boat tax refunds                                 | 6,848               | 10,025      | 8,827       | 4,792       | 3,026       |
| 2930           | Individual tax refunds                           | 315,882,653         | 359,807,319 | 358,940,695 | 376,402,881 | 415,815,449 |
| 2935           | Senior citizens tax refunds                      | 19,366,149          | 19,089,661  | 20,307,479  | 21,420,485  | 52,349,329  |
| 2940           | Corporation tax refunds                          | 73,161,723          | 64,612,413  | 72,489,256  | 92,972,439  | 182,959,771 |
| 2945           | Franchise tax refunds                            | 5,572,591           | 5,041,392   | 4,165,018   | 5,894,665   | 6,736,337   |
| 2950           | Regular fuel tax refunds                         | 18,031,576          | 15,029,407  | 12,975,589  | 17,047,605  | 17,286,735  |
| 2955           | Special fuel (non-gasoline) tax refunds          | 19,038,400          | 19,840,175  | 25,967,303  | 28,938,038  | 25,044,526  |
| 2960           | Inheritance tax refunds                          | 1,165,379           | 1,444,205   | 1,649,218   | 1,518,947   | 1,909,027   |
| 2965           | Motor vehicle license fee refunds                | 633,366             | 791,461     | 608,659     | 791,611     | 656,722     |
| 2970           | Drivers license fee refunds                      | 94,408              | 106,726     | 102,504     | 113,804     | 167,037     |
| 2975           | Other tax refunds                                | 12,712,765          | 17,337,825  | 12,677,706  | 44,839,290  | 34,182,049  |
|                | Cash Management Improvement Act                  | 0                   | 0           | 0           | 1,609,601   | 1,781,779   |
|                | Unclaimed property                               | 0                   | 0           | 0           | 4,315,881   | 5,326,361   |
| 2980           | Miscellaneous refunds                            | 5,567,968           | 7,510,160   | 7,943,569   | 7,224,211   | 7,771,844   |
|                | Total Expenditure Refunds                        | \$ 492,184,519      | 529,587,538 | 551,530,604 | 647,096,991 | 886,047,634 |



## BACKGROUND, METHODOLOGY, AND CONCLUSIONS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

**Formula**

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

$$\begin{array}{lcl} \text{Revenue limit} & = & \frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personal income (MPI)}} \quad \times \quad \text{The greater of Missouri for} \\ \text{FY 19XX} & & \text{Personal Income (MPI)} \\ & & \text{in the calendar year (CY)} \\ & & \text{prior to the CY in which} \\ & & \text{appropriations are made} \\ & & \text{for FY 19XX or Average} \\ & & \text{MPI for three CYs} \\ & & \text{preceding FY 19XX.} \end{array}$$

The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U. S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to "... total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows:

$$\frac{2,232.204096}{39,581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

### **Adjustments**

Article X, Section 18(d) provides that the revenue limit may be adjusted, “. . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change.”

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo 1996, which was effective on July 1, 1981. In past years the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. The Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

### **Composition of Total State Revenues**

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, “defined in the budget message of the governor for fiscal year 1980-81.” The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

A. Federal Funds

Article X, Section 17 specifically excludes federal funds.

B. Proposition C Sales and Use Tax\Interest

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

C. Proposition A Gas Tax and License Fee Increases

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by four cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded.

D. Bond Sales

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.

E. Lottery

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

F. Refunds

Refunds received due to the overpayment of obligations by the state, as identified by certain revenue object codes, are excluded.

G. Interagency Sales and Receipts

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue object codes, are excluded.

- H. Soil and Water Sales and Use Tax\Interest  
and
- I. Parks Sales and Use Tax\Interest

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

- J. Redeposit of Investment Principal

The redeposit of investment principal is excluded.

- K. Outlawed Checks

Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.

- L. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo 1994. The Division of Family Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

- M. Redeposit of Loan Principal

Redeposits of loan principal are excluded.

- N. Amendment 8 Motor Fuel Tax to Local Governments

In August 1992, the voters approved an amendment to Article IV, Section 30(a) which revised the apportionment of the motor fuel tax. In addition, the amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded.

- O. Bingo

The August 1992 amendment to Article III, Section 39(d) related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo 1994 requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

P. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the Missouri Constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the Missouri Constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. App. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee that is remitted to the "home dock city or county" is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR.

Q. Pansey Johnson-Travis Memorial State Gardens Trust Fund

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.

R. Canceled Checks

Receipts derived from the redeposit of state checks that have been canceled are excluded.

S. Redeposit of State Funds

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

T. Loan Proceeds

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

U. Conservation Sales and Use Tax/Interest

Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eight of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

V. State Employee Expense Reimbursement

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc. for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account.

W. Recovery Costs (See Items Open to Interpretation)

Monies received from others for costs incurred by the state or to be incurred by the state are excluded.

X. Cost Reimbursements (See Items Open to Interpretation)

Monies received from other governments for reimbursements of costs incurred by the state are excluded.

Y. State Guaranty Student Loan Fund

Federal legislation in August 1997 made changes in the accounting required for federal education loans. Starting in state fiscal year 1998, the federal government considers all monies in this fund as property of the federal government. As a result, the state excludes the entire fund from TSR as funds held in trust for the federal government.

**Expenditure Refunds**

According to Article X, Section 17(1), total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

## Cash Management Improvement Act

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

## Unclaimed Property

Under Section 447.543, RSMo Cumulative Supp. 1999, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

## **Items Open to Interpretation**

The state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. The constitution does not specifically mention cost reimbursements and recovery costs. We agreed with such exclusions in prior years because from an accounting standpoint, they may not be considered revenue. However, recent court decisions during 1998 have brought up issues that make it uncertain as to whether these receipts should be excluded. The Supreme Court decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998) on January 27, 1998, indicated the calculation of TSR presents unique financial related legal requirements (as opposed to treatment from an accounting standpoint), when the court determined that funds collected by the state may not be considered revenue in the context of TSR unless the funds are received into the state treasury and the funds are subject to appropriation. Receipts from cost reimbursements and recovery costs meet the Supreme Court's two-part test noted above. In addition, on November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. App. 1998) which ruled that revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR. These recoupments from the gaming riverboats are coded as cost reimbursements by the state and have been properly included in TSR by the state. However, it is uncertain whether all other revenue from recovery costs and cost reimbursements should be included based on the courts' decisions. Although we have also excluded these receipts in our calculations of TSR, we consider these items open to interpretation and we will continue to review these issues.

This report is intended for the information of the office's management and other applicable state government officials. However, this report is a matter of public record and its distribution is not limited.



## APPENDIX

ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996\*)

TAXATION

**Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized.** Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

**Section 17. Definitions.** As used in sections 16 through 24 of Article X:

(1) **“Total state revenues”** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.

(2) **“Personal income of Missouri”** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.

(3) **“General price level”** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

**Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.** (a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e).1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after the effective date of this section that increase the rate of any existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

**Section 19. Limits may be exceeded, when, how.** The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

**Section 20. Limitation on state expenses.** No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

**Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding.** The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

**Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.** (a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

**Section 23. Taxpayers may bring actions for interpretations of limitations.** Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivisions shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through

22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

**Section 24. Voter approval requirements not exclusive-- self-enforceability.** (a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

\* The 1996 amendment added Section 18(e).

\* \* \* \* \*



CITY OF EVERTON, MISSOURI

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-17  
March 16, 2000

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Everton, Missouri.**

---

Cash receipts totaling \$837 were missing from three utility deposits made on September 2, 1999. Other receipts totaling \$534 were not deposited, and there is documentation of only \$66 of cash disbursements from these monies. The city paid Marchelle Roe \$3,372 for clerical services from December 1997 to August 1999 while she served the city as the Mayor and as Alderwoman. In addition, she was overpaid \$89 during September when she served as City Clerk. Marchelle Roe purchased some computer equipment for personal use with the city's credit card, and a city computer was stored at Marchelle Roe's personal residence after the Board of Aldermen voted to sell the computer.

In April 1998, Marchelle Roe installed a mobile home and was connected to city water and sewer. City receipt records do not indicate that a hook up fee of \$350 was collected from Marchelle Roe, as required by city ordinance. In addition, she was unable to provide documentation (receipt/canceled check) of payment. The Board of Aldermen should review the situation and ensure the \$350 hook up fee is properly paid and deposited.

Board minutes are not prepared for closed meetings and the Board of Aldermen conducted business during closed meetings that does not appear to meet the requirements of state law. The board minutes of open meetings did not document the related vote and the specific reasons for going into closed session. The Board of Aldermen changed the city's ward boundary, resulting in the legal status of two aldermen positions being questioned. The city appointed an alderman to the board that had not been a resident of the city for one year. Board minutes were not always signed by the City Clerk and Mayor, and the city has not established a formal policy regarding public access to city records.

The city does not have a formal bidding policy, and the Board of Alderman does not always review and approve payment of city expenditures prior to the disbursements being made.

(over)

The city employs one individual for sewer related services. During the year ending June 30, 1999 he

YELLOW SHEET

was paid a salary of \$14,400. The city also paid \$16,661 in contract labor payments to a business owned by this employee for water and street related services, such as gravel hauling, backhoe services, and meter reading services. During our review of this situation we noted the following:

1. There is no documentation that bids or proposals were solicited from other sources for the contract labor payments.
2. Time sheets are not prepared to support salary payments.
3. The city pays the sewer employee a vehicle allowance of \$100 each month for the use of his personal vehicle. No documentation of actual miles driven is prepared to support this allowance.

The city deposits motor-vehicle-related revenues into the general fund, and documentation did not exist to support the allocation of some expenditures from restricted funds.

The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. A formal review of the city's water and sewer rates is not performed annually.

No independent verification of the tax books is performed, and the City Collector makes all addition and abatements to the tax books without review or approval by the Board of Aldermen. The City Collector does not prepare monthly or annual reports of taxes collected as well as those that remain delinquent, and the city has not adequately pursued the collection of delinquent property taxes.

City budgets did not comply with state law, and semi-annual financial statements were not published as required by law.



CITY OF EVERTON, MISSOURI

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Everton  
Everton, Missouri 65646

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Everton, Missouri. The city had engaged O'Dell & Company, Certified Public Accountants (CPA firm) to perform a financial audit of the city for the year ended June 30, 1999. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

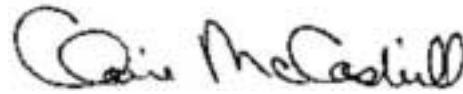
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Everton, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

November 19, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                      |
|---------------------|----------------------|
| Director of Audits: | Karen Laves, CPA     |
| Audit Manager:      | Donna Christian, CPA |
| In-Charge Auditor:  | Pam Crawford, CPA    |
| Audit Staff:        | Amy Fast             |
|                     | Rachel Little        |

## HISTORY AND ORGANIZATION

# CITY OF EVERTON, MISSOURI HISTORY AND ORGANIZATION

The City of Everton is located in Dade County. It was incorporated in 1892 as a fourth-class city. The population of the city in 1990 was 325.

The city government consists of a mayor and four-member Board of Aldermen. The four board members are elected for two-year terms. The mayor is elected for a two-year term, presides over the Board of Aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 1999, were:

| <u>Elected Officials</u>           | <u>Term Expires</u> | <u>Actual Compensation for the Year Ended June 30, 1999</u> | <u>Amount Of Bond</u> |
|------------------------------------|---------------------|---|-----------------------|
| Marchelle Roe, Mayor (1)           | April, 2000         | \$ 2,670  | \$ 0                  |
| Bonnie Mallory, Alderwoman (2)     | April, 2001         | 145   | 0                     |
| John Carroll, Alderman (3)         | April, 2001         | 30  | 0                     |
| Nikki Redman, Alderwoman (4)       | April, 2000         | 30  | 0                     |
| Jim Baier, Alderman (5)            | April, 2000         | 40  | 0                     |
| <u>Other Principal Officials</u>   |                     |   |                       |
| Loretta Hudson, City Clerk (6)     |                     | 8,308   | 10,000                |
| Linda Prichard, City Collector (7) |                     | 73  | 10,000                |
| Lee Harmon, Police Chief (8)       |                     | 4,380   | 0                     |
| Tom Pyle, City Attorney (9)        |                     | 1,050   | 0                     |

- (1) Appointed to replace Tom Turner who resigned in February 1999. Roe resigned as Mayor in August 1999 to become City Clerk and Bonnie Mallory was appointed as Mayor. Bonnie Mallory resigned as Mayor in September 1999, and was reappointed as Mayor in January 2000.
- (2) Resigned in August 1999, and Jerry Forsgren was appointed in September 1999.
- (3) Earl Mincks served as Alderman prior to January 1999. John Carroll resigned in January 2000 and James Weaver was appointed.
- (4) Appointed to replace Danny Rowden who resigned in March 1999.
- (5) Appointed to replace Marchelle Roe who resigned in February 1999 to become Mayor. Jim Baier resigned in July 1999 and June Mayfield was appointed in August 1999.
- (6) Resigned in July 1999 and Marchelle Roe was appointed in August. Roe resigned in September 1999, and Stephanie Gillaspy was appointed in October 1999. In November 1999, Stephanie Gillaspy was appointed to the new position of Utility Clerk and Paula Woods was appointed as City Clerk. Stephanie Gillaspy resigned in January 2000 and Marchelle Roe was appointed as Utility Clerk.
- (7) Bonnie Mallory served as City Collector prior to April 1999.
- (8) Resigned in August 1999, and in January 2000 John Dilly was appointed as Police Chief.

(9) Appointed to replace Terri Capuzzi in July 1998.

Assessed valuation and tax rate information for 1999 and 1998 are as follows:

ASSESSED VALUATION

|                      | <u>1999</u>         | <u>1998</u>      |
|----------------------|---------------------|------------------|
| Real Estate          | \$ 767,430          | 749,120          |
| Personal Property    | 309,930             | 275,240          |
| Railroad and Utility | <u>175,135</u>      | <u>191,367</u>   |
| Total                | \$ <u>1,252,495</u> | <u>1,215,727</u> |

TAX RATES PER \$100 ASSESSED VALUATION

|                          |             |      |             |
|--------------------------|-------------|------|-------------|
| General Fund             | \$ 1.00     | 1.00 |             |
| Park and Recreation Fund | <u>0.08</u> |      | <u>0.08</u> |
| Total                    | <u>1.08</u> |      | <u>1.08</u> |

The city had the following sales tax; rates are per \$1 of retail sales:

|         | <u>Rate</u> | <u>Expiration<br/>Date</u> |
|---------|-------------|----------------------------|
| General | .01         | None                       |

## MANAGEMENT ADVISORY REPORT



CITY OF EVERTON  
SUMMARY OF FINDINGS

1. Undeposited Receipts and Questionable Transactions (pages 10-12)

Cash receipts of \$837 are missing from three deposits of utility monies made on September 2, 1999. Other cash receipts totaling \$534 were also not deposited, and there is documentation of only \$66 of cash disbursements from these monies. The city paid Marchelle Roe \$3,372 for clerical services from December 1997 to August 1999 while she served the city as the Mayor and as Alderwoman. In addition, she was overpaid \$89 during September when she served as City Clerk. Marchelle Roe purchased some computer equipment for personal use with the city's credit card, and a city computer was stored at Marchelle Roe's personal residence after the Board of Aldermen voted to sell the computer. City records do not indicate that a \$350 utility hook-up fee was collected from Marchelle Roe.

2. Board Meetings and Records (pages 12-15)

Board minutes are not prepared for closed meetings and the Board of Aldermen conducted business during closed meetings that does not appear to meet the requirements of state law. The board minutes of open meetings did not document the related vote and the specific reasons for going into closed session. The Board of Aldermen changed the city's ward boundary, resulting in the legal status of two aldermen positions being questioned. The city appointed an alderman to the board that had not been a resident of the city for one year. Board minutes were not always signed by the City Clerk and Mayor, and the city has not established a formal policy regarding public access to city records.

3. Expenditures (pages 15-17)

The city does not have a formal bidding policy, and the Board of Alderman does not always review and approve payment of city expenditures prior to the disbursements being made. Receipt of goods or services is not always indicated on the invoices. The city's sewer employee received \$16,661 for contract work that was not bid, does not prepare a time sheet for salary payments, and receives a monthly vehicle allowance that was not properly reported on his W-2. The city incurred late fees and unreasonable interest charges on a city credit card.

4. Restricted Revenues (pages 17-18)

The city deposits motor-vehicle-related revenues into the general fund, and documentation did not exist to support the allocation of some expenditures from restricted funds.

5. Water and Sewer System Procedures (pages 18-20)

The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. A formal review of the city's water and sewer rates is not performed annually, and several errors were noted on the city's computerized utility reports. Supporting documentation and approval of credit adjustments posted to the utility system is not maintained.

6. Accounting Controls and Procedures (pages 20-22)

The City Clerk and the former City Collector served in incompatible positions as the City Treasurer and a member of the Board of Alderman, respectively. Receipt slips are not issued for all monies received, and receipts are not recorded until the deposit is made. Checks and money orders are not restrictively endorsed until the deposit is prepared. Deposits are not made on a timely basis, and cash receipts are withheld from deposits to make change and to purchase postage. Some persons authorized to sign checks are not bonded, and checks are sometimes signed in advance. Bank reconciliations are not performed monthly.

7. Property Tax Procedures (pages 22-24)

No independent verification of the tax books is performed, and the City Collector makes all addition and abatements to the tax books without review or approval by the Board of Aldermen. The City Collector does not prepare monthly or annual reports of taxes collected as well as those that remain delinquent. The city has not adequately pursued the collection of delinquent property taxes. The City Collector does not charge the correct penalty on delinquent taxes. Public hearings are not held on the city's proposed property tax rates.

8. Budgets and Financial Reporting (pages 24-25)

Budgets did not comply with the state law, and semiannual financial statements were not published as required by law.

9. Ordinances (page 25)

City ordinances are outdated and the index of ordinances is not current and accurate. The city has not prepared ordinances to document the approved tax levy for each year. Detail of the votes taken by specific board members for proposed ordinances is not maintained in the board minutes.

10. Property Records (pages 26)

The city has not established records to account for all property owned by the city.

CITY OF EVERTON  
MANAGEMENT ADVISORY REPORT

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| <b>1.</b> | <b>Undeposited Receipts and Questionable Transactions</b> |
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- A. The city of Everton operates a combined waterworks and sewerage system, and accepts cash, checks, and money orders for payment for water and sewer services. Utility monies are recorded on a computerized utility system; however, city personnel experienced difficulty in operating the system, and as a result, some information was lost and some reports produced by the system were not accurate.

In July 1999 the City Clerk resigned and Mayor Marchelle Roe and several board members performed the duties of City Clerk. On August 31, 1999 Marchelle Roe resigned as Mayor to become City Clerk.

Three deposits made by Marchelle Roe on September 2, 1999, did not include \$837 of cash receipts. These deposits were for water and sewer receipts received in mid July and for the month of August 1999. Marchelle Roe indicated that she was aware of the missing cash when she made the deposits, and advised several board members of the shortage. However, no action was ever taken by the Board of Aldermen to contact law enforcement authorities to investigate the misappropriated funds. Information regarding this matter has been turned over to the Dade County Prosecuting Attorney and the Missouri State Highway Patrol.

In addition, during the 16 month period ending in October 1999 utility collections exceeded deposits by at least \$534. City personnel indicated that cash receipts were sometimes used to purchase postage; however, the city provided postage receipts totaling only \$66.

Because the city's utility records were not complete and accurate, detailed reviews were very time consuming. Therefore, additional amounts may have been withheld from deposits in other months. Because of the control weaknesses, and inadequate record keeping the city has no assurance that undeposited receipts were spent on city business and were not misappropriated.

The city's auditor issued a qualified opinion on the city's financial statements due to a low utility collection rate and incomplete billing records.

- B. Marchelle Roe was appointed to the Board of Aldermen in December 1997 and resigned in February 1998. In April 1998 she was elected to the Board of Aldermen and in February 1999 she was appointed Mayor. In addition to the regular compensation allowed for her duties as Alderwoman and Mayor, \$3,372 was paid to Marchelle Roe from December 1997 to August 1999 for accounting and clerical duties. These services were not bid and supporting documentation could not be located to support these payments. In addition, authorization of this work was not documented in the board minutes except in January 1998.

These payments also represent potential violations of state law. Section 105.454, Supp. 1998, prohibits financial transactions between a city and an officer or employee (or spouse, dependent child, or business and corporate interest of the officer or employee) of that city that involved more than \$1,500 per year or \$500 per transaction unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received.

- C. In March 1999, Marchelle Roe purchased some personal computer equipment costing \$530 at a nearby office supply store during a special interest free promotion, and charged it to the city's credit card. Marchelle Roe indicated that her computer equipment was to have been charged to her personal credit card, but was charged to the city's credit card in error. However, according to the office supply store Marchelle Roe did not open a credit card account with them until October 1999. While Marchelle Roe was responsible for reviewing and approving city invoices during this time period, this charge was not removed from the city's bill until October 1999 when the city's auditor brought this to her attention.

While the city had not made any payments toward the purchases, steps should be taken by the city to ensure all credit card purchases are reviewed and approved by the Board of Aldermen.

- D. The April 7, 1999 board minutes indicate the board's intention to sell a city computer that no longer worked. The computer had been periodically used by Marchelle Roe at her personal residence for city business, and was not returned to city hall until October 1999. City property should not be stored at personal residences, and assets should be disposed of on a timely basis when approved by the board.
- E. In April 1998 Marchelle Roe installed a mobile home and was connected to city water and sewer. City ordinance requires a hook up fee of \$350 for all new water and sewer connections. City receipt records do not indicate that a hook up fee of \$350 was collected from Marchelle Roe. In addition, she was unable to provide documentation (receipt/canceled check) of payment. The Board of Aldermen should review the situation and ensure the \$350 hook up fee is properly paid and deposited.
- F. The weekly payroll amounts paid to Marchelle Roe as City Clerk contained numerous calculation errors during the month of September 1999. As a result, she was overpaid approximately \$89. Although an alderman signed and approved her time cards, it does not appear that calculations were checked for accuracy. To ensure payments for salaries are accurate, computations should be recalculated.

**WE RECOMMEND** the Board of Aldermen:

- A. Work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the misappropriated funds. Other cash receipts which may have been used to make cash disbursements should be reviewed and if not accounted for, reimbursement should be obtained. In addition, the board should ensure all monies received are deposited and disbursements made by check.

- B. Refrain from entering into business transactions with city officials unless such services or transactions are properly bid in accordance with state law.
- C. Ensure all credit card purchases are reviewed and approved by the Board of Aldermen.
- D. Establish a policy addressing the timely disposal of assets no longer used by the city.
- E. Review the situation and ensure the \$350 hook up fee is properly paid.
- F. Ensure salary computations are recalculated for accuracy.

**AUDITEE'S RESPONSE:**

- A. *We will take this into consideration. Cash is no longer withheld from receipts for purchases. All purchases are now made by check.*
- B&D. *We will take these recommendations into consideration.*
- C. *This is now being done.*
- E. *We will review this situation.*
- F. *We will review September's payroll.*

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| <b>2.</b> | <b>Board Meetings and Records</b> |
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- A. The Board of Aldermen frequently hold closed meetings. During our review of closed meetings, we noted the following concerns:
  - 1. Minutes are not prepared to document matters discussed in closed meetings, and it is not clear that the final disposition is made public. Section 610.021, RSMo, Supp. 1999, requires certain matters discussed in closed session to be made public upon final disposition. In addition, closed session minutes are necessary to document and record official board decisions and actions affecting city government and the public, and to ensure compliance with the Sunshine Law.
  - 2. The Board of Aldermen has conducted city business at numerous closed meetings that does not appear to meet the requirements of Section 610.021, RSMo Supp 1999. It is not clear when the board approved an ordinance changing the ward boundary, at a closed or open meeting.

In addition, several appointments to vacant positions on the Board of Aldermen have been made in closed session. The Board of Aldermen indicated that the appointment of Alderwoman Mallory to the position of Mayor in August 1999 was made during a closed session meeting. Members of the board indicated that they believed this was a personnel issue and could be discussed during a closed meeting; however, Attorney General's Opinion No. 184, 1989 to Mathews, concluded that legislative bodies could not close a meeting to discuss prospective

appointments to citizen boards. Furthermore, Attorney General's Opinion No. 77, 1992 to Flotron, concluded that an elected mayor and city council members, even if they are paid, are not employees.

Section 610.021, RSMo, Supp. 1999, allows the city council to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting which differs from the specific reasons justifying such meeting, record, or vote.

3. The Board of Aldermen often votes to close a portion of a regular open meeting, but board minutes do not always document the related vote and reasons for going into closed session. Section 610.022, RSMo, Supp. 1999, requires the board to vote prior to going into closed session and requires the results of the vote and the reasons for going into closed session to be entered into the minutes.

- B Section 79.060, RSMo 1994 allows the Board of Aldermen by ordinance to divide the city into two wards. As noted in Part A.2. the Board of Aldermen approved an ordinance in July 1999 to change the ward boundary of the City of Everton. Neither the ordinance or the board minutes indicate when the Board of Aldermen intended the boundary change to become effective. Three aldermen and the mayor indicated that the boundary change became effective in July 1999 and one alderman indicated that he believed the new boundary did not become effective until the next municipal election.

As a result of the boundary change, Alderman Carroll elected to the east ward became a resident of the west ward. In addition, in August 1999 Alderman Baier from the west ward resigned and Alderwoman Mayfield was appointed. While Alderwoman Mayfield was a resident of the west ward after the boundary change, she was a resident of the east ward before the change.

If the boundary change was effective in July 1999, then Alderman Carroll no longer resides in the ward he was elected to serve. If the boundary change was not effective in July 1999, then Alderwoman Mayfield did not reside in the ward she was appointed to serve. Section 79.070, RSMo 1994 requires an alderman to be a resident of the ward from which he is elected. However, regardless of when the effective date of the boundary change was to occur, the city has three aldermen living in the same ward. Section 79.060, RSMo 1994 requires two aldermen from each ward.

While Section 79.060, RSMo 1994 allows the Board of Aldermen by ordinance to divide the city into two wards, city officials did not ensure that the change of the city's boundary did not result in the violation of other state laws. To alleviate citizen concern on this issue, and ensure the city's aldermen are legally qualified to serve, the Board of Aldermen should review this situation with an attorney.

- C. Alderman Baier was appointed to the board in March 1999. He had moved to the City of Everton only 5 months earlier, in October 1998. Section 79.070, RSMo 1994, requires an alderman to be an inhabitant and resident of the city for one year prior to becoming an alderman.

- D. The board minutes are prepared by the City Clerk, but some minutes were not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- E. The city does not have a formal policy regarding public access to city records. A formal policy would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact, provide an address to mail requests for access to records, and establish a cost to provide copies of public records.

Section 610.023, RSMo, Supp. 1999, lists requirements for making city records available to the public. In addition, Section 610.026, RSMo, Supp. 1999, allows the city to charge fees for copying public records; however, the fees shall not exceed the city's actual cost of document search and duplication.

**WE RECOMMEND** the Board of Aldermen:

- A. Limit closed meetings to only those purposes specifically allowed by state law. The board should ensure minutes state the specific reasons for going into a closed session and document the related vote, and ensure the final disposition of certain matters discussed at closed meetings is made public. The board should also ensure minutes are prepared for all closed meetings.
- B. Consult legal counsel to determine which aldermen are legally qualified to serve the city.
- C. Prior to appointment ensure candidates for city office possess the statutory qualifications for holding office.
- D. Ensure the board minutes are signed by the preparer and Mayor or a designated member of the board to attest to their accuracy.
- E. Establish written policies and procedures regarding the location of and public access to city records.

**AUDITEE'S RESPONSE:**

- A. *This has been corrected.*
- B. *We will work to resolve this issue.*
- C. *We relied on the advise of an attorney when making this appointment.*
- D. *This is now being done.*
- E. *We will take this into consideration.*

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| <b>3.</b> | <b>Expenditures</b> |
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- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. During the past year, bids were either not solicited or bid documentation was not retained in some instances. Examples include \$2,023 for gravel, \$1,803 for culverts, and \$1,000 for a fire truck.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The Board of Aldermen does not always review and approve the payment of city expenditures prior to the disbursements being made. A financial report is prepared monthly by the City Clerk which includes a detailed listing of all expenditures by fund; however, the expenditures represent the preceding month's activities. In addition, the Board of Aldermen approve a monthly consent agenda which is to represent approval of all recurring bills; however, there is no documentation to indicate which bills are included in the consent agenda.

Expenditures made from city funds should be reviewed and approved by the Board of Aldermen before payment is made to ensure all disbursements represent valid operating costs of the city. In addition, to adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

- C. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. The documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

- D. The city employs one individual for sewer related services. During the year ending June 30, 1999 he was paid a salary of \$14,400. The city also paid \$16,661 in contract labor payments to a business owned by this employee for water and street related services, such as gravel hauling, backhoe services, and meter reading services. During our review of this situation we noted the following:

1. There is no documentation that bids or proposals were solicited from other sources for the contract labor payments. To ensure actual or apparent conflicts of interest do not exist, the city should obtain bids for all expenditures made to city employees and other related parties and award the contract to them only if they are the lowest bid.
2. Time sheets are not prepared to support salary payments. Time sheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked.



3. The city pays the sewer employee a vehicle allowance of \$100 each month for the use of his personal vehicle. No documentation of actual miles driven is prepared to support this allowance. Additional mileage payments totaling \$166 were also paid during the year ended June 30, 1999 for mileage not covered under the monthly allowance. However, there is no documentation to define exactly what vehicle expenses are covered through the monthly allowance. In addition, the vehicle allowance was not properly reported on the employee's W-2.

To ensure proper reimbursement of travel expense, formal guidelines should be established to define those expenses to be covered by employee vehicle allowances. In addition, Internal Revenue Code (IRC) Ruling 12-110 specifically requires expense allowances that are not accounted for to the employer to be considered gross income. To comply with the IRC, all compensation paid to city employees should have the required payroll taxes withheld and be properly reported.

- E. The City purchases office supplies with a city credit card. Although the city appears to have funds to pay for these supplies, only small monthly payments are made. During the year ended June 30, 1999, the city incurred finance charges of \$76 which computes to an interest rate of almost 21 percent. In addition, \$40 in late fees were also incurred.

The amount of interest and late fees paid appears unreasonable. There is no indication in the board minutes that this financing arrangement was approved by the Board of Aldermen, nor is there a written agreement with the office supply company.

All financing arrangements should be in writing and approved by the Board of Aldermen, and the city should ensure all finance charges are reasonable, and invoices are processed timely to prevent the assessment of late fees.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. .
- B. Review and approve all expenditures of city funds prior to the disbursements being made. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.
- C. Ensure the receipt of goods or services is indicated on invoices prior to them being approved for payment.
- D.1. Solicit bids for all purchases made from city employees and accept the lowest bid.
  2. Require the sewer employee to prepare time sheets.
  3. Establish guidelines defining those expenses to be covered by the employee vehicle allowance, and ensure all income is properly reported on employee's W-2. In addition, revised W-2's should be issued.

- E. Ensure all financing arrangements are approved by the board and avoid unreasonable interest and late fee charges. The board should consider early payoff of this account.

**AUDITEE'S RESPONSE:**

A &

D.3. *We will take these recommendations into consideration.*

B, C,

&D.2. *These recommendations have been implemented.*

D.1. *We will try to do this.*

E. *We will pay the balance of this account.*

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| <b>4. Restricted Revenues</b> |
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- A. The city receives state motor vehicle-related revenues and deposits them into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate fund or separate accounting for those revenues and expenditures and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

During the four years ended June 30, 1999, state motor vehicle-related revenues totaled \$49,205 compared to total street-related expenditures of \$58,903.

To ensure continued compliance with the Missouri Constitution, the city should establish a separate accounting of motor vehicle-related revenues and ensure these revenues are used only for street-related purposes.

- B. Documentation does not exist to support the allocation of some expenditures to the city's funds. We noted the following examples:

1. The City Clerk's salary is allocated 75% to the Water and Sewer Fund and 25% to the General Fund. The City Clerk is not required to complete a time sheet that documents actual hours worked by activity or fund.
2. Culverts totaling \$1,051 were purchased from the Water and Sewer Fund. While two culverts costing \$287 were installed at the sewer plant the remaining culverts costing \$764 were used for city streets.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Generally accepted accounting principles and various legal restrictions require revenues and expenses associated with specific activities be reflected in the fund established to account for those activities.

Reflecting revenues and expenses in the proper fund is also necessary to accurately determine the results of operations of specific activities, thus, enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. User rates should be set to cover costs of producing and delivering the service and not to generate profits to subsidize other services provided by city government.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish a special revenue fund or otherwise account for the motor vehicle-related monies to ensure compliance with applicable legal restrictions.
- B. Develop and implement a reasonable method for allocating common costs between the city's funds.

**AUDITEE'S RESPONSE:**

- A. *We are in the process of correcting this.*
- B. *We will ensure this is implemented in the future.*

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| <b>5. Water and Sewer System Procedures</b> |
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- A. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The City Clerk prepares monthly reports of the total number of gallons billed to customers and the water department records meter readings of the city's water well, so information is available to perform such reconciliations.

During June 1999 the gallons of water pumped exceeded the total gallons billed by 280,000, or 27 percent. The city's water department contractor indicated that he believed the loss was due to several leaks in water lines and meter problems.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

- B. The city has not performed a formal review of the adequacy of the water and sewer rates. The city's audited financial statements show an operating loss of \$41,104 and \$33,478 in the Water and Sewer Fund during the years ending June 30, 1999 and 1998, respectively. Water and sewer fees are user charges which should cover the cost of providing the related services, but rates should not be set at a level which results in excessive fund balances. The city should perform a detailed review of its water and sewer costs, including depreciation and debt service costs, and set rates to cover the total costs of operation. A similar recommendation was made by the city's CPA during the annual audit for the year ending June 30, 1999.

- C. The city utilizes a computerized system to prepare bills and record payments of water and sewer utility fees. Meter readings are recorded on a hand-held computer monthly by the water department contractor. The City Clerk then generates and mails the monthly utility bills, generates meter reading and billing reports, receives payments, records the payments on the system, and generates a delinquent listing.

Beginning and ending meter readings did not always agree from month to month. In addition, the billing reports did not always agree to the monthly utility bills. Receipts totaling \$186 were deposited in September 1999, but not recorded on the city's utility system. The City Clerk indicated the computer had lost this information. The city's computer programmer believes these differences are caused by the city using two computers that are not networked, and not properly updating both computers.

To ensure that all payments are recorded on the utility computer system, the utility payment stubs should be periodically reconciled to the payments recorded on the computer and to deposits. To ensure reports generated are accurate, meter reading reports should be reconciled from month to month and billing reports should be reconciled to utility bills.

- D. There is no supporting documentation or independent approval of credit adjustments posted to the utility system. The City Clerk has the ability and authority to post credit adjustments to the computer system without obtaining the approval of anyone else.

To ensure that all credit adjustments are valid and properly approved, someone independent of receipting and recording functions should review all credit adjustments and proper supporting documentation should be maintained of such adjustments.

**WE RECOMMEND** the Board of Aldermen:

- A. Compare the gallons of water pumped to the gallons billed on a monthly basis and investigate significant differences.
- B. Review water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing this service.
- C. Require the City Clerk to properly update both computer systems or use one computer system exclusively for utilities. In addition, reports should be reviewed by someone independent of the utility system, and utility bill stubs should be reconciled with payments recorded on the computer system.
- D. Require someone independent of the utility system review and approve all credit adjustments and ensure adequate documentation is retained of such adjustments.

**AUDITEE'S RESPONSE:**

- A. *We are working on this.*
- B. *We reviewed the water rates in January 2000 and will review this issue further.*
- C. *We are in the process of implementing this.*

D. *We will try to do this.*

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| <b>6. Accounting Controls and Procedures</b> |
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- A. The City Clerk also serves as the City Treasurer, and with the exception of the functions related to the collection of property taxes, this individual is responsible for most of the record keeping duties of the city. These duties include receiving and depositing monies, preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing monthly financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible.

In addition, the former City Collector also served as a member of the Board of Aldermen from July 1998 until April 1999. Having a board member serve as City Collector does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties to the extent possible. If proper segregation of duties is not feasible, the Board of Aldermen should, at a minimum, require someone having no access to cash and no record keeping responsibilities receive and review the bank statements and bank reconciliations.

- B. In addition to utility payments and property taxes, the city receives license fees, franchise fees, municipal court monies, and miscellaneous copy fees. Receipt slips are not issued for these monies, and these receipts are not recorded until a deposit is prepared. To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (ie. cash checks, or money orders) and the composition should be reconciled to the bank deposits.
- C. Checks and money orders received are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. Deposits are not made on a timely basis. Deposits are generally made weekly; however, only one deposit was made during August 1999. In addition, the city clerk withholds cash receipts from deposits to maintain a change fund and to purchase postage. The amount withheld fluctuates during the month depending on the amount of money needed to make purchases or have on hand to make change. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all deposits should be made intact daily or when

accumulated receipts exceed \$100, a change fund should be established at a preset amount, and all disbursements for postage should be made by check.

- E. The City requires two signatures on all checks issued by the city. The Mayor, Mayor-Protem, or the City Clerk sign the checks. The dual signatures help provide assurance that checks represent payments for legitimate city expenditures. However, Mayor Bonnie Mallory, occasionally presigned blank checks which defeats the controls provided by dual signatures.

In addition, the City Clerk is the only authorized check signer who is bonded. Failure to bond all persons with access to assets exposes the city to risk of loss.

- F. Bank reconciliations are not performed monthly. During the year ending June 30, 1999 the city computerized its accounting records, but failed to record beginning balances in some funds and failed to record several transactions throughout the year. Because monthly bank reconciliations were not performed, these errors went undetected until the city's auditor brought the errors to their attention. Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis. These errors were discovered by the city's CPA during the annual audit.

**WE RECOMMEND** the Board of Aldermen:

- A. Provide for an adequate segregation of duties or independent reconciliations and reviews of the accounting records are made.
- B. Require prenumbered receipt slips to be issued for all monies received. In addition, the method of payment should be recorded on the receipt slips and the composition of receipts should be reconciled to deposits.
- C. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
- D. Require that monies be deposited intact daily, establish a change fund at a constant amount and require all disbursements to be made by check.
- E. Discontinue the practice of allowing officers to sign blank checks, and obtain bond coverage for all persons with access to city assets.
- F. Ensure bank reconciliations are prepared monthly for all city accounts.

**AUDITEE'S RESPONSE:**

- A. *We are now establishing segregation among these duties.*
- B. *All monies are now recorded through our cash register.*
- C. *This recommendation has been implemented.*
- D. *Deposits are made twice a week and a change fund of \$130 has been established.*

- E. *We will take this recommendation into consideration.*
- F. *Bank reconciliations are now being performed monthly.*

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| <b>7. Property Tax Procedures</b> |
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- A. Tax books are manually prepared by the City Collector from assessment data received from the county. No independent verification of the tax book information or totals is performed by the City Clerk. The tax book contained several mathematical errors. In addition, the City Collector makes all additions and abatements to the tax books without review or approval by the Board of Aldermen.

Section 94.290, RSMo 1994, requires the city clerk to prepare the tax books and charge the city collector with the full amount of taxes levied. Without this proper segregation of duties between the City Clerk and City Collector, the internal control over this process is weakened. Verification of tax book information and totals is necessary to ensure the amount of taxes charged to the City Collector is complete and accurate. In addition, any changes to the tax books (additions or abatements) should be prepared by the City Clerk, approved by the Board of Aldermen, and charged to the City Collector.

- B. The former City Collector did not prepare monthly or annual reports of taxes collected. The current City Collector prepares a report of taxes collected periodically to receive payment for commissions. A delinquent tax list was prepared by the current City Collector in April 1999 from the records maintained by the former City Collector; however, this list was not complete and the Board of Aldermen did not review and approve the list. In addition, some property tax payments were not recorded in the tax book and some tax receipts were not marked paid by the former City Collector.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require the city collector to prepare monthly and annual reports to the board of aldermen of the amount of taxes collected and to prepare annual lists of delinquent taxes including a detailed list of persons who have not paid. The board is to examine and approve the reports and charge the City Collector to collect the amount of delinquent taxes due.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. Without such a report examined by the board, any errors or irregularities that might occur are likely to go undetected.

- C. The city does not adequately monitor or pursue collection of delinquent taxes. Delinquent taxes totaled \$3,264 and dated back to 1992. Several more tax files indicated delinquent taxes which were not included in this amount which dated back to the 1980s. Real estate taxes comprise approximately \$2,740 of the total. The city mails delinquent tax statements in November of each year; however, the city does not conduct sales of real property to collect delinquent taxes on such property, as allowed by state law.

Section 94.330, RSMo 1994, provides that the board of aldermen may declare worthless and abate any and all personal delinquent taxes which they deem uncollectible. Section 140.150, RSMo 1994, provides that all land on which there are delinquent taxes may be offered for sale at public auction, and Section 140.160, RSMo 1994, provides the sale shall not be valid unless initial proceedings are commenced within three years after the delinquency of such taxes.

- D. The City Collector does not charge the correct penalty on delinquent taxes. The City Collector currently charges a one percent penalty per month for delinquent taxes paid. Section 140.100.1, RSMo 1994, currently provides a penalty of two percent per month up to a maximum of eighteen percent per year for each delinquent tax bill.
- E. The Board of Aldermen has not held public hearings on the city's proposed property tax rates. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. This section also provides guidance on what information is to be included at the public hearing. A similar comment was made by the city's auditor during the annual audit.

**WE RECOMMEND** the Board of Aldermen:

- A. Require the City Clerk to prepare the current tax books and charge the City Collector with the amount of taxes, or at a minimum, document procedures performed to verify the accuracy of the tax book totals. In addition, the City Clerk should prepare and the Board of Aldermen should approve all tax book additions and abatements.
- B. Require the City Collector to prepare and maintain detailed monthly and annual reports of taxes collected and delinquent taxes. In addition, the reports should be reviewed and approved by the Board of Aldermen.
- C. Adopt policies for the collection of delinquent taxes, including tax sales, and abating uncollectible personal property taxes.
- D. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law.
- E. Hold a public hearing on proposed tax rates as required by state law.

**AUDITEE'S RESPONSE:**

- A&E. *We will consider these recommendations.*
- B. *This has been implemented.*
- C. *We will discuss this with the current City Collector.*
- D. *We will work with the City Collector to correct this for the next tax year.*

|           |  |
|-----------|--|
| <b>8.</b> | <b>Budgets and Financial Reporting</b> |
|-----------|--|



- A. The budgets prepared by the city for the years ended June 30, 2000 and 1999, did not comply with Chapter 67 of the Missouri statutes (the budget law). In addition, a budget was not prepared for the park fund. The city's budgets did not include projected ending balances, actual (or estimated for the years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message.

In addition, the board does not periodically compare budgeted and actual revenues and expenditures, and as reported by the city's auditor, actual expenditures exceeded budgeted amounts during the year ended June 30, 1999.

Sections 67.010 to 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues.

- B. The city did not publish a semiannual financial statement for the six months ending June 30, 1999 as required by law. In addition, the city's published semi-annual financial statements for the six months ending December 31, 1998 did not include detailed information but only presented total revenues, expenses, and beginning and ending balances for each fund.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish, semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. Accurate and detailed financial statements are necessary to keep the citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statements are published.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare annual budgets in compliance with state law, and make periodic comparisons between budgeted and actual expenditures.
- B. Publish detailed semiannual financial statements as required by state law.

**AUDITEE'S RESPONSE:**

- A. *We will begin to compare budgeted expenditures to actual expenditures and will consider preparing annual budgets in compliance with state law.*
- B. *We will take this recommendation into consideration.*

|                      |
|----------------------|
| <b>9. Ordinances</b> |
|----------------------|

- A. Many of the city's ordinances are old and outdated. The city maintains an index of all ordinances passed by the city; however, several ordinance numbers are not included, three ordinances have the same number, and several ordinances are listed two to three times.

In addition, the city has not prepared ordinances to document the approved tax levy for each year. Section 94.210, RSMo 1994, states the board of aldermen shall fix the annual rate of tax levy by ordinance for each tax year.

Since the ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. Such items as duties of city officials and the annual tax levies should be set forth in the ordinances to give the taxpayers information on how the city is to be governed.

- B. Section 79.130, RSMo 1994, requires ordinances to be approved by a majority of all the members of the board of aldermen, and the individual votes recorded. However, board minutes do not always include details of the votes taken by specific board member for proposed ordinances to ensure ordinances are properly approved.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.
- B. Document votes taken by specific board members on proposed ordinances in the board minutes.

**AUDITEE'S RESPONSE:**

- A. *We are in the process of updating city ordinances.*
- B. *This has been implemented.*

|                             |
|-----------------------------|
| <b>10. Property Records</b> |
|-----------------------------|

The city has not established records to account for all property owned by the city. Although the financial statements presented in the most recent CPA audit report, include approximately \$1.6 million in assets the city does not maintain their own asset records. In addition, in June 1999 the city realized it did not have insurance coverage on its water tower valued at \$150,000. Adequate general fixed asset records are necessary to provide a basis for determining proper insurance coverage required on city property, and to secure better internal control and safeguard city assets which are susceptible to loss, theft, or misuse.

The property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, an asset identification number, the physical location of the assets, and the date and method of disposition of the assets when disposed of. In addition, all property items should be identified with a tag or similar device.

**WE RECOMMEND** the Board of Aldermen establish property records which include all pertinent information for each asset, such as tag number, description, cost, acquisition date,

location, and subsequent disposition. Additionally the city should properly tag, number, or otherwise identify all applicable city property and conduct an annual inventory.

**AUDITEE'S RESPONSE:**

*We will contact our CPA and work to prepare an inventory list.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



MISSOURI OFFICE OF PROSECUTION SERVICES

FOUR YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-16  
March 13, 2000

# AUDIT REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Prosecutors Coordinators Training Council  
and  
Missouri Office of Prosecution Services  
and  
Honorable Jeremiah W. (Jay) Nixon, Attorney General  
Jefferson City, Missouri 65012

Since I served on the Prosecutors Coordinators Training Council during part of the period covered by this audit, I believe there is a question regarding independence if I was to also serve as auditor for this agency.

Therefore, the following audit report on the Prosecutors Coordinators Training Council, Missouri Office of Prosecution Services for the years ended June 30, 1999, 1998, 1997, and 1996, has been prepared by Evers and Company, Certified Public Accountants and Consultants.

Sincerely,

A handwritten signature in cursive script that reads "Claire McCaskill".

Claire McCaskill  
State Auditor

# **MISSOURI OFFICE OF PROSECUTION SERVICES**

Jefferson City, Missouri

## **INDEPENDENT AUDITORS' REPORT**

For the Four Years Ended  
June 30, 1999, 1998, 1997 and 1996

**OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES**

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## **FINANCIAL SECTION**





# Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers  
Jerome L. Kauffman  
Richard E. Elliott  
Dale A. Siebeneck  
Keith L. Taylor  
Lynn J. Graves

## INDEPENDENT AUDITORS' REPORT

**Prosecutors Coordinators Training Council**  
and  
**Missouri Office of Prosecution Services**  
and  
**Honorable Jeremiah W. (Jay) Nixon, Attorney General**  
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the **Missouri Office of Prosecution Services** as of and for the years ended June 30, 1999, 1998, 1997 and 1996, as identified in the Table of Contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, other financing sources (uses), and changes in cash and investment and the appropriations and expenditures of the General Revenue Fund-Federal, Missouri Office of Prosecution Services Fund and Missouri Office of Prosecution Services Revolving Fund of the Missouri Office of Prosecution Services and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, other financing sources (uses), and changes in cash and investments and the appropriations and expenditures of the General Revenue Fund-Federal, Missouri Office of Prosecution Services Fund, and Missouri Office of Prosecution Services Revolving Fund of the Missouri Office of Prosecution Services as of and for the years ended June 30, 1999, 1998, 1997 and 1996, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

The Missouri Office of Prosecution Services has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, Disclosures about Year 2000 Issues, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the office is or will become year 2000-compliant, that the office's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the office does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 1, 1999, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the Table of Contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

October 1, 1999

OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),  
AND CHANGES IN CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1999

|  | General<br>Revenue<br>Fund-Federal | Missouri<br>Office of<br>Prosecution<br>Services<br>Fund | Missouri<br>Office of<br>Prosecution<br>Services<br>Revolving<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------------|--|---|-------------------------------|
| <b>RECEIPTS</b>  |                                    |  |   |                               |
| Court fees   | \$ 0                               | \$ 207,716   | \$ 0  | \$ 207,716                    |
| Registration fees  | 0                                  | 0  | 60,035  | 60,035                        |
| Federal receipts   | 24,469                             | 0  | 0   | 24,469                        |
| Miscellaneous  | 0                                  | 204  | 0   | 204                           |
| <b>Total Receipts</b>  | <u>24,469</u>                      | <u>207,920</u>   | <u>60,035</u>   | <u>292,424</u>                |
| <b>DISBURSEMENTS</b>   |                                    |  |   |                               |
| Personal service   | 0                                  | 96,935   | 0   | 96,935                        |
| Employee fringe benefits   | 0                                  | 21,851   | 0   | 21,851                        |
| Expense and equipment  | 19,469                             | 62,762   | 59,403  | 141,634                       |
| <b>Total Disbursements</b>   | <u>19,469</u>                      | <u>181,548</u>   | <u>59,403</u>   | <u>260,420</u>                |
| <b>RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE<br/>OTHER FINANCING SOURCES AND USES</b> | <u>5,000</u>                       | <u>26,372</u>  | <u>632</u>  | <u>32,004</u>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                    |  |   |                               |
| Operating transfers out (Note 2)   | 0                                  | (13,009)   | 0   | (13,009)                      |
| <b>RECEIPTS AND OTHER SOURCES OVER (UNDER)<br/>DISBURSEMENTS AND OTHER USES</b>        | <u>5,000</u>                       | <u>13,363</u>  | <u>632</u>  | <u>18,995</u>                 |
| <b>CASH AND INVESTMENTS, JULY 1, (Note 3)</b>  | <u>0</u>                           | <u>50,762</u>  | <u>2,976</u>  | <u>53,738</u>                 |
| <b>CASH AND INVESTMENTS, JUNE 30, (Note 3)</b>   | \$ <u>5,000</u>                    | \$ <u>64,125</u>   | \$ <u>3,608</u>   | \$ <u>72,733</u>              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),  
AND CHANGES IN CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1998

|  | General<br>Revenue<br>Fund-Federal | Missouri<br>Office of<br>Prosecution<br>Services<br>Fund | Missouri<br>Office of<br>Prosecution<br>Services<br>Revolving<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------------|--|---|-------------------------------|
| <b>RECEIPTS</b>  |                                    |  |   |                               |
| Court fees   | \$ 0                               | \$ 191,131   | \$ 0  | \$ 191,131                    |
| Registration fees  | 0                                  | 0  | 45,040  | 45,040                        |
| Federal receipts   | 16,673                             | 0  | 0   | 16,673                        |
| Miscellaneous  | 0                                  | 0  | 1,266   | 1,266                         |
| Total Receipts   | <u>16,673</u>                      | <u>191,131</u>   | <u>46,306</u>   | <u>254,110</u>                |
| <b>DISBURSEMENTS</b>   |                                    |  |   |                               |
| Personal service   | 0                                  | 89,920   | 0   | 89,920                        |
| Employee fringe benefits   | 0                                  | 19,750   | 0   | 19,750                        |
| Expense and equipment  | <u>16,673</u>                      | <u>46,485</u>  | <u>43,330</u>   | <u>106,488</u>                |
| Total Disbursements  | <u>16,673</u>                      | <u>156,155</u>   | <u>43,330</u>   | <u>216,158</u>                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE<br>OTHER FINANCING SOURCES AND USES | <u>0</u>                           | <u>34,976</u>  | <u>2,976</u>  | <u>37,952</u>                 |
| OTHER FINANCING SOURCES (USES)   |                                    |  |   |                               |
| Operating transfers out (Note 2)   | 0                                  | <u>(16,209)</u>  | 0   | <u>(16,209)</u>               |
| RECEIPTS AND OTHER SOURCES OVER (UNDER)<br>DISBURSEMENTS AND OTHER USES        | 0                                  | 18,767   | 2,976   | 21,743                        |
| CASH AND INVESTMENTS, JULY 1, (Note 3)   | <u>0</u>                           | <u>31,995</u>  | <u>0</u>  | <u>31,995</u>                 |
| CASH AND INVESTMENTS, JUNE 30, (Note 3)  | \$ 0                               | \$ <u>50,762</u>   | \$ <u>2,976</u>   | \$ <u>53,738</u>              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),  
AND CHANGES IN CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1997

|  | General<br>Revenue<br>Fund-Federal | Missouri<br>Office of<br>Prosecution<br>Services<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------------|--|-------------------------------|
| <b>RECEIPTS</b>  |                                    |  |                               |
| Court fees   | \$ 0                               | \$ 159,777   | \$ 159,777                    |
| Registration fees  | 0                                  | 45,520   | 45,520                        |
| Federal receipts   | 30,481                             | 0  | 30,481                        |
| Miscellaneous  | <u>0</u>                           | <u>1,584</u>   | <u>1,584</u>                  |
| Total Receipts   | <u>30,481</u>                      | <u>206,881</u>   | <u>237,362</u>                |
| <b>DISBURSEMENTS</b>   |                                    |  |                               |
| Personal service   | 0                                  | 83,802   | 83,802                        |
| Employee fringe benefits   | 0                                  | 19,010   | 19,010                        |
| Expense and equipment  | <u>30,481</u>                      | <u>98,950</u>  | <u>129,431</u>                |
| Total Disbursements  | <u>30,481</u>                      | <u>201,762</u>   | <u>232,243</u>                |
| <b>RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE<br/>OTHER FINANCING SOURCES AND USES</b> | 0                                  | <u>5,119</u>   | <u>5,119</u>                  |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                    |  |                               |
| Operating transfers out  | 0                                  | <u>(7,506)</u>   | <u>(7,506)</u>                |
| <b>RECEIPTS AND OTHER SOURCES OVER (UNDER)<br/>DISBURSEMENTS AND OTHER USES</b>        | 0                                  | <u>(2,387)</u>   | <u>(2,387)</u>                |
| <b>CASH AND INVESTMENTS, JULY 1, (Note 3)</b>  | 0                                  | <u>34,382</u>  | <u>34,382</u>                 |
| <b>CASH AND INVESTMENTS, JUNE 30, (Note 3)</b>   | \$ 0                               | \$ <u>31,995</u>   | \$ <u>31,995</u>              |

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),  
AND CHANGES IN CASH AND INVESTMENTS  
YEAR ENDED JUNE 30, 1996

|  | General<br>Revenue<br>Fund-Federal | Missouri<br>Office of<br>Prosecution<br>Services<br>Fund | Total<br>(Memorandum<br>Only) |
|--|------------------------------------|--|-------------------------------|
| <b>RECEIPTS</b>  |                                    |  |                               |
| Court fees   | \$ 0                               | \$ 164,980   | \$ 164,980                    |
| Registration fees  | 0                                  | 40,480   | 40,480                        |
| Federal receipts   | <u>20,927</u>                      | 0  | <u>20,927</u>                 |
| Total Receipts   | <u>20,927</u>                      | <u>205,460</u>   | <u>226,387</u>                |
| <b>DISBURSEMENTS</b>   |                                    |  |                               |
| Personal service   | 0                                  | 81,095   | 81,095                        |
| Employee fringe benefits   | 0                                  | 18,088   | 18,088                        |
| Expense and equipment  | <u>20,927</u>                      | 110,586  | <u>131,513</u>                |
| Total Disbursements  | <u>20,927</u>                      | <u>209,769</u>   | <u>230,696</u>                |
| <b>RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE<br/>OTHER FINANCING SOURCES AND USES</b> | 0                                  | <u>(4,309)</u>   | <u>(4,309)</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                    |  |                               |
| Operating transfers out  | 0                                  | <u>(7,254)</u>   | <u>(7,254)</u>                |
| <b>RECEIPTS AND OTHER SOURCES OVER (UNDER)<br/>DISBURSEMENTS AND OTHER USES</b>        | 0                                  | (11,563)   | (11,563)                      |
| <b>CASH AND INVESTMENTS, JULY 1, (Note 3)</b>  | 0                                  | <u>45,945</u>  | <u>45,945</u>                 |
| <b>CASH AND INVESTMENTS, JUNE 30, (Note 3)</b>   | \$ 0                               | \$ <u><u>34,382</u></u>                                  | \$ <u><u>34,382</u></u>       |

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | Year Ended June 30, |                   |                  |                   |                   |                   |
|--|---------------------|-------------------|------------------|-------------------|-------------------|-------------------|
|  | 1999                |                   |                  | 1998              |                   |                   |
|  | Appropriations      | Expenditures      | Lapsed Balances  | Appropriations    | Expenditures      | Lapsed Balances   |
| GENERAL REVENUE FUND-FEDERAL                                 |                     |                   |                  |                   |                   |                   |
| Expense and equipment  | \$ 40,000           | \$ 28,002         | \$ 11,998        | \$ 40,000         | \$ 20,560         | \$ 19,440         |
| Total General Revenue Fund-Federal                           | <u>40,000</u>       | <u>28,002</u>     | <u>11,998</u>    | <u>40,000</u>     | <u>20,560</u>     | <u>19,440</u>     |
| MISSOURI OFFICE OF PROSECUTION SERVICES FUND                 |                     |                   |                  |                   |                   |                   |
| Personal service   | 106,350             | 96,935            | 9,415            | 101,144           | 89,920            | 11,224            |
| Expense and equipment  | 125,094             | 70,280            | 54,814           | 125,094           | 47,303            | 77,791            |
| Total Missouri Office of Prosecution Services Fund           | <u>231,444</u>      | <u>167,215</u>    | <u>64,229</u>    | <u>226,238</u>    | <u>137,223</u>    | <u>89,015</u>     |
| MISSOURI OFFICE OF PROSECUTION SERVICES REVOLVING FUND       |                     |                   |                  |                   |                   |                   |
| Expense and equipment  | 80,000              | 59,004            | 20,996           | 50,000            | 1,800             | 48,200            |
| Total Missouri Office of Prosecution Services Revolving Fund | <u>80,000</u>       | <u>59,004</u>     | <u>20,996</u>    | <u>50,000</u>     | <u>1,800</u>      | <u>48,200</u>     |
| Total All Funds  | <u>\$ 351,444</u>   | <u>\$ 254,221</u> | <u>\$ 97,223</u> | <u>\$ 316,238</u> | <u>\$ 159,583</u> | <u>\$ 156,655</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|   | Year Ended June 30, |                   |                    |                   |                   |                    |
|---|---------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|   | 1997                |                   |                    | 1996              |                   |                    |
|   | Appropriations      | Expenditures      | Lapsed<br>Balances | Appropriations    | Expenditures      | Lapsed<br>Balances |
| GENERAL REVENUE FUND-FEDERAL                          |                     |                   |                    |                   |                   |                    |
| Expense and equipment                                 | \$ 40,000           | \$ 26,632         | \$ 13,368          | \$ 40,000         | \$ 24,776         | \$ 15,224          |
| Total General Revenue Fund-Federal                    | <u>40,000</u>       | <u>26,632</u>     | <u>13,368</u>      | <u>40,000</u>     | <u>24,776</u>     | <u>15,224</u>      |
| MISSOURI OFFICE OF PROSECUTION SERVICES FUND          |                     |                   |                    |                   |                   |                    |
| Personal service                                      | 96,185              | 83,802            | 12,383             | 90,740            | 81,095            | 9,645              |
| Expense and equipment                                 | 125,094             | 44,046            | 81,048             | 125,094           | 70,834            | 54,260             |
| Total Missouri Office of<br>Prosecution Services Fund | <u>221,279</u>      | <u>127,848</u>    | <u>93,431</u>      | <u>215,834</u>    | <u>151,929</u>    | <u>63,905</u>      |
| Total All Funds                                       | <u>\$ 261,279</u>   | <u>\$ 154,480</u> | <u>\$ 106,799</u>  | <u>\$ 255,834</u> | <u>\$ 176,705</u> | <u>\$ 79,129</u>   |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## **NOTES TO THE FINANCIAL STATEMENTS**

**OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
For the Four Years Ended June 30, 1999, 1998, 1997 and 1996**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity and Basis of Presentation**

The accompanying special-purpose financial statements present only selected data for each fund of the Missouri Office of Prosecution Services.

Receipts, disbursements, other financing sources (uses), and changes in cash and investments are presented in Exhibit A for the General Revenue Fund-Federal, Missouri Office of Prosecution Services Fund and Missouri Office of Prosecution Services Revolving Fund. Appropriations from these funds are expended by or for the office for restricted purposes.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

**B. Basis of Accounting**

The Statements of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Statements of Appropriations and Expenditures, Exhibit B, are presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

**OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
For the Four Years Ended June 30, 1999, 1998, 1997 and 1996**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)**

**B. Basis of Accounting (Cont'd.)**

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

**C. Fiscal Authority and Responsibility**

The office administers transactions in the funds listed below. The State Treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

General Revenue Fund-Federal: The office administers several programs financed wholly or partially by federal monies maintained in the state treasury in the Office of Attorney General's Federal Account. These federal funds may be received in advance, when related expenditures are made, or after they are made. Appropriations from this fund authorize the disbursement of the office's federal monies.

Missouri Office of Prosecution Services Fund: This fund was established pursuant to Section 56.765.2, RSMo Cum. Supp. 1998, to assist prosecuting attorneys in their efforts against criminal activity in the state. Court fees are assessed by courts in the state and are deposited into the fund. Expenditures are authorized by appropriation, and balances remaining in the fund are perpetually maintained for the purpose of the fund.

Missouri Office of Prosecution Services Revolving Fund: This fund was established during fiscal year 1998 pursuant to Section 56.765.4, RSMo Cum. Supp. 1998, to receive moneys from registration fees, federal and state grants or any other source in connection with the purpose of the Missouri Office of Prosecution Services. Expenditures are authorized by appropriation, and balances remaining in the fund are perpetually maintained for the purpose of the fund.

**OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
For the Four Years Ended June 30, 1999, 1998, 1997 and 1996**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd.)**

**D. Employee Fringe Benefits**

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and, beginning January 1, 1996, a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the Missouri Office of Prosecution Services Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

**NOTE 2 - OPERATING TRANSFERS OUT:**

The transfer out amounts include the Missouri Office Of Prosecution Services Fund's proportional share of fiscal year 1997, 1996, and 1995 refunds required by Article X, Section 18 of the Missouri Constitution. These refunds were:

|             | Year Ended June 30, |                 |
|-------------|---------------------|-----------------|
|             | 1999                | 1998            |
| 1997 Refund | \$ 7,371            | \$ -0-          |
| 1996 Refund | -0-                 | 5,915           |
| 1995 Refund | -0-                 | 4,002           |
| Total       | <u>\$ 7,371</u>     | <u>\$ 9,917</u> |

**OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
For the Four Years Ended June 30, 1999, 1998, 1997 and 1996**

**NOTE 3 – CASH AND INVESTMENTS:**

The balances of the General Revenue Fund-Federal, Missouri Office of Prosecution Services Fund, and Missouri Office of Prosecution Services Revolving Fund are pooled with other state funds and invested by the state treasurer.

**NOTE 4 – RECONCILIATION OF TOTAL DISBURSEMENTS TO APPROPRIATED EXPENDITURES:**

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit B as follows:

| <u>General Revenue Fund – Federal</u> |                  |                  |                  |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
| <u>Year Ended June 30,</u>            |                  |                  |                  |                  |
|                                       | <u>1999</u>      | <u>1998</u>      | <u>1997</u>      | <u>1996</u>      |
| DISBURSEMENTS PER EXHIBIT A           | \$ 19,469        | \$ 16,673        | \$ 30,481        | \$ 20,927        |
| Lapse period expenditures:            |                  |                  |                  |                  |
| 1999                                  | 12,420           | -0-              | -0-              | -0-              |
| 1998                                  | (3,887)          | 3,887            | -0-              | -0-              |
| 1997                                  | -0-              | -0-              | (3,849)          | 3,849            |
| EXPENDITURES PER EXHIBIT B            | <u>\$ 28,002</u> | <u>\$ 20,560</u> | <u>\$ 26,632</u> | <u>\$ 24,776</u> |

| <u>Missouri Office of Prosecution Services Fund</u>  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| <u>Year Ended June 30,</u>                           |                   |                   |                   |                   |
|  | <u>1999</u>       | <u>1998</u>       | <u>1997</u>       | <u>1996</u>       |
| DISBURSEMENTS PER EXHIBIT A                          | \$ 181,548        | \$ 156,155        | \$ 201,762        | \$ 209,769        |
| Employee fringe benefits                             | (21,851)          | (19,750)          | (19,010)          | (18,088)          |
| Lapse period expenditures:                           |                   |                   |                   |                   |
| 1999   | 8,871             | -0-               | -0-               | -0-               |
| 1998   | (2,152)           | 2,152             | -0-               | -0-               |
| 1997   | -0-               | (1,334)           | 1,334             | -0-               |
| 1996   | -0-               | -0-               | (10,718)          | 10,718            |
| 1995   | -0-               | -0-               | -0-               | (6,619)           |
| Accounts payable, June 30,                           |                   |                   |                   |                   |
| 1999   | 799               | -0-               | -0-               | -0-               |
| 1995   | -0-               | -0-               | -0-               | (3,371)           |
| Fees collected and paid directly to seminar facility | -0-               | -0-               | (45,520)          | (40,480)          |
| EXPENDITURES PER EXHIBIT B                           | <u>\$ 167,215</u> | <u>\$ 137,223</u> | <u>\$ 127,848</u> | <u>\$ 151,929</u> |

**OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
For the Four Years Ended June 30, 1999, 1998, 1997 and 1996**

---

**NOTE 4 – RECONCILIATION OF TOTAL DISBURSEMENTS TO APPROPRIATED EXPENDITURES: (Cont'd.)**

|   | Missouri Office of Prosecution<br>Services Revolving Fund |                 |
|---|---|-----------------|
|   | <u>Year Ended June 30,</u>                                |                 |
|   | <u>1999</u>   | <u>1998</u>     |
| DISBURSEMENTS PER EXHIBIT A                             | \$ 59,403   | \$ 43,330       |
| Lapse period expenditures:                              |   |                 |
| 1999  | 1,345   | -0-             |
| 1998  | (1,800)   | ,800            |
| Accounts payable, June 30, 1999                         | 56  | -0-             |
| Fees collected and paid directly to<br>seminar facility | <u>-0-</u>  | <u>(43,330)</u> |
| EXPENDITURES PER EXHIBIT B                              | <u>\$ 59,004</u>  | <u>\$ 1,800</u> |

**NOTE 5 – GENERAL FIXED ASSETS:**

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

## **SUPPLEMENTARY DATA**

## Schedule 1

OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

|  | Year Ended June 30, |                   |                   |                   |
|--|---------------------|-------------------|-------------------|-------------------|
|  | 1999                | 1998              | 1997              | 1996              |
| Personal service                       | \$ 96,935           | \$ 89,921         | \$ 83,802         | \$ 81,095         |
| Travel and vehicle expense             | 47,325              | 26,453            | 24,186            | 47,336            |
| Office expense                         | 13,453              | 9,544             | 6,710             | 13,263            |
| Communication expense                  | 17,664              | 9,792             | 7,100             | 6,683             |
| Institution and physical plant expense | 4,047               | 1,607             | 2,902             | 3,850             |
| Data processing expense and equipment  | 6,261               | 6,270             | 0                 | 279               |
| Professional services                  | 9,000               | 8,390             | 22,557            | 7,947             |
| Rentals                                | 12,217              | 3,418             | 5,173             | 6,491             |
| Food expense                           | 46,406              | 3,380             | 1,502             | 8,517             |
| Other                                  | 913                 | 808               | 548               | 1,244             |
| <b>Total Expenditures</b>              | <b>\$ 254,221</b>   | <b>\$ 159,583</b> | <b>\$ 154,480</b> | <b>\$ 176,705</b> |

The accompanying Note to the Supplementary Data is an integral part of this statement.



OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS (NOTE 5)

| Missouri Office of<br>Prosecution Services |                            |                   |           |
|--|----------------------------|-------------------|-----------|
| Fund                                       |                            |                   |           |
|  | Furniture and<br>Equipment | Motor<br>Vehicles | Total     |
| Balance, June 30, 1995                     | \$ 38,961                  | \$ 7,500          | \$ 46,461 |
| Additions                                  | 389                        | 0                 | 389       |
| Dispositions                               | (4,928)                    | 0                 | (4,928)   |
| Balance, June 30, 1996                     | 34,422                     | 7,500             | 41,922    |
| Additions                                  |                            | 0                 | 0         |
| Dispositions                               |                            | 0                 | 0         |
| Balance, June 30, 1997                     |                            | 7,500             | 41,922    |
| Additions                                  |                            | 0                 | 6,062     |
| Dispositions                               |                            | 0                 | (7,769)   |
| Balance, June 30, 1998                     |                            | 7,500             | 40,215    |
| Additions                                  |                            | 0                 | 4,785     |
| Dispositions                               |                            | 0                 | (2,877)   |
| Balance, June 30, 1999                     | \$                         | \$ 7,500          | \$ 42,123 |

The accompanying Note to the Supplementary Data is an integral part of this statement.



# Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers  
Jerome L. Kauffman  
Richard E. Elliott  
Dale A. Siebeneck  
Keith L. Taylor  
Lynn J. Graves

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

**Prosecutors Coordinators Training Council**  
and  
**Missouri Office of Prosecution Services**  
and  
**Honorable Jeremiah W. (Jay) Nixon, Attorney General**  
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the **Missouri Office of Prosecution Services** as of and for the years ended June 30, 1999, 1998, 1997, and 1996, and have issued our report thereon dated October 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Missouri Office of Prosecution Services are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

### Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Missouri Office of Prosecution Services, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

October 1, 1999

## **HISTORY and ORGANIZATION**

**OFFICE OF ATTORNEY GENERAL  
MISSOURI OFFICE OF PROSECUTION SERVICES**

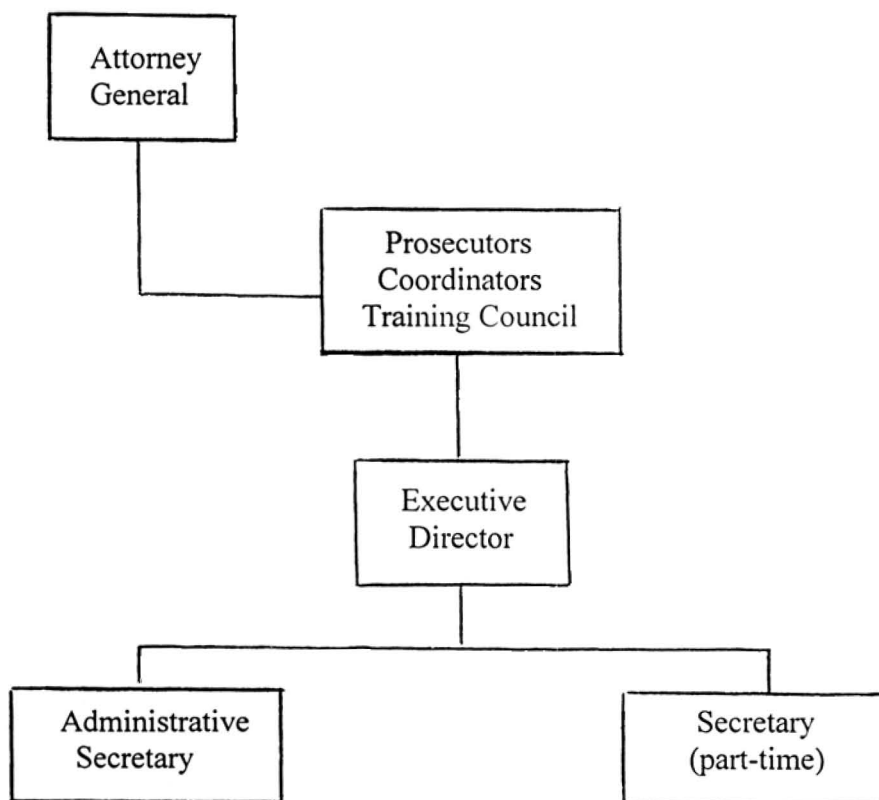
**HISTORY AND ORGANIZATION**

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The Missouri Office of Prosecution Services was established pursuant to Section 56.750, RSMo "as an autonomous entity in the Missouri attorney general's office." Certain oversight responsibilities for the office are given to the Prosecutors Coordinators Training Council, of which the attorney general or his designee is a member. The primary purpose of this office is to assist the prosecuting attorneys in the state through training and other means in their efforts against criminal activity.

Elizabeth L. Ziegler served as Executive Director during the four years ended June 30, 1999, and continues in this position.

As of June 30, 1999, the Missouri Office of Prosecution Services employed two full-time employees and one part-time employee. An organization chart follows:





REVIEW OF THE  
FRANCIS HOWELL R-III SCHOOL DISTRICT  
ST. CHARLES COUNTY, MISSOURI

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-15  
March 9, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2000

The following problems were discovered as a result of an audit conducted by our office of the Francis Howell School District, St . Charles, Missouri.

-----  
**During the two years ended June 30, 1999, the district received and spent over \$6 million in basic state aid to which it was not entitled.** This was caused by an error in the reporting of the district's average daily attendance data to the Department of Elementary and Secondary Education and an entitlement calculation error.

The district's attendance system records full-day attendance for kindergarten students. Because kindergarten students attend only one-half of each day, the district must divide the recorded attendance hours for kindergarten students in half before calculating the average daily attendance and reporting it to the Department of Elementary and Secondary Education. For the 1997-98 school year, the district failed to divide the kindergarten attendance hours in half.

**The district does not have written policies and procedures governing the reporting of attendance data to the Department of Elementary and Secondary Education.** Written policies and procedures are necessary to outline district employees' responsibilities in the attendance reporting and the review process. Without following a specific process, the district cannot ensure all steps are taken to ensure the accuracy of information reported to the Department of Elementary and Secondary Education. This concern was also noted by the district's independent auditors in the 1998-1999 audit report.

**The district did not take adequate procedures to correct the attendance reporting errors when detected in October 1998. As a result, the district continued to be overpaid by the Department of Elementary and Secondary Education until the adjustment was made in June 1999.** The district did not adequately estimate the effects of the 1997-98 error and the 1998-99 overestimate of eligible pupils and make the necessary budget adjustments. This situation was a contributing factor in the district becoming "Financially Stressed" for the year ended June 30, 1999.

During the last five years, the district has experienced significant growth in the revenues and expenditures of the operating funds. **Despite the growth in district revenues, the district has spent more than it received during three out of the last five years.**

Controls over expenditures are lacking or inadequate. Bidding procedures were not always followed, payments were made without the required purchase orders or vendor invoices, and some expenditures appeared excessive or unnecessary for district operations.

In July 1998, the district approved an administrative salary schedule covering the two years ending June 30, 2000. Administrators were given significant pay increases and ten additional administrators were hired, resulting in an increase in administrator salary expense of approximately \$899,000 during the year ended June 30, 1999. For the year ending June 30, 2000, pay increases were provided through the salary schedule and although the district reduced the number of administrators by four, this will result in a net increase in administrator salary expense of approximately \$236,000.

The district has implemented some budget reductions for the year ending June 30, 2000. This budget includes projected operating revenues and expenditures of approximately \$113.6 million each. **With these projections, the estimated operating funds balance will continue to be approximately 1.7 percent of expenditures and the district will continue to be designated "Financially Stressed" for the year ending June 30, 2000.**

YELLOW SHEET

As noted in the "Review of 1999 Property Tax Rates" issued by the Missouri State Auditor on December 29, 1999, the 1999 property tax rate levied by the district for operating funds exceeded the tax rate ceiling by three cents per \$100 in assessed valuation. **The district levied a property tax rate of \$3.95 for operating funds, although the tax rate ceiling certified by the State Auditor was only \$3.92. Based on the 1999 assessed valuation of \$1,178,417,048, the district will receive approximately \$354,000 more than legally permissible.** Our office recommends the School Board not levy amounts in excess of the ceiling and reduce future levies to reflect this overcharge.

**The district does not have a policy prohibiting the acceptance of gifts and gratuities from district vendors. During 1998 and 1999, district employees and board members received personal benefits from the district's construction management firm totaling \$1,272.** This included golf tournament registration fees and a dinner for board members. During these years, the district conducted two selection processes for construction management services in which this firm was selected on both occasions. The acceptance of gifts from this firm could give an appearance of a conflict of interest or lack of independence of board members and district administrators.

**The district's student transportation vendor paid \$1,013 for lodging for the board President and former Finance Director to attend a customer forum conference in Miami, Florida.** The conference was held on a Friday, and the lodging included attendance at a Professional Golfers Association (PGA) tournament sponsored by the vendor. ***An appearance of a conflict of interest could harm public confidence in the board and reduce the board's effectiveness.*** A policy prohibiting these types of situations should be developed.

**The school board provided the former Superintendent with a \$42,000 cash advance upon signing a 31 month contract which began February 1, 1996.** Under the terms of the contract, the former Superintendent would pay back the advance through payroll deductions of \$7,000 per year over a six year period. Semi-monthly payroll deductions of \$292 began in July 1996. The board should consider increasing the payroll deductions to ensure the advance is paid back in the time period noted in the separation agreement. In the future, the board should refrain from entering into such agreements.

During the year ended June 30, 1999, the district had four accounts with a credit card company. Two of these accounts were in the district's name, while the other two accounts were in the name of the former Superintendent and the former Finance Director. Employees could use the two district accounts for various expenditures such as travel expenses, registrations, and supplies. **Some informal procedures relating to the credit card accounts were developed. Our review of credit card payments noted the following concerns:**

- There were at least 118 charges totaling \$19,941 made to the credit card accounts which were not supported by receipts or credit card slips.
- The statement and related receipts for one payment of \$5,457 to a credit card account could not be located.
- Purchase orders were not prepared for purchases on the credit card accounts.
- The purpose of the expenditure was not documented for numerous charges to the credit card accounts. As a result, the propriety of the expenditure could not be determined.

The district does not have a formal written policy for the usage of cellular telephones and pagers. **During the year ended June 30, 1999 the district incurred costs of approximately \$55,000 for monthly services and equipment purchases for 74 cellular phones and 66 pagers.** The phones and pagers were issued to various employees and board members and could be used for district business as well as personal use.

The district has engaged a firm since January 1990 to provide construction management services for all of its construction projects. This firm works with the district in the scheduling, planning, and design and construction management of construction projects. Payments to this firm during the year ended June 30, 1999 totaled approximately \$720,000. **Our office recommends the School Board conduct a formal selection process for construction management services for all construction projects as required by district policy and state law.** In addition, all documentation of the process should be retained.

The school district does not always follow its bidding policies. The district's procurement policy requires that formal, written bids be obtained for all purchases which involve an expenditure of more than \$5,000. The school district contracts with a transportation company to provide bus transportation for its students. The district has not solicited bids for transportation services since 1985. Procedures are not in place to adequately monitor transportation costs.



REVIEW OF THE  
FRANCIS HOWELL R-III SCHOOL DISTRICT  
ST. CHARLES COUNTY, MISSOURI

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REVIEW OF THE  
FRANCIS HOWELL R-III SCHOOL DISTRICT  
ST. CHARLES COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan  
Governor of Missouri  
and  
The Board of Education  
Francis Howell R-III School District  
4545 Central School Road  
St. Charles, MO 63304

By his authority under Section 26.060, RSMo, Governor Carnahan requested the State Auditor's Office perform a review of the Francis Howell R-III School District in August 1999. In response to this request, the Missouri State Auditor's Office conducted a review of the district. The objectives of this review were to:

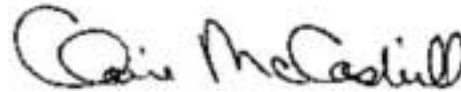
1. Review the district's financial condition and budgetary process.
2. Perform procedures we deemed necessary to evaluate citizens' concerns.
3. Review certain internal control procedures, legal compliance issues, and management practices to determine the efficiency and effectiveness of those procedures and practices.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The school board had engaged Schowalter & Jabouri, P.C., Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 1999. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. We also reviewed board minutes, school district policies, and various school district financial records.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization and Appendices are presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our review.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Francis Howell R-III School District.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill  
State Auditor

December 22, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Karen Laves, CPA      |
| Audit Manager:      | Mark Ruether, CPA     |
| In-Charge Auditor:  | Kimberly Spraggs, CPA |
| Audit Staff:        | Douglas Brewer        |
|                     | Martin Beck           |
|                     | Arlances Dailey       |
|                     | Monique Williams      |

## EXECUTIVE SUMMARY

REVIEW OF THE  
FRANCIS HOWELL R-III SCHOOL DISTRICT  
ST. CHARLES COUNTY, MISSOURI  
EXECUTIVE SUMMARY

The Francis Howell R-III School District has experienced significant growth during the past several years. Enrollment has increased from 16,427 students in the 1994-1995 fiscal year to 18,513 students in the 1998-1999 fiscal year. During that five year period, operation costs of the district increased 58 percent, 82 percent of which represents salary and benefit costs. (See Appendix A for financial information.)

At the same time the district has seen its fund balances decrease, especially during the most recently completed fiscal year. The balance in the operating funds decreased from \$8.3 million at June 30, 1994, to \$2.0 million at June 30, 1999, and as a result, the district is currently designated "Financially Stressed" by the Missouri Department of Elementary and Secondary Education (DESE).

During the 1997-1998 and 1998-1999 fiscal years, the district received and spent approximately \$6.8 million in state aid to which it was not entitled. This amount must be paid back to the state in future periods. This was caused by errors in reporting the district's average daily attendance and by an error in its state aid entitlement formula calculation.

Public reports of the district's financial crisis, including the attendance reporting error, surfaced in July 1999, and during July and August 1999, the State Auditor's Office received numerous requests for petition audit information. On August 19, 1999, Governor Carnahan requested the State Auditor to perform a review of the district.

The district's financial accounting and budgetary systems have apparently not kept pace with the growth of the district and are in need of improvement. The district does not have a detailed accounting procedures manual to provide clear guidance on procedures to be followed. Budgetary information has not always been appropriately developed, and modifications to such budgets have not been made timely, decreasing the budget's effectiveness as a management tool. From July 1997 to August 1999, the school board was not provided monthly financial summaries and it appears the board was not properly monitoring budgeted and actual revenues and expenditures. The board needs to address these issues to improve control and increase public confidence in the overall financial accountability of the district.

The district has not established procedures to ensure all expenditures are for necessary district-related purposes. Numerous payments for employee travel and other employee reimbursements were not supported by adequate documentation (i.e. missing invoices and receipts, no documentation of the travel purpose). The district paid \$96,000 in charges on its credit card accounts without requiring credit card slips to be submitted, and several of these charges did not appear to be district-related. The district incurred \$55,000 in cellular phone and pager expenses, and the district did not have adequate controls to ensure cellular phone usage was reasonable and was only for district purposes.

This audit makes numerous recommendations for improvements in the Francis Howell R-III School District's accounting and budgetary systems and for improvements in controls over district finances and expenditures. The school district could resolve a number of its internal and external problems by implementing the State Auditor's recommendations.

The positive results from implementing these recommendations will include better compliance with statutory, constitutional, and district requirements; additional guarantees that all public moneys are being appropriately spent; and greater assurance to the public that district finances are being properly handled. In addition, it is imperative that the district develop a plan to improve its financial condition and move off of the "Financially Stressed" list.

## HISTORY AND ORGANIZATION



REVIEW OF THE  
FRANCIS HOWELL R-III SCHOOL DISTRICT  
ST. CHARLES COUNTY, MISSOURI  
HISTORY AND ORGANIZATION

The Francis Howell R-III School District is located in St. Charles County and covers approximately 163 square miles.

The district operates three senior high schools (9-12), an alternative high school, five middle schools (6-8), nine elementary schools (K-5), and three early childhood family education centers (PK-K). Enrollment was 18,513 for the 1998-1999 school year. At June 30, 1999, the district employed 2,181 full- and part-time employees, including 77 administrative staff, 1,485 teachers and instructional support staff, and 619 support staff.

Francis Howell R-III School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 1999 and their current terms of office are:

| <u>Name and Position</u>                                    | <u>Current Term Expires</u> |
|---|-----------------------------|
| Catherine Elsea, President                                  | April 2000                  |
| Pat Fitzgerald, Vice President                              | April 2001                  |
| Sandra Ferguson, Treasurer                                  | April 2001                  |
| Sally A. Breck, Member (1)                                  | April 2002                  |
| Ron Howard, Member  | April 2000                  |
| Dr. Donald R. Wescott, Member (1)                           | April 2002                  |
| Vacant (2)  | April 2000                  |
| <u>Other Principal Officials</u>                            | <u>Annual Compensation</u>  |
| Dr. Lee Brittenham, Superintendent (3)                      | \$ 119,636 (4)              |
| Dr. Dan Brown, Central Area Superintendent (5)              | 92,755                      |
| Dr. Sheila Cone, North Area Superintendent                  | 92,755                      |
| Dr. Tim Ricker, South Area Superintendent                   | 92,755                      |
| Dr. Dan O'Donnell, Associate Superintendent Human Resources | 92,755                      |
| John Hutchison, Associate Superintendent Finance (6)        | 92,755                      |

- (1) Elected to the board in April 1999, replacing Dr. James Walter (Vice President) and Barbra Goeckner (Treasurer).

- (2) Jeff Carter was reelected in April 1999 and resigned in June 1999. Dr. James Walter was appointed in July 1999 to serve until the regular election in April 2000.
- (3) Placed on medical leave effective October 1, 1999 with salary and retirement benefits paid through January 31, 2001, and other benefits paid through June 30, 2000.
- (4) The Superintendent also received \$3,000 toward a tax sheltered annuity.
- (5) Appointed Superintendent effective September 20, 1999. The position of Central Area Superintendent is currently vacant.
- (6) Resigned on January 6, 2000, and this position is currently vacant.

Assessed valuation and tax rate information for the district are as follows:

|                    | <u>1999</u>      | <u>1998</u>      |
|--------------------|------------------|------------------|
| Assessed Valuation | \$ 1,178,417,048 | \$ 1,047,971,082 |
| Tax Rate           | 4.89*            | 4.94             |

\* The 1999 tax rate exceeds the approved tax rate ceiling by \$.03 per \$100 assessed valuation.

## MANAGEMENT ADVISORY REPORT

REVIEW OF THE  
FRANCIS HOWELL R-III SCHOOL DISTRICT  
ST. CHARLES COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                            |
|-----------|----------------------------|
| <b>1.</b> | <b>Financial Condition</b> |
|-----------|----------------------------|

During the last five years, the district has experienced significant growth in the revenues and expenditures of the operating funds (General Fund and Special Revenue Fund). Despite the growth in district revenues, the district has spent more than it received during three out of the last five years, resulting in a decline of the cash balance in the operating funds as follows:

|                            |    | Year Ended June 30, |                  |                   |                  |                  |
|----------------------------|----|---------------------|------------------|-------------------|------------------|------------------|
|                            |    | 1999                | 1998             | 1997              | 1996             | 1995             |
| Beginning cash balance     | \$ | 8,902,032           | 10,241,377       | 8,601,164         | 5,949,648        | 8,326,072        |
| Revenues                   |    | 110,330,108         | 104,588,013      | 96,007,014        | 86,005,360       | 72,807,469       |
| Expenditures               |    | (117,270,342)       | (105,927,358)    | (94,322,866)      | (83,337,472)     | (74,370,595)     |
| Net transfers              |    | 0                   | 0                | (43,935)          | (16,372)         | (813,298)        |
| Ending cash balance        | \$ | <u>1,961,798</u>    | <u>8,902,032</u> | <u>10,241,377</u> | <u>8,601,164</u> | <u>5,949,648</u> |
| Ending Cash Balance as a   |    |                     |                  |                   |                  |                  |
| Percentage of Expenditures |    | 1.67%               | 8.40%            | 10.86%            | 10.32%           | 8.00%            |

As shown in the above table, the financial condition of the operating funds has declined over the past few years. At June 30, 1999, the cash balance of the operating funds was only approximately \$2.0 million, which includes \$1.5 million in student activity funds which are generally not available for district operating expenditures. In addition, the district owed approximately \$6.8 million back to the state. As a result, the district was designated "Financially Stressed" by the Missouri Department of Elementary and Secondary Education (DESE). "Financially Stressed" means the district's balances of its operating funds are below three percent of the expenditures in its operating funds. Several issues have contributed to the overall financial decline of the district:

- A. The district did a poor job budgeting for the year ended June 30, 1999, as shown below:

| Year Ended June 30, 1999 |              |             |                            |
|--------------------------|--------------|-------------|----------------------------|
|                          | Original     |             | Variance                   |
|                          | Budget       | Actual      | Favorable<br>(Unfavorable) |
| Beginning balance        | \$ 8,712,474 | 8,902,032   | 189,558                    |
| Revenues                 | 111,588,150  | 110,330,108 | (1,258,042)                |
| Expenditures             | 111,571,319  | 117,270,342 | (5,699,023)                |
| Ending balance           | \$ 8,729,305 | 1,961,798   | (6,767,507)                |

The board was not provided monthly or periodic financial information during this time period to monitor the financial condition of the district. If better budgeting and monitoring procedures had been in place, it appears the board could have been in a position to address the financial decline in a more timely manner. See Management Advisory Report (MAR) No. 3 for more specific budgeting and financial reporting concerns.

- B. During the two years ended June 30, 1999, the district received and spent approximately \$6.8 million in basic state aid to which it was not entitled. This was caused by an error in the reporting of the district's average daily attendance data to the DESE and an entitlement calculation error. See MAR No. 2.
- C. Controls over expenditures are lacking or inadequate. Bidding procedures were not always followed, payments were made without the required purchase orders or vendor invoices, and some expenditures appeared excessive or unnecessary for district operations. See MAR Nos. 7 through 12.
- D. In July 1998, the district approved an administrative salary schedule covering the two years ending June 30, 2000. Administrators were given significant pay increases and ten additional administrators were hired, resulting in an increase in administrator salary expense of approximately \$899,000 during the year ended June 30, 1999. For the year ending June 30, 2000, pay increases were provided through the salary schedule and although the district reduced the number of administrators by four, this will result in a net increase in administrator salary expense of approximately \$236,000.

Additionally, the district negotiated salary schedules with teachers and support staff covering the two years ending June 30, 2000. District administrators indicate they are unable to make any significant reductions in salary expenses until after the period covered by the salary schedule.

- E. During the year ended June 30, 1999, the district distributed approximately \$201,000 to district employees as contingency salaries, and increased salaries by the same amount for the year ending June 30, 2000. Although these payments

were not required by district policy, the board approved the distribution. See MAR No. 6.

The district has implemented some budget reductions for the year ending June 30, 2000. This budget includes projected operating revenues and expenditures of approximately \$113.6 million each. With these projections, the estimated operating funds balance will continue to be approximately 1.7 percent of expenditures and the district will continue to be designated "Financially Stressed" for the year ending June 30, 2000.

The district has not developed a long term plan to increase the balance in the operating funds and move out of the "Financially Stressed" category. On November 4, 1999, the board approved the development of sequential budgets to increase the balance in the operating funds to at least three percent of expenditures by the 2002-2003 school year. These budgets had not been developed at the time of our review.

During June 1999, the district attempted to pass a \$.50 operating fund rate increase which was defeated by voters. The board is at its tax rate limit without a vote. In fact, as noted in MAR No. 5, the 1999 tax rate set by the district exceeded the legal limit by \$.03 per \$100 in assessed valuation or approximately \$354,000 in property taxes. This should be returned to taxpayers through reductions of future year levies.

It appears that even with an increase in revenues, reducing expenditures will be necessary to improve the district's financial problems. Salary and benefit expenditures accounted for approximately 80 percent of the operating expenditures for the year ended June 30, 1999, and control over these expenditures should be a major concern.

To investigate potential ways to reduce future expenditures, the district recently performed a comparison of its expenditures to six other local districts of similar size during the year ended June 30, 1999. Based on this comparison, the district had the highest or one of the highest per pupil cost in the areas of special education, instruction, transportation, and executive administration. The district should consider these areas when making expenditure reductions for future budgets.

While increases in revenues and/or reductions in expenditures appear necessary, the district's financial condition can also be improved with more effective management practices and more effective controls and procedures. Some needed improvements are discussed in this report.

**WE RECOMMEND** the School Board carefully review the operations of the district and develop a plan which will remove the district from the "Financially Stressed" designation.

### **AUDITEE'S RESPONSE**

*A plan was written and delivered to the DESE in December 1999. Additional planning and a final revision of the plan will be required as the district's budget is developed for the 2000-2001 fiscal year.*

**2.****Attendance Reporting and State Funding**

School districts receive state aid funding through the DESE. As outlined in Section 163.031, RSMo Cumulative Supp. 1999, state aid is calculated based on numerous factors including a factor called “eligible pupils” (EP). EP is defined as the sum of the average daily attendance (ADA) of the school term plus twice the ADA for summer school. The average daily attendance is calculated by dividing the total number of hours attended by students by the actual number of hours school was in session during that term. At the beginning of each school year, school districts estimate the EP for the school year, which is used in calculating state aid payments throughout the year. In July, after year end, the actual EP is reported to the DESE and the districts’ state aid payments are adjusted accordingly. The EP is audited annually by the school districts’ independent auditors.

For the 1997-98 school year, the Francis Howell School District originally estimated an EP of 15,888, and during May 1998, increased this estimate to 16,777. After the school year ended, the district reported an actual EP in the amount of 16,900, resulting in adjustments to the 1998-99 payments to reflect this increase. During the audit conducted in September and October 1998, the district’s independent auditors noted a discrepancy between the EP reported to the DESE and the actual audited EP. The audit noted an actual EP of 16,427. The district indicated a correction was mailed to the DESE in October 1998 to reflect the audited EP, but no follow-up was done. The DESE indicated that it did not receive this correction.

In August 1998, prior to discovering this error, the district estimated an EP of 17,683 for the 1998-99 school year, based on the EP of 16,900 reported for the 1997-98 school year. However, even after the district noted the 1997-1998 EP error, it did not re-estimate its 1998-99 EP of 17,683. The actual audited EP for 1998-99 was 16,936.

The DESE sent the district a letter dated April 7, 1999, requiring an explanation for the 473 eligible pupil discrepancy between the 1997-98 reported EP and the audited EP as noted in the audit report. The district indicated it did not receive this letter. On May 19, 1999, the district was again contacted by the DESE regarding the discrepancy and the district confirmed it was an error in its original calculations.

For the 1997-98 school year, the district received more state aid than it was due because the actual EP reported to the DESE was overstated by 473 students. The estimate for the 1998-99 EP was overstated by 747 students, so the district began receiving monthly payments which were too high. The DESE corrected a significant portion of the 1998-99 error on the district's June 1999 state aid payment.

In February 2000, the DESE completed its final calculation of the 1997-98 EP and determined that the district owes \$3.0 million to the state. In addition, the DESE is in the process of reviewing the 1998-99 EP, and DESE officials currently estimate the district will owe approximately \$1.5 million to the state. DESE officials have also discovered an

error in the entitlement calculation for the 1998-99 fiscal year and the district will owe approximately \$2.3 million to the state to correct this error. In total, the district owes approximately \$6.8 million to the state which needs to be repaid in future periods.

Our review noted the following concerns:

- A. The district's attendance system records full-day attendance for kindergarten students. Because kindergarten students attend only one-half of each day, the district must divide the recorded attendance hours for kindergarten students in half before calculating the ADA and reporting it to the DESE. The actual attendance hours as well as the school calendar hours are reported to the DESE through a computerized program called "Core Data." The ADA and EP for the school year are calculated by the Core Data system based on the information entered by the district.

For the 1997-98 school year, the district failed to divide the kindergarten attendance hours in half before posting the data to the Core Data system. This error was a significant cause of the EP overstatement of 473 students noted above. There was no supervisory review of the Core Data report to ensure accuracy before submitting it to the DESE.

The district does not have written policies and procedures governing the reporting of attendance data to the DESE. Written policies and procedures are necessary to outline district employees' responsibilities in the attendance reporting and the review process. Without following a specific process, the district cannot ensure all steps are taken to ensure the accuracy of information reported to the DESE. This concern was also noted by the district's independent auditors.

- B. The district did not take adequate procedures to correct the attendance reporting errors. As noted above, district officials indicated they sent a correction to the DESE for the audited EP for the 1997-98 school year; however, the district did not adequately follow up to ensure the corrections were received by the DESE and the necessary adjustments to the state aid payments were made. The district did not take any action to correct the 1998-99 estimated EP when its auditors discovered the 1997-98 reporting error in October 1998.

As a result, the district continued to be overpaid by the DESE until the adjustment was made in June 1999. The district did not adequately estimate the effects of the 1997-98 error and the 1998-99 overestimate of EP and make the necessary budget adjustments. This situation was a contributing factor in the district becoming "Financially Stressed" for the year ended June 30, 1999, as noted in MAR No. 1.

- C. The district's method of computing ADA does not appear to fully comply with state law. Section 163.011(3), RSMo Cumulative Supp. 1999, defines ADA as the total number of attendance hours divided by the total number of hours school was in session. Instead of recording attendance on an hourly basis, the district records attendance as full-day attended, half-day attended, or full-day absent. The



district's computerized attendance system converts this information into hourly information and computes the ADA.

Personnel from the DESE have expressed concern that the district's method of computing ADA does not fully comply with state law, and most school districts record attendance on an hourly basis rather than a daily or half-daily basis. Since ADA has a direct effect on calculating EP, the district may not be obtaining the correct amount of basic state aid. The district should review this situation and consider recording and tracking attendance on an hourly basis rather than on a daily basis.

**WE RECOMMEND** the School Board:

- A. Establish written policies and procedures to ensure accurate attendance data is submitted to the DESE.
- B. Ensure any discrepancies noted between the attendance data submitted to the DESE and reported in the annual audit are corrected in a timely manner. The effect on state aid revenue should be calculated and necessary budget adjustments should be made immediately to prevent unnecessary future adjustments and budget shortfalls.
- C. Consider implementing a system which tracks and records student attendance on an hourly basis.

**AUDITEE'S RESPONSE**

*A&C. The school district began analyzing its processes in late September 1999. The district will implement hourly attendance gathering for the 2000-2001 school year. Related policies and procedures will be established no later than June 30, 2000.*

*B. Within the policies stated above, discrepancies will be submitted to the DESE with the annual October Core Data report. The Francis Howell School District (FHSD) will encourage the DESE to make prompt and early reconciliation of the reports. Processes to accomplish the recommendation are under study. Appropriate changes will be made as quickly as possible, with full implementation no later than July 2000.*

|   |
|---|
| <b>3. Budgets and Financial Reporting</b> |
|---|

- A. Beginning in July 1997, the board did not receive monthly financial reports. The district's budgeting policy requires that monthly statements showing receipts, expenditures, and balances for each fund be prepared and submitted to the board. Without this information, the school board cannot adequately monitor the financial condition of the district or make necessary budget amendments. This concern was also noted by the district's independent auditors.

In September 1999, the Finance Office began submitting monthly summary reports of operating fund transactions and balances for board review. The reports summarize the percent of budgeted revenues received and expenditures incurred to date by major revenue and expenditure categories. In light of the district's current financial situation, timely review and monitoring of the budget to actual information is imperative.

- B. During the three years ended June 30, 1999, the district overspent final budgeted expenditures in various funds as illustrated below:

| Fund                            | Budgeted<br>Expenditures | Actual<br>Expenditures | Variance<br>Favorable<br>(Unfavorable) |
|---------------------------------|--------------------------|------------------------|--|
| <u>Year Ended June 30, 1999</u> |                          |                        |  |
| General Fund                    | \$ 48,740,030            | 49,694,992             | (954,962)                              |
| Special Revenue Fund            | 65,754,861               | 67,575,350             | (1,820,489)                            |
| Capital Projects Fund           | 21,222,841               | 26,259,422             | (5,036,581)                            |
| <u>Year Ended June 30, 1998</u> |                          |                        |  |
| Special Revenue Fund            | 61,826,204               | 61,967,208             | (141,004)                              |
| Debt Service Fund               | 7,580,245                | 7,903,974              | (323,729)                              |
| Capital Projects Fund           | 29,625,564               | 33,390,117             | (3,764,553)                            |
| <u>Year Ended June 30, 1997</u> |                          |                        |  |
| General Fund                    | 37,721,957               | 38,552,251             | (830,294)                              |
| Special Revenue Fund            | 55,760,720               | 55,770,615             | (9,895)                                |

The board approved budget amendments throughout each fiscal year which are reflected in budgeted amounts in the schedule above. But, expenditures still exceeded the revised budget amounts. These concerns were also noted by the district's independent auditors.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget amendments, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

In addition, the budget document was not presented to and approved by the school board in a timely manner. The budget for the year beginning July 1, 1999, was presented to and approved by the board in August 1999; and the budget for the year beginning July 1, 1998, was presented to and approved by the board in July 1998. The district's budgeting policy requires that the original proposed budget be submitted to the board in March and the final budget document be approved prior to the beginning of the fiscal year.

The budget is an important document for a school district. It provides a definite financial policy for the operations of the district and must be prepared carefully and thoroughly to encompass the broad spectrum of events and activities which occur during a fiscal year. Further, a complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing costs expectations for each area and provide a means to effectively monitor actual costs. By properly monitoring the budget, the district can compare revenue and expenditure projections to actual results and make appropriate changes as needed.

- C. The district periodically makes adjustments to the actual revenues and expenditures recorded on the district's computerized general ledger. Our review of adjusting journal entries for the year ended June 30, 1999, noted insufficient documentation or no documentation supporting many of the adjustments.

Five adjusting journal entries totaling approximately \$721,000 lacked adequate supporting documentation. For three of these entries, the district retained no documentation supporting the adjustments. For two of these entries, adjusting journal forms or memos were retained; however, explanations or supporting calculations were not documented on the adjusting journal forms or memos. All adjusting journal entries should be supported by appropriate documentation to ensure such entries are appropriate and have been properly approved.

**WE RECOMMEND** the School Board:

- A. Continue to ensure monthly financial reports are submitted and reviewed by the school board as required by district policy.
- B. Ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to incurring the expenditures. In addition, the board should adopt annual budgets prior to the beginning of the fiscal year and ensure the original proposed budget is submitted to the school board by March of each year as required by district policy.
- C. Ensure adequate supporting documentation is maintained for all adjusting journal entries.

**AUDITEE'S RESPONSE**

- A. *Monthly financial reports have been reinstituted. We are fully committed to continuing this practice.*
- B. *The district administration will present, to the Board of Education, a preliminary budget for fiscal year 2000-2001.*

- C. *Appropriate documentation is now being collected and retained for all adjusting journal entries.*

|   |
|---|
| <b>4. Board of Education Policy and Accounting Procedures Manuals</b> |
|---|

- A. In August 1998, the school board approved an agreement with the Missouri Consultants for Education (MCE) to develop new board policy, regulations, and forms manuals for a total cost to the district of \$16,500. The draft manuals were provided to the district in January 1999; however, as of December 1999, the school board had not approved these manuals.

At the time of our review, the district was following the official Board of Education Policies and Regulations Manual developed by the Missouri School Board Association (MSBA) which was adopted in March 1990. Many of the policies within this manual were incomplete or outdated due to changes in state law. As noted throughout the MAR, there were no policies covering some situations.

- B. The district does not have a policy prohibiting the acceptance of gifts and gratuities from district vendors. Such a policy is included in the MCE manual described in Part A which has not yet been adopted by the board.

During 1998 and 1999, district employees and board members received personal benefits from the district's construction management firm totaling \$1,272. This included golf tournament registration fees and a dinner for board members. During these years, the district conducted two selection processes for construction management services in which this firm was selected on both occasions. The acceptance of gifts from this firm could give an appearance of a conflict of interest or lack of independence of board members and district administrators.

The district's student transportation vendor paid \$1,013 for lodging for the Board President and former Finance Director to attend a customer forum conference in Miami, Florida. The conference was held on a Friday, and the lodging included attendance at a Professional Golfers Association (PGA) tournament sponsored by the vendor.

An appearance of a conflict of interest could harm public confidence in the board and reduce the board's effectiveness. A policy prohibiting these types of situations should be developed.

- C. The district has not prepared a detailed accounting procedures manual to outline the policies and procedures to be followed in handling and recording financial transactions and records. As a result, school district personnel do not always know where to obtain needed information and who is responsible for various duties.

To standardize procedures and clearly assign duties, the district should adopt a detailed accounting procedures manual which would include at a minimum the following:

- 1) A list of all funds, the purpose, and the financial statement classification;
- 2) A summary of all accounting and reporting policies which should address applications of accounting principles and budgetary procedures;
- 3) An adequate account description for the chart of accounts; and
- 4) An appropriate description of all accounting procedures and routines including standard journal entries, samples of forms and reports to be generated, processing procedures and approval requirements.

This concern was also noted by the district's independent auditors.

**WE RECOMMEND** the School Board review the current policies and the manuals prepared by the MCE and adopt a complete set of policies and procedures governing the activities of the district. In addition, the board should develop a written accounting procedures manual outlining detailed procedures to be followed in handling and recording transactions.

#### **AUDITEE'S RESPONSE**

*These activities are under way. An accounting procedures manual is in the process of development and will be completed by June 30, 2000.*

|                                  |
|----------------------------------|
| <b>5. 1999 Property Tax Rate</b> |
|----------------------------------|

As noted in the "Review of 1999 Property Tax Rates" issued by the Missouri State Auditor on December 29, 1999, the 1999 property tax rate levied by the district for operating funds exceeded the tax rate ceiling by three cents per \$100 in assessed valuation. The district levied a property tax rate of \$3.95 for operating funds, although the tax rate ceiling certified by the State Auditor was only \$3.92. Based on the 1999 assessed valuation of \$1,178,417,048, the district will receive approximately \$354,000 more than legally permissible.

In August 1999, the school district reported the \$3.95 operating levy to the State Auditor's Office and the St. Charles County Clerk. In a letter dated September 15, 1999, the State Auditor's Office notified the County Clerk of the 1999 tax rate ceiling, and a copy of the letter was mailed to the district. The district failed to contact the County Clerk to lower the tax rate to the ceiling amount certified by the State Auditor. The former Finance Director indicated he was not aware of his responsibility to contact the County Clerk with the change.

Tax rate ceilings are determined based on the requirements of Section 137.073, RSMo, and Article X, Section 22 of the Missouri Constitution (the Hancock Amendment). School districts should ensure property tax rates levied do not exceed the tax rate ceilings established by state law.

**WE RECOMMEND** the School Board not levy amounts in excess of the ceiling and reduce future levies to reflect this overcharge.

### **AUDITEE'S RESPONSE**

*The district will voluntarily correct the \$.03 error on the 1999-2000 tax rate ceiling. The board voted on February 3, 2000, to roll back the 2000-2001 property tax levy by \$.03 to repay the "over collection" in 1999-2000.*

|   |
|---|
| <b>6. Personnel Policies and Procedures</b> |
|---|

- A. On July 16, 1998, the school board approved contingency language for the teacher and administrative salary schedules covering the two years ending June 30, 2000. According to the agreements, teachers and administrators would receive salary increases contingent upon the levels of property tax collections and student attendance.

The district distributed \$201,022 in local tax collections to teachers and administrators as a one-time payment for the year ended June 30, 1999, and this same amount (\$201,022) was added to teacher and administrator salaries for the year ending June 30, 2000. Although these payments would not have been required by the terms of the original contingency agreement, the board approved a change to the language, causing the distributions.

The original contingency language indicated the salary schedules shall be adjusted based on the formula which included the amount of current year's property tax collections received through March 1999. Because the amount received through March 1999 did not trigger any contingency payments, the board approved a change to base the contingency calculations on the tax collections received through April 1999.

Because of the declining financial condition during the year ended June 30, 1999, the decision by the school board in April 1999 to incur additional expenses of approximately \$402,000 appears questionable.

- B. District sick leave policies for certificated staff (including teachers) and support staff allow for unlimited sick leave to the extent the amount spent to employ substitutes does not exceed the amount budgeted. The budget is to be established by allowing eight days of substitute pay per employee. The policies require that substitute costs in excess of the budget be deducted from the last salary check of the employees absent during the year. For certificated staff, the budget must be

exceeded by two percent before the deduction is required, and the deduction is based on the number of sick leave absence days in excess of three for each employee. For support staff, the deduction is to be made for all sick leave absence days when the budget is exceeded.

According to district records, the district spent approximately \$1,090,000 in the year ended June 30, 1999 for substitutes replacing employees during sick leave absence. Our review of this situation noted the following concerns:

- 1) The district has not established procedures to adequately track sick leave costs to ensure compliance with policy requirements. According to district records, the budgeted expenditures for sick leave substitutes were exceeded by more than two percent, and \$63,204 should have been deducted from applicable certificated staff's salaries and \$9,362 should have been deducted from applicable support staff's salaries for the year ended June 30, 1999. However, district officials indicated that due to inaccurate tracking and posting of substitute salaries, sick leave costs are not accurate and no salary deductions should be made. The district has not reviewed the substitute salary costs to determine the actual sick leave costs and to determine whether any deductions are required.
- 2) The amount budgeted for support staff sick leave is not calculated in the manner described in the board policy. Rather than budgeting substitute salaries for eight days per support staff employee, the district simply increases the prior year budget by an estimated amount. The district could not provide the amount which should have been budgeted in accordance with the board policy.

Procedures to adequately budget, record, and track sick leave costs should be established so that the district can comply with its policy. Enforcement of the policy may help reduce the number of sick leave days utilized by employees, and reduce the costs incurred by the district

- C. During the year ended June 30, 1999, the district paid employees approximately \$390,000 in stipend payments for attending training and meetings outside of their contract or work day. The district does not have a policy governing stipend payments made to district employees.

Supporting documentation for stipend payments was often insufficient or did not agree to amounts paid. For example, stipends totaling \$415 were paid to eight teachers and six paraprofessionals in which most individuals were paid for a half day, although the workshop was held for only 1.5 hours. District officials indicate there are no review or monitoring procedures to ensure stipend payments are only made for training or meetings attended outside normal work days.

A policy should be established documenting when stipends can be paid and the rates to be paid, and adequate records should be maintained supporting all stipend

payments. In addition, procedures should be established to ensure stipend payments are only made for meetings and training attended outside normal work days.

- D. The school board provided the former Superintendent with a \$42,000 cash advance upon signing a 31 month contract which began February 1, 1996. Under the terms of the contract, the former Superintendent would pay back the advance through payroll deductions of \$7,000 per year over a six year period. Semi-monthly payroll deductions of \$292 began in July 1996.

The district entered into a separation and release agreement with the former Superintendent on September 17, 1999. According to the agreement, the former Superintendent will receive his contractual salary through January 31, 2001 and the advance shall be paid in full no later than April 1, 2001. Although the payback period of the advance was reduced by 15 months, the separation agreement did not require an increase in the payroll withholdings to payback the cash advance.

The board should consider increasing the payroll deductions to ensure the advance is paid back in the time period noted in the separation agreement. In the future, the board should refrain from entering into such agreements.

**WE RECOMMEND** the School Board:

- A. Make payments only as required by the contingency salary payment agreements. Such agreements should be reviewed and the board should consider discontinuing such agreements in the future.
- B. Establish adequate procedures to budget, record, and track sick leave costs. The district should recalculate fiscal year 1999 sick leave expenses and, when sick leave budgets are exceeded, deductions from employee salaries should be made as required by leave policies.
- C. Establish a formal written policy regarding stipend payments and ensure adequate documentation is maintained supporting the payments. In addition, review procedures should be implemented to ensure stipend payments are made for only training and meetings attended outside normal work days.
- D. Review the cash advance to the former Superintendent and consider entering into negotiations to increase the payroll deductions to ensure the advance is paid back in the time period specified in the separation agreement. In the future, the board should refrain from providing long-term cash advances to employees.

**AUDITEE'S RESPONSE**

- A. *The district administration strongly urges the discontinuance of contingency language in employee negotiations, which are currently in progress.*



- B. *The district currently takes great effort in tracking and recording employee absences. District policies will be followed in regard to sick leave and the tracking of sick leave costs for the 1999-2000 school year.*
- C. *A comprehensive policy will be developed regarding stipend payments and their tracking by June 30, 2000. Adequate documentation will be established within that policy. (Note: Our year-round elementary schedule may have contributed to the impression that teachers who were "off-cycle" were being paid stipends while working)*
- D. *The district administration recommends discussion with the Board of Education and district legal counsel in this matter. The district administration recommends the discontinuance of this practice in the future.*

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| <b>7.</b> | <b>Expenditures</b> |
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- A. The district has adopted a formal policy for payment procedures that requires an itemized invoice and a receiving document containing the signature of an authorized employee on file before a payment can be processed. The invoice must have been issued in response to a purchase order approved by the Superintendent or appropriate supervisor.
  - 1) Some payments were processed without an original invoice or other adequate supporting documentation.
  - 2) Several payments were processed without a properly approved purchase order.
  - 3) Several invoices did not contain an indication of approval by the appropriate supervisor.
  - 4) Several invoices were not cancelled to prevent duplicate payment. District procedures require each invoice to be stamped as "paid" to ensure the invoice cannot be paid again.

To ensure the obligation was actually incurred and properly approved, all expenditures should be supported by properly approved purchase orders and original invoices and supporting documentation. Invoices should be cancelled to prevent duplicate payment.

- B. The district's employee expense reimbursement policy requires an approved voucher and supporting receipts prior to payment. Our review of payments to employees and board members for expense and travel reimbursements noted the following concerns:

- 1) During the year ended June 30, 1999, district travel expenses, including numerous trips to out-of-state and in-state conferences and meetings, were at least \$176,770.

Reimbursements made to employees for travel expenses were not always supported by adequate documentation of actual expenses incurred. Some reimbursements were not supported by an expense report. Many employee expense reports did not contain sufficient information such as the date of trip, trip origin, destination, and purpose. Some invoices for hotels, meals, and other expenses reimbursed by the district could not be located. For example, during March 1999, the Board President was reimbursed \$168 for travel expenses to a conference in Miami, Florida. The claim was not supported by an expense report or invoices. Another example is the rental of a minivan in the amount of \$790 used by several teachers during a gifted education conference at the University of Connecticut in July 1999. One of the teachers claimed he paid for the rental on his credit card and was reimbursed by the district without providing a copy of the paid credit card statement.

Without a detailed travel expense report including documentation supporting the expenses claimed, the district cannot determine the propriety of payments made for travel expenses.

- 2) Expense reimbursements are not always submitted on a timely basis. For example, one expense report totaling \$1,664 covered a period of 10 months. The district's policy requires expense reports to be submitted monthly.
- 3) Some reimbursements for lodging and mileage appear excessive based on documentation provided. For mileage, an individual claimed two round trips from the district to Columbia, Missouri, totaling 560 miles, while the actual mileage is approximately 400 miles (200 miles per round trip). For lodging, the district paid \$184 per night in Phoenix, Arizona, and \$210 per night in New Orleans, Louisiana, while federal per diem maximums are \$106 and \$88 per night, respectively.

To ensure public funds are spent wisely, travel expenses paid by the district should be necessary, reasonable, and adequately documented. The district should consider adopting maximum limits on lodging and meal expenses.

- 4) Employees and board members are reimbursed by the school district for purchases of materials, supplies, and other items. There is often no approved purchase order or expense claim form, or any other type of documentation supporting the expense claim such as an invoice or a copy of the credit card slip. The purpose of the purchase is often not documented. For example, in November 1998, the Board President was

reimbursed \$400 for supplies for a negotiation party held at her house. Payment was made without an approved purchase order, reimbursement claim form, or invoices supporting the payment.

Employees are allowed to purchase large quantities of supplies and be reimbursed by the district, which circumvents the district's purchase order system. For example, reimbursements to the current Superintendent for history project supplies totaled \$4,921 during the year ended June 30, 1999.

Adequate supporting documentation for expense reimbursements should be obtained to ensure the district does not pay for items not intended for school purposes. Large purchases of supplies should be made through the district's purchasing procedures rather than the employee expense reimbursement process to ensure the best prices are paid and the purchases are approved in advance.

- C. The district does not have a formal written policy for the payment of employee relocation. District officials indicate that the procedure is to pay for moving expenses for administrators from assistant principals up to the superintendent level. The Finance Office requires that three written quotations from moving companies be submitted along with original invoices. During the two years ended June 30, 1999, the district paid approximately \$17,000 in moving expenses for five district employees.

For payments to two employees of \$3,812 and \$3,072, the district did not retain complete documentation of the bid process for selecting the moving companies. The bid documents for the companies selected were retained; however, the bids from the other companies were not retained. The former Finance Director was paid \$2,000 which was not supported by invoices or other documentation. The former Finance Director agreed to return this amount to the district in full by March 2000.

Formal written policies for employee relocation are necessary to ensure relocation expenses are reasonable, necessary, and adequately documented.

- D. Accounting duties are not adequately segregated. District personnel who process invoices for payment also distribute the actual checks to the vendors. This increases the risk that unauthorized expenditures may occur and go undetected. Personnel who process invoices for payment should not be distributing the actual checks.

**WE RECOMMEND** the School Board:

- A. Require approved purchase orders and approved adequate supporting documentation (such as original invoices) be on file before processing payments

in accordance with district policy. In addition, all invoices should be canceled to prevent duplicate payment.

- B.1. Require detailed travel expense reports which include information such as trip date, origin, destination, and purpose. In addition, all applicable supporting documentation, such as paid invoices or receipts, should be submitted before payment is made.
- 2. Ensure travel expense reports are submitted monthly as required by district policy.
- 3. Ensure reimbursement claims are reasonable and consider establishing maximum limits on lodging and meal reimbursements.
- 4. Require sufficient documentation supporting employee reimbursements for purchases of supplies and other items. Expense reports should document the purpose of the purchase and should contain approved purchase orders and invoices or receipts. The board should establish guidelines and limits for items purchased through the employee reimbursement process.
- C. Establish a policy for relocation of district employees stating allowable costs and limits, eligible employees, and required quotes and supporting documentation.
- D. Segregate the duties of processing invoices for payment and distributing actual checks.

#### **AUDITEE'S RESPONSE**

- A. *The policies for approving purchase orders and other related processes will be followed based upon new policies adopted by the Board of Education in January 2000.*
- B.1.  
& 2. *Administrative regulations are in place and will be appropriately applied.*
- 3. *Administration will recommend to the Board of Education a policy that establishes limits on claims for approved lodging and other reimbursements, by June 30, 2000.*
- 4. *Administration will follow policies regarding reimbursements and will require sufficient documentation for purchase of supplies and other items.*
- C. *Administration will recommend a policy for relocation expenses by June 30, 2000.*
- D. *The administration recommends the employment of an additional accounts payable staff member to accomplish this recommendation.*

**8.****Credit Card Accounts**

During the year ended June 30, 1999, the district had four accounts with a credit card company. Two of these accounts were in the district's name, while the other two accounts were in the name of the former Superintendent and the former Finance Director. Employees could use the two district accounts for various expenditures such as travel expenses, registrations, and supplies.

Some informal procedures relating to the credit card accounts were developed. The Finance Office maintained a log for checking out the two district credit cards; however, this system was not always used. Original receipts and invoices were required to be sent to the Finance Office to be reconciled to the monthly statements and posted to various accounts. Payments on the credit card accounts during the year ended June 30, 1999 totaled \$96,033. Our review of credit card payments noted the following concerns:

- 1) There were at least 118 charges totaling \$19,941 made to the credit card accounts which were not supported by receipts or credit card slips.
- 2) The statement and related receipts for one payment of \$5,457 to a credit card account could not be located.
- 3) Purchase orders were not prepared for purchases on the credit card accounts.
- 4) The purpose of the expenditure was not documented for numerous charges to the credit card accounts. As a result, the propriety of the expenditure cannot be determined. For example, there were charges totaling \$4,068 at local restaurants for which the purpose was not documented. There were also numerous travel expenses for hotels, airline tickets, and meals charged to the credit card accounts which did not include documentation supporting the purpose of the trip. While the district had documented the validity of some of these charges, the public purpose or benefit to the district for some of these expenses appears questionable.

Due to the district's financial condition and concerns it had with the use of the credit card accounts, the district closed all four accounts in September 1999. There were no formal procedures for use of the credit card accounts, including authorization, approval, and review of expenditures. As a result, controls over expenditures were circumvented and payments were processed without purchase orders, supporting documentation, approval, and documentation of purpose. Without these controls, the district cannot ensure purchases are for school purposes.

**WE RECOMMEND** the School Board review the expenditures charged to the credit card accounts for propriety, and seek reimbursement for any purchases which were not necessary district expenses. If accounts are opened in the future, controls and procedures should be established.

## **AUDITEE'S RESPONSE**

*All credit card accounts have been closed and will not be reopened.*

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| <b>9. Cellular Telephones and Pagers</b> |
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The district does not have a formal written policy for the usage of cellular telephones and pagers. During the year ended June 30, 1999 the district incurred costs of approximately \$55,000 for monthly services and equipment purchases for 74 cellular phones and 66 pagers. The phones and pagers were issued to various employees and board members and could be used for district business as well as personal use. Individuals were provided with service plans ranging from \$11.99 to \$89.99 per month, depending on the number of airtime minutes provided in the plan.

The monthly cellular phone invoice for May 1999 totaled \$4,815. On this invoice, twelve individual phone charges exceeded \$100, and the three largest individual charges were \$480, \$317, and \$223. The \$480 amount was for the former Finance Director, who used 1,968 airtime minutes, or an average of 64 minutes per day during this billing period, including weekends. The \$317 amount was for an elementary school principal and included \$180 in roaming charges. The \$223 amount was for the School Board President, who used 1,635 airtime minutes, or an average of 53 minutes per day, including weekends.

Numerous calls were made between district cell phones during the course of normal business hours. It appears that overall phone costs could be reduced by using the district's wired phones rather than cellular phones. During May 1999, approximately 200 calls, representing over 20% of the total airtime minutes used, were made between the cellular phones of the former Finance Director and the School Board President.

The district did not require individuals assigned phones to reimburse the district for personal calls; however, some individuals have recently reimbursed the district for a portion of the charges for their assigned phones.

Due to the current financial situation, the district has reduced the number of cellular phones and pagers in use, and required some employees to reimburse the district for all or part of their monthly cellular phone charges. District records indicate that employee cell phone reimbursements received in November and the first week of December 1999, totaled \$2,467.

The board should develop policies and procedures for cellular phone and pager usage and determine which individuals may need a phone or a pager. Usage of the cellular phones and pagers should be monitored to ensure it is necessary and for district business only.

**WE RECOMMEND** the School Board establish a policy for cellular phone and pager usage stating the individuals authorized to be assigned a phone or pager, and allowable use of the phones and pagers. All billings should be reviewed for reasonableness and the

board should ensure cell phones are used only for district business. In addition, the prior years' bills should be reviewed and reimbursement requested for any personal calls.

### **AUDITEE'S RESPONSE**

*The administration will submit a policy for the use of cell phones to the Board of Education for approval no later than June 30, 2000.*

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| <b>10. Construction Projects</b> |
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Through funding received from voter-approved bond issues, the district has entered into projects for the renovation and construction of various school facilities. Expenditures for facilities acquisition and construction totaled approximately \$25 million during the year ended June 30, 1999. Our review of the district's construction projects noted the following areas of concern:

A. The district has engaged a firm since January 1990 to provide construction management services for all of its construction projects. This firm works with the district in the scheduling, planning, design and construction management of construction projects. Payments to this firm during the year ended June 30, 1999 totaled approximately \$720,000.

- 1) The district did not conduct a formal selection process for construction management services until March 1998. During 1998 and 1999, this process was performed for construction management services for the ninth and tenth elementary schools, and the Early Childhood Special Education Center. Each time, the district awarded contracts to the same management firm to continue providing services to the district. Formal selection processes were not conducted for prior projects.

Documentation supporting the March 1998 construction manager selection process was not retained. The district maintained a report summarizing the proposals received from eight construction management firms; however, the original proposals were not retained. District officials indicated that requests for proposals were advertised; however, documentation supporting the advertisement was not retained.

Based on available billing records, approximately \$666,000 was paid to this firm during the year ended June 30, 1999 for projects started prior to March 1998 for which there was no formal selection process.

Section 8.679, RSMo 1994, requires proposals for services of a construction manager to be solicited by advertisement if the cost of any construction project exceeds \$500,000. The district's policy for selecting construction management services outlines specific criteria in selecting a firm. The district should continue this process to ensure it is receiving the

best services and rates. Documentation of proposals should always be retained as evidence of the district's established procedures and to show statutory requirements are followed.

- 2) The district does not adequately monitor construction management costs for each project. For projects started prior to March 1998, a separate contract for each project was not established outlining the proposed management fees, labor, and reimbursable costs associated with the project. Instead, a change order form is used to document approval of the monthly fixed fee and labor rates for all projects each year. Only some labor costs are documented for each project on the monthly billing statements. The management fees, reimbursable costs, and remaining labor costs are lumped on the billing, rather than listed by project. As a result, the district cannot monitor the costs for each project.

For those projects started since March 1998, the monthly billing statements do indicate the management fees, labor, and reimbursable costs for each project; however, the billing statements do not include the proposed project costs and the district does not compare amounts billed to the proposed costs.

Written contracts are necessary to outline the services to be rendered and the manner and amount of compensation to be paid. Contracts should be detailed to outline the proposed costs for each project. The district should ensure that detailed billing statements are received and compared to the contract for each project to ensure the contract amount is not exceeded.

- B. The district has a policy which requires board approval for all contracts and change orders, allowing the Superintendent to approve emergency change orders not to exceed \$25,000 per project, with a report to follow at the next scheduled board meeting.

Change orders were not always properly approved by the school board. From October 1997 to July 1999, ten change orders totaling approximately \$1,013,000 for three projects had no documentation of board approval. The change orders were signed by the Board President or Vice President; however, there was no documentation in the board minutes that the change orders had been approved by the board, as required by district policy.

**WE RECOMMEND** the School Board:

- A.1. Conduct a formal selection process for construction management services for all construction projects as required by district policy and state law. In addition, all documentation of the process should be retained.



2. Establish a contract for the construction management services for each construction project. In addition, billings should be detailed by project and compared to the contracted amounts to ensure the district is not overbilled.
- B. Ensure all change orders are approved by the school board as required by board policy.

### **AUDITEE'S RESPONSE**

- A.1. *The district conducted a formal selection process in 1989 for construction management services. The initial award was for a period of five years, 1990 through 1995. Each time the district has awarded contracts, it has been to the lowest bidder. Several of the projects referenced occurred prior to the enactment of Section 8.679, RSMo 1994.*
2. *The district has historically reviewed construction management costs based upon the entire calendar year's projects. The administration will follow the auditor's recommended procedure.*
- B. *The administration and board will comply with the current board policy.*

### **AUDITOR'S COMMENT**

- A.1. Section 8.679, RSMo, became effective in August 1993. All payments to the construction management firm during fiscal year 1998-99 were for projects that started subsequent to August 1993.

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| <b>11. History Project and History Book</b> |
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The district began an ongoing history project in 1991 involving the framing of history documents and pictures which are displayed throughout school district buildings. Expenditures relating to this history project during fiscal year 1999 totaled at least \$23,700. Our review of the history project expenditures noted the following concerns:

- A. Expenditures were charged to five accounts controlled by the current Superintendent. Two of these accounts were originally set up for a history book which is being written by the Superintendent. In December 1997, the board approved \$30,000 to publish and provide 1,000 copies of this book, which would then become the property of the district.

In July 1999, the board rescinded the \$30,000 in funding for the history book upon the request of the Superintendent who indicated that none of the \$30,000 had been spent. However, \$12,913 which had been spent on the history project in 1998 and 1999 had been charged to the two history book accounts.

Per discussions with district personnel and review of the board minutes, it appears the board has never formally approved the history project. The current

Superintendent indicated that the project had been authorized by former Superintendents.

- B. Our review of history project expenditures noted numerous instances in which district purchasing policies were not followed. Payments were primarily to frame and camera stores, and also for reimbursements to the Superintendent. Numerous expenditures were not supported by purchase orders or original invoices supporting the payments. For example, the district made nine payments totaling \$12,132 to one vendor during fiscal year 1999 without invoices or other documentation supporting the payment.

In addition to the above vendor, the district paid \$5,210 to another vendor for expenses relating to the history project during fiscal year 1999; however, no bids were obtained for these purchases.

Board authorization of projects involving significant expenditures should be documented to ensure these expenditures are reasonable and necessary uses of district funds. Expenditures for the history project should be charged to the appropriate district accounts. District purchasing policies should be followed for all purchases to ensure that expenditures were actually incurred and properly approved, and that the products or services were obtained at the lowest prices.

**WE RECOMMEND** the School Board:

- A. Review the costs associated with the district history project and determine if the project is a necessary district expense. If the board wishes to continue with the project, board authorization should be documented and a separate account should be established for the project. The district should ensure expenditures are charged to the appropriate district accounts and are related to the intended purpose of the accounts.
- B. Ensure district purchasing policies are followed for all expenditures.

**AUDITEE'S RESPONSE**

- A. *The History project was approved by Dr. Wanda J. McDaniel, then district superintendent, in November 1990. It has been determined that she did not seek Board of Education approval. The History Book project was approved by Dr. Lee Brittenham, superintendent, and subsequently approved by the Board of Education on December 18, 1997. No district money was spent on the book project.*
- B. *Both the History project (Howell Hall of History) and the History Book project have been discontinued. Any future efforts will be accomplished through private fund raising.*

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| <b>12. Bidding Procedures</b> |
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The school district does not always follow its bidding policies. The district's procurement policy requires that formal, written bids be obtained for all purchases which involve an expenditure of more than \$5,000. For expenditures between \$1,000 and \$5,000, price quotes by phone are sufficient in lieu of written bids. The policy also requires a formal, advertised bid process for construction of facilities which may exceed \$12,500 as required by state law. The policy requires that all bid processes be conducted by the purchasing agent and that bids are to be retained in the Finance Office.

A. The following are examples of expenditures during the period from July 1998 through September 1999 for which bid policies were not followed:

1) Items purchased without documentation of bids are as follows:

| <u>Item</u>             | <u>Cost</u> |
|-------------------------|-------------|
| Furniture               | \$140,756   |
| Furniture               | 91,291      |
| Portable classroom      | 55,358      |
| Computers and equipment | 41,764      |
| Furniture installation  | 18,324      |

District personnel indicated bids were solicited from various vendors and some items were available from only one vendor; however, bid documentation and documentation of the sole source procurement situations was not maintained.

- 2) For four expenditures exceeding \$5,000, the district obtained phone price quotes although written bids were required. These expenditures include four vehicles totaling \$77,310, custodial equipment totaling \$25,040, and lawn equipment totaling \$6,392.
- 3) During October 1998, the district purchased furniture for administrative offices in one of the elementary schools. The district received bids from three vendors in the amounts of \$22,090, \$16,755, and \$14,779. Although the lowest bidder was \$7,311 less than the highest bidder, the highest bidder was selected. The district maintained no documentation supporting the selection of the highest bidder.
- 4) The district has used the same accounting firm for audit services for over 10 years. The district has continued to renew the contract with this firm without periodically soliciting proposals from other firms. The current contract extension covers the three years ending June 30, 2000. Payments made to the firm during the year ended June 30, 1999 totaled \$23,372. The district does not have a policy for the selection of the auditor.

Written documentation of bids provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors

contacted, a copy of bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors. Bids may cover a specified time period, which should be adequately documented and justified. When the lowest bidder is not used, documentation justifying the selection of a different bidder should be maintained. A policy for periodically soliciting proposals for audit services should be developed and followed by the school board.

- B. The district's bidding procedures are not centralized. The Finance Office requires the employee making the purchase to solicit the bids and maintain the bid documentation. The Finance Office approves all purchases; however, the employee is not required to demonstrate that district bidding policies were followed. For those items reviewed, bid documentation was not always available and most documentation which had been retained was obtained from the employee who made the purchase rather than the Finance Office. Our discussions with various employees noted that some did not have a good understanding of the bidding policies, which apparently led to some of the concerns noted in Part A. above.

The district has a Purchasing Agent; however this individual does not perform or oversee most bid processes. District policy requires that all bid processes be conducted by the Purchasing Agent and bid documentation be maintained in the Finance Office. Effective bidding procedures should include a centralized bidding function which ensures that the district is in compliance with its policies and state law.

**WE RECOMMEND** the School Board:

- A. Follow the district's bidding policies and retain documentation of bids received and the bid process. In addition, if sole source procurement is necessary or if the lowest bidder is not selected, the district should retain documentation of these circumstances.
- B. Centralize the bidding process as required by district policy.

**AUDITEE'S RESPONSE**

- A. *The district will follow all policies and retain all documentation pertaining to or regarding bids.*
- B. *Additional personnel are required to centralize the bidding process as required by policy. The administration recommends this person be a senior accountant/internal auditor.*

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| <b>13. Transportation Services</b> |
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The school district contracts with a transportation company to provide bus transportation for its students. During the year ended June 30, 1999, the contractor served 466 routes traveling approximately 11,000 miles per day in addition to providing transportation for other district activities such as sporting events and field trips. During this time period, payments totaling approximately \$4,823,000 were made to the transportation company. We noted the following areas of concern during our review of this contract:

- A. The district has not solicited bids for transportation services since 1985. The district has periodically renegotiated its contract with the transportation company without seeking bids from other companies. The current transportation contract covers school years 1995-96 through 1999-00. Without periodically bidding transportation services, the district cannot ensure it is paying the lowest possible rate. After the situation was brought to their attention, the district solicited bids for transportation services covering the three years ending June 30, 2003.
- B. Procedures are not in place to adequately monitor transportation costs. As required by the contract, the district compensates the bus company based on the type of route and the number and size of buses used each day. The daily per-bus rates for the year ended June 30, 1999 ranged from \$146 to \$218 for regular bus routes.
  - 1) The district delegates the responsibility of preparing the bus routes to the transportation company and the school board is required by the DESE to approve the route listings at the beginning of the school year. The DESE also requires the district to prepare a listing of students who regularly ride the bus as of the second Wednesday of both October and February during the school year. To satisfy this requirement, the district chose to take a count of the students actually riding the bus on those two dates. Six 1998-99 school year bus routes were reviewed, comparing the number of riders counted by the district on February 10, 1999 to the manufacturer's rated capacity for the buses. Several routes in which the number of riders assigned to the buses and the number of actual riders on the count day were significantly lower than bus capacities.

| <u>Route<br/>Number</u> | <u>Bus<br/>Capacity</u> | <u>Assigned<br/>Riders</u> | <u>Actual<br/>Riders</u> |
|-------------------------|-------------------------|----------------------------|--------------------------|
| A11                     | 71                      | 22                         | 14                       |
| A31                     | 71                      | 19                         | 6                        |
| B10                     | 71                      | 55                         | 20                       |
| R627                    | 71                      | 9                          | 4                        |
| I305                    | 71                      | 31                         | 22                       |
| H402                    | 84                      | 39                         | 23                       |

The district does not have procedures to review and monitor bus routes to ensure all routes are operating efficiently. As noted by the district's independent audit, the 1998-99 school year bus routes were not approved

by the school board. Specific routes with low ridership should be reviewed and investigated to identify any areas where costs can be reduced such as decreasing the number of routes.

- 2) The transportation company submits monthly billings to the district. The district's Director of Administrative Services is responsible for reviewing and approving the billings prior to payment. However, there are no procedures in place to review the billings for accuracy. Monthly billings should be reviewed for reasonableness and accuracy to ensure the district is charged only for services received.

**WE RECOMMEND** the School Board:

- A. Periodically solicit competitive bids for transportation services.
- B.1. Conduct a thorough evaluation of the bus routes and determine ways to increase efficiency and reduce costs. The board should ensure bus routes are approved as required by the DESE.
2. Establish procedures to review monthly billings from the transportation company.

**AUDITEE'S RESPONSE**

- A. *This service was rebid and a new contract approved at the February 3, 2000, Board of Education meeting.*
- B.1. *The district utilized district-developed, bus ridership/count procedures approved by district auditors for the October 1999 and February 2000 DESE required reporting dates. Bus route evaluation will be conducted at the end of the 1999-2000 school year and in preparation for the start of the 2000-2001 school year.*
2. *The administration will analyze the current process of review for monthly billings and modify as required. Administration recommends hiring a senior accountant/internal auditor for accomplishing this process.*

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| <b>14. Food Services</b> |
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The school district contracts with a food service provider to operate, administer, and manage the district's food service program. Payments for contracted food services during the year ended June 30, 1999 totaled approximately \$3,762,000. During our review, we noted the following concerns:

- A. The food service contractor bills the district for actual operating costs plus administrative and management fees based on the number of meals served. Monthly billings are received by the Administrative Services department along with a report of meals served, receipts, and expenditures. The Administrative

Services department approves the billings for payment; however, the billings are not adequately reviewed for accuracy.

Adequate review of monthly billings is necessary to ensure the district is billed only for reasonable and necessary costs. This review process can be conducted in several ways such as requiring audits of the billings, periodically reviewing the contractor's expenditure documentation, comparing billing information to meals served, or comparing billings to prior year billings.

- B. The food service contractor is responsible for collecting meal receipts and depositing the receipts into the district's bank account. The district does not review meal receipts to ensure they are properly handled and deposited by the contractor. Food service deposits made by the food service provider for the year ended June 30, 1999 totaled approximately \$3,342,000. To ensure all meal receipts are properly accounted for and deposited, meal deposits should be reconciled to the number of meals served. Any significant differences between the calculated meal receipts (number and type of meals served times price per meal) and actual deposits should be investigated and resolved.

**WE RECOMMEND** the School Board:

- A. Establish procedures to review invoices from the food service contractor to ensure actual costs reimbursed by the district are reasonable and substantiated by adequate supporting documentation.
- B. Establish procedures to reconcile meal deposits to calculated meal receipts and to investigate significant differences.

**AUDITEE'S RESPONSE**

- A. *Food service program and invoice evaluation will be conducted at the end of the 1999-2000 school year and prior to the start of the 2000-2001 school year. The administration recommends hiring a senior accountant/internal auditor for accomplishing this process.*
- B. *The administration will analyze the current process for reviewing monthly food service billings and modify accordingly. Administration recommends hiring a senior accountant/internal auditor for accomplishing this process.*

|   |
|---|
| <b>15. Petty Cash and Vending Machine Funds</b> |
|---|

- A. Various schools and organizations within the district maintain petty cash funds. Our review of the district's petty cash funds noted the following areas of concern:
  - 1) The district does not have a listing of approved petty cash funds and changes to petty cash fund amounts are made without proper approval.

For example, a payment of \$1,000 to increase a petty cash fund at a high school was made without documentation authorizing the increase.

The district does not have a written policy regarding petty cash funds. Written policies should be established outlining the procedures for maintaining, using, and accounting for petty cash. The district should also maintain a listing of all authorized petty cash funds and amounts as well as procedures for adding funds or changing fund amounts.

- 2) Payments to the petty cash funds are not always supported by invoices or supporting documentation. Our review noted payments totaling \$2,400 made to a student activities petty cash fund during the year ended June 30, 1999 without invoices or supporting documentation. Also, this petty cash fund was not maintained on an imprest basis.

Ledgers are not maintained for some petty cash funds to document all transactions, and there are no independent reviews to ensure petty cash funds are being maintained properly.

Invoices should be maintained for all petty cash expenditures and the funds should be operated on an imprest basis, meaning that cash and the invoices should always total the established balances, and checks issued to replenish the funds should equal the amount of invoices. Ledgers of all petty cash fund transactions should be maintained to document that the fund is being maintained on an imprest basis. Periodically, the funds should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to help prevent these monies from being misused.

- B. The district operates several soda and vending machines throughout the various school buildings. Custodians or other district employees are responsible for replenishing the machines and emptying the change from the machines on a periodic basis. The monies are turned over to designated individuals in the buildings who count and deposit the monies.

An independent party does not periodically reconcile the amount of soda and other items purchased and remaining in inventory with receipts from the sale of the soda and other items. Failure to reconcile monies received to items sold could result in the loss or misuse of funds.

**WE RECOMMEND** the School Board:

- A.1. Establish written procedures governing the accounting for petty cash funds. In addition, the district should maintain a listing of each petty cash fund and the authorized balance of each fund, and establish procedures for adding funds or changing fund amounts.



2. Ensure petty cash funds are maintained on an imprest basis and ensure the funds are periodically counted and reconciled to the imprest balance by an independent person. Invoices should be maintained for all petty cash expenditures and ledgers should be prepared of all petty cash transactions.
- B. Ensure independent reconciliations of soda and vending machine monies received to items purchased and remaining in inventory are performed.

### **AUDITEE'S RESPONSE**

- A.1. *Written procedures have been established and financial procedures approved by the Board of Education. New regulations will be implemented during March 2000.*
2. *Written procedures have been established. The administration recommends hiring a senior accountant/internal auditor for this process.*
- B. *Administration recommends hiring a senior accountant/internal auditor to oversee this process.*

|            |                          |
|------------|--------------------------|
| <b>16.</b> | <b>District Vehicles</b> |
|------------|--------------------------|

The district owns and operates 36 vehicles and three vehicles which are provided by its bus transportation contractor and one vehicle which is provided by an outside entity for driver's education classes. During our review of the district's procedures for the usage of these vehicles, we noted the following:

- A. The district has not adopted a formal policy regarding the use of vehicles, including the prohibition of personal usage. Mileage logs are not maintained for the vehicles documenting their use. A formal policy would help ensure that vehicles are used only for district business in a manner approved by the school board. Logs are necessary to document appropriate use of the vehicles and to support gasoline charges.

The logs should include the purpose and destination of each trip, daily beginning and ending odometer readings, and operation and maintenance costs. These logs should be reviewed by district management to help ensure vehicles are used for district purposes only, are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline and other maintenance charges.

- B. The district purchases gasoline for its vehicles through accounts at two local suppliers. The district receives monthly billings from the suppliers which detail each purchase. Payments on the district gasoline accounts totaled \$30,734 during the year ended June 30,1999.

The district does not have formal procedures for the purchase of gasoline on account and for the review of these purchases. Individuals making the purchases on account are required to submit the charge slip to the Finance Office; however, this is not always done. Our review of two invoices noted charges totaling approximately \$1,200 for which the charge slips were not submitted to the Finance Office. The Finance Office paid these invoices in total without this supporting documentation.

In addition, the Finance Office does not compare charge slips to a listing of authorized individuals and vehicle descriptions to ensure purchases are authorized and for district use, and the charge slips do not note the license plate number or description of the car.

Adequate documentation is necessary to support payments made on the district's accounts and to ensure billings are accurate. Vehicle descriptions should be documented on the charge slips, and the descriptions and employee signatures should be reviewed to ensure gasoline was purchased for a school vehicle.

**WE RECOMMEND** the School Board:

- A. Establish a formal policy governing the use of district vehicles which prohibits personal use of district vehicles, and require complete and accurate mileage logs be maintained for each vehicle. The logs should be periodically reviewed by district management for completeness and reasonableness.
- B. Establish a formal policy governing gasoline purchases on district accounts and the review of these purchases. The district should ensure all charge slips are accounted for and compared to invoices prior to payment. The license number and a description of the vehicle should be noted on the charge slip, and this information and the employee's signature should be reviewed for propriety.

**AUDITEE'S RESPONSE**

- A. *The administration will submit formal policy language to the Board of Education no later than June 30, 2000.*
- B. *Within the recommended policy will be procedures for accounting of all funds and expenditures. Administration recommends hiring a senior accountant/internal auditor for this process.*

This report is intended for the information of the school board and district's management. However, this report is a matter of public record and its distribution is not limited.

## APPENDICES

APPENDIX A

FRANCIS HOWELL R-III SCHOOL DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE- GENERAL AND SPECIAL REVENUE FUNDS  
FIVE YEARS ENDED JUNE 30, 1999

|                                       | Year Ended June 30, |             |            |            |             |
|---------------------------------------|---------------------|-------------|------------|------------|-------------|
|                                       | 1999                | 1998        | 1997       | 1996       | 1995        |
| Revenues:                             |                     |             |            |            |             |
| Local                                 | \$ 61,712,245       | 57,757,466  | 51,946,974 | 46,330,081 | 40,975,818  |
| County                                | 2,327,834           | 2,128,689   | 2,064,173  | 1,948,844  | 1,896,745   |
| State                                 | 43,674,387          | 42,418,054  | 40,071,486 | 36,190,882 | 28,372,291  |
| Federal                               | 2,615,642           | 2,283,804   | 1,924,381  | 1,535,553  | 1,562,615   |
| Total revenue                         | 110,330,108         | 104,588,013 | 96,007,014 | 86,005,360 | 72,807,469  |
| Expenditures:                         |                     |             |            |            |             |
| Instruction                           | 76,172,842          | 69,492,523  | 62,348,735 | 55,182,986 | 48,671,662  |
| Attendance                            | 172,421             | 181,191     | 0          | 0          | 0           |
| Guidance                              | 3,136,781           | 2,897,159   | 2,791,767  | 2,315,509  | 2,048,463   |
| Health services                       | 1,841,986           | 1,626,695   | 1,414,897  | 1,162,922  | 1,000,263   |
| Improvement of instruction            | 481,661             | 496,102     | 266,882    | 245,830    | 234,793     |
| Professional development              | 628,015             | 559,502     | 547,553    | 467,581    | 423,120     |
| Media services                        | 1,636,741           | 1,608,549   | 1,402,206  | 1,271,664  | 1,134,455   |
| Board of Education services           | 244,760             | 215,044     | 131,614    | 139,250    | 130,932     |
| Executive administration              | 3,443,887           | 3,149,966   | 2,599,745  | 2,224,543  | 2,127,349   |
| Building level administration         | 6,553,567           | 5,707,563   | 5,099,826  | 4,303,630  | 3,946,041   |
| Operation of plant                    | 10,841,131          | 9,327,609   | 8,497,550  | 7,438,428  | 7,279,928   |
| Pupil transportation                  | 5,708,603           | 5,056,249   | 4,660,761  | 4,586,676  | 3,750,373   |
| Food services                         | 3,761,555           | 3,398,724   | 2,914,451  | 2,891,727  | 2,654,003   |
| Business and central services         | 396,522             | 228,815     | 130,240    | 116,153    | 113,237     |
| Debt service:                         |                     |             |            |            |             |
| Principal retirements                 | 0                   | 68,000      | 0          | 0          | 0           |
| Other                                 | 0                   | 0           | 0          | 0          | 21,110      |
| Community services                    | 2,249,870           | 1,913,667   | 1,516,639  | 990,573    | 834,866     |
| Total expenditures                    | 117,270,342         | 105,927,358 | 94,322,866 | 83,337,472 | 74,370,595  |
| Revenues over (under)<br>expenditures | (6,940,234)         | (1,339,345) | 1,684,148  | 2,667,888  | (1,563,126) |
| Transfers to (from)                   | 0                   | 0           | (43,935)   | (16,372)   | (813,298)   |
| Fund balance at beginning of year     | 8,902,032           | 10,241,377  | 8,601,164  | 5,949,648  | 8,326,072   |
| Fund balance at end of year           | \$ 1,961,798        | 8,902,032   | 10,241,377 | 8,601,164  | 5,949,648   |

# APPENDIX B

## FRANCIS HOWELL R-III SCHOOL DISTRICT COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GENERAL (INCIDENTAL) FUND FIVE YEARS ENDED JUNE 30, 1999

|                                    | Year Ended June 30, |            |            |            |             |
|------------------------------------|---------------------|------------|------------|------------|-------------|
|                                    | 1999                | 1998       | 1997       | 1996       | 1995        |
| Revenues:                          |                     |            |            |            |             |
| Local                              | \$ 25,246,181       | 26,371,424 | 22,470,867 | 20,681,251 | 17,347,061  |
| County                             | 639,850             | 624,889    | 641,615    | 594,750    | 537,395     |
| State                              | 17,029,585          | 16,924,465 | 16,304,466 | 14,273,557 | 10,275,897  |
| Federal                            | 786,978             | 820,919    | 981,531    | 661,105    | 717,434     |
| Total revenue                      | 43,702,594          | 44,741,697 | 40,398,479 | 36,210,663 | 28,877,787  |
| Expenditures:                      |                     |            |            |            |             |
| Instruction                        | 17,833,695          | 15,979,226 | 13,897,591 | 12,152,254 | 10,624,549  |
| Attendance                         | 172,421             | 180,816    | 0          | 0          | 0           |
| Guidance                           | 649,051             | 578,709    | 663,707    | 431,873    | 354,019     |
| Health services                    | 1,386,433           | 1,242,808  | 1,085,538  | 912,667    | 766,375     |
| Improvement of instruction         | 182,800             | 170,403    | 184,025    | 164,682    | 138,573     |
| Professional development           | 211,969             | 185,898    | 221,954    | 184,769    | 186,317     |
| Media services                     | 643,656             | 712,260    | 573,243    | 497,126    | 447,260     |
| Board of Education services        | 244,760             | 215,044    | 131,614    | 139,250    | 130,932     |
| Executive administration           | 2,770,816           | 2,423,639  | 1,993,365  | 1,693,874  | 1,654,293   |
| Building level administration      | 2,697,904           | 2,372,633  | 2,081,573  | 1,727,352  | 1,580,550   |
| Operation of plant                 | 10,841,131          | 9,327,609  | 8,497,550  | 7,438,428  | 7,279,928   |
| Pupil transportation               | 5,708,603           | 5,056,249  | 4,660,761  | 4,586,676  | 3,750,373   |
| Food services                      | 3,761,555           | 3,398,724  | 2,914,451  | 2,891,727  | 2,654,003   |
| Business and central services      | 396,444             | 226,125    | 130,240    | 116,153    | 113,237     |
| Debt service:                      |                     |            |            |            |             |
| Principal retirements              | 0                   | 68,000     | 0          | 0          | 0           |
| Other                              | 0                   | 0          | 0          | 0          | 21,110      |
| Community services                 | 2,193,754           | 1,822,007  | 1,516,639  | 990,573    | 834,866     |
| Total expenditures                 | 49,694,992          | 43,960,150 | 38,552,251 | 33,927,404 | 30,536,385  |
| Revenues over (under) expenditures | (5,992,398)         | 781,547    | 1,846,228  | 2,283,259  | (1,658,598) |
| Transfers to (from)                | 0                   | 0          | (43,935)   | (16,372)   | (813,298)   |
| Fund balance at beginning of year  | 7,707,350           | 6,925,803  | 5,123,510  | 2,856,623  | 5,328,519   |
| Fund balance at end of year        | \$ 1,714,952        | 7,707,350  | 6,925,803  | 5,123,510  | 2,856,623   |

# APPENDIX C

## FRANCIS HOWELL R-III SCHOOL DISTRICT COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- SPECIAL REVENUE (TEACHERS) FUND FIVE YEARS ENDED JUNE 30, 1999

|                                       | Year Ended June 30, |             |            |            |            |
|---------------------------------------|---------------------|-------------|------------|------------|------------|
|                                       | 1999                | 1998        | 1997       | 1996       | 1995       |
| Revenues:                             |                     |             |            |            |            |
| Local                                 | \$ 36,466,064       | 31,386,042  | 29,476,107 | 25,648,830 | 23,628,757 |
| County                                | 1,687,984           | 1,503,800   | 1,422,558  | 1,354,094  | 1,359,350  |
| State                                 | 26,644,802          | 25,493,589  | 23,767,020 | 21,917,325 | 18,096,394 |
| Federal                               | 1,828,664           | 1,462,885   | 942,850    | 874,448    | 845,181    |
| Total revenue                         | 66,627,514          | 59,846,316  | 55,608,535 | 49,794,697 | 43,929,682 |
| Expenditures:                         |                     |             |            |            |            |
| Instruction                           | 58,339,147          | 53,513,297  | 48,451,144 | 43,030,732 | 38,047,113 |
| Attendance                            | 0                   | 375         | 0          | 0          | 0          |
| Guidance                              | 2,487,730           | 2,318,450   | 2,128,060  | 1,883,636  | 1,694,444  |
| Health services                       | 455,553             | 383,887     | 329,359    | 250,255    | 233,888    |
| Improvement of instruction            | 298,861             | 325,699     | 82,857     | 81,148     | 96,220     |
| Professional development              | 416,046             | 373,604     | 325,599    | 282,812    | 236,803    |
| Media services                        | 993,085             | 896,289     | 828,963    | 774,538    | 687,195    |
| Executive administration              | 673,071             | 726,327     | 606,380    | 530,669    | 473,056    |
| Building level administration         | 3,855,663           | 3,334,930   | 3,018,253  | 2,576,278  | 2,365,491  |
| Business and central services         | 78                  | 2,690       | 0          | 0          | 0          |
| Community services                    | 56,116              | 91,660      | 0          | 0          | 0          |
| Total expenditures                    | 67,575,350          | 61,967,208  | 55,770,615 | 49,410,068 | 43,834,210 |
| Revenues over (under)<br>expenditures | (947,836)           | (2,120,892) | (162,080)  | 384,629    | 95,472     |
| Fund balance at beginning of year     | 1,194,682           | 3,315,574   | 3,477,654  | 3,093,025  | 2,997,553  |
| Fund balance at end of year           | \$ 246,846          | 1,194,682   | 3,315,574  | 3,477,654  | 3,093,025  |

\* \* \* \* \*



CITY OF WELLSTON, MISSOURI

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-14  
March 6, 2000

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Wellston, Missouri.**

---

The city's quarterly COPS grant reports were not accurate and copies of some reports were not retained. During the period July 1997 through July 1999, the city over claimed approximately \$91,600 from the COPS grant due to various errors.

On August 26, 1997, the City Council established a benefits package for the mayor, treasurer, and the council members. The council transferred \$80,000 from city funds to a certificate of deposit to pay for future benefits. The benefit package has a death benefit and a severance benefit. The death benefit pays \$10,000 to the beneficiary of a city official who dies while holding office. The severance benefit pays \$10,000 to city officials having been an official for a period of at least 10 continuous years who cease to be a city official for any reason other than death or cause.

Parts of the benefit package look like a retirement plan, which the city is prohibited from establishing by state law. However, the most significant problem appears to be the increase in compensation or benefits during the term for which an officer is elected or appointed, which is prohibited by Article VII, Section 13, of the Missouri Constitution. Retroactive compensation for services previously rendered is in violation of Article III, Section 39 of the Missouri Constitution.

During the period October 1995 through April 1998, loans were made to some city officials and employees totaling approximately \$29,500, which were to be repaid through payroll deductions. The employees were required to sign a contract indicating that they would continue to make these payments if they left city employment; however, there are several past and current employees with unpaid balances totaling approximately \$6,700 as of June 30, 1999. In addition, the city did not appear to attempt to withhold any unpaid balance from the five former employees' final paycheck. It would appear these payments are in fact interest free loans to employees.

Also, since June 1999 the Mayor received his payroll checks from two to six weeks in advance of the dates earned.

Some city officials improperly received raises within their term of office, in violation of Article VII, Section 13 of the Missouri Constitution.

(over)

YELLOW SHEET



The city purchased fifteen cellular phones, some of which were to be used as city phones, and some of which were resold to city employees and another individual to be used as personal phones. The purchase price and phone bills for the personal phones initially are paid by the city and then reimbursed through payroll deduction for the employees, and through payments from the individual. Phone service is discontinued when employees leave city employment. The purchase of personal phones and service does not appear to be a necessary, proper, or prudent use of city monies. Also, the city has failed to properly bill or collect the total cost of personal phone service.

The city has taken over providing a lunch and transportation service to senior and disabled citizens, including persons outside city limits. During the two years ended June 30, 1999 and 1998, the city's net costs for this program were at least \$96,000 and \$81,000, respectively. It is unclear whether the city has the authority to provide the program or can afford it. Also, the city has not ensured that the fee charged to employees for meals obtained through the program is adequate or is always collected.

The city has not identified all costs of the city's trash collection program to ensure the fee is sufficient, has not taken adequate steps to ensure the timely collection of delinquent accounts, and has not developed procedures to ensure all customers are billed. Controls and accounting records for trash service fees are not adequate.

Bids or proposals were not solicited or bid documentation was not retained for many purchases and the city did not obtain formal written agreements with companies or individuals providing services to the city. Also, documentation to support some disbursements was either inadequate or not available.

Budgets are not approved timely and are not complete. Semi-annual financial statements are not published as required by state law.

The city has not properly accounted for the expenditure of restricted revenues and numerous other accounting controls, procedures, and records were inadequate and inaccurate.

Approximately \$4,083 in cash bond monies were not deposited and appear to be missing. Numerous other accounting controls, procedures, and records in the Municipal Court were inadequate and some records were missing.

CITY OF WELLSTON, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the City Council  
City of Wellston  
Wellston, Missouri 63133

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Wellston, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

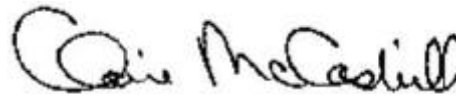
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed council minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Wellston, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

November 1, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                      |
|---------------------|----------------------|
| Director of Audits: | Karen Laves, CPA     |
| Audit Manager:      | Douglas Porting, CPA |
| In-Charge Auditor:  | Debra Lewis, CPA     |
| Audit Staff:        | Todd Stoll           |
|                     | Reneé Alvarez        |
|                     | Tirennia Miller      |

## EXECUTIVE SUMMARY

## CITY OF WELLSTON, MISSOURI EXECUTIVE SUMMARY

The city of Wellston has continued to operate with poor record keeping, inadequate control systems, repeated instances of employee fraud and accounting irregularities, illegal and improper spending of public monies, and ineffective management practices. Past audits of the city of Wellston and its municipal division have shown missing monies in both the city and the municipal division, and made numerous recommendations to improve record keeping, internal control systems, and management practices. However, the city does not appear to have made adequate effort to implement our past recommendations to establish internal controls and supervisory reviews to attempt to avoid further losses.

The city has made illegal and improper disbursements such as loans and bonuses to employees, and established programs or entered into transactions to personally benefit city officials and employees. In addition, the city has not established adequate controls, supervisory review, or documentation to ensure disbursements and payroll transactions are properly authorized and prudent uses of city monies. The city has not obtained bids for major purchases. City monies have been spent, including revenues restricted for other purposes, to fund programs such as the city officials' benefit package and the senior citizens program which may not have been proper or could have been provided at less cost.

The city has not established adequate controls or supervisory reviews over cash receipts; does not prepare bank account or other reconciliations; and does not maintain records of investments. The lack of controls and supervisory review allowed numerous billing errors on the city's COPS grant, missing bond monies, errors in payroll, and unpaid loan balances to go undetected.

The city's operational decisions are based on inadequate, inaccurate, or incomplete budgets and financial reports. In addition, the City Council does not periodically compare actual receipts and disbursements to the budgeted amounts.

As a result of the mismanagement and poor records noted above, the city of Wellston is experiencing a declining cash balance. The cash balance has decreased from \$448,378 at June 30, 1997 to \$43,953 at June 30, 1999. As of that date, the city owed \$459,000 to St. Louis County for prior police services, \$62,863 on new car leases, and had a significant amount of other outstanding bills. However, the full cost of fraud, illegal activities and poor management practices and the effect of unreliable accounting information cannot be measured solely in monetary terms. The failure to maintain adequate accountability can erode the public's confidence in the city's ability to efficiently and effectively manage its programs.

The findings presented in our report identify significant weaknesses in the system of internal controls and management that must be corrected to achieve the required level of accountability and more effectively use the city's resources. The related recommendations are directed at helping the city minimize the potential for fraud, waste, and abuse throughout its operations. Allowing such misuse of public funds as described within this report is an unacceptable lack of stewardship of public trust. The City Council must evaluate management practices to more efficiently use the resources available to the city and ensure an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity.

## HISTORY AND ORGANIZATION

# CITY OF WELLSTON, MISSOURI HISTORY AND ORGANIZATION

The city of Wellston was incorporated as a third-class city on June 6, 1949, and is located in north St. Louis County. The population in 1990 was 5,868. The city government consists of a mayor and a six-member City Council. The six members are elected for two-year terms, one from each of three wards each year. The mayor is elected for four years, presides over the City Council, and votes only in the case of a tie. The Mayor, City Council members, and other principal officials at June 30, 1999, were:

| <u>Elected Officials</u>       | <u>Term Expires</u> | Compensation<br>Paid for<br>the Year Ended<br><u>June 30, 1999</u> |
|--------------------------------|---------------------|--|
| Lawrence Brady, Mayor          | April 2001          | 29,393   |
| Frank McNeil, Councilman       | April 2001          | 6,900  |
| James Harvey, Councilman       | April 2000          | 6,900  |
| Donald Garner, Councilman      | April 2001          | 6,900  |
| Rico Ayuso, Councilman         | April 2000          | 6,900  |
| Gracie White, Councilwoman (1) | April 1999          | 6,900  |
| Ronnie Shepard, Councilman     | April 2000          | 6,900  |

## Other Principal Officials

|                                       |            |
|---------------------------------------|------------|
| LaShonda Howard, City Clerk (2)       | 5,463      |
| Rose Evans, Treasurer (3)             | 4,529      |
| Linda Whitfield, Police Chief (4)     | 25,997     |
| Thompson Coburn, L.L.P, City Attorney | 66,390 (5) |
| Jerilyn Hill, Municipal Judge         | 6,000      |
| Victor Thompson, Prosecuting Attorney | 6,000      |
| Rosie Edwards, Court Clerk            | 23,640     |
| Cynthia Brown, Bookkeeper             | 23,654     |

- (1) Frank Brown was elected to this position at a special election on August 3, 1999.
- (2) Billie Malone served as Acting City Clerk until her termination in April 1999. Lashonda Howard was appointed as City Clerk on April 8, 1999.
- (3) James T. Jefferson served as Treasurer until August 1998. Rose Evans was appointed as Treasurer on August 15, 1998.
- (4) Jornel Williams served as Police Chief until July 1998. Linda Whitfield was appointed as Police Chief on July 31, 1998.



(5) Past due payments for services rendered in prior years have been included in this amount.

The city also employs approximately 41 full-time and 3 part-time employees.

Assessed valuation and tax rate information are as follows:

| ASSESSED VALUATION | 1999          | 1998       |
|--------------------|---------------|------------|
| Real estate        | \$ 7,628,939  | 7,662,729  |
| Personal property  | 8,053,791     | 7,460,770  |
| Total              | \$ 15,682,730 | 15,123,499 |

| TAX RATES PER \$100 ASSESSED VALUATION |        |     |
|--|--------|-----|
| General Fund                           | \$ .60 | .60 |

The city also has the following sales taxes; rates are per \$1 of retail sales:

|                     | Rate  | Expiration<br>Date |
|---------------------|-------|--------------------|
| General             | \$.01 | None               |
| Capital Improvement | .005  | None               |

## MANAGEMENT ADVISORY REPORT

CITY OF WELLSTON, MISSOURI  
SUMMARY OF FINDINGS

1. Disbursement Procedures (pages 13-19)

Bids or proposals were not solicited or bid documentation was not retained for many purchases and the city did not obtain formal written agreements with companies or individuals providing services to the city. The City Council does not review invoices before approval of payment and supporting documentation was not adequate for some disbursements. The city purchased cellular phones and service for the personal benefit of some individuals, did not ensure all costs were reimbursed and did not establish policies over the use of the city's cellular phones.

2. Community Oriented Policing Services (COPS) Grant (pages 19-21)

The city's quarterly reports were not accurate and copies of some reports were not retained. During the period July 1997 through July 1999, the city over claimed approximately \$91,600 from the COPS grant due to various errors.

3. Senior Citizens Program (pages 21-23)

The city has taken over providing a lunch and transportation service to senior and disabled citizens, including persons outside city limits. During the two years ended June 30, 1999 and 1998, the city's net costs for this program were at least \$96,000 and \$81,000, respectively. It is unclear whether the city has the authority to provide the program or can afford it. Also, the city has not ensured that the fee charged to employees for meals obtained through the program is adequate or is always collected.

4. City Trash Service (pages 23-26)

The city has not identified all costs of this program to ensure the user fee is sufficient. The city has not taken adequate steps to ensure the timely collection of delinquent accounts and has not developed procedures to ensure all customers are billed. Controls and accounting records for trash service fees are not adequate.

5. Payroll and Personnel Policies and Procedures (pages 26-33)

The City Council established a benefits package for some elected officials which appears to violate the Missouri Constitution. Loans totaling approximately \$29,500, were made to some city officials and employees with unpaid balances totaling approximately \$6,700 as of June 30, 1999. The city does not have a formal written leave policy. The city failed to deposit federal payroll taxes timely, resulting in payment of penalties and interest totaling \$5,052. Some administrative employees were paid bonuses, and duties related to payroll are not adequately segregated. The city did not

properly pay or report all the wages and payroll taxes of one city employee when earned. City officials received raises during their term of office contrary to the Missouri Constitution.

6. Meetings, Minutes, Ordinances, and Records (pages 33-36)

The council meeting minutes are not signed by either the City Clerk or the Mayor, do not always adequately document matters discussed and actions taken, and are not maintained for closed meetings. The council minutes and the meeting agendas do not document the specific reasons for going into closed sessions, and "work sessions" held by the council are not open to the public, notice is not posted, and tentative agendas and minutes are not prepared. Improvement is needed in the organization and documentation of the city's ordinances. The city does not have a formal policy regarding public access to city records.

7. Budgets and Financial Reporting (pages 37-39)

The city's budget is not approved on a timely basis and is incomplete. The City Council does not periodically compare actual revenues and expenditures to the budgeted amounts and approved expenditures in excess of budgeted amounts during the year ended June 30, 1998. The city has not published semi-annual financial statements.

8. Restricted Funds (pages 39-40)

Capital improvement sales tax and motor vehicle-related monies are not accounted for properly.

9. Permits and Licenses (pages 41-42)

Some permits are not prenumbered and the city does not account for the numerical sequence of prenumbered licenses. In addition, the permit/license fee receipt slips are not reconciled to the number of each type of permit and license issued and the amount of fees deposited. The city assessed and collected incorrect license and permit fees and could not locate the stubs for manufacturer's licenses issued prior to March 1999.

10. Accounting Controls and Procedures (pages 42-48)

Monthly bank reconciliations are not prepared and balances are not maintained in the check registers. The city does not have an investment ledger to monitor certificate of deposit investments. Internal controls need to be improved for collections by the police department for vehicle releases, police reports, and bond fees. City receipt records are not reconciled to deposits, and numerous errors and omissions were noted during our review of the city's receipt and disbursement records. The city's petty cash fund is not maintained on an imprest basis. Bids were not obtained for the sale of city vehicles to city employees. Proper documentation was not maintained to show compliance with the city's contract with the Wellston Housing Authority.

11. Municipal Court Division (pages 49-57)

Bond monies totaling \$4,083 were received by the police department but not deposited into the city treasury. Neither the police department nor the court maintains adequate records to account for tickets assigned and issued, and the ultimate disposition. The amounts disbursed to the state for the Crime Victims Compensation fund and the Peace Officer Standards and Training Commission fees were not accurate. The Court Clerk could not locate some court cases requested for review and does not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol. Also, the final disposition of each case is not always adequately documented on the court docket.

CITY OF WELLSTON, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                                |
|-----------|--------------------------------|
| <b>1.</b> | <b>Disbursement Procedures</b> |
|-----------|--------------------------------|

- A. The city's purchasing ordinance requires advertising for sealed competitive bids for all purchases of goods and services in an amount of \$1,000 or more. However, we noted bids or proposals were not solicited, or bid documentation was not retained, for many purchases. Following are some examples:

|                           |           |
|---------------------------|-----------|
| Air conditioner units     | \$110,758 |
| Car leases                | 94,294    |
| Construction              | 82,580    |
| Used police vehicles      | 42,000    |
| Food and supplies         | 49,203    |
| Tipping fees              | 38,090    |
| Trucks                    | 29,230    |
| Uniform service           | 8,764     |
| Playground material       | 6,959     |
| Carnival                  | 6,500     |
| Computer upgrades         | 6,490     |
| Engineering services      | 6,079     |
| Vehicle repair            | 6,088     |
| Clearing trees and debris | 4,205     |
| Computer purchases        | 4,140     |

While the Mayor indicated the lease purchase of the cars had been bid, no documentation could be located. Competitive bidding helps ensure the city receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the city's business. In addition, complete documentation should be maintained of all bids received. If other than the lowest bid is selected, the reasons should be adequately documented.

This condition was also noted in our prior report.

- B. The city does not always obtain formal written agreements with companies or individuals providing services to the city. We noted the following examples of amounts paid during the period July 1997 through June 1999 for which there were no written agreements:

|                           |           |
|---------------------------|-----------|
| Accounting services       | \$ 22,000 |
| Legal services            | 14,236    |
| Uniform service           | 8,764     |
| Engineering services      | 6,079     |
| Clearing trees and debris | 4,205     |

Written contracts establish payment terms, clarify responsibilities and expectations of both parties, and help ensure the city receives the services it needs. Section 432.070, RSMo 1994, requires all contracts to be in writing. In addition, the city should compare invoices to contract terms to provide assurance the city is paying the appropriate amounts for services.

A similar condition was noted in our prior report.

- C. The City Council does not review invoices before approval of payment nor have they assigned someone independent of the check preparation and signing process to review the invoices. Although the Mayor and Treasurer review the invoices, they are also authorized to sign checks. In addition, there is no independent reconciliation of the invoices, approved listing of bills, and actual checks written.

Currently, a listing of accounts payable is presented to the council and approved, unless a specific invoice is questioned and reviewed. In addition, the council approves the monthly treasurer's report which reflects disbursements for the month. While the approval of the accounts payable list and treasurer's report is noted in the council minutes, the total dollar amount approved is not noted, nor are the listings conspicuously marked as approved by the council. We noted several disbursements which did not appear on the approved listing of accounts payable. In addition, transfers between accounts are not reflected on the listing presented to the council, nor are they always reflected on the monthly treasurer's report.

Good business practices require all disbursements to be closely scrutinized by the council or someone independent of the disbursement process and properly authorized. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring.

This condition was also noted in our prior report.

- D. During our review of disbursements, the following concerns were noted:

- 1) Documentation to support some disbursements was either inadequate or not available. Examples include the purchase of a dump truck (\$6,000), purchase of three used police cars (\$35,500), radio repairs (\$2,388), playground materials (\$6,959), and numerous reimbursements and cash advances to city officials,

employees, and other individuals for purchases or travel made on behalf of the city (\$6,320).

- 2) The bookkeeper often pays bills from monthly statements rather than detailed invoices. The city overpaid vendors in several instances because invoices were shown on more than one monthly statement. The city was apparently behind on its payments so, the vendors had listed the unpaid invoices again or had reflected the unpaid balance; however, the city paid the total of the two statements rather than the current balance. The vendors gave the city credit for these overpayments on the next monthly statement received.
- 3) The city has eight credit cards that are used primarily for city-related travel expenses and to order supplies by phone. Supporting documentation was either not submitted or not retained for several charges. In some instances, the person who charged the item had the supporting documentation rather than the City Bookkeeper who pays the bills.

Adequate supporting documentation should be retained for all credit card purchases and reconciled to credit card statements to ensure the propriety of the charges. Without adequate supporting documentation, the city cannot evaluate the necessity and reasonableness of credit card purchases.

All disbursements should be supported by detailed expense accounts, paid receipts, contracts, or vendor-provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds.

Similar conditions were noted in our prior report.

- E. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. The documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

This condition was noted in our prior report.

- F. The city purchased fifteen cellular phones, some of which were to be used as city phones, and some of which were resold to city employees and another individual to be used as personal phones. The purchase price and phone bills for the personal phones initially are paid by the city and then reimbursed through payroll deduction for the employees, and through payments from the individual. Phone service is discontinued when employees leave city employment.

- 1) The purchase of the personal phones and service does not appear to be a necessary, proper, or prudent use of city monies. These purchases directly



benefited the employees and the individual but not the city, and additional bookkeeping was required. In addition, the city used its sales tax exempt status to benefit individuals.

Article VI, Section 23 of the Missouri Constitution provides that no political subdivision of the state shall lend its credit or grant public money or anything of value to or in aid of any corporation, association, or individual. In addition, the city should not allow such expenditures to be incurred using its sales tax-exempt status. Doing so violates the terms of the city's sales tax exemption letter.

- 2) The city is not billing the employees and the individual for the total cost of the personal phone service. The City Bookkeeper failed to properly charge each person for the total of their air time charges plus the basic monthly plan cost. For example, in May 1999, the city did not receive reimbursement for approximately \$232 for employees' personal phone bills.

In addition, the city has not received full reimbursement from the individual. At June 30, 1999, approximately \$2,100 in past due bills was owed to the city by this individual.

- 3) The city provides cellular phone service to the Mayor, the Police Chief, the police captain, the police shift supervisor, and the Parks and Recreation Department. The city does not have a formal policy regarding cellular phone usage. Cellular phone charges for May 1999 ranged from \$54 to \$530 for each of the city's five cellular phones.

Because of the significant cost of cellular phone service, the City Council should review the usage of the city's cellular phones to determine whether the city is receiving sufficient benefit for its cost. If the cellular phones are deemed necessary, a policy is needed to ensure that cellular phones are used only for reasonable business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the council authorizes the phone to be used for personal matters. Procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

**WE RECOMMEND** the City Council:

- A. Ensure bids are solicited for all applicable purchases in accordance with city ordinance. Documentation of the bidding process should be maintained in all cases. If the city believes that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.

- B. Obtain written agreements specifying terms of payment and the responsibilities of both parties for all services received. In addition, the council should ensure invoices are compared to contract terms.
- C. Ensure detailed and complete listings of bills are prepared, that the council's approval is reflected on the listing, and that the listing is retained. In addition, either the council or someone independent of the check preparation and signing process should review the invoices. Approved listings of bills should also be compared to checks written.
- D. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods and services received. All cash advances should be properly accounted for and the unused balances, if any, should be promptly returned to the city. In addition, the city needs to develop procedures to ensure invoices are not paid twice.
- E. Ensure the receipt of goods or services is indicated on invoices prior to being approved for payment.
- F.1. Cease paying for personal phone service and refrain from purchasing items for the personal use of individuals and employees.
  - 2. Ensure the entire cost of personal phone service is billed and seek reimbursement for the unpaid phone bills.
  - 3. Determine whether the cellular phones are cost beneficial. If the city continues to pay for the phone usage, develop a policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and procedures to monitor their use.

#### **AUDITEE'S RESPONSE**

- A. *The City Council has determined to investigate enacting modifications to its current bidding requirements in order to modernize its procurement process. In any event, the City Council has directed the Mayor, the City Clerk and other appropriate officials and employees to implement internal control systems to verify and ensure that bids are solicited for all applicable purchases in accordance with all applicable requirements. The City Council has also determined to direct the Mayor, the City Clerk and other appropriate officials and employees to anticipate the city's needs in various categories of goods and services in a given fiscal year. If such needs in the aggregate are greater than a certain dollar value, the City Council has directed that the city conduct a solicitation process to meet its annual needs. In addition, the city has recently upgraded its staff, which will position the city to maintain full documentation of its contracting matters. The City Council has established a committee to oversee this activity.*

- B. *The City Council has directed the Mayor, the City Clerk and other appropriate officials and employees to implement procedures that will verify and ensure that the city obtains and maintains written agreement specifying the terms of payment and the responsibilities of both parties for all goods and services received by the city. In addition, the City Council has determined that the Treasurer of the city (or a designee of the Treasurer acceptable to the City Council) and the members of a City Council committee will compare actual invoices to the terms of the contract to verify and ensure that the provisions of the contract have been adhered to by the parties to the contract. Furthermore, expenditures associated with each contract will be compared to the city's annual budget. Recent staff upgrades will assist the city in meeting its goals and obligations.*
- C. *The City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to prepare and/or collect (1) a detailed and complete listing of all receipts and/or vendor-provided invoices containing adequate descriptions of goods and services received by the city; (2) a copy of each invoice; and (3) a copy of each check written by the city to pay such invoice. The City Council has directed that all such documents be submitted to the City Council in advance of meetings of the City Council, together with a certificate of the Treasurer, stating that the copies being submitted to the City Council conform to the originals. The members of the City Council will review all of these items in advance of any approval of any expenditures. In addition, members of a City Council committee will periodically inspect the originals of these documents to verify and ensure that the original documents conform to the copies submitted to the City Council.*
- D. *As discussed in the response to MAR No. 1(C), receipts and/or vendor-provided invoices containing adequate descriptions of goods and services received by the city will be required by the City Council prior to any approval of any payment to such vendors. In addition, cash advances will be subject to the prior approval of the City Council, and are required to be properly accounted for with any unused balances promptly returned to the city. The City Council has also directed its staff to implement procedures and install necessary computer software enhancements that will verify and ensure that no invoice is paid twice. The members of a City Council committee will monitor this activity.*
- E. *With the exception of certain limited circumstances such as retainers or down payments, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures ensuring that the receipt of goods or services is indicated on invoices prior to submitting such invoices for goods or services to the City Council for payment approval. Members of a City Council committee will monitor this activity.*
- F.1. *The City Council has directed that the city discontinue paying for personal phone service and purchasing items for personal use by individuals and employees. The members of a City Council committee will monitor this activity.*

2. *The city has already implemented billing procedures to verify and ensure that the entire cost of personal phone service is billed to the individual receiving the phone service, rather than to the city and to receive reimbursement for unpaid phone bills from individual users. The City Council intends to cause the city to vigorously seek such reimbursement and intends to seek appropriate legal proceedings in the event that the individuals do not make prompt settlement with the city. The members of a City Council committee will monitor this activity.*
3. *The City Council has directed the Mayor and staff to conduct a cost-benefit analysis of the use of cellular phones by officials and employees of the city at the expense of the city. In the event that this study concludes that the continued use of cellular phones by certain city officials and employees is in the best interest of the city, the City Council has further directed the Mayor and staff to design detailed and official policies regarding the use of cellular phones, including an assessment of which employees and/or officials require a cellular phone and procedures to monitor the use of the phones. Such policies will be submitted to the City Council for its approval. In any event, the members of a City Council committee will monitor this activity.*

## **2. Community Oriented Policing Services (COPS) Grant**

The city receives federal financial assistance from the U. S. Department of Justice under the COPS Universal Hiring program to increase the number of law enforcement officers. In December 1995, the city received a grant award of \$991,293 to hire fifteen additional full-time officers to supplement the six city-funded officers already employed at that time. Under the grant provisions, the city was required to provide 25 percent of the cost of employing the additional officers until the grant expired on November 30, 1998 as well as continuing to pay the entire cost of the six city-funded officers already on staff. The city has received an extension of the grant until November 30, 2001.

A. The Police Department receives a payroll listing from the City Bookkeeper each month which lists the wages paid each police officer for each pay period. The Police Department uses the amounts shown on these listings to prepare their reimbursement request. During our review of various reimbursement requests, we noted the following problems:

- 1) During the period July 1997 through July 1999, individual salaries claimed for some officers exceeded the maximum salary allowable by the COPS program. Also, from July 1997 through June 1998, the city occasionally claimed salaries for more than the fifteen officers allowed by the COPS program. In addition, from July 1998 through July 1999, the city filed claims and received reimbursement based on 75 percent of the total amount paid to all officers employed by the city instead of just the additional grant-funded officers.

The city incorrectly received at least \$131,908 for reimbursement of these excess, unallowable salaries.

- 2) During the period July 1998 through July 1999, the city did not include the fringe benefits paid to the qualifying officers on the reimbursement requests. The city claimed only the annual salaries paid to the officers although the approved budget allows reimbursement the city's share of FICA, health insurance, life insurance, worker's compensation insurance, and unemployment insurance. In addition, prior to July 1998, the city claimed reimbursement for the employee's share of some items rather than the city's share as allowed. Based on the fringe benefits allowed per the approved grant budget, the city could have apparently claimed approximately an additional \$46,121 for fringe benefits between July 1, 1997 and July 30, 1999.
- 3) Payroll listings prepared by the City Bookkeeper were not accurate and included costs which are not allowable under the COPS program. In addition, there were errors in amounts recorded on the payroll listings, amounts included for officers who were not paid for that pay period, and amounts paid for officers which were not recorded. Compensation for overtime was included on the payroll listings and claimed for reimbursement which is not an allowable cost of the program. The city incorrectly overclaimed approximately \$5,775 due to these various errors.

The city should recalculate and correct prior reimbursement claims. It appears the city has over claimed approximately \$91,562 during the period July 1997 through July 1999.

The city hired a certified public accounting (CPA) firm to review the COPS program for the period November 1995 through June 1997. The CPA's report indicated the city had under billed the COPS grant during that period, claiming more than the maximum salaries allowable but failing to bill for fringe benefits. The city did file an amended claim and receive the prior amount noted as under billed by the CPA report, but has not improved its procedures in filing claims.

- B. The grant requires the city to submit quarterly reports detailing the monies spent and the breakdown between amounts paid with federal funds and local funds. The city's quarterly report for the period ended September 30, 1998 indicated the total accumulated federal share of outlays was \$385,596. The city had actually claimed and received approximately \$375,600 in federal reimbursements as of that date. In addition, copies of quarterly reports prepared since September 1998, were not maintained by the city.

The city should prepare complete and accurate records of all allowable salary and fringe benefit expenses and prepare and retain accurate quarterly financial status reports. The city should request reimbursement for only actual and allowable expenses incurred, less the required amount of

matching funds, in accordance with the grant agreement. The City Council should contact the applicable federal grantor agency to resolve these issues.

**WE RECOMMEND** the City Council ensure city personnel prepare and retain accurate quarterly financial reports for the COPS grant, and ensure reimbursement is requested only for allowable actual expenditures. The city should recalculate and correct prior reimbursement claims and repay any excess reimbursements.

### **AUDITEE'S RESPONSE**

*The City Council has directed the Mayor, the Treasurer, the Chief of Police, the Bookkeeper and other appropriate officials and employees to (1) prepare accurate quarterly financial reports for the COPS grant; (2) verify and ensure that reimbursement is requested only for allowable actual expenditures under the COPS program; (3) recalculate and correct prior reimbursement claims and repay any excess reimbursements; and (4) identify sources of funds if repayment is required. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures. The City Council has instructed the Mayor, the City Clerk and other appropriate officials and employees to solicit bids for auditing services for the city. The requested services will include providing assistance to the city in responding to the City Council's directives described in this audit. Members of a City Council committee will monitor this activity.*

**3.**

#### **Senior Citizens Program**

The city's Parks and Recreation Department operates a program which provides lunch and transportation services to senior and disabled citizens of Wellston and surrounding cities. The city provides transportation to the community center where lunch is served, delivers home meals to eligible persons who cannot come into the community center, and provides transportation to shopping malls, doctors' offices, etc. The city receives some small reimbursement from the Missouri Department of Transportation for transporting the citizens. However, during the years ended June 30, 1999 and 1998, the city's net costs for this program were at least \$96,000 and \$81,000, respectively. These costs include the purchase of food and supplies, the city's portion of the purchase of a van, and estimated payroll costs for Parks and Recreation Department employees who work on the program. The city has not identified other costs related to this program, such as gasoline and vehicle maintenance, administrative overhead, and community center operating costs.

- A. Prior to July 1997, this program was handled by the Mid-East Council of Aging (MECA). The MECA rented the community center from the city of Wellston and provided the meals for the citizens. In addition, the MECA paid the city of Wellston to transport citizens from Wellston and surrounding cities to their program. In July 1997, the former mayor refused to allow MECA to continue operation of this program at the city's community center, and

the city took over this program. There was no documentation available to indicate the City Council reviewed the costs of this program prior to taking it over from the MECA. In addition, the city is still serving basically the same geographical area the MECA program covered, although some of the participants are from outside the city limits. The surrounding cities do not contribute to this program although their citizens participate.

Participation in this program is not conditioned on financial need. The city's authority or the municipal purpose to sponsor such a program has not been researched and documented. This program does not appear to be a necessary cost of operating the city and constitutes a questionable use of public funds. The city's residents have placed a fiduciary trust in their public officials to expend tax revenues and fees in a necessary and prudent manner.

- B. City employees are allowed to eat lunch through this program at a cost of \$2 per meal. While the program supervisor indicated some employees eat each day, records of the number of employees eating meals are not maintained. The City Bookkeeper, who is to receive these payments, does not maintain records of amounts paid by the employees; thus, the city cannot be assured all employees pay for their meals. The City Bookkeeper indicated city employees had not paid her anything recently. Also, there is no documentation that the city has reviewed this program to ensure the \$2 fee is adequate to recover its costs.

In addition, while the city recommends a \$.75 donation from citizens to obtain a meal, the supervisor indicated they had not received any donations since the city took over this program. However, the city's records are inadequate to verify this. To provide assurance all monies are properly collected, recorded, and deposited, the city should develop appropriate records and perform a reconciliation between the number of participants making donations and the amount collected.

**WE RECOMMEND** the City Council:

- A. Review the senior citizens program to ensure expenditures are within the city's authority and necessary to properly operate the city. In addition, the City Council should evaluate the benefits of this program to ensure the city can afford to provide this service. If continued, the City Council should consider limiting this program to Wellston residents or approaching the surrounding cities for contributions to the program and condition participation in the program on financial need.
- B. Require adequate records be maintained to ensure monies collected for meals are properly handled and recorded, and that employees pay for the meals eaten. In addition, the city should review the costs of this program to ensure the \$2 fee is adequate to recover the city's costs.

## **AUDITEE'S RESPONSE**

- A. *The City Council has directed the Mayor and staff to expand upon current efforts on the part of the city to restructure the senior citizens' program. To date, the city has been unsuccessful in re-securing a contractual arrangement with Mid-East Council for Aging to administer the senior citizens' program at no expense to the city. The restructuring efforts include investigating the following alternatives: (1) bussing the seniors to a near-by facility to obtain necessary services and discontinuing providing such services in the city; (2) requiring the demonstration of financial need from all seniors who participate in the program as a precondition to using the services provided by the city; (3) contracting with an outside vendor to provide the services at the city; and/or (4) seeking payments from neighboring communities whose citizens participate in the program at the city. Members of a City Council committee will monitor the city's progress in this area.*
- B. *The City Council has directed the Mayor and staff to prepare and maintain adequate records to verify and ensure that all monies collected for senior citizens' meals are properly handled and recorded, and that employees pay for all meals eaten. Such records will include the maintenance of an employee log book to document the use by employees of the lunch program. In addition, the City Council has directed the Mayor and staff to review the costs of this program to verify and ensure the \$2 fee currently paid by participating employees is adequate to recover the city's actual costs and to make a recommendation to the City Council based upon this review. The independent certified public accountant that the city expects to retain will provide assistance to the city in connection with this activity (see the response to MAR No. 2 for more details on the role of the accountant).*

**4.**

### **City Trash Service**

The city provides trash service to approximately 500 customers. The city contracted out this service prior to July 1997, when they began operating the service themselves.

- A. The city charges residents a quarterly fee of \$21 for trash service. The city has purchased a trash truck and utilizes city personnel to provide trash collection services. In addition, the city pays fees to dispose of the trash collected. During the years ended June 30, 1999 and 1998, the city collected approximately \$24,000 and \$37,000, respectively, in trash fees and incurred costs of at least \$60,000 and \$44,000, respectively for the purchase of a truck, estimated salary costs, and fees to dispose of the trash. The city has not identified any other costs, such as administrative costs, related to trash service. In addition, trash service fees are deposited into the city's general account and there is no separate accounting for trash service expenditures. Trash service revenues represent user fees which should be established to cover the cost of providing trash service.



The costs of providing this service should be calculated and documented and a separate accounting of trash revenues and expenses should be maintained. In addition, the city should evaluate the current financial condition of the city, the costs to the city for this program and the amount of General Fund subsidies required, and determine if rates need to be raised or whether the city can afford to subsidize this service to residents.

- B. The city has not taken adequate steps to ensure the timely collection of delinquent accounts. According to city personnel, numerous customers had delinquent trash bills at June 30, 1999. The former City Clerk indicated some customers had been delinquent for more than a year.

The City Council has not adopted a formal policy regarding delinquent trash charges. Also, the city has not established procedures to compare customers receiving trash service to billing records to ensure all customers are billed. City personnel indicated some customers had apparently been deleted from the billing files and not billed even though they were still receiving trash service.

The city needs to take action to improve its collection of delinquent trash accounts, including passing ordinances to establish delinquent penalties and comparing customers receiving trash service to customers billed. By not adequately pursuing delinquent trash accounts and billing all customers, revenues are lost for the city.

- C. The City Clerk's office handles billing and collecting the trash fees. A prenumbered receipt slip is issued for all payments. The City Clerk posts payments to a manual trash ledger and to a computerized billing system.

- 1) The City Clerk is responsible for preparing the trash bills, collecting the payments, and maintaining a trash ledger to document this activity. No independent review or oversight is performed over these duties.

An independent review of the trash records should be performed periodically to ensure the billing and collection functions are handled appropriately.

- 2) Monthly reconciliations of total trash billings, payments received, and unpaid amounts are not performed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support any corrections made and to facilitate independent reviews.

- 3) The trash records maintained by the City Clerk are not adequate. The City Clerk records payments to the manual trash ledger and the computerized billing system. The manual trash ledger shows payments only, while the computerized billing system shows the amounts billed and paid in the current quarter only. The city does not maintain records which show a history of amounts billed. In addition, there were numerous errors in the manual trash ledger and the computerized system. The trash records were so poor, the actual amount of delinquencies could not be determined.

The City Council should develop improved trash records to allow month-end trash fee receivable balances to be reconciled to the beginning accounts receivable balance, billings, collections and other adjustments for the month.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between trash payments recorded and deposited, and an independent review and approval of delinquent account follow-up. In addition, adequately detailed trash records should be maintained and all activity should be recorded promptly and accurately.

**WE RECOMMEND** the City Council:

- A. Identify all costs, including administrative costs and other labor, of providing trash service, and consider setting the user fee to cover the cost of the service. In addition, the council should maintain a separate accounting of all trash revenues and expenses.
- B. Adopt a formal policy regarding collection of delinquent trash bills including establishing delinquent charges and ensure all customers receiving trash service are properly billed.
- C. Develop improved trash records, ensure all records are accurately posted, and ensure beginning and ending accounts receivables balances are reconciled on a monthly basis using the billings, collections and billing adjustments during that month. Any differences which cannot be accounted for should be immediately investigated. In addition, the City Council should ensure an independent review of the utility billing and collection functions and related records is performed periodically.

**AUDITEE'S RESPONSE**

- A. *The city has directed the Mayor and staff to identify all costs, including, without limitation, administrative and labor costs of providing trash service to residents of the city. Based upon the information that the City Council obtains from this study, the City Council will consider*

*establishing an appropriate user fee to cover the cost of the service. In the alternative, the City Council has directed the Mayor to issue a request for proposals to trash companies for purposes of determining if it would be in the best interest of the citizens of the city for the city to employ the services of a third-party vendor to provide for trash collection. In addition, the City Council has directed the Mayor, the Treasurer and the Bookkeeper to maintain a separate accounting of all trash revenues and expenses and to report the same to the City Council for its review and approval in connection with all future reports of the Treasurer. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant).*

- B. The City Council has directed the City Clerk to formalize the city's delinquent trash collection policies and to submit the same to the City Council in written form for its approval. The City Council has also instructed the City Clerk to verify and ensure that all customers receiving trash services are properly billed, and that the Treasurer and the members of a City Council committee monitor the City Clerk's collection and billing efforts. Recent personnel upgrades in the office of the City Clerk will assist the city in its efforts. This process will also be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant).*
- C. The City Council has instructed the City Clerk to develop improved trash services records, verify and ensure that all records are accurately posted, and verify and ensure that the beginning and ending accounts receivable balances are reconciled on a monthly basis and take into account the billings, collections and billing adjustments during that month. The City Council has further directed the City Clerk immediately to investigate any unaccounted for variances. In addition, the City Council has assigned to the Treasurer the responsibility of independently reviewing the utility billing and collection functions and related records on a periodic basis. The members of a City Council committee will also independently review the trash collection system. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant).*

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| <b>5. Payroll and Personnel Policies and Procedures</b> |
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- A. On August 26, 1997, the City Council established a benefits package for the mayor, treasurer, and the council members. The council transferred \$80,000 from city funds to a certificate of deposit to pay for future benefits. The benefit package has a death benefit and a severance benefit. The death benefit pays \$10,000 to the beneficiary of a city official who dies while holding office. The severance benefit pays \$10,000 to city officials having been an official for a period of at least 10 continuous years who cease to be a city

official for any reason other than death or cause. The ordinance does not define the term "for cause".

There was no documentation that the council had planned for or defined such issues as the sources of the required future funding, a projection of the timing of potential payments, or whether the amount currently set aside was adequate or excessive based on length of service of the current officials. In addition, the city ordinance does not address the issue of whether the officials in office when the ordinance was passed would be eligible to participate in this new benefit. However, as of June 1999, the city had made a payment of \$10,000 to former Mayor Robert Powell, and a payment of \$10,000 to former councilwoman Helen Robinson, who resigned after serving the city for more than the required ten years. The Mayor indicated there were only two additional city officials who could qualify for payments in the near future. The city does not maintain documentation of the number of years the various city officials have served the city.

Parts of the benefit package look like a retirement plan, which the city is prohibited from establishing by state law. However, the most significant problem appears to be the increase in compensation or benefits during the term for which an officer is elected or appointed, which is prohibited by Article VII, Section 13, of the Missouri Constitution. Retroactive compensation for services previously rendered is in violation of Article III, Section 39 of the Missouri Constitution. If the city determines the package is allowed by state law and elects to continue the package for future terms and years of service, it should ensure the city can fund such a package, by clearly documenting the sources and projected amounts of required future funding. In addition, the City Council should review the payment made from the benefit package to the former Mayor. While city records are not clear on this matter, it appears the city had begun, and later rescinded, actions to impeach the former Mayor and reassign his mayoral duties. There also was apparently some related litigation between the city and the former Mayor, who then resigned. These circumstances would appear to be for "cause" and thus a possible exception per the city ordinance.

- B. During the period October 1995 through April 1998, loans were made to some city officials and employees totaling approximately \$29,500. City personnel indicated the former mayor allowed individuals to obtain the loans and repay the city through payroll deductions. The employees were required to sign a contract indicating that they would continue to make these payments if they left city employment; however, there are several past and current employees with unpaid balances totaling approximately \$6,700 as of June 30, 1999. In addition, the city did not appear to attempt to withhold any unpaid balance from the five former employees' final paycheck. It would appear these payments are in fact interest free loans to employees. These loans were sometimes used to purchase vehicles from the city (see MAR 10. G.).

Also, since June 1999 the Mayor received his payroll checks from two to six weeks in advance of the dates earned.

Such payments would appear to violate Article VI, Section 23 of the Missouri Constitution which prohibits any political subdivision of the state from granting or lending money to an individual. In addition, it is not prudent for a city to compensate officials or employees in advance. Doing so could result in the city paying an individual for services not performed.

- C. The city did not properly pay or report all the wages and related payroll taxes of the city's environmentalist when earned. During the year ended December 31, 1998, the environmentalist earned approximately \$19,308; however, he was paid only \$14,187 of that total during that year. The remaining \$5,121 and related payroll taxes was paid in January, February and March 1999, along with his regular salary for those months. Likewise, through November 1, 1999 this employee had earned approximately \$17,925 for calendar year 1999, but had been paid only \$11,950 of that amount. It appears the city planned to again pay the balance during calendar year 2000. City officials and the employee indicated the pay was held until the following year so the employee's earnings would not exceed the maximum amount allowed before affecting the social security benefits he was receiving.

Besides manipulating the employee's allowable social security benefits, these actions may also have income tax implications. The city should pay and report all employee wages and payroll taxes through its normal payroll process when earned.

- D. The city does not have a formal written policy for overtime and compensatory time or vacation and sick leave. In addition, no leave records are maintained for the police department. While the City Bookkeeper keeps a listing of vacation, sick leave, and compensatory time earned, taken, and accumulated for all other employees, these record are not accurate. Entries on the listings did not always agree to payroll records documenting payment for vacation or compensatory time. As a result, the former City Clerk was compensated for forty hours of vacation leave when she was terminated for which she had already received payment and the City Bookkeeper has been compensated for more leave than she has accumulated.

Formal written policies should be established to ensure employees adhere to the intent of the council and to avoid any misunderstandings. In addition, accurate documentation of vacation, sick leave, and compensatory time earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated.

A similar condition was noted in our prior report.

- E. The city failed to deposit federal payroll taxes timely and was assessed penalties and interest. During the period July 1, 1997 to June 30, 1999 three payments of penalties and interest were made totaling \$5,052. Timely deposits of tax withholdings are required by law and would prevent unnecessary penalty and interest charges.
- F. Sixteen administrative employees were each paid \$50 as Christmas bonuses in December 1997. In addition, on October 20, 1997, the city paid \$2,600 to the former Mayor. The City Bookkeeper indicated she was told to pay the former Mayor for several months at the beginning of his term which he had served with no pay. There is no documentation to support the propriety of this payment.

The bonuses and the payment to the former Mayor appear to represent additional compensation for services previously rendered and violate Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states ". . . a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- G. Duties related to payroll are not adequately segregated and are not reviewed by someone independent of the payroll process. The City Bookkeeper performs all payroll calculations, maintains the payroll register, prepares the payroll checks, prepares tax reports, and generates W-2 forms for employees. We noted the following additional concerns:

- 1) The 1998 W-2's did not appear to be correct for eight of the sixteen employees reviewed. The City Bookkeeper's W-2 reflected approximately \$5,000 less than her actual gross salary for the year. The City Bookkeeper indicated these errors were partially due to their use of three different payroll systems in 1998, and problems with their current payroll system. The Bookkeeper generates manual checks occasionally due to problems with the computerized payroll system. It appears these manual checks were not properly reflected on the W-2 forms.
- 2) The payroll registers are not accurate. The city utilized three payroll systems between July 1, 1997 and June 30, 1999. Until June 1998, payroll was done manually by the City Bookkeeper. The city then used an outside payroll service from June 1998 through September 1998 and in October 1998 the city began using a payroll software package.

The payroll registers prepared by the City Bookkeeper under both the manual and current computerized payroll systems did not include some checks written and included some incorrect information as compared to the actual checks generated.

In addition, the employee's share of the social security tax was calculated incorrectly for the City Bookkeeper and the former City Clerk under the manual payroll system and the City Bookkeeper's social security withholding was calculated at \$20 less than required each pay period by the current computerized payroll program.

- 3) Payroll deductions were discontinued prior to the repayment of the City Bookkeeper's loan. In April 1997, the City Bookkeeper received a loan of \$2,000. Payroll deductions to repay this loan ceased after November 1997 although there remained an outstanding balance of \$875. In addition, the City Bookkeeper received additional loans of \$250 and \$500 on April 15, 1998 and April 1, 1998, respectively. Deductions of \$375 were taken in the next pay periods but no further deductions were made. Therefore, it appears the Bookkeeper owes approximately \$1,250 to the city for past loans.

Payroll calculations should be reviewed periodically by someone independent of the payroll process to ensure amounts paid are correct and in accordance with approved salary or hourly rates. This review could be performed by the Mayor, a city council member, or the City Clerk. In addition, the city should file amended W-2 forms for 1998 which reflect the actual salaries and withholdings for individuals, and ensure the City Bookkeeper repays the remaining amount due on her loans.

- H. Some city officials improperly received raises within their term of office. The Mayor and the City Council begin their terms of office in April of the year following their election. City ordinances establish the term of office for the City Clerk as one year, and the Treasurer and Police Chief as two years; however, these ordinances do not clearly indicate when the terms begin. In July 1999, with approval of the fiscal year 2000 budget, various city officials and employees received pay raises.

The City Bookkeeper prepared a preliminary proposed budget document for the Council to consider during the budget process. Salaries for elected and appointed officials were shown as a salary range and salaries for other city employees were not reflected individually. Through the budget hearing process, the Council apparently decided to grant various raises, some of which were in excess of the ranges shown on the preliminary budget document. City Council members indicated they had approved increasing their salaries from \$575 to \$625 per month, the Mayor's salary from \$2,261 to \$2,500 per month, and the Treasurer's salary from \$450 to \$500 per month. The City Bookkeeper indicated the Council also voted to increase the City Clerk's salary \$.50 per hour, and the Police Chief's salary \$1 per hour. However, these raises approved by the Council were not documented. No final budget document incorporating changes approved by the Council was prepared and signed, the ordinance adopting the budget did not specifically address the amounts approved, nor did the minutes of the budget hearings include documentation of the specific raises discussed and approved. In addition, since July 1999,

the Mayor has actually been receiving \$3,000 per month, which is \$500 per month more than the raise the Council members said they approved.

Article VII, Section 13 of the Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition, Section 79.270, RSMo 1994, states the city council shall fix the compensation of all city officials and employees by ordinance, but the salary of an official shall not be changed during the term for which he was elected or appointed. Compensation rates set by ordinance, in addition to meeting statutory requirements, document the approved amounts to be paid and reduce potential misunderstandings regarding the amount of pay each elected and appointed city official and employee is to receive.

**WE RECOMMEND** the City Council:

- A. Review this situation with legal counsel and take appropriate action.
- B. Discontinue the practice of paying officials or employees in advance.
- C. Ensure all employee wages and payroll taxes are paid and reported when earned. In addition, the city should consult with the City Attorney, and ensure the total amount earned each year is reported to the Social Security Administration and the Internal Revenue Service.
- D. Establish formal written policies for overtime and compensatory time and vacation, holiday, and sick leave. Records of vacation, sick leave, and compensatory time should be maintained in a manner that provides a complete, accurate record of the amount of time earned, taken and any accumulated balances.
- E. Ensure payroll taxes are deposited timely to avoid unnecessary penalties and interest charges.
- F. Refrain from paying Christmas bonuses and paying employees for past services.
- G. Ensure that payroll calculations are periodically reviewed by someone independent of the payroll process. In addition, the Council should ensure amended W-2 forms are filed for 1998 and the City Bookkeeper repays the \$1,250 owed on her loans.
- H. Establish by ordinance the salaries or pay rates and applicable terms of office for all officials and employees, and ensure changes to these officials' compensation do not occur during a term of office, in accordance with state law. Any increases received during a term of office or not approved by the board should be reimbursed to the city.

**AUDITEE'S RESPONSE**



- A. *For clarification, we note that the Wellston benefit ordinance was enacted in 1997 during a period of much controversy on the City Council. Further, the former Mayor of the city was not impeached by the city. Instead, the City Council was considering impeachment. The former Mayor instituted litigation against the city, and the city counter-claimed.*

*Payments made pursuant to the plan were conditioned on the recipients' retirement from and agreement not to run for office in the city and were intended to be in the nature of a settlement of ongoing disputes with the city. The former Mayor resigned as a part of a settlement with the city. The other person receiving benefits also had disputes with the city and resigned. Neither of these individuals receiving payments voted on the ordinance that authorized the benefit program. Since the benefit payments were made upon retirement from office and were in the nature of a settlement, they do not constitute "an increase in compensation" during a term of office. The current City Council members are all serving a new term of office since the benefit ordinance was adopted and received no payments under the benefit ordinance during the term of office when it was adopted.*

*Notwithstanding the foregoing, the City Council has directed the Mayor, the City Clerk and other appropriate officials and employees to confer with legal counsel to discuss the legality of the city's benefit package and to make any appropriate recommendations to the City Council for any appropriate modifications to the plan. The City Council is committed to directing the affairs of the city in a fashion consistent with the requirements of law, and will work with legal counsel to implement this philosophy on this matter. To the extent that the city elects to maintain this program, the city will include in its annual budget sources for the payment of any potential amounts under this program.*

- B. *The City Council has directed that no officials or employees of the city will be paid in advance of the scheduled pay dates. The City Council has also implemented procedures to verify and ensure that such practices will not occur in the future. The City Council will monitor compliance with this matter.*
- C. *The City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to implement procedures that ensure that all employee wages and payroll taxes are paid and reported when earned through the city's normal payroll process. In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to consult with the City Attorney, the Social Security Administration and the Internal Revenue Service regarding any liability to the city. The city's engagement of an independent certified public accountant will provide needed resources and assistance to the City Council in meeting its objectives (for more information, see the response to MAR No. 2). A committee of the City Council will monitor compliance with this directive.*
- D. *The City Council adopted a comprehensive employee handbook effective July 8, 1999 covering the terms and conditions of employment with the city. This handbook establishes*

*extensive formal written policies for, among other matters, overtime, compensatory time, vacation, holiday and sick leave. In connection with the adoption of this handbook, the City Council directed the Mayor, the Chief of Police and other appropriate officials and employees to maintain adequate records of vacation, sick leave and compensatory time in a manner that provides a complete, accurate record of the amount of time earned, taken and any accumulated balances. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*

- E. The City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement methods to verify and ensure that payroll taxes are deposited timely to avoid unnecessary penalties and interest charges. The City Council has also directed staff to investigate and implement with the approval of the City Council an electronic transfer service to provide for the payment of payroll taxes. The City Council recognizes that the city is holding payroll taxes only as trustee and that it is not free to use such amounts for the benefit of the city. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- F. The City Council has instructed the Mayor and other appropriate officials and employees to refrain from paying Christmas bonuses and paying employees for past services. The City Council will monitor compliance with its directives.*
- G. The City Council has instructed the Mayor and other appropriate officials and employees of the city to verify and ensure that payroll calculations are periodically reviewed by the Treasurer, members of a City Council committee and by an independent certified public accountant (see the response to MAR No. 2 for more details on the role of the accountant). In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to implement procedures to verify and ensure that amended W-2 forms are filed with appropriate taxing authorities for 1998, and that any and all city officials and/or employees repay any and all amounts owed to the city for loans from the city. The City Council will monitor compliance with its directives.*
- H. The City Council has directed the Mayor, the Treasurer, the Bookkeeper, and other appropriate officials and employees of the city to study and make recommendations to the City Council regarding appropriate legislative changes to establish salaries or pay rates and applicable terms of office (including the date(s) of commencement of such terms) for all officials and employees, and to ensure that changes in compensation do not occur during a term of office and that salaries are within the amounts established pursuant to the city's budget, all in full compliance with applicable law. In addition, the City Council and the Mayor have determined to adjust current compensation to the members of the City Council,*

*the Mayor and other appropriate officials and employees of the city back to the rate in existence on the date that such person assumed office and to return to the city any amounts already paid to such persons in excess of such amounts. Further, the City Council intends to consider adopting appropriate ordinances to implement appropriate compensation increases for city officials and employees to become effective during future terms of office in compliance with applicable legal requirements. Refinements in the city's budget-making procedures and the implementation of greater internal accounting controls will enhance the city's ability to meet this directive of the City Council. The city's engagement of an independent certified public accountant will provide needed resources and assistance to the City Council in meeting its objectives (for more information, see the response to MAR No. 2). A committee of the City Council will monitor compliance with this directive.*

#### **AUDITOR'S COMMENT**

- A. We have seen no documentation of the settlement agreements referred to above. However, if these payments were intended as settlements of litigation or other disputes, such payments would not appear to have been allowable under the eligibility criteria established by the benefit package ordinance and if paid, should have come from other city funds. If these payments are characterized simply as 'payments upon retirement', they would appear to have included payment for prior years of service and their legality would be questionable, as discussed in the MAR.

Regarding the effect on current council members, the issue is not only whether they received a payment from the package during the term of office in which it was adopted, but also whether years of service prior to and including the term of office during which it was adopted will be included for the purposes of determining the eligibility for payments in the future. Inclusion of such years of service would not appear to be proper.

#### **6. Meetings, Minutes, Ordinances, and Records**

- A. The council meeting minutes are prepared by the City Clerk but are not signed by either the City Clerk or the Mayor. The council minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the council's meetings.

In addition, we noted the files of meeting minutes were poorly organized, and some minutes could not be located. To ensure council actions are properly documented, all minutes should be maintained and filed in an organized manner.

This condition was noted in our prior report.

- B. The council meeting minutes do not always adequately document matters discussed and actions taken. There were numerous instances where the minutes indicated that a decision

or appointment of an official was made but did not indicate the number of votes for and against the particular issue. In addition, the minutes do not always clearly indicate the reason a bid was selected which was not the low bid.

Section 610.020, RSMo Cum. Supp. 1999, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes provide an official record of council actions and decisions.

- C.1. Formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the City Council. Formal written minutes for closed meetings result in better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reasons announced for closing the meeting pursuant to Chapter 610, RSMo 1994.

The city began preparing minutes of closed meetings in March 1999.

2. The council minutes and the meeting agendas do not document the specific reasons for going into closed session. Section 610.021, RSMo Cum. Supp. 1999, allows the council to close the meetings to the extent the meetings relate to certain specified subjects. Section 610.022, RSMo Cum. Supp. 1999, requires a closed meeting, record or vote be held only for the specific allowable reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

These conditions were noted in our prior report.

- D. The Mayor and City Council sometime hold "work sessions" to discuss bills and reports prior to their regular meeting. The Mayor indicated the Council does not make decisions or vote at these sessions. The "work sessions" are not open to the public, notice is not posted, and tentative agendas and minutes are not prepared.

The governing bodies of all political subdivisions in Missouri are required to conduct most business in regular open meetings. Chapter 610, RSMo 1994 requires public notice of all meetings as well as reasonable accommodation to assure public access to meetings.

- E. Improvement is needed in the organization and documentation of the city's ordinances. The codified ordinances were updated in September 1998; however, the last ordinance included was enacted in June 1996. The city does not maintain a listing of ordinances passed since the last codification, but simply file the new ordinances in the City Clerk's office in numerical sequence. We were unable to locate several ordinances. We could not

readily determine whether the city had failed to use the missing ordinance number or an ordinance had been misplaced.

Since ordinances represent legislation which has been passed by the council to govern the city and its residents, it is important that the city's ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

This condition was noted in our prior report.

- F. The city does not have a formal policy regarding public access to city records. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo Cum. Supp. 1999, lists requirements for making city records available to the public. Section 610.026, RSMo Cum. Supp. 1999, allows the city to charge fees for copying public records, not to exceed the city's actual cost of document search and duplication.

**WE RECOMMEND** the City Council:

- A. Ensure council meeting minutes are signed by the Mayor and the City Clerk to attest to their completeness and accuracy, and organized files of minutes are maintained.
- B. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
- C.1. Ensure minutes are prepared for all closed meetings.
  - 2. Ensure minutes and agendas state the specific reasons for going into a closed session, as required by state law.
- D. Ensure compliance with state law for all regular and other meetings.
- E. Update and codify the city's ordinances and ensure a complete set of ordinances is maintained. In addition, the city should consider establishing an index of all city ordinances passed and rescinded.
- F. Develop written policies regarding procedures to obtain public access to, or copies of, public city records.

## **AUDITEE'S RESPONSE**

- A. *The City Council has instructed the Mayor, the City Clerk and other appropriate officials and employees of the city to obtain the signatures of the Mayor and the City Clerk on all minutes of the City Council meetings in order to attest to the completeness and accuracy of the minutes of meetings. In addition, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will verify and ensure that the city maintains organized files of minutes. The City Council will monitor compliance with its directives.*
- B. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring that, in connection with all meetings of the City Council, all significant discussions, actions and information required by state law will be included in the minutes. The City Council will monitor compliance with its directives.*
- C.1. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring that minutes are prepared and maintained for all closed meetings. The City Council will monitor compliance with its directives.*
2. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring that minutes and agendas state the specific reasons for going into closed sessions of the City Council, as required by applicable state law. The City Council will monitor compliance with its directives.*
- D. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring compliance with state law relating to all regular and special meetings. The City Council will monitor compliance with its directives.*
- E. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff, which upgrade will assist the city in updating and codifying the city's ordinances and ensuring that a complete set of ordinances is maintained. In addition, the City Council has directed the City Clerk to establish an index of all city ordinances passed and rescinded. The City Council will monitor compliance with its directives.*
- F. *The City Council has instructed the Mayor and other appropriate officials and employees of the city to formalize and deliver to the City Council for its review and approval the city's written policies and procedures regarding public access to, or copies of, public city records. The City Council will monitor compliance with its directives.*

A. Our review of the city's budgets noted the following concerns:

- 1) The budgets are not approved on a timely basis. The budgets for the fiscal years beginning July 1, 1999, 1998, and 1997, were not approved until July 7, 1999, July 15, 1998, and August 7, 1997, respectively.

Section 67.070, RSMo 1994, requires that if a new budget is not adopted by the beginning of the new year then the council should operate under the prior year's budget. To be of maximum benefit to the taxpayers and the city, the budget should be adopted prior to the beginning of the fiscal year.

- 2) Monies restricted for specific purposes, such as the Road and Bridge Fund and the Capital Improvements Sales Tax Fund are not separately budgeted. Currently, the city prepares an operating budget which includes all of the general and restricted monies as one fund.
- 3) The budgets for the years ended June 30, 1999 and 1998, did not present a complete financial plan for the ensuing year. The actual and estimated cash and resources available at the beginning and end of the year, respectively, were not included on the budget.
- 4) The budgets did not include a comparative statement of actual or estimated receipts and disbursements for the two previous years. The city presented only the estimated budget for the current year. Amounts for the two previous years provide comparative information to help evaluate the reasonableness of the budget estimates for the upcoming year.

Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include the beginning available resources and reasonable estimates of the ending available resources.

Similar conditions were noted in our prior report.

B. The City Council does not periodically compare actual revenues and expenditures to the budgeted amounts. The City Council receives a monthly report of actual receipts and disbursements; however, this does not include a comparison to amounts budgeted or year-to-date totals.

Budgets are a planning tool and should serve as a guide throughout the year to monitor revenues and expenditures. A periodic comparison of budgeted versus actual revenues and expenditures is necessary to properly monitor the financial condition of each city fund.

- C During the year ended June 30, 1998, the city approved expenditures in excess of budgeted amounts totaling approximately \$122,000. The city did not prepare an amended budget or adopt a resolution authorizing the additional expenditures, nor did the city set forth any reasons for exceeding the budgeted amounts in the council minutes.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If there are valid reasons which necessitate excess expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such over expenditures.

- D. The city has not published semi-annual financial statements as required by state law and city ordinance. Section 79.160, RSMo 1994, and city ordinances require the Council to prepare and publish semi-annual financial statements. In addition, Section 79.165, RSMo 1994, states the City Treasurer cannot legally disburse funds until the financial statement is published.

This condition was noted in our prior audit.

**WE RECOMMEND** the City Council:

- A. Ensure budgets are prepared timely and in accordance with state law for all city funds each year.
- B. Periodically compare actual revenues and expenditures with budgeted amounts to monitor city finances and to ensure actual expenditures do not exceed budgeted amounts.
- C. Ensure the expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the increase and reasons for such should be adopted.
- D. Ensure semi-annual financial statements are prepared and published in accordance with state law and city ordinance.

**AUDITEE'S RESPONSE**

- A. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that budgets for all city funds are prepared on an annual basis, in a timely fashion and in accordance with state law. In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other*



*appropriate officials and employees to design and submit to the City Council for its approval a detailed annual schedule to assist the city in meeting all applicable deadlines. Such schedule is required to include the receipt of input from all city departments including the Police Department and the Court System. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*

- B. The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to periodically compare actual revenues and expenditures with budgeted amounts to monitor city finances and to verify and ensure that actual expenditures do not exceed budgeted amounts. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- C. The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, the City Council intends to adopt an appropriate resolution setting forth the increase and the detailed reasons for such increase. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- D. The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that semi-annual financial statements are prepared and published in accordance with state law and city ordinance. In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to design and submit to the City Council for its approval a detailed annual schedule to assist the city in meeting all applicable deadlines. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*

**8.**

### **Restricted Funds**

- A. Capital improvement sales tax monies are not accounted for properly. In November 1995, city voters passed a ½ cent capital improvement sales tax to be used for the purpose of funding, operating, and maintaining capital improvements. During the period January 1, 1996 through June 30, 1999, receipts from the sales tax of approximately \$607,000 were placed in the city's General Fund. Disbursements specifically for capital improvement projects are not identified in the city's records.

Section 94.577, RSMo Cum. Supp. 1999, states that all capital improvement sales tax receipts shall be deposited in a special trust fund and used solely for capital improvements. In addition, separate records of receipts and disbursements would help inform the city residents of the specific projects funded by the sales tax.

- B. During the years ended June 30, 1999 and 1998, the city received motor vehicle-related receipts totaling approximately \$144,000 and \$141,000, respectively, from the state. The city maintains a separate bank account for the deposit of these funds; however, the city has transferred monies from this account to the city's General Fund periodically. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended only for street-related purposes.

Although street-related disbursements are paid from the General Fund, these disbursements are not specifically identified in the city's accounting records. As a result of this situation, monies legally restricted for street purposes have not been accounted for fully.

To ensure compliance with the Missouri Constitution, the city should maintain a separate accounting of motor vehicle-related receipts and ensure these monies are used only for the purposes allowed by the constitution.

This condition was also noted in our prior report.

The city should perform a detailed review of the capital improvement sales tax and motor vehicle-related receipts and disbursements that have been handled in the General Fund and determine if there is any remaining balance or monies due back from the General Fund. The unspent balance of these receipts should be accounted for separately along with future receipts.

**WE RECOMMEND** the City Council establish a separate accounting of restricted receipts and disbursements for capital improvement sales tax and motor vehicle-related monies to ensure they are used solely for allowable purposes and to inform the voters of the use of these restricted funds.

### **AUDITEE'S RESPONSE**

*The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to establish on the books of the city a separate accounting of restricted receipts and disbursements for capital improvement sales tax and motor vehicle-related monies to verify and ensure that such funds are used solely for allowable purposes and to report the balances and uses of funds in these accounts in the city's financial information made available to members of the public. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*

- A. Prenumbered permits are not used for building permits, plumbing permits, electrical permits, and occupancy permits. In addition, although the city issues prenumbered licenses for merchant's, storage, manufacturing, and business licenses, the city does not account for the numerical sequence. Also, the permit/license fee receipt slips are not reconciled to the number of each type of permit and license issued and the amount of fees deposited.

To provide additional assurance all monies are properly collected, recorded, and deposited, permits and licenses should be prenumbered and the numerical sequence should be accounted for properly. In addition, permit/license fee receipt slips should be reconciled to permit/license fee monies deposited and the number of permits/licenses issued to ensure all permit and license fees are being received, recorded, and deposited.

- B.1. City ordinance 13-201 requires businesses operating within the city limits to purchase a business license. The ordinance establishes the fee for these licenses at \$125 for most businesses. The city assessed and collected an incorrect fee of \$150 for two of the five licenses we reviewed. In addition, \$225 was collected for a license for which a fee of \$150 should have been assessed. City personnel could find no documentation to support the higher rate charged.
2. City ordinance 5-11 requires all property owners to obtain a building permit for proposed construction. The city assessed and collected an incorrect fee for three of the five permits we reviewed. The ordinance establishes the fee for these permits at four dollars on every \$1,000 of estimated construction costs. The city instead assessed a fee of 4 percent of the proposed construction costs, resulting in overcharges on the three permits totaling \$414.
- C. The city issues a prenumbered manufacturer's license to the applicable businesses and retains the stub in the license book. The City Clerk could not locate the stubs for manufacturer's licenses issued prior to March 1999.

Retention of city records is essential to establishing accountability for city financial activity and in demonstrating compliance with state and city law. Effective control of records require all documents and records be safeguarded against loss due to fire or theft, be accessible to the appropriate city officials/employees, and upon reasonable request, be accessible to the public.

**WE RECOMMEND** the City Council:

- A. Require all permits to be prenumbered and the numerical sequence of permits and licenses be accounted for properly. In addition, fees collected for all such permits and licenses should be reconciled to the number of permits and licenses issued.
- B. Ensure license and permit fees are assessed and collected in accordance with city ordinance.
- C. Ensure all records of the city are properly retained and available for review.

**AUDITEE'S RESPONSE**

- A. *The City Council recently upgraded its personnel in the office of the City Clerk. The upgrade will assist the city to implement its policy to require all permits to be pre-numbered and the numerical sequence of permits and licenses to be accounted for properly. In addition, oversight from the Mayor, the Treasurer and members of a City Council committee will assist the city to reconcile the fees collected for all such permits and licenses to the number of permits and licenses actually issued.*
- B. *The City Council recently upgraded its personnel in the office of the City Clerk. This personnel change will permit the city to verify and ensure that license and permit fees are assessed and collected in accordance with city ordinance. In addition, the City Council has directed the Mayor, the Treasurer and the members of a City Council committee to monitor the activities of personnel in the office of the City Clerk with respect to license and permit fees.*
- C. *The City Council recently upgraded its staff in the office of the City Clerk. This personnel change will permit the city to verify and ensure that all records of the city are properly retained and available for review. In addition, the City Council has directed the Mayor, the Treasurer and the members of a City Council committee to monitor the activities of the personnel in the office of the City Clerk with respect to record retention.*

**10.**

**Accounting Controls and Procedures**

- A. Monthly bank reconciliations are not prepared. In addition, balances are not recorded in the check registers. The city contracted with a certified public accounting (CPA) firm for the compilation of financial statements for the city. The CPA firm prepared bank reconciliations at January 31, 1999 and June 30, 1998 for the city's accounts. During our review of these reconciliations we noted the following concerns:

- 1) The city does not record bank fees or returned items in their general ledger or on the monthly Treasurer's report. In addition, it does not appear interest income is consistently recorded for all funds. Adjustments for these items were made by the CPA firm when reconciling the accounts.
- 2) Due to errors in recording receipts and disbursements in the city's records, additional adjustments ranging from \$435 to \$46,938 were necessary to agree the book balance to the reconciled bank balance.

Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and to allow errors or discrepancies to be detected and corrected timely. Maintaining a running checkbook balance ensures sufficient funds are available for disbursements.

- B. The city does not have an investment ledger to monitor certificate of deposit investments.

Complete, organized investment records are necessary to provide accurate and timely financial information upon which effective management decisions may be based. Furthermore, without such records, accountability over the city's assets and related revenues is weakened.

- C. The police department accepts cash, checks, and money orders for vehicle releases, police reports, and bond fees.

- 1) Receipt slips are not issued for the receipt of these monies. To help ensure collections are properly recorded and deposited, prenumbered receipt slips indicating the method of payment should be issued for all monies received, the numerical sequence accounted for properly, and the composition of the receipt slips reconciled to the composition of monies transmitted to the city.
- 2) Transmittals are not made on a timely basis. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made on a daily basis or when receipts exceed \$100.
- 3) Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- 4) Cash receipts are not transmitted to the city for deposit; instead, they are held by the police department and used for small purchases. To ensure the proper handling and safeguarding of monies, receipts should be deposited intact, and, if needed, a petty cash fund should be established and maintained on an imprest basis.

- D. City receipt records are not properly reconciled to deposits. The City Clerk's office records the amount and method of payment for all monies received on a prenumbered one-write receipt system and posts the receipt into the city cash register. The City Bookkeeper reconciles the total money on hand at the end of each day to the cash register tapes; however, the cash register tapes are not always retained. In addition, no reconciliation is made between the one-write receipt ledger and the deposits. We noted several instances when receipt slips were not issued for some monies received, indicated the incorrect method of payment, or were written for the wrong amount. Also, no one accounts for the numerical sequence of the receipt slips issued.

To adequately account for all monies received and recorded, and help ensure all receipts are properly deposited, the city should reconcile the amount and composition of monies per the one-write receipt ledger to the composition of amounts deposited. In addition, the numerical sequence of receipt slips issued should be accounted for properly.

- E. The City Bookkeeper prepares the monthly Treasurer's report which indicates the receipts for the month by classification, the disbursements for the month by check, and the ending balance. The report is prepared from the City Bookkeeper's general ledger. We noted the following concerns:

- 1) Receipts per the City Clerk's one-write receipt ledger do not always agree to the general ledger or the Treasurer's report. In addition, receipt amounts on the report were sometimes estimated when the monies had not yet been received at the time the Treasurer's report was prepared, and transfers between the city's bank accounts were not always recorded on the general ledger or the Treasurer's report.
- 2) Disbursements per the general ledger and the Treasurer's report did not always agree to the actual check issued.
- 3) The ending balance shown on the Treasurer's report did not agree to the running balance maintained in the general ledger and the totals reflected on the Treasurer's report were not always accurate.

To ensure the financial information made available to the council and public is complete and accurate, the city should ensure all funds and financial activity of the city is accurately recorded and properly presented in the monthly Treasurer's reports.

This condition was noted in our prior report.

- F. The City Bookkeeper maintains a petty cash fund of approximately \$400. The fund is not operated on an imprest basis, invoices or receipts are not maintained for some expenditures, and a ledger is not maintained to document disbursements. The fund is

entirely under the control of the City Bookkeeper and no independent review is made of the fund to ensure it is maintained properly.

Invoices should be maintained for all petty cash expenditures and the fund should be operated on an imprest basis, meaning that cash on hand and the invoices should always total the established balance, and checks issued to replenish the fund should equal the total of the invoices. A ledger of petty cash transactions should be maintained and periodically the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to prevent these monies from being misused.

A similar condition was noted in our prior report.

- G. In 1997, the city agreed to sell three of its vehicles to city employees for \$2,000 to \$2,500 per vehicle without obtaining bids as required by ordinance. The city entered into contracts with these employees to finance the purchase of these vehicles by allowing them to take a payroll deduction each month until the balance was repaid. One vehicle contract was canceled before the sale could be finalized and a second was canceled after the employee left the city's employment and failed to continue making the payments. The city was not able to retrieve the third vehicle even though the former employee failed to repay the contract amount.

Section 2-8 of the city code requires sealed bids to be solicited for all sales of property or services by the city in excess of a value of \$1,000.

To ensure the best price is obtained for property sold, the city should solicit bids in accordance with city ordinance, and documentation of bids received should be maintained.

- H. On December 10, 1996, the city entered into a contract with the Wellston Housing Authority to provide supplemental police services at the public housing developments. This contract requires the city police department to provide three police officers to perform specialized patrols to the public housing developments on a cost reimbursement basis not to exceed \$80,000 per year (\$26,667 in salaries and fringe benefits per officer). During the two years ended June 30, 1999 and 1998, the city received \$78,667 and \$63,333, respectively from the Housing Authority.

It appears the city failed to collect payment for services rendered in November 1997. The city has not developed procedures to ensure payment is received for each month billed. In addition, police personnel are required to complete a daily patrol log, which includes hours worked, calls and requests for service, referrals, suspicious persons, etc. and the police department also prepares a bill to be sent to the Housing Authority each month. The city was only able to locate 11 of 23 monthly bills for the period of July 17, 1997

through July 31, 1999 and could not provide us with copies of any of the daily patrol logs or most of the daily dispatch logs requested for review.

Proper documentation should be maintained to show compliance with the contract requirements. In addition, procedures should be developed to ensure payment is received for each month billed.

**WE RECOMMEND** the City Council:

- A. Ensure monthly bank reconciliations are prepared and checkbook balances are maintained. In addition, all bank fees, interest, and other adjustments should be properly recorded in the city's records.
- B. Ensure an investment ledger is maintained.
- C.1. Require prenumbered receipt slips be issued for all monies received, and ensure the numerical sequence of receipt slips issued is accounted for properly. In addition, the method of payment should be noted and the composition of receipt slips should be reconciled to the composition of monies transmitted to the city.
  - 2. Ensure transmittals are made on a daily basis or when accumulated receipts exceed \$100.
  - 3. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
  - 4. Transmit monies intact to the city for deposit. The council should consider establishing an imprest petty cash fund for the police department, if necessary.
- D. Ensure the amount and composition of receipts per the one-write receipt ledger is reconciled to the composition of bank deposits. In addition, the numerical sequence of receipt slips should be accounted for properly.
- E. Ensure the general ledger and the Treasurer's report are accurate and complete.
- F. Formally establish an imprest amount for the petty cash fund and ensure the fund is periodically counted and reconciled to the imprest balance by an independent person. In addition, invoices should be maintained for all petty cash expenditures and a ledger should be prepared of all petty cash transactions.
- G. Solicit bids for the sale of all assets in accordance with city ordinance.
- H. Ensure proper documentation is maintained to reflect the city's compliance with the contract with the Housing Authority. The city should ensure it collects payment for each



month billed and should contact the Housing Authority about the unpaid bill from November 1997.

### **AUDITEE'S RESPONSE**

- A. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that monthly bank reconciliations are prepared and to maintain running checkbook balances. In addition, the City Council has directed that all bank fees, interest and other adjustments be properly and promptly recorded in the city's records. The members of the City Council have determined independently to monitor the implementation of its directives on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- B. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to maintain at all times an investment ledger for the city. The members of the City Council have determined independently to monitor the implementation of its directive. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- C.1. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures requiring pre-numbered receipt slips to be issued for all monies received by the city, and ensuring that the numerical sequence of receipt slips issued is accounted for properly. In addition, the City Council has also directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to establish procedures whereby the method of payment will be noted and the composition of receipt slips will be reconciled to the composition of monies transmitted to the city. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- 2. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to implement appropriate procedures whereby receipts to the city will be transmitted to the Bookkeeper for deposit into the appropriate accounts of the city on a daily basis. The members of the City Council have determined independently to monitor the implementation of this directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- 3. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures to verify and ensure that*

*checks and money orders are restrictively endorsed immediately upon receipt. The members of the City Council have determined independently to monitor the implementation of its directive. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*

4. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to transmit monies intact to the city for deposit into the appropriate account. The City Council has also directed the Mayor and the Chief of Police to investigate and report to the City Council for its approval the establishment of a petty cash fund for the Police Department. The members of the City Council have determined independently to monitor the implementation of its directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- D. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that the amount and composition of receipts per the one-write receipt ledger is reconciled to the composition of bank deposits. In addition, the City Council has directed that the numerical sequence of receipt slips be accounted for properly. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- E. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures to verify and ensure that the general ledger and the Treasurer's report are accurate and complete. The members of the City Council have determined independently to monitor the implementation of its directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- F. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to formally establish an imprest amount for the petty cash fund and to verify and ensure that the fund is periodically counted and reconciled to the imprest balance by an independent person. In addition, the City Council has directed the city to maintain all invoices for all petty cash expenditures and a ledger of all petty cash transactions. The members of the City Council have determined independently to monitor the implementation of its directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*

- G. *The City Council has instructed the Mayor and other appropriate officials and employees to establish policies to solicit bids for the sale of all assets in accordance with city ordinances. The City Council has also directed the Mayor and other appropriate officials and employees of the city to recommend to the City Council for approval by the City Council amendments to the city's existing ordinances to modernize the city's approach to the sale of city assets. The City Council will monitor compliance with its directives.*
- H. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement policies to maintain proper documentation to reflect the city's compliance with the contract with the Housing Authority. The City Council has also directed appropriate officials and employees to collect payment for each month billed and to contact the Housing Authority concerning the unpaid bill from November 1997. The members of the City Council have determined independently to monitor the implementation of its directive on this matter.*

## **11. Municipal Court Division**

- A. Bond monies are collected by the police department and transferred to the Court Clerk for deposit into the city treasury. During our review of bond records, we noted the following concerns:

- 1) Approximately \$4,083 in cash bond monies collected between February 1998 and November 1998 were not deposited and appear to be missing.

The police department issues prenumbered receipt slips with a corresponding prenumbered bond envelope for all bond monies received. The police department also posts each bond to a bond log. The bond money and one copy of the receipt slip are put into the bond envelope and placed in a lock box. In the past, the Court Clerk and a designated police officer retrieved the envelopes from the lock box and verified the amounts in each envelope. Currently the police department retrieves the envelopes from the lock box and transmits the bond monies to the Court Clerk. The Court Clerk issues a prenumbered one-write receipt slip for each bond, enters each bond in the cash register, and deposits these monies into the city treasury daily. The police bond receipt slip and the court bond receipt slip are placed in the bond envelopes, which are filed by court date.

Twenty bonds recorded on the police department's bond receipt log could not be traced to an entry on the court's one-write receipt ledger or to a deposit in the court bond account. For eight of these bonds, totaling \$1,850, the Court Clerk had filed the bond envelope in her file; however, it did not contain a copy of a court receipt slip. For the other twelve bonds, totaling \$2,233 the bond envelope was not in the Court Clerk's file. In addition, as noted in part 3 below, numerous

police department receipt slips were not entered in the bond log and could not be accounted for properly.

These discrepancies were not detected on a timely basis due to numerous internal control weaknesses, little or no independent review, and a lack of adequate record keeping. The Municipal Division should review the situation and take necessary actions to recover the missing monies.

A similar condition was also noted in our prior report.

- 2) Bond monies received by the police department are not transmitted to the Court Clerk on a timely basis. Transmittals are made approximately once a week. In addition, the Court Clerk does not always indicate her receipt of bonds from the police department. In April 1999, the Court Clerk began initialing the police bond log to indicate her receipt of bonds from the police department.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100. To adequately account for all bond receipts and ensure all receipts are properly deposited, the Court Clerk should continue to initial the bond log to indicate her receipt of bonds from the police department.

- 3) Receipt slips issued by the police department for bond collections are prenumbered; however, some receipt slips were issued out of sequence. Numerous gaps between receipt numbers existed on the police department's bond log. The police department was unable to determine the disposition of the missing receipt slips. To adequately account for bond monies and to ensure all bond monies received are transmitted to the Court Clerk, prenumbered receipt slips should be issued in sequence and accounted for properly.
- 4) Money orders received by the police department are not restrictively endorsed until they are received by the Court Clerk. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- 5) Bond monies received are deposited directly into a city bank account. The Court Clerk does not maintain a bond ledger to account for the receipt, disbursement, and balance of bond monies, nor does she prepare a monthly listing of open-items (liabilities) to document the amount of bond monies being held by the city. As of June 30, 1999, neither the Court Clerk nor the city were able to determine the amount of open bonds held by the city. In addition, unclaimed bond refund checks are returned to the city where they are voided and not reissued.

A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. Monthly open-items listings should be prepared and reconciled to the bond monies held by the city to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. Any unclaimed bonds remaining one year after final court disposition should be disbursed to the state's Unclaimed Property Section as required by Section 447.595, RSMo 1994.

Similar conditions were noted in our prior report.

- 6) Bonds received are not posted to the individual case files or to the court's computer system. When a bond is applied to fines and costs or refunded, the Court Clerk places the bond receipt in the case file. A defendant must provide the copy of the original bond receipt slip to apply a bond to fines and costs or to obtain a bond refund. Due to the failure to post bonds to case files and failure to maintain a bond ledger, the Court Clerk cannot determine when bonds should be forfeited to the city or if a bond remains unclaimed. To ensure bonds are properly handled and recorded, the amount collected, the bond number, and the date of payment should be recorded on the case file.
- 7) The City Bookkeeper does not disburse specific bond monies to the city's general account when the bonds are applied or forfeited. Instead, the City Bookkeeper transfers lump sums from the bond account to the city's general account as funds are needed. To adequately account for bond monies, the City Bookkeeper should transmit any bonds to be applied or forfeited to the city on a timely basis.

- B. The municipal division accepts cash, checks, and money orders for payment of fines and court costs and deposits monies into a city bank account. Receipt slips issued by the municipal division do not indicate the method of payment received. To ensure receipts are deposited intact, the method of payment should be recorded on receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

This condition was noted in our prior report.

- C. The duties of receiving, recording, and transmitting fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. The City Bookkeeper indicated she reconciles the total money on hand at the end of each day to the cash register tapes and the one-write receipt ledgers, and accounts for the numerical sequence of the receipt slips issued; however, her review is not documented. In addition, no one compares the bond monies to be deposited with the original entry recorded on the police department's bond log.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips and bond forms issued to amounts deposited. This review should include accounting for the numerical sequence of receipt slips issued, and reconciling the composition of receipt slips issued by the court and the composition of monies transmitted to the City Treasurer for deposit.

- D.1. Neither the police department nor the court maintain adequate records to account for tickets assigned and issued, and their ultimate disposition. The police department maintains listings of tickets assigned and issued, but the listings are not complete or adequate to account for all tickets issued and their ultimate disposition. During our review, we noted numerous tickets not accounted for properly. It appears no one scans these logs for missing tickets.

Without a proper accounting of the numerical sequence and disposition of tickets, the police department and the court cannot be assured that all tickets issued were properly submitted to the court for processing. A complete listing of each ticket number, the date issued, offense, and violator's name would help ensure all tickets issued are properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record should be maintained of the ultimate disposition of each ticket.

This condition was noted in our prior report.

2. The Court Clerk does not post the ticket number to the court's computer system; thus, she was unable to locate case files from the ticket numbers. Instead, cases are filed alphabetically by the defendant's name. Seven of the sixty tickets requested could not be located. A cross-referencing system is necessary to ensure all tickets have been submitted to the court for processing and to aid in locating issued tickets and the related case files.
- E. The city did not disburse the state's portion of the Crime Victims Compensation fund (CVC) and Peace Officer Standards and Training Commission (POSTC) fees for all cases on which they were collected and some disbursements were not made timely. Section 595.045, RSMo Cum. Supp. 1999, requires 95 percent of the CVC fees be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.
- F. The Court Clerk could not locate twenty-two of the sixty case files (37 percent) requested for review. The clerk was able to locate fifteen of those cases on the court's computer system. In addition, the Court Clerk could not locate one-write receipt ledgers prior to April 1997, the one-write receipt ledger for June 1997, and six court dockets for 1997. Supreme Court Administrative Rule 8 requires all municipal ordinance case files be maintained for three years after the date of filing and financial records be maintained for five

years or upon completion of an audit. Retention of applicable records is necessary to properly account for all municipal monies received.

- G. The municipal division does not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Section 302.225, RSMo Cum. Supp. 1999, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

This condition was noted in our prior report.

- H. The final disposition of each case is not always adequately documented on the court docket. In addition, the Municipal Judge does not sign the court dockets after dispositions are recorded, and the Prosecuting Attorney does not always initial or sign the case file to document approval of a ticket's amendment or dismissal.

To ensure the proper disposition has been entered in the court records, the Municipal Judge should review each court docket and sign the docket to indicate approval of the recorded disposition. In addition, the Prosecuting Attorney should sign all amended and dismissed case files.

This condition was noted in our prior report.

**WE RECOMMEND** the Municipal Division:

- A.1. Review the situation with the City Council and legal counsel and contact the municipal division's bonding company.
2. Request the police department to transmit bond receipts daily or when accumulated receipts exceed \$100. In addition, the Court Clerk should continue to initial the police department's bond log to indicate her receipt of bonds from the police department.
3. Work with the police department to ensure receipt slips are issued in sequence and the numerical sequence of the receipt slips is accounted for properly.
4. Request the police department to restrictively endorse money orders immediately upon receipt.
5. Maintain a bond ledger, prepare a monthly listing of open items, and work with the City Bookkeeper to reconcile these records to the bond monies held by the city. Any unclaimed bonds remaining after one year of court disposition should be disbursed in accordance with state law.

6. Record on the case file the bond amount collected, the bond number, and the date of payment.
7. Request the City Bookkeeper to develop procedures to ensure all bond monies applied or forfeited are disbursed to the city's general account on a timely basis.
- B. Indicate the method of payment on receipt slips issued and reconcile the composition of receipt slips to bank deposits.
- C. Establish a documented review of municipal division records by an independent person.
- D.1. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets assigned and issued.
2. Post the ticket number to court computer system.
- E. Develop procedures to ensure all CVC and POSTC fees collected are remitted to the state in accordance with state law and on a timely basis.
- F. Retain all tickets, case information, and financial records in accordance with Supreme Court Rule 8.
- G. Forward records of convictions on traffic offenses to the MSHP as required by state law.
- H. Include the disposition of each case on the court docket. In addition, the Municipal Judge should ensure the docket is signed to indicate review and approval, and the Prosecuting Attorney should sign all amended and dismissed cases.

### **AUDITEE'S RESPONSE**

*The Municipal Judge, Court Clerk, Mayor and City Council responded as follows:*

- A.1. *The City Council has determined to conduct a thorough review of the issue of unaccounted-for monies related to the bond program and to co-ordinate with the city's bonding company toward the goal of recovering such sums for the city. The outside auditing firm that the city intends to retain will provide the city with assistance with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its determinations.*
2. *The Court Clerk will issue new sequential, triplicate bond receipt forms to the Police Department to replace the receipts currently in use. The Police Department will be required to return the completed receipts to the Court Clerk each Monday and Thursday, including any forms that were canceled or voided. The recommended daily return of completed*



*receipts or the return of completed bond receipts when accumulated receipts exceed \$100 will be considered. The Court Clerk will verify the return of all bond receipt forms and report any missing forms to the Police Department for written reconciliation and to the Municipal Judge if no written reconciliation is provided within five working days.*

*The Court Clerk will independently verify the amounts of all bonds transmitted to her and will maintain a bond receipt log of all amounts received. The Court Clerk will accept and initial only those envelopes whose contents match the amounts claimed on the bond envelope. All non-conforming envelopes will be reported immediately to the Municipal Judge and the Mayor. The Mayor will be responsible to report the same to the City Council.*

*In addition, the City Council has directed the Police Department to cooperate with the court in achieving greater efficiencies in this matter. The City Council, working with the outside certified public accounting firm that the city intends to hire, will monitor compliance with this policy (see the response to MAR No. 2 for more details on the role of the accountant).*

- 3. The City Council has directed the Police Department to work with the court to verify and ensure that receipt slips are issued in sequence and the numerical sequence of the receipt slips is accounted for properly. The City Council will monitor compliance with this directive.*
  - 4. The City Council has directed that the Police Department work with the court to verify and ensure that money orders are restrictively endorsed immediately upon receipt. The City Council will monitor compliance with this directive.*
  - 5. The Court Clerk initiated the recommended bond deposit ledger on September 8, 1999 and has maintained the ledger since its introduction. The Court Clerk will prepare a separate written monthly list of open items from the bond deposit ledger and transmit the list to the Bookkeeper. The Bookkeeper will then transmit appropriate monies to the State of Missouri. The City Council will monitor compliance with this matter.*
  - 6. The Court Clerk has adopted a policy whereby bond amounts will be posted on the case file jacket and in the computer system and filed in the case file jackets. The City Council will monitor compliance with this policy.*
  - 7. The City Council has directed the Bookkeeper, under the supervision of the Treasurer, to develop comprehensive procedures to verify and ensure that all bond monies applied or forfeited are transferred to the city's general account on a timely basis. This function will be made easier by the Court Clerk's preparation of a monthly listing of open items to be provided as described in the response to MAR No. 11.A.5. The City Council will monitor developments concerning this matter.*
- B. The Court Clerk will indicate the method of payment, along with the case number on the receipt slips and verify the same on the deposit ticket that she prepares. The City Council*

*has also directed that the Treasurer and the Bookkeeper coordinate with the city's bank to develop a system to reconcile the method of payment with the bank deposit slip issued by the bank. The City Council will monitor developments concerning this matter.*

- C. The City Council has directed the Treasurer to conduct an impartial, independent review of the court's records on a periodic basis. The retention of outside certified public accountants will also assist with this review (see the response to MAR No. 2 for more details on the role of the accountant). In addition, the City Council has determined to monitor compliance with financial safeguards.*
- D.1. The City Council has directed the Police Department to work with the court in order to verify and ensure that records are maintained in such a fashion as to account for the numerical sequence and ultimate disposition of all tickets assigned and issued through the court. The City Council will monitor developments in this area.*
- 2. The Court Clerk will post ticket numbers submitted to the court in the computer system. The City Council has directed the Police Department to account for all tickets, particularly missing tickets. The City Council will monitor compliance with this directive.*
- E. The Court Clerk has developed procedures to verify and ensure that all CVC and POSTC fees collected are remitted to the State of Missouri in accordance with applicable law and on a timely basis. Implementation of these procedures is reflected in the fact that the Court Clerk changed her case counting method in September 1999 to address this issue and that she now prepares and submits a report to the Bookkeeper on the 20th of each month. The Bookkeeper is monitored by the Treasurer and the City Council.*
- F. The court has adopted procedures to retain all tickets, case information and financial records in accordance with applicable rules. The City Council will monitor compliance with these procedures.*
- G. The Court has adopted procedures to forward records of convictions on traffic offenses to the MSHP as required by state law. The City Council will monitor compliance with these procedures.*
- H. Upon the recommendation of the Missouri Municipal Judges Association and Court Clerk training, final disposition of each case is already documented on the court case file jacket instead of on the docket, so that the maximum amount of data remains in a single, most logical place – the court case file jacket. All posted dispositions will be signed by the disposing authority, i.e., the Prosecutor or the Judge. All Judicial dockets are signed by the Judge. A standing order is being issued to the Prosecutor to verify and ensure that his docket is signed. A standing order is being issued to the Court Clerk instructing her to only accept written and signed dispositions of a case. The City Council will monitor compliance with these procedures.*

## **AUDITEE'S OVERALL RESPONSE**

*The City Council has instructed appropriate city officials and employees to investigate fully all findings of the State Auditor and to report the result of such investigation to the City Council.*

*In order to further enhance the City Council's efforts to respond to these matters, the City Council has determined to devote more resources to training efforts for its officials and staff and to establish a relationship with the Local Government Management and Leadership Partnership, a cooperative project of the East-West Gateway Coordinating Council, the University of Missouri-St. Louis and University Outreach and Extension (the "Gateway Partnership"). In connection with training, the City Council has directed the Mayor and other appropriate officials and staff to recommend to it for its approval greater expenditures toward training programs. With respect to the Gateway Partnership, this relationship will provide the city with additional resources at no cost to the city. These resources will include (a) direct technical assistance and advice to the City Council, officials and employees; (b) training programs to enhance the ability of the Mayor and the City Council to accomplish their duties; (c) advice on grant funding opportunities; (d) facilitating collaboration and cooperation between the City and other local governments; (e) teaching and advising students for local government careers and facilitating mechanisms to get students involved in local government activities; and (f) bringing the resources of East-West Gateway and the University to bear in addressing local government problems.*

*The city's commitment to greater training measures and the engagement of the Gateway Partnership will provide needed resources and assistance to the City Council in meeting its objectives.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



REVIEW OF THE  
DIVISION OF AGING'S  
MONITORING OF NURSING HOMES  
AND  
HANDLING OF COMPLAINT INVESTIGATIONS

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-13  
March 1, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2000

**The following problems were discovered as a result of an audit conducted by our office of the Division of Aging's monitoring of nursing homes and handling of complaint investigations.**

**INSPECTIONS FOUND TO BE PREDICTABLE**

Our audit determined serious problems with inspections of nursing homes. Many citizen complaints received by our office allege that nursing home facilities were aware, or could predict, when the next inspection would occur. Those complaints further allege that facilities often make temporary or cosmetic changes in their staffing levels, physical environment, and quality of care in an effort to mask underlying systemic problems.

Division of Aging personnel acknowledged that it is not unusual for staffing levels to increase once an inspection begins and that this practice results in a skewed picture of actual facility staffing. Scheduling inspections in a somewhat predictable pattern tends to offset the unannounced aspect of the surveys and inspections and provides facilities the opportunity to make temporary improvements in staffing levels and the condition of the facility to coincide with the expected date of the inspection. During our review we noted several examples of the inspection order and/or inspection dates of facilities being very patterned.

In September 1998, the Division of Aging adopted a revised inspection scheduling policy designed to reduce the predictability of facility inspections. The Division of Aging should continue to identify and implement ways in which the predictability of the inspections could be reduced by varying the chronological order and timing of inspections.

**MINIMUM INSPECTION REQUIREMENTS NOT BEING MET/ADDITIONAL INSPECTIONS DO NOT OCCUR**

Our review also revealed several other problems related to the inspection process. The Division of Aging has not been able to make the minimum number of inspections required by law, much less perform additional inspections. Nevertheless, the Division of Aging rarely performs additional inspections. It would appear the Division of Aging could identify the chronically poor performing facilities and subject these facilities to additional onsite inspections. Additional inspections may help identify deficient conditions in a more timely manner and help force poor performing facilities to maintain a higher level of care throughout the year. Three examples of inspections not being adequately performed or documented, and/or deficiencies being inappropriately removed from the inspection report were noted. In addition, Division of Aging tended to cite more deficiencies when federal inspectors were present.

**FAILURE TO INVESTIGATE COMPLAINTS IN A TIMELY MANNER**

The Division of Aging does not always initiate complaint investigations in a timely manner. Complaint investigation reports are not submitted to the central office in a timely manner, particularly for complaints assigned the Springfield, St. Louis, and Kansas City Regional Offices. Numerous other problems regarding complaint investigations were noted at the Kansas City Regional Office including instances where the reporter of the complaint was not properly notified as required by state law. Also, facilities which correct the cause of the violation before the complaint investigation occurs cannot be sanctioned unless there is serious harm or injury.

(over)

YELLOW SHEET

The division does not study the sanctions imposed on nursing homes to determine which are most effective in bringing these facilities into compliance with standards. According to the division, one of the state's sanctions available, a monetary penalty, is currently too burdensome to be effective. In addition, plans facilities submit to correct sub-standard conditions often were not effective to prevent a repeat deficiency, or the plan of correction was not implemented.

#### **MINIMUM STAFFING REQUIREMENT FOR NURSING HOMES SET ASIDE**

Our audit also reviewed the Division of Aging's work as it related to the adequate staffing of nursing homes. Many complaints received by our office alleged facilities were understaffed which resulted in inadequate care provided to their residents. State law requires the Division of Aging to set minimum staffing requirements. However, in September 1998, the division rescinded the minimum staffing requirement which was too low to provide adequate care to nursing home residents. Since there no longer is a minimum staffing ratio which addresses the number and qualifications of direct resident nursing care, this action contradicted state law. The Division of Aging should establish a reasonable minimum allowable staffing requirement that also clearly establishes that additional staffing may be necessary based on resident dependency levels. The audit also recommended the division compare actual staffing hours at facilities to staffing levels recommended by the new system under development.

The audit noted that a statistic, provided by the Division of Aging in a response to an audit recommendation, regarding the number of facilities cited for inadequate staffing (229 of 491, or 47%) is misleading as it also includes cites for staff qualification and training issues. According to a June 1999 report generated by Division of Aging from the Online Survey and Certification Reporting System (OSCAR), only 42 of 492 (8.5%) facilities were cited for inadequate staffing during the most current survey.

#### **MANY DISQUALIFIED FROM WORKING WITH CHILDREN AND MENTALLY HANDICAPPED FOUND TO BE WORKING IN NURSING HOMES**

The Division of Aging is required to maintain a listing of persons who have abused, neglected, or exploited the elderly and disabled. Nursing homes, residential care facilities, businesses who hire nurses aides, hospitals, and home health agencies are prohibited from hiring anyone on the employee disqualification listing (EDL). We identified 21 instances in which a nursing home or in-home care provider under contract with the department had hired a person listed on the EDL.

The Division of Aging does not always issue a deficiency to facilities that hire persons listed on the EDL. We also noted the Division of Aging does not have adequate procedures in place to identify employers who do not perform criminal background checks.

More than 1,100 persons listed in the Department of Mental Health employee disqualification listing and the Central Registry of Child Abuse and Neglect were working in nursing homes or at in-home care providers. In addition, instances were noted in which persons listed on the Aging and Mental Health listings and within the abuse and neglect registry were working in other inappropriate work settings. These concerns will be addressed in a subsequent report to be issued by the State Auditor.

**IMPORTANT:** Immediate legislative action regarding at least two major findings of this audit are needed to better insure the quality of care for those dependent upon nursing homes as well as Division of Aging supervision of those facilities.

- Current state law allows nursing homes to avoid all fines and penalties if they correct reported violations by the time the division reinspects the nursing home on all violations except those that result in a serious physical injury. In addition, statutory provisions for penalties as they relate to repeat violations or problem homes are inadequate. As a result, penalty provisions are lacking and grossly inadequate.
- Also, this audit points out that the Division of Aging is unable to disqualify individuals from nursing home employment who are prohibited from working with children and/or the mentally handicapped. Consequently, it is vitally important appropriate legislation be enacted to better insure the quality of care and safety of nursing home residents.

REVIEW OF THE  
DIVISION OF AGING'S  
MONITORING OF NURSING HOMES  
AND  
HANDLING OF COMPLAINT INVESTIGATIONS

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**CLAIRE C. McCASKILL**  
Missouri State Auditor

Honorable Mel Carnahan, Governor  
and  
Gary J. Stangler, Director  
Department of Social Services  
and  
Richard Dunn, Director  
Division of Aging

We have conducted a review of the Division of Aging's monitoring of nursing homes and handling of complaint investigations. The objectives of this review were to:

1. Review and evaluate the division's compliance with certain statutory requirements regarding inspections of nursing homes and residential care facilities.
2. Review and evaluate the division's compliance with certain statutory requirements regarding investigation and processing of complaints.
3. Review certain management controls and practices to determine the propriety, efficiency and effectiveness of those controls and practices as they relate to the monitoring of nursing homes and complaint investigations.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary under the circumstances. In this regard, we reviewed applicable state and federal laws, we interviewed applicable personnel and inspected relevant records and reports of the Division of Aging, some nursing homes, and advocacy groups. We also received significant input from concerned citizens who had contacted our office with additional information about various nursing homes and Division of Aging practices.

As part of our review, we assessed the Division of Aging's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain policies and procedures.

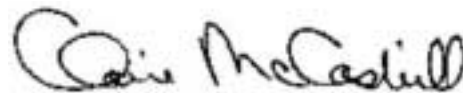
The accompanying Background Information is presented for informational purposes. This information was obtained from the Division of Aging and was not subject to the procedures applied in the review of the Division of Aging's monitoring of nursing homes and handling of complaint investigations.



Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Background Information is presented for informational purposes. This information was obtained from the Division of Aging and was not subject to the procedures applied in the review of the Division of Aging's monitoring of nursing homes and handling of complaint investigations.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Division of Aging's monitoring of nursing homes and handling of complaint investigations.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 17, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
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| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Luetkemeyer, CPA  |
| In-Charge Auditor:  | Dennis Lockwood, CPA   |
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## BACKGROUND INFORMATION

DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF AGING  
MONITORING OF NURSING HOMES  
AND  
HANDLING OF COMPLAINT INVESTIGATIONS  
BACKGROUND INFORMATION

The Division of Aging (DA) of the Department of Social Services was created on October 1, 1979 by executive order. On August 13, 1984, the DA was statutorily established by Section 660.050, RSMo. It serves as the central agency to coordinate all programs relating to the lives of older Missourians. Its goals are to improve the quality of life, maintain personal dignity, and protect the basic rights of Missouri's senior citizens. Its services include institutional programs which safeguard residents in long-term care facilities; home and community care programs which provide support for older persons who live in the community; and programs for immediate assistance to older persons and disabled individuals who encounter abuse, neglect, or exploitation. The DA promotes public awareness of the needs and abilities of older persons while maximizing independence for older Missourians.

In accordance with the Omnibus Nursing Home Act, the DA is responsible for assuring the safety, health, welfare, and rights of persons residing in institutional facilities. The division has the legal authority to intervene in cases where abuse, neglect, or exploitation occurs among institutionalized elderly or disabled persons. The Institutional Services Unit conducts inspections of nursing homes and residential care facilities, conducts investigations of complaints of abuse or neglect at long-term care facilities, develops and implements appropriate rules and regulations in accordance with the Omnibus Nursing Home Act, and along with the U.S. Department of Health and Human Services, recommends Medicaid/Medicare certification of intermediate care and skilled facilities. In addition, the division assesses eligibility for Medicaid and cash grant assistance for long-term care residents, licenses nursing home administrators, reviews and approves architectural plans for proposed long-term care facilities, and provides data for certificate of need determinations.

The Home and Community-Based Services Section, includes the Missouri Care Options program, which is a comprehensive and coordinated approach to support elderly and disabled persons in their homes and communities. This section conducts investigations of complaints of abuse, neglect, or exploitation for the elderly and disabled who are not residing in institutional facilities and provides screening, assessment, and protective services if needed. The Older Americans Act unit monitors and provides guidance to the Area Agencies on Aging which operate various home and community programs for the elderly and disabled. The State Long-term Care Ombudsman provides oversight and assistance to the ten regional ombudsman programs, ensures complaints received by the office are investigated and coordinates the activities with other advocacy groups.

During the year ended June 30, 1999, there were about 1,250 licensed facilities, and the DA received about 7,400 Institutional Services complaints and about 14,000 Home and Community Services complaints.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Recommendations

REVIEW OF THE  
DIVISION OF AGING'S  
MONITORING OF NURSING HOMES  
AND  
HANDLING OF COMPLAINT INVESTIGATIONS  
SUMMARY OF FINDINGS

1. Inspections (pages 9-20)

The Division of Aging (DA) does not appear to utilize its centralized data base to monitor compliance with state laws regarding the timing of facility inspections. In addition, the DA failed to conduct required inspections of these facilities. The DA schedules inspections in a somewhat predictable manner. The DA does not compare the results of its inspections to regional or national statistics. A direct correlation between the number of deficiencies cited and the presence of federal inspectors was noted. Examples of inspections not being adequately performed or documented, and/or deficiencies being inappropriately removed from the inspection report were noted.

2. Complaint Investigation Processing and Procedures (pages 20-28)

The DA does not always initiate complaint investigations in a timely manner. Complaint investigation reports are not submitted to the central office in a timely manner, particularly for complaints assigned the Springfield, St. Louis, and Kansas City Regional Offices. Numerous other problems regarding complaint investigations were noted at the Kansas City Regional Office. Also, facilities which correct the cause of the violation before the complaint investigation occurs are rarely sanctioned.

3. Report Deficiencies, Sanctions, and Corrective Action (pages 28-35)

The DA does not study the effectiveness past sanctions have on future compliance by facilities, and does not always consider a facility's history of past noncompliance when determining sanctions. The federal civil monetary penalty (CMP) appears to have been an effective sanction; however, the state CMP process is too onerous and burdensome. Plans of Correction (POC) submitted by facilities which have been cited for deficiencies are often ineffective and/or the POC is not properly monitored for compliance.

4. Staffing of Nursing Homes (pages 35-42)

The DA rescinded minimum staffing requirements. This action appeared to contradict the intent of state law. In addition, the rescinded staffing requirement appears to have been too low to provide adequate care to nursing home residents. A new system being developed provides an estimate of the actual hours of nursing care needed to meet the needs of the actual residents in a specific nursing home. The DA needs to compare staffing levels recommended by this system to actual staffing information from the facilities. DA surveyors do not review facility staffing levels and

compare them to any minimum standard or industry benchmark. The DA did not sanction a facility to the fullest extent warranted when a widespread pattern of understaffing existed.

5. Employee Disqualification Listings, Central Registry, and Criminal Backgrounds (pages 42-47)

The DA is required to maintain a listing of persons who have abused, neglected, or exploited the elderly and disabled. Nursing homes, residential care facilities, businesses who hire nurses aides, hospitals, and home health agencies are prohibited from hiring anyone on the employee disqualification listing (EDL). We identified 21 instances in which a nursing home or in-home care provider under contract with the department had hired a person listed on the EDL. The DA does not always issue a deficiency to facilities that hire persons listed on the EDL. In addition, the DA does not have adequate procedures in place to identify employers who do not perform criminal background checks. More than 1,100 persons listed in the Department of Mental Health employee disqualification listing and the Central Registry of Child Abuse and Neglect were working in nursing homes or at in-home care providers. In addition, instances were noted in which persons listed on the Aging and Mental Health listings and within the abuse and neglect registry were working in other inappropriate work settings.

REVIEW OF THE  
DIVISION OF AGING'S  
MONITORING OF NURSING HOMES  
AND  
HANDLING OF COMPLAINT INVESTIGATIONS  
MANAGEMENT ADVISORY REPORT

|           |                    |
|-----------|--------------------|
| <b>1.</b> | <b>Inspections</b> |
|-----------|--------------------|

Under federal and state regulations, the Division of Aging (DA) is charged with the responsibility to conduct inspections of licensed nursing homes and residential care facilities. Currently there are about 1,250 of these facilities operating within the state. Federal regulations require nursing homes that are certified to participate in the Medicare and Medicaid programs to be subjected to an inspection (also commonly referred to as a survey) at least once every fifteen months. State regulations require each licensed nursing home and residential care facility to be subjected to at least two inspections annually. Under DA policies, one of those inspections, designated a "full" inspection, must determine whether the facility is in full compliance with all state licensing and provision of care requirements except those reviewed during the interim inspection. The DA usually performs the "full" inspection and the federal inspection at the same time. DA policy requires the second annual state inspection process, designated the "interim" inspection, to focus on quality of care from an outcome perspective and compliance with six statutorily mandated areas (surety bonds, nurse aides training, resident funds, operational policies, grievance system, licensed administrator), and the federal Patient Self-Determination Act. Section 198.032, RSMo 1994, requires inspection reports to be centrally filed in a manner that facilitates rapid access and to be available to the public for examination and copying.

Our review of the DA's inspection process noted the following areas of concern:

- A. For inspections where deficiencies are found, the results of both full and interim state inspections are documented on a DA-107 form. If no deficiencies are found, the inspection is documented on a DA-102 form. The forms along with any necessary statements of deficiencies, plans of correction, and required letters of the inspection results make up an inspection report packet and those packets are submitted to the Central Office for data entry to DA's centralized data base and filing in the central file room. The DA policy regarding submission of completed federal inspection packets is to submit the packet, except in rare instances, within 90 days following the exit conference.

The DA does not appear to utilize its centralized data base to monitor compliance with state laws regarding the timing of facility inspections. We reviewed inspections completed for state fiscal years (SFYs) 1998, 1997, and 1996, and noted that inspection reports are often not submitted to the Central Office in a timely manner. We identified 81 inspection reports, some dating back to SFY 1996, for which the inspection had been completed but



the inspection report had not been submitted to the Central Office. We also identified 102 inspection reports which had been submitted to the Central Office but the results had not been entered into the DA's computerized data base. Because inspection reports are not submitted to and entered into the database maintained by Central Office timely, the DA is unable to rely on the system to properly monitor and ensure inspections mandated by state law have been performed. In addition, the reports that are not filed with the Central Office are not centrally filed and therefore do not appear to be readily accessible to the public as required by Section 198.032, RSMo 1994.

- B. Because the DA's system does not maintain the current status of facility inspections, we asked the DA to research inspection records to determine if the DA was in compliance with state inspection requirements for SFY 1999. The DA determined it had failed to conduct 53 full and 363 interim inspections during SFY 1999. As a result, it appears the DA is not in compliance with the state law regarding inspections for nursing homes and residential care facilities.

We compared the listing of facilities that did not receive a required inspection in SFY 1999 to the listing of facilities that had been issued a notice of noncompliance by the DA since 1997. A notice of noncompliance is only issued to a facility that was cited for a Class I violation or had a Class II violation that had not been corrected by the time of the revisit. A Class I violation is one which presents either an imminent danger to the health, safety, or welfare of any resident, or a substantial probability that death or serious physical harm would exist. A Class II violation would have a direct or immediate relationship to the health, safety, or welfare of any resident, but which does not create imminent danger. We determined twenty-three of the facilities that did not receive the required inspection had at least two notices of noncompliance issued in the last three years. One of those facilities had not received either the full or interim inspection.

The DA attributed some degree of the missed inspections to the significant increases in the number of serious complaints in SFY 1999 which required extensive investigations by DA inspectors. The total number of complaints received by the DA increased 9 percent from SFY 1997 to SFY 1998 and 21 percent from SFY 1998 to SFY 1999. In addition, the DA stated a substantial increase in the number of notices of noncompliance issued in the last two years required significant additional inspector time to write up the deficiencies, monitor those facilities, and provide testimony at hearings on the enforcement actions resulting from those notices.

The DA should take immediate action to comply with state law regarding the inspection of nursing homes and residential care facilities.

- C. We also examined inspection reports for SFYs 1998, 1997, and 1996. The DA was unable to provide documentation that any inspection, either full or interim, had been conducted at two intermediate care facilities in SFY 1996 or at one residential care

facility in SFY 1997. In addition, the DA was unable to provide inspection reports to substantiate that 23 full and 68 interim inspections had been performed in SFYs 1996 through 1998.

The DA maintains that inspectors were at these facilities and offered employee time records to verify their contention. However, without a completed inspection report, the DA is not in compliance with state law and there is no documentation that completed inspections were properly performed. In addition, written inspection reports are necessary to apprise the public whether facilities are in compliance with various state and federal regulations.

- D. Section 198.022, RSMo 1994, requires the DA to make **at least** two inspections per year. This statute also allows the DA to make as many inspections as it deems necessary. As noted above, the DA has not even been able to make the minimum number of inspections required by law, much less to perform additional inspections. Nevertheless, the DA rarely performs additional inspections. It would appear the DA could identify the chronically poor performing facilities and subject these facilities to additional onsite inspections. Additional inspections may help identify deficient conditions in a more timely manner and help force the poor performing facilities to maintain a higher level of care throughout the year.
- E. Federal and state regulations require inspections to be unannounced and unpredictable. Many citizen complaints received by both our office and the DA allege that facilities were aware of or could predict when the next inspection would occur. Those complaints further allege that facilities often make temporary or cosmetic changes in their staffing levels, physical environment, and quality of care in an effort to mask underlying systemic problems when the facility thought the inspection was pending. DA personnel acknowledged that it is not unusual for staffing levels to increase once an inspection begins. Scheduling inspections in a somewhat predictable pattern tends to offset the unannounced aspect of the surveys and inspections. During our review we noted several examples of the inspection order and/or inspection dates of facilities being very patterned.

Predictable inspections provide facilities the opportunity to make temporary improvements in staffing levels and the condition of the facility to coincide with the expected date of the inspection. In September 1998, the DA adopted a revised inspection scheduling policy. Under the revised policy, regions are to vary the geographical ordering of the inspections. Also, to further decrease the predictability of inspections, the DA starts at least 10 percent of the inspections in the evening or night hours or on weekends.

The DA should continue to identify and implement ways in which the predictability of the inspections could be reduced by varying the chronological order and timing of inspections.

- F. During the inspection process, inspection staff review 190 areas or categories to identify violations of state and federal regulations. Violations noted in these categories are called deficiencies. We obtained a September 1999 On-line Survey and Certification Reporting System (OSCAR) summary report of deficiencies issued to the certified facilities. The report included summarized data on 559 skilled nursing facilities (SNFs) in the state which included approximately 490 facilities inspected by DA. The other SNFs are hospital based and are inspected by the state's Department of Health. This summary report revealed the percentage of homes cited for the 190 categories by region, state, and the national average. We noted the DA cited certified facilities at a rate 5 percent higher than the national average for four of the 190 categories. The cite rate was 5 percent below the national average rate for nine categories. The total number of facility/cites for the state was 2,475, with 559 facilities, for an average cite rate of 4.43 deficiencies per facility for Missouri. The national average cite rate per facility is 5.36 deficiencies per facility. The DA had not studied this readily available report in any detail and could not explain why the DA average cite rate per facility was lower than the national average. While the difference between the cite rate of Missouri and the nation was often slight, the DA was below the national average in 155 categories, the same for two categories, and above for only 33 categories.

We also reviewed the variations in the cite rates among the seven regions within the state. The lowest cite rate was Region 1 in Southwest Missouri at 3.36 cites per facility. Region 4 in Northwest Missouri averaged 7.25 cites per facility. Again DA has not studied the variation between regions in much detail. Industry officials and advocates for the elderly have stated one of their biggest concerns with the DA inspection program is the apparent lack of consistency between inspections and the variations in interpretation and enforcement efforts between regions.

The DA should study the available reports of deficiency patterns to identify areas where enforcement may be weak or inconsistent and consider their impact upon the inspection process.

- G. The U.S. Department of Health and Human Services, Health Care Financing Administration (HCFA), the federal oversight agency, conducts two types of federal monitoring surveys (FMS) to determine if the DA is complying with the federal inspection process.

HCFA performs observational inspections and accompany the DA inspectors during the actual onsite inspection process. HCFA provides guidance and advice to the state inspectors to help them improve their inspection technique. We identified 31 facilities that had been subjected to an observational FMS during the period April 1996 through November 1999, and for which we could compare the number of deficiencies noted to the previous DA inspection. More deficiencies were cited during the FMS than the previous DA inspection for 19 of the 31 facilities. One facility increased from 5 to 45

deficiencies. In total, 208 deficiencies were cited during the previous DA inspection and 320 were cited at the subsequent FMS.

HCFA inspectors also conduct comparative or look behind inspections in which the federal inspectors conduct a separate inspection and compare their results to the results of the state inspection. HCFA then provides the DA with follow-up reports that identify areas in which the DA should consider providing additional training to inspection staff.

In a United States General Accounting Office (GAO) report issued in November 1999, the GAO concluded that HCFA's presence during surveys is likely to make state surveyors more attentive to their inspection tasks than they would be if they were not being observed. The report also contained the following example related to a Missouri nursing home:

"...surveyors from HCFA's Kansas City region found 24 deficiencies in a Missouri nursing home that state surveyors did not identify during their survey conducted about 6 weeks earlier. One of these deficiencies identified six residents whose nutritional status was not being adequately assessed by the nursing home, resulting in significant weight loss in several cases. One resident lost 19 percent of his weight between June and October 1998. His weight at the time of HCFA's survey was 93 pounds, which HCFA indicated was significantly below the resident's minimally acceptable body weight of 108 pounds. Fewer than 4 months after his admission to the nursing home, this resident also had developed two moderately severe pressure sores, which the home was inappropriately treating with a cream the manufacturer stated was not intended to heal pressure sores but rather to prevent irritation to the skin. According to HCFA surveyors, these deficiencies affecting multiple residents should have been evident at the time of the state's survey, but the state surveyors did not cite them."

An increase in the number of deficiencies cited when HCFA inspectors are available for guidance and advice may indicate a need for additional training for state inspectors.

- H. A statement of deficiencies (SOD) is prepared by the inspection team members who were present during the onsite inspection or complaint investigation. The SOD is then reviewed by the team supervisor and at least one other ranking manager, often the regional supervisor. The supervisory review is intended to ensure the SOD meets the technical writing standards, appears to be complete and accurate, and is based upon clear and convincing evidence that the violations noted were in fact violations and were well

supported by the facts and examples used. When the supervisory review is complete, the SOD is sent to the facility's management.

If the facility's management disagrees with the violations noted in the SOD, they can request an informal dispute resolution conference (IDR). The IDR process allows the facility to present additional evidence to show that any particular deficiency cited was not a violation or was not as serious as the inspectors indicated. Representatives of the facility, and often their attorneys, meet with several DA management and usually members of the inspection team. The DA then decides whether to uphold the deficiency, remove the deficiency, or lower or raise the severity level at which the deficiency is cited. IDR's are recorded and summary notes are made to document the decisions made.

We reviewed more than 100 SODs and generally found them to meet the supervisory review criteria noted above. We noted many instances in which one or more proposed deficiencies had been deleted by a supervisor. In most instances where a proposed deficiency had been deleted, the supporting evidence for the deficiency was marginal, the examples were weak, or it was decided to issue the deficiency under a different category. However, we noted two SODs which were extensively revised by DA management:

- 1) In December 1998, the inspection team conducted a survey and on December 22 an SOD was hand carried to the facility which identified fourteen violations of federal regulations, two violations of the Life Safety Code, and ten violations of state regulations. On December 28, the facility owner and the administrator met with DA management to protest the deficiencies and requested an IDR.

Instead of proceeding with the IDR process for the initial SOD, DA management decided that Central Office staff would conduct a review of documents and an on-site visit to interview staff, residents, and make observations of the facility. On December 29, a member of the Central Office staff visited the facility. On December 30, the facility's law firm presented a formal request for an IDR to the regional manager. On January 2, the DA issued a letter stating the results of the inspection had been revised and the facility was determined to be deficiency free.

Subsequent to DA's January 1999 decision to issue a deficiency free report to the facility, the DA returned to the facility in April 1999 to conduct a complaint investigation. This investigation resulted in the DA citing the facility for three federal and five state deficiencies, including four Class I deficiencies, and recommending a federal CMP of \$7,050 per day for 15 days. The facility has since requested an IDR.

- 2) In November 1998, the DA conducted a inspection and prepared an SOD, dated December 10, citing eleven federal and nine state and two life safety code

violations. The facility, through its attorney in a letter dated January 6, 1999, protested the citations and requested an IDR. DA management began an in-depth review of the SOD and the inspectors' workpapers, and held discussions with the inspection staff. After the initial review by an upper level management official, the number of deficiencies was reduced to six federal and six state deficiencies. The facility continued to protest and by January 22, 1999, the DA agreed to reduce the number of deficiencies to three federal and four state violations.

In late January, the regional manager and the upper level management official who had conducted the in-depth review of the SOD visited the facility and interviewed the residents identified in the remaining federal categories. The DA official stated that the residents were impaired, confused, or demented to the point that any statement by those residents could not be relied upon. On February 15, 1999, the DA issued the facility a letter stating that all proposed deficiencies had been deleted. Again the formal IDR process was not utilized in this instance.

The above instances indicate that either the DA inspection team did not adequately perform and/or document the results of the inspections, or the DA management inappropriately removed some deficiencies initially cited by the inspection team. DA management stated the reasons for the significant changes to these SODs related to insufficient documentation of findings and problems associated with report writing. Full and complete documentation as to why changes were made to the SODs is not available. One method to provide that documentation is for the DA to follow its established process for resolving disputed deficiencies.

- 3) We also reviewed a summary of a DA official's review of another inspection. After the inspection had been completed and the SOD prepared, a complaint alleged to DA management that the inspection had not been conducted properly, that information provided to the inspector was ignored, and that some deficiencies that existed had not been cited. The DA official's summary indicated that at least three Class I violations were well documented in the inspector workpapers but no violation was issued. Those violations were inadequate staffing, the facility administrator's failure to report a broken arm to the DA hotline, and failure to provide a pureed diet as ordered by a doctor which resulted in a resident choking to death. The DA provided the inspection team with additional training as a result of its internal review.

The DA should establish appropriate review procedures to ensure SODs contain all deficiencies identified by the survey team. In addition, the DA should continue to identify additional training needs and provide training to inspector staff.

**WE RECOMMEND** the Division of Aging:

- A -D. Develop and utilize a centralized inspection monitoring system to track inspections and then ensure completed inspections are submitted to the Central Office and entered into the system in a timely manner. We also recommend the DA perform all inspections as required by state law, and take the necessary steps which would allow the DA to perform additional inspections of poor performing facilities.
- E. Continue to develop and implement policies to reduce the predictability of inspections.
- F. Analyze the available reports of deficiency patterns to identify areas where enforcement may be weak or inconsistent and consider their impact upon the inspection process.
- G&H. Ensure inspectors are adequately trained and supervised, require the informal dispute resolution process to be followed when facilities dispute statements of deficiencies, ensure all deficiencies are adequately documented, and are accurately and properly reported, and develop procedures to ensure the reasons for changing draft SOD's are adequately documented.

### **AUDITEE'S RESPONSE**

- A. *During State Fiscal Year 1998, the division entered 2,422 (98.6%) of the state licensure full and second inspections into the central data base; 2,591 (98.9%) during SFY 1997 and 2,394 (99.0%) during SFY 1996. We agree that 81 or 1.1% of the inspection reports over the three year period were retained in our regional offices and that 102 or 1.4% of the reports over the three year period were in central files without being entered into the CRANE system. As a result of the auditor's recommendations, we have taken action to strengthen our internal controls over entry of data into the CRANE system; CRANE report review by regional managers and subsequent submission of the paper file to the central file unit. DA working with consumers and the long-term care industry noted the shortcomings in the federal On-line Survey, Certification and Reporting (OSCAR) System and began developing and implementing a new state system, the Automated Licensure, Inspection, Certification Environment (ALICE) under a five (5) year plan that began in 1996. The system will result in a centralized data base designed to support all primary agency operations and meet federal and state data collection requirements.*

*The division is complying with the requirement of making reports available to the public. State law requires the division to make inspection reports and written reports of investigations of complaints, of substantiated reports of abuse and neglect received in accordance with section 198.070, RSMo and complaints received relating to the quality of care of facility residents accessible to the public. These reports are to be available for examination and copying, provided that such reports are disclosed in a manner that does not identify the complainant or any particular resident. Records and reports are to clearly show what steps the division and the institution are taking to resolve problems indicated in the inspections, reports and complaints. Additionally, the federal State Operations Manual*

*(SOM) indicates that information from the survey process may be provided to interested parties within 14 calendar days after the information is made available to the facility. Provisions of the Federal Freedom of Information Act (FOIA) require that when a request to disclose related to the federal Medicare/Medicaid facilities is received, the information be released within 10 working days or if this is not possible, the requestor be notified within 10 working days when the information will be released.*

*Routinely, survey and inspection packets including complaint investigations are retained in the regional office until the survey or inspection process including the facility's submission of a plan of correction is complete (including any resulting informal dispute resolution or facility revisit). Our process has been to promptly notify the requestor of information when the information is not yet in the central file or not yet accessible by the public and provide a date when the information will be provided. Virtually every file has to be reviewed prior to release to the public to ensure that the federal and state requirements related to confidentiality of client specific information are met. Central files bases the date provided to the requestor upon the federal requirement that the facility receive the information 14 days prior to its' public release and the state requirement for accessibility. As necessary to meet the needs of individual requestors, central files will ask the region to fax or next-day mail releasable material. Allowable information is then made available to the requestor after resident specific information is removed. Again, the division believes the federal and state requirements to provide ready access to information within reasonable timeframes are being met through this process.*

- B. DA concurs that we did not meet the state requirement for two state inspections per year, one of which is an interim inspection in State Fiscal Year 1999. The division completed in State Fiscal Year 1999 full licensure inspections including adult day care programs for 1,173 or 95% of the facilities and programs in the state. Additionally, the division completed a total of 762 or 62% of the required interim inspections. During State Fiscal Year 1999, the division began responding to a dramatic increase in nursing home violations. The number of state notices of noncompliance nearly doubled from 110 to 211. The number of Medicare/Medicaid facilities cited for substandard quality of care nearly tripled from 31 to 90. The number of Medicare/Medicaid facilities cited for immediate jeopardy nearly quadrupled from 20 to 73. The division requested HCFA impose denial of payment on 63 facilities for new Medicare/Medicaid admissions and requested HCFA impose Civil Monetary Penalties (CMPs) 51 times against 30 facilities. Complex cases involving these legal actions (See Chart 2) routinely result in up to an additional 300 hours of staff time per instance. Staff time is spent conducting investigations into allegations of abuse/neglect, copying reports, letters and other material requested through discovery, responding to interrogatories, being deposed, participating in administrative meetings and hearings and preparing materials for employee disqualification list referrals.*

*Institutional Services management staff decided that should any requirements not be met we would not meet the state licensure requirement for a second visit. Additionally, full*



*inspections would be conducted in conjunction with the federal certification survey in Medicare/Medicaid facilities, even if the state 12 month timeframe was exceeded. This ensured that the top federal priority for completion of all Medicare/Medicaid certification surveys within a 12 month average (surveys conducted between 9 and 15 months) was met. Further, we began researching alternative methods to meet the state licensure requirement, such as use of outside contractors. We were unable to find a viable alternative due to the training timeframes (i.e., 9 to 12 months for a fully trained surveyor) for inspection staff.*

- C. *The division's policy has been to maintain copies of all inspection and complaint reports, other than those specifically required to be purged (i.e., unsubstantiated reports of abuse/neglect). State statute at 198.032, RSMo, sets forth requirements for maintaining those records related to facilities "noncompliance". Language is specific in that records and the steps the division and the institution are taking to resolve problems indicated in the inspections, reports and complaints are kept and available to the public or where substantiated abuse/neglect was found. Until House Bill 316 was passed during last year's legislative session, statute had been silent as to the requirement for the division to maintain a history of compliance at a facility.*

*During the three year period (SFY 1996 through SFY 1998), the division completed and is able to produce hard copies of 7,407 full and interim inspections. As stated in the auditor's report, we were unable to provide copies of 23 full and 68 interim inspections or 1.2% of the total inspections completed. As noted in the auditor's report, the division was able to show through time reports that survey staff were in the facilities during the applicable time frame. We are reviewing and will strengthen our documentation policies to ensure that all copies of documents are entered into the central data base and copies maintained in our central file unit.*

- D. *During State Fiscal Year (SFY) 1999, the division conducted a combined total of 3,368 federal surveys, state licensure full and interim inspections and revisits associated with the survey or inspection event. Division staff monitor "poor performing facilities a number of times a year by conducting:*

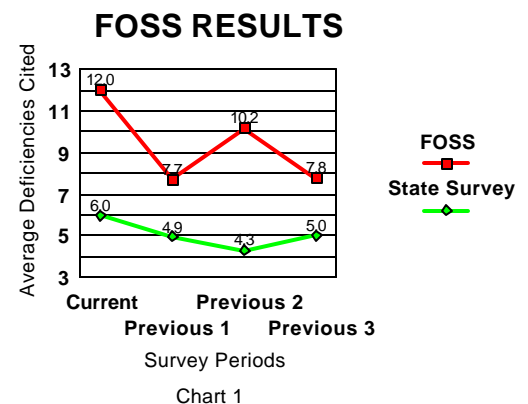
- C full inspections;*
- C interim inspections;*
- C revisits after issuance of a Statement of Deficiencies;*
- C complaint investigations;*
- C monitoring for up to 24 hours per day if warranted to safeguard residents; and/or*
- C a second full annual survey required by HCFA for two "poor performing" facilities under the President's Nursing Home Initiatives.*

*Currently, the Division of Aging, Institutional Services section has a total of 158 full time inspection staff. These staff are responsible for conducting state licensing activities, federal surveys and complaint investigations in the over 1,230 facilities statewide. A budget request has been submitted to the Legislature supporting additional inspectors enabling the division*

to provide the statutorily required inspections. We remain committed to meeting the state requirement for two inspections per year. We will continue to explore opportunities to spend more time in poor performing facilities.

- E. Due to the number of times DA staff are in facilities, predictability is somewhat inherent in the process, but we have taken actions to control for this tendency. Additionally, the state law for two inspections within a twelve month period (state fiscal year) and federal requirements related to survey averages and revisit timeframes (i.e., revisit near the time the facility alleges all corrections have been made) further increase the predictability of our visits. We concur with the goals of reducing the predictability of inspections and of fostering a highly qualified and competent survey staff having access to all information available to support their work.

- F. DA does review national and regional deficiency rates and patterns. The HCFA Online, Survey, Certification and Reporting (OSCAR) system serves as a starting point for our review, but has historically proven unreliable as a predictor of survey staff ability or facility status. Data available through the OSCAR system is limited to information collected during the latest four (4) annual facility surveys (routinely covering 48 months) and four (4) complaint investigations (routinely covering less than 6 months in a poor performing facility). DA has determined that we must examine multiple variables to make accurate assessments of facility performance and survey staff technical ability.



- G. During the current survey cycle, the division cited more deficiencies in 247 facilities than in the prior year, cited the same number of deficiencies in 64 facilities, cited a decreased number of deficiencies in 160 facilities and did not have two years data available for comparison in 14 facilities (excluding facilities where federal surveyors were present during either the current or previous process.) . This chart compares results of the Federal Observational Survey activity (on average 22 surveys per year) and state survey agency activity (on average 444 per year) in Missouri during the past three years.

DA agrees that there are significant differences in the citation rates of the current FOSS and previous 2 FOSS surveys as compared to the state average of a much larger population of surveys. Given the number of surveys conducted and this 4 year period, DA is more consistent in our citation rate than HCFA. The federal Health Care Financing Administration (HCFA) is responsible for providing the training including training plans and materials for survey staff. HCFA administers the Surveyor Minimum Qualification Test (SMQT) which is required to be passed by all qualified surveyors. HCFA has routinely performed the FOSS in facilities that do not have histories of being “deficiency free”. HCFA prefers their staff monitor in facilities with some level of noncompliance in their history. Therefore, we do not agree that the sole reason for the difference in the citation

rate is a result of the presence of federal surveyors and in fact, has more to do with conditions present in the facilities selected.

*DA disagrees that federal comparative surveys are comparable to state surveys of the same facility. Federal comparative surveys are completed using different criteria and resources than those set forth by HCFA for state survey agency use. Differences include: utilization of different numbers and types of survey staff; use of different samples of residents; reviews of different areas of resident care; the periods of time surveyed are not the same and findings from the federal comparative survey are not required to be legally defensible.*

- H. *DA has reviewed the two (2) examples (from the sample of 100) noted in the state auditor's review which relates to inappropriately removed deficiencies and DA was unable to make a similar determination from the information available. We noted that staff failed to adequately provide written documentation for removal of some deficiencies, however, upon interviewing those staff responsible, we determined their actions were within their scope and authority. DA's standard operating procedure allows for central office reviews including administrative reviews of statements of deficiencies (SODs) to determine, if errors have occurred in the survey process and to determine if supporting documentation and evidentiary matter is sufficient to warrant inclusion of a finding in the SOD. DA does not concur with the state auditor's opinion that management staff do not have the authority to review work of subordinates and make management decisions about the ability of the agency to sustain the conclusions reached. The division agrees that changes to SODs need to be adequately documented. We have reviewed the central office administrative review and quality assurance processes and have strengthened our internal controls over documentation requirements for these processes including feedback to field survey staff.*

## **AUDITOR'S COMMENT**

- H. The DA's contention that it is our position that the DA management should not review and make management decisions regarding the work of inspection staff is inaccurate. Obviously, it is necessary to review the adequacy of the work of inspection staff. However, it is also necessary for the DA to adequately document why changes, especially such extensive changes, are necessary to SODs. The need for this documentation is further magnified when the dispute resolution process is not used or avoided.

## **2. Complaint Investigation Processing and Procedures**

The DA is responsible for recording, investigating, and reporting the results of complaints made to the DA's elderly abuse hotline. Complaints are assigned to the Institutional Services (IS) section if the allegation concerns a nursing home or residential care facility or one of their residents. The DA received 7,399, 6,091, and 5,591 institutional complaints in SFYs 1999, 1998, and 1997, respectively. The Home and Community (HCA) section handles complaints for other clients or

potential clients of the DA. The DA received 14,099, 13,386, and 12,623 home and community complaints in SFYs 1999, 1998, and 1997, respectively.

Institutional Services complaints are classified in four categories, abuse and neglect (A/N), and Classes I, II, and III. Abuse is defined as the infliction of physical, sexual, emotional, or financial harm or injury. Neglect is the failure to provide services when such failure presents either an imminent danger to the health, safety, or welfare or substantial probability of death or serious physical harm. The classification of complaints is consistent with the standards defined in Section 198.085, RSMo Cumulative Supp. 1999. A Class I violation is one which presents either an imminent danger to the health, safety, or welfare of any resident, or a substantial probability that death or serious physical harm would result. A Class II violation would have a direct or immediate relationship to the health, safety, or welfare of any resident, but which does not create imminent danger. A Class III violation would have an indirect or potential impact on the health, safety, or welfare of any resident. Section 198.088, RSMo 1994 requires the DA to promptly review A/N, Class I and Class II complaints. Section 198.070 (5), RSMo 1994, requires DA to initiate investigation of A/N complaints within 24 hours and to notify the next of kin or responsible party as soon as possible, and to further notify them whether the report was substantiated or unsubstantiated.

For Institutional Services complaints, DA policy requires a completed investigation report for A/N and Class I complaints to be submitted to the Central Office within 60 days. Reports of Class II and III complaints are due at 120 and 150 days after receipt, respectively. With the exception of unsubstantiated A/N complaints, Section 198.032(2), RSMo 1994, requires written reports of investigations of complaints to be accessible to the public for examination and copying, provided such reports are disclosed in a manner which does not identify the complainant or any particular resident. By DA policy, HCA complaint reports are due within 90 days after receipt of the complaint. We reviewed the handling of complaints and noted the following concerns.

- A. The DA does not always initiate complaint investigations in a timely manner. DA policy, and in some cases state law, requires complaint investigations of abuse and neglect and Class I complaints to be initiated within 24 hours of the initial receipt of the complaint, Class II complaints to be initiated within 90 days, and Class III complaints to be initiated at the next visit to the facility. According to DA records, in SFY 1999 the DA failed to initiate complaint investigations within these timeframes 5.6 percent of the time for A/N, 6.4 percent for Class I, 5.1 percent for Class II, and 1.5 percent of the time for Class III.

Delayed initiation often makes it more difficult to determine whether an incident or violation actually occurred. As a result, the DA should ensure complaint investigations are initiated timely.

- B. We obtained the DA's report of overdue complaints dated May 10, 1999 and noted 1,657 complaints for which a completed summary report had not been submitted to the Central Office within the timeframes required by DA policy. Of these 1,290 were institutional

service complaints and were at least 120 days past the due date, including nine which had been received in 1996 and 108 which had been received in 1997.

The overdue complaint investigation report is produced monthly and distributed to the regions. The regions are to review the report and take necessary action to complete the investigation and submit any overdue reports. Apparently, overdue reports are given a very low priority by the regions. During our audit, our office had received numerous complaints from citizens stating that DA was unresponsive or untimely in their complaint investigations. The following table indicates the reports which were 120 days overdue by institutional service complaint type and region.

| Division of Aging 120 Day Overdue Institutional Services Complaint Investigation Reports (as of May 10, 1999) |                          |                           |                          |                      |                    |                             |                       |       |
|---|--------------------------|---------------------------|--------------------------|----------------------|--------------------|-----------------------------|-----------------------|-------|
| Complaint Type  | Region #1<br>Springfield | Region #2<br>Poplar Bluff | Region #3<br>Kansas City | Region #4<br>Cameron | Region #5<br>Macon | Region #6<br>Jefferson City | Region #7<br>St Louis | Total |
| A/N - Abuse & Neglect   | 18                       | 0                         | 41                       | 0                    | 3                  | 0                           | 26                    | 88    |
| Class I - imminent danger   | 53                       | 0                         | 101                      | 2                    | 2                  | 0                           | 78                    | 236   |
| Class II - direct relationship  | 180                      | 0                         | 373                      | 3                    | 4                  | 1                           | 288                   | 849   |
| Class III - indirect impact   | 24                       | 0                         | 77                       | 0                    | 0                  | 0                           | 16                    | 117   |
| Totals  | 275                      | 0                         | 592                      | 5                    | 9                  | 1                           | 408                   | 1290  |
| Percentage of the total past due  | 21.3                     | 0.0                       | 45.9                     | 0.4                  | 0.7                | 0.1                         | 31.6                  | 100.0 |
| Division of Aging Total Number of Institutional Services Complaints Received                                  |                          |                           |                          |                      |                    |                             |                       |       |
| State Fiscal Year   |                          |                           |                          |                      |                    |                             |                       |       |
| 1997  | 845                      | 405                       | 1175                     | 304                  | 275                | 527                         | 2060                  | 5591  |
| 1998  | 941                      | 437                       | 1424                     | 325                  | 323                | 547                         | 2094                  | 6091  |
| 1999  | 1140                     | 532                       | 1615                     | 397                  | 384                | 705                         | 2626                  | 7399  |
| Three year total  | 2926                     | 1374                      | 4214                     | 1026                 | 982                | 1779                        | 6780                  | 19081 |
| Percentage of total received  | 15.3                     | 7.2                       | 22.1                     | 5.4                  | 5.1                | 9.3                         | 35.5                  | 100.0 |

- 1) As is evident from the table, timely completion of institutional complaint reports was a significant problem in DA state regions 1, 3, and 7 (and particularly in Region 3). We attempted to review the more serious complaints in those regions to determine whether the DA had investigated the complaints. There were 85 A/N and 232 Class I complaints which were at least 120 days overdue from these three regions.

At our request, the regional offices researched their files and provided the exit date and complaint conclusion status for the missing reports. The exit date is the date on which the DA discussed the resolution of the complaint with the facility administrator or representative. Of the 317 complaints which were at least 120 days overdue, the time between the initial complaint date and the exit date exceeded six months for 26 of these complaints and one year for 3 complaints.

- 2) We waited one month and then requested the DA provide the completed complaint investigation reports for the 317 A/N and Class I complaints which were at least 120 days overdue at the time of our earlier inquiry. Region 1 and Region 7 had submitted the overdue investigation reports, however, Region 3 failed to submit completed reports for 30 A/N and 68 Class I complaints. According to DA staff from Region 3, almost all of the missing complaints had been determined to be invalid or the allegation could not be verified. Even if a complaint is determined to be invalid or the complaint could not be verified, an investigation report is still required.

The following is an example of one of the complaints which is not supported by an investigation report:

- C One A/N complaint received December 1998 alleged that in October 1998, a legally blind woman with a broken ankle was being transferred by an employee to her bed and the employee caused her to fall to the floor. That employee yelled at her to get up and while she was trying to get up the employee twisted her causing her to break her knee and again she fell to the floor. A second employee then came into the room and both employees yelled at the woman to get up. The woman underwent surgery to repair the knee later that day. DA staff from Region 3 indicated the complaint was exited in April 1999 and the complaint was determined to be invalid. The facility named in the complaint was also named in four other missing complaint investigation reports.

Without completed investigation reports there is no assurance the complaints were investigated properly and timely, the conclusion status was reasonable, or that any appropriate enforcement action was taken. In addition, the missing reports will not be part of the public record as required by state law.

- 3) We compared the conclusion status of the 120 day overdue A/N and Class I complaints from Region 3 and noted that those reports were determined to be invalid 75 percent of the time. We noted that the average statewide rate over the last three years for which complaints were determined to be invalid was 31 percent for A/N and 46 percent for Class I complaints. Delay of investigations and completion of reports appeared to result in a decreased ability to identify valid complaints and therefore take any appropriate protective or enforcement action. As in any investigatory process, evidence is lost and memories fade, and involved parties lose interest with the passage of time.
- 4) Of the 98 missing Region 3 reports, 62 complaints arose from a Medicare and/or Medicaid certified facility. Under the State Operations Manual Section 7700, the completed complaint investigation report must be made on Form HCFA-562 and

entered into the OSCAR system within 90 days of the completion of the investigation (exit date) regardless of whether the complaint is substantiated or unsubstantiated.

- 5) We noted five instances in which a completed investigation report from Region 3 for the 120 day overdue complaints concluded that due to the excessive length of time that had passed since receipt of the report, the DA would not send the letter to the resident's family or the reporter as required by state law. Two examples of complaints where the reporter was not contacted follows:

C The first complaint, received May 2, 1996, alleged a resident was admitted to a hospital with unexplained injuries in February 1996 and was readmitted to the hospital in April 1996 and some of the resident's personal property had disappeared. The report indicated the DA conducted an on-site investigation and determined the complaint was invalid. The complaint was exited May 8, 1996. The investigator completed the report March 29, 1999, and the supervisor approved the report April 4, 1999. No letter was sent to the reporter due to the age of the complaint.

C The second complaint received October 14, 1996, indicated a resident had a black eye of unknown origin. The report indicates the investigation was initiated within 24 hours and the investigator was unable to verify the cause of the injury. The complaint was "reinvestigated" on March 25, 1999, and exited that day. The report was completed on March 29 and approved April 1, 1999. No letter was sent to the reporter due to the age of the complaint.

The DA should ensure complaint investigations are completed timely, the results of those investigations are properly documented, and required summary reports are submitted in a timely manner to help ensure appropriate enforcement actions are taken against facilities that are not in compliance with state and federal regulations. In addition, the DA should ensure all reports are available to the public, and ensure the resident's next of kin or the reporter is notified of the results of all complaint investigations.

- C. We noted that of the total 2,165 A/N complaints received in the SFYs 1999, 1998, and 1997, the complaint investigation report was assigned the "B" status (valid but corrected by time of investigation) 508 times (23 percent) and, of 3,285 Class I complaints, the "B" status was assigned 547 times (17 percent). The "B" status is to be assigned when the allegation in the complaint is valid or a regulatory violation has occurred but the DA cannot determine the harm or serious violation was clearly the fault of the facility. In each instance, there were one or more residents who were exposed to actual or potential serious harm. The "B" status is also assigned if the facility has taken corrective action by the time the DA

can investigate. This is often termed past noncompliance. Only in the most severe incidents does the "B" status noncompliance result in any punitive action against the facility. The following is an example of a complaint assigned the "B" status as well as not timely investigated:

- C      A resident who had a history of attempted and successful elopements from the facility was identified as missing at 8:40 p.m. The resident was returned to the facility at 1:40 a.m. by local police. This resident suffered from dementia and heart problems. The complaint was received on March 3, 1997. The complaint was investigated in December 1998 and was exited in January 1999. The facility was not issued a statement of deficiencies nor had any sanction imposed because of this incident. The resident was moved to another facility sometime after the elopement but before the investigation was conducted. The facility also had added a locked unit for residents having elopement risks.

As noted in the definitions above, a valid A/N or Class I situation has presented an imminent danger or substantial probability of death or serious harm to a resident. Nursing home operators and administrators are charged with the responsibility to provide 24-hour protective oversight to all residents and should be able to recognize conditions and potential problems with employees and with residents that could lead to actual harm. While use of the "B" status may be appropriate in very limited circumstances, it would appear that with effective oversight, facilities could prevent many of those incidents from ever occurring in the first place.

The DA should reexamine the policies related to enforcement actions following the determination that an abuse or neglect incident or a Class I violation occurred, but the facility had taken corrective action before the investigation was completed. The DA should consider stronger enforcement actions which may lead facilities to develop additional preventive measures which could reduce the number and severity of incidents in which nursing home residents are exposed to actual or potentially serious harm.

- D.      If a nursing home questions the appropriateness or validity of a deficiency which resulted from an inspection, survey, or complaint investigation it may appeal the deficiency through the IDR hearing. However, no such process exists for complainants who wish to appeal the result of an investigation. The state of Illinois established an administrative hearing process for complainants who are dissatisfied with the results of a complaint investigation. During the course of our review, we received many complaints from citizens who alleged the DA did not thoroughly investigate complaints.

The DA should study the merits of establishing a similar process.

**WE RECOMMEND** the Division of Aging:



- A&B. Ensure complaint investigations are initiated and completed timely, the results of those investigations are properly documented, and reports are submitted in a timely manner to help ensure appropriate enforcement actions are taken against facilities that are not in compliance with state and federal regulations. In addition, the DA should ensure required reports are available to the public, and the resident's next of kin or the reporter is notified of the results of all complaint investigations.
- C. Reexamine the policies related to enforcement actions when corrective action had been taken before the investigation was completed. In addition, the DA should consider stronger enforcement actions which may lead facilities to develop additional preventive measures.
- D. Study the merits of establishing a process for dissatisfied complainants to appeal the result of complaint investigations.

### **AUDITEE'S RESPONSE**

- A. *A total of 7,399 reports of elder abuse, neglect or exploitation and/or regulatory violations within long-term care facilities were received during State Fiscal Year (SFY) 1999; 6,091 in 1998 and 5,591 in 1997. During SFY 1999, staff initiated within 24 hours 3,511 of these reports. Changes to the federal complaint process and inclusion of additional steps in the survey process have significantly increased the hours DA staff spend meeting federal survey requirements, limiting the time available for complaint investigations. Complaint reports have continued to increase and the time allowed for initiation of certain types of complaints has been reduced. DA staff are now required to spend on average an additional 16 hours on each annual survey (including off-site preparation time). While DA believes the changes in the federal survey process will allow us to better assess and focus on facility noncompliance, it has taken time away from the complaint investigation process. The Health Care Financing Administration (HCFA) continues to prioritize completion of annual surveys above complaint investigations. We believe delaying a complaint investigation to meet other HCFA mandated requirements may result in poor resident outcomes and in our staff being unable to adequately investigate, document (including collection of evidence), report and take appropriate enforcement actions against the facility. It is essential that we have adequate staff to investigate certain complaint reports immediately. Unfortunately, as in past years, HCFA continues to increase workload requirements while not meeting the staff and other resource needs of the state survey agencies. This year, HCFA was unable to provide nearly \$600,000 of the division's budget request that would have allowed an increase in the number of field survey staff to ensure our compliance with these new or revised federal mandates including timely initiation and investigation of complaints.*

*The division had identified problems with the complaint process prior to the auditor's review and therefore, we concur with the auditor's recommendations. In State Fiscal Year (SFY) 1996, DA staff identified the need for sweeping revisions to the complaint system. Beginning*

*in SFY 1997, the division conducted internal reviews and convened focus groups to clearly identify issues and to make recommendations for systemic revision. Requests for budget appropriation for additional staff were made in 1998 and 1999 to obtain sufficient numbers of staff to implement the recommended revisions. These requests were partially funded. In addition, plans were made to replace the antiquated Central Registry for Abuse, Neglect and Exploitation (CRANE) system, through which all complaint reports are reported, tracked and documented. Until the new system comes on-line, an interim tracking and monitoring system has been implemented. The new on-line system is currently in the preliminary testing phase.*

*In mid-SFY 1999, the division began phasing in region-by-region a new complaint investigation process including a case management approach to ensure that complaint investigations are initiated timely and at a minimum, a call is placed to the reporter to determine the need for an immediate on-site visit. This process change resulted in increased community participation (family, friends, facility operators and other concerned individuals) in bringing to positive resolution issues affecting the day-to-day lives of facility residents.*

*B&C. We do concur that additional improvements are needed to the complaint system. The division took immediate action following discussions with state auditor staff to:*

- C Designate a central office complaint coordinator and monitor to ensure complaint investigations are timely handled; reporters are called; required notices are mailed; and complaint investigation data is received and entered into the system.*
- C At least quarterly, monitor quality through a random selection of completed complaint reports. Comparisons of the selected reports to established quality assurance criteria will be completed; feedback to survey staff will be provided and training will focus on areas needing improvement.*
- C Initiate a management and internal control review of complaint processing in the Kansas City Regional Office to be followed by reviews in St. Louis and Springfield.*
- C Request funds in a State Fiscal Year 2001 new budget decision item to provide investigative skills training (24 hours) at this year's annual conference for all staff and to provide for an advanced course in the spring of 2001 for supervisors and full-time complaint investigators.*

*As noted above, the division agrees that timely investigation of complaints is essential to ensuring an accurate reporting of the events that resulted in the complaint being filed. However, in order to meet the federal program mandates and state inspection requirements, as well as time frames for completion of complaint investigations, additional resources are needed to ensure all time frames are met. The Health Care Financing Administration continues to prioritize the completion of the annual survey ahead of completion of complaint investigations. The division continues to request annually through the state and federal budget processes funds for additional survey staff. Historically, we have not been successful in obtaining sufficient resources to meet the increasing need.*

*DA has reviewed our policies related to enforcement actions when corrective action has taken place before the investigation was completed. Our policies currently comport to the federal and state enforcement action requirements. From past and continuing experience, DA -- in following the required administrative process -- has found in specific cases where corrective action has taken place that we have been unable to successfully sustain cases brought forward for action when the facility has taken corrective action. DA notes that on January 18, 2000, the Missouri Court of Appeals, Western District, decided State of Missouri, Department of Social Services, Division of Aging v. Carroll Care Centers, Inc., -- S.W.2d --, WD56714 (Mo. App. Jan. 18, 2000), holding that it was proper to dismiss a CMP claim if the nursing home has corrected a cited deficiency at the time of reinspection. Here, the deficiency had been corrected by the time of reinspection. In such a case, the State's claim for sanctions was not authorized.*

*We continue to explore a wide range of sanction options and other initiatives to increase the quality of care provided to residents of long-term care facilities.*

- D. *We agree that families must be involved in resolving complaints. Beginning in SFY 2000, the division is implementing an Informal Dispute Resolution (IDR) project to informally resolve issues through face-to-face contact with a facility resident, their family members or guardians when the resident is the subject of a complaint investigation or cited in a facility inspection or survey completed by the division pursuant to chapter 198, RSMo. The primary purpose of the meeting will be to gather additional information and bring to a satisfactory conclusion the resident or families concerns.*

### **AUDITOR'S COMMENT**

- C. In regards to the appellate court's decision, if changes to current law are necessary for the DA to sanction or fine facilities for "B" status complaints, we suggest the DA seek such legislation.

### **3. Repeat Deficiencies, Sanctions, and Corrective Action**

When a facility is found either during the regular inspection process or during a complaint investigation to have violated federal or state regulations, a statement of deficiencies is prepared and there are various enforcement options available to the DA. Under federal requirements, each deficiency is classified into one of 190 categories or tags. Tags are assigned a score of A through L depending on the severity of the problem and how many residents are affected. This is called the scope and severity grid score. An A level deficiency is one which was an isolated occurrence and which has caused no actual harm with potential for minimal harm. An L level deficiency is one where the deficiency was noted in a widespread pattern of actual harm resulting in immediate jeopardy to multiple residents' health and safety.

Under current guidelines, the DA may request federal sanctions based upon the scope and severity score and whether the deficiency is corrected or uncorrected at the time of the revisit. For all deficiencies at or above the D level, the facility is not in substantial compliance with federal regulations and the DA recommends denial of payments for new admissions. The DA may also request civil monetary penalties (CMP) ranging from \$50 to \$3,000 per day. However, facilities are given three months to correct the deficiency and if corrected within that time federal sanctions are not imposed. If some deficiencies are not corrected in the three-month period, denial of payment for new admissions is to be imposed and the facility may be granted up to an additional three months to complete correction of the remaining deficiencies. If deficiencies are not fully corrected within six months, the facility is to be terminated from the Medicare and Medicaid programs. Some categories of deficiencies at the F or higher level, if noted in two consecutive inspections, will result in designation as a poor performing facility. That designation results in the facility losing the grace period to correct deficiencies before a sanction is imposed. All immediate jeopardy deficiencies, scores of J, K, or L, require appointment of temporary management or termination within 23 days and CMP ranging from \$3,050 to \$10,000 per day may be imposed. If correction of the deficiencies occurs before the termination date and the facility is found to be in substantial compliance, the facility is allowed to continue participation in the Medicare/Medicaid program.

The DA requested 73, 18, 29, and 13 federal sanctions related to inspections and complaint investigations conducted during SFYs 1999, 1998, 1997, and 1996, respectively.

For each federal level of deficiency, there is a corresponding state regulation and in addition to the federal sanctions, the DA may also assess state sanctions for these deficiencies. Violations may result in state sanctions which include issuance of a notice of noncompliance, consent agreements, voluntary closure, license denial, revocation or surrender, receiverships, forced monitoring, and loss of the ability to provide in-facility nursing assistant training programs. As under federal regulations, facilities are allowed to correct lower level deficiencies by the time of the revisit, and if they do, no sanctions are imposed.

The DA issued 211, 87, 70, and 60, notices of noncompliance during SFYs 1999, 1998, 1997, and 1996, respectively. In addition to the notices of noncompliance, the state imposed additional sanctions on facilities 53 times during this 4 year period. Those additional requirements resulted in closure, voluntary or involuntary, of 16 facilities.

We noted the following examples where sanctions were ineffective in preventing identical deficiencies, and where the same facilities were cited for numerous deficiencies, year after year:

- C      Of the 490 certified facilities in the state, 90 were issued a repeat deficiency under the same tag number in the two most recent inspections. In addition, 28 facilities had been cited under the same tag in the three most recent inspections, and 13 facilities had been issued the same repeat deficiency in each of the four most recent inspections. 43 of the 90

facilities had from two to five repeat deficiencies, and 9 of the 90 facilities had from six to as many as thirteen repeat deficiencies.

- C Four facilities had at least ten deficiencies in each of its last four inspections.
- C There were over 200 inspections where a facility had 10 or more deficiencies but a federal or state sanction was not issued.
- C One facility had been cited for 111 deficiencies in its last four inspections.

We offer the following comments designed to help correct the above examples:

- A.1. The DA does not review the effect of any sanction on the subsequent performance of the facility. In addition, the DA does not verify that the state's Medicaid agency imposed the denial of payment sanction on a facility, or whether the denial of payment resulted in an actual financial penalty on the facility. The DA should study the sanctions imposed to determine which sanctions are most effective in bringing facilities into compliance.
- 2. The DA does not always consider a facility's history of past noncompliance when determining the sanction to be requested. For the facilities subjected to more than one sanction in the four-year period, the subsequent sanction was a higher level sanction in only 13 of 29 instances. While the underlying circumstances resulting in the sanctions varied greatly, it would appear that a facility with a recent history of noncompliance should be sanctioned at or near the maximum level allowed.
- 3. From the list of federal sanctions requested by the DA since July 1995, we identified 18 facilities that had been sanctioned as a result of an inspection and have since been subjected to a subsequent inspection. The number of deficiencies cited against each of the 18 facilities at the first inspection as compared to the subsequent inspection decreased for 13 of the 18 facilities. In four instances, facilities went from more than ten deficiencies to deficiency free. In another five instances, the number of deficiencies issued at the subsequent inspection dropped by at least one half. In six of the nine instances where the decrease in the number of deficiencies was significant, the sanction imposed was a CMP. In each of the five instances where the number of deficiencies increased, the sanction applied was denial of payment for new admissions.

We also noted 12 of the 18 facilities had been issued a total of 40 repeat deficiencies. Only one of the seven facilities that had been subjected to a CMP had a repeat deficiency in the subsequent inspection. Based on these results, it appears that the imposition of CMPs may have a greater deterrent on facility noncompliance than the denial of payment for new admissions sanction.

The DA should track sanctions to determine which are most effective in reducing noncompliance and ensure a facility's history of noncompliance is considered when determining future sanctions.

- B. As noted above, federal sanctions, particularly CMP, appear to be effective in deterring noncompliance. Section 198.067, RSMo, has, since 1989, allowed the DA to seek state CMP for regulatory violations that remain uncorrected or not in accordance with the accepted plan of correction at the time of the reinspection. The DA has not pursued civil monetary penalties for regulatory violations except in a limited number of instances.

Section 198.067, as revised in 1998, allows the DA to seek CMP of up to \$10,000 per day if there was a violation of a Class I standard and a resident suffered serious physical injury or abuse of a sexual nature regardless of whether the facility had corrected the violation. As of August 1999, 25 cases had been referred to the Division of Legal Services and nine cases had been filed in circuit court. However, CMP has only been collected in one case and this was the result of a negotiated settlement. DA officials stated that their ability to effectively seek state CMP is hampered by the onerous process of filing cases in the circuit courts, which requires a very significant commitment of DA staff resources.

Other states have and use the authority to impose state civil monetary penalties. In Kansas the imposition of CMP is an administrative process with right to appeal to the courts. We also obtained a study [Rudder, C., Phillips, C. (1995) *The Nursing Home Enforcement System in New York State - Does It Work*: Nursing Home Community Coalition of New York State] of New York nursing homes and that state's enforcement process. That study also indicated a strong relationship between the imposition of state CMP and the number of deficiencies found during subsequent inspections.

Since the imposition of CMP appears to be effective in bringing facilities into compliance, and to provide nursing home residents the maximum degree of protection and highest levels of care practicable, the DA should request the legislature change the state CMP process so it is not overly burdensome and costly.

- C. When a deficiency is identified during the inspection process, the DA, within 10 days after the inspection is completed, is to issue a Statement of Deficiencies (SOD). All deficiencies noted during each inspection are contained in the SOD. The facility must, within 10 days after receiving the SOD, then prepare a Plan of Correction (POC) in which the facility indicates the actions it will take to correct the current problem and the programmatic or systemic changes it will make to help ensure the problem does not recur. The State Operations Manual requires the plan of correction to include how the corrective action will be accomplished for those residents found to have been affected by the deficient practice, how the facility will identify other residents having the potential to be affected by the same deficient practice, what measures will be put into place or systemic changes made to ensure the deficient practice will not recur, and how the facility will monitor its corrective

actions to ensure the deficient practice is being corrected and will not recur. We reviewed the POCs for three repeat tags, inadequate staffing, activities of daily living (ADL), and pressure sores. The following table summarizes the POCs reviewed:

| <u>Tag No.</u> | <u>Tag Description</u>     | <u>Number of Facilities with Repeat Deficiencies</u> | <u>POCs Reviewed</u> |
|----------------|----------------------------|--|----------------------|
| F353           | Inadequate Staffing        | 3  | 7                    |
| F312           | Activities of Daily Living | 18   | 41                   |
| F314           | Pressure Sores             | 17   | 37                   |

Our review of the 85 POCs resulted in the following concerns:

- C 37 of the POCs did appear to meet the preceding requirements and yet the facility was cited for a repeat deficiency. In these instances it appears the facility failed to monitor compliance with the POC as required.
- C Several of the POCs for a subsequent violation contained almost identical wording to the prior POC that had most recently failed.
- C We questioned whether 11 other POCs could reasonably be expected to prevent a repeat deficiency. For six of these POCs, the POC only addressed the specific residents currently affected, but did not incorporate a systemic change or identify how the facility would monitor compliance with the plan of correction. In each of these six instances, the facility was cited for a repeat deficiency.
- C If the facility was cited for insufficient staffing, the POC often did not state whether the facility would add staff and/or did not provide details regarding the staffing levels the facility would provide in the future. Instead the POC simply stated the facility would provide sufficient staffing to meet the needs of the residents. In these instances, it is not possible to monitor whether the deficiency was adequately addressed.

Currently, facilities are not cited for failure to continually monitor compliance with the POC. Once the DA accepts the POCs, the DA conducts an on-site reinspection to

determine that the facility has implemented the POC. The DA does not monitor further compliance with the POC. If the same violations are noted during subsequent complaint investigations or interim inspections, the cycle starts over again.

The DA should ensure POCs fully meet the established criteria including methodologies for facilities to monitor their continued compliance with the POC, and should ensure the POCs adequately address any systemic deficient conditions. In addition, the DA needs to ensure POCs can reasonably be expected to correct the deficiency and not accept POCs which have failed in the past. The DA should also develop procedures to continually monitor compliance with POC provisions for facilities with a history of repeat or numerous deficiencies.

**WE RECOMMEND** the Division of Aging:

A. Consider the facility's history of past noncompliance when selecting sanctions and study sanctions to determine those which are most effective in reducing noncompliance.

B. Work with the legislature to modify the state CMP process so that it can be a more effective tool in bringing facilities into compliance.

C. Ensure Plans of Correction fully meet the established criteria including methodologies for facilities to monitor their continued compliance with the POCs, and ensure the POCs adequately address any systemic deficient conditions. We also recommend the DA ensure all POCs can reasonably be expected to correct the deficiency and not accept POCs which have failed in the past. Further, the DA should develop procedures to continually monitor compliance with POC provisions for facilities with a history of repeat deficiencies.

## LEGAL ACTIONS

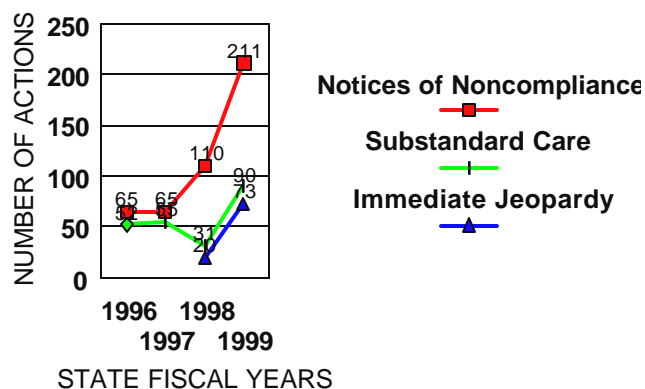


Chart 2

## **AUDITEE'S RESPONSE**

A.1-3. DA does review and consider the effect past sanctions have on future compliance, as applicable. Frequently, when facilities are assessed as being significantly out-of-compliance, a change in owner/operator/management company or reorganization of the corporation occurs resulting in a new state licensure application. The "new entity" no longer carries with it the previous history of noncompliance. The division believes statutory change is needed to address this issue.



*During SFY 1999, the division requested HCFA impose denial of payment on 63 facilities for new Medicare/Medicaid admissions and requested HCFA impose Civil Monetary Penalties (CMPs) 51 times against 30 facilities. The division has found state licensure actions more timely address facility noncompliance than alternative federal sanctions. In SFY 1999, the division took the following state licensure actions including: 211 state notices of noncompliance, 50 probationary licenses (issued due to legal action), 21 consent agreements and 11 receiverships. This chart details legal action increases during the period SFY 1996 through 1999.*

*The division currently has requested imposition of a total of \$5,414,305 in federal CMPs against 61 homes going back as far as 1996. HCFA has collected a total of \$1,001,670. The division currently has requests for imposition of a total of \$824,175 in state CMPs. DA agrees the CMP process could be an effective sanction. As noted in a recent General Accounting Office (GAO) report, for the federal CMP process to be effective the backlog of civil monetary penalties will need to be reduced or much of the CMPs deterrent effect will be lost.*

*GAO stated that “weaknesses remain in the deterrent effect of termination [from the Medicare/Medicaid programs], including the lack of a tie to poorly performing facility status for reinstated homes and the limited reasonable assurance period for monitoring terminated homes before reinstating them.” The Division does review and consider the effect past sanctions have on future compliance, as applicable. Facilities assessed as being significantly out-of-compliance frequently have a change in operator or owner resulting in a new Medicare/Medicaid participation agreement and issuance of a new state license. At that time, the past history of noncompliance associated with the former owner or operator cannot be considered against the “new” organization. The division believes recent changes in the HCFA State Operations Manual to limit the facilities’ opportunity to correct deficiencies may reduce “roller coaster” compliance.*

*The division is putting into place the following to address the auditor’s recommendations:*

- C Not issuing operating licenses as they come due, if there is a current class I or class II deficiency and/or if upon review the facility has a history of noncompliance or the violations cited are repeat violations.*
- C Issuing only a temporary operating permit (TOP) if a complaint against a facility has not been investigated at the time the license is due. If deficiencies are cited at a class I or class II standard as a result of the complaint investigation, and/or the operator has a history of noncompliance or the violations are repeat in nature, his or her license will then be denied.*
- C Offering operators an opportunity to enter into a consent agreement in an attempt to achieve a permanent resolution to their compliance problems and thereby improve care and/or conditions for residents.*
- C Citing administrators, as appropriate, for failing to maintain compliance to regulatory requirements when class III violations are cited repeatedly. Repeat class*

*III violations can then result in an uncorrected class II notice of noncompliance and the operator will be required to correct or face termination from the program.*

- C Amending our policy related to requests for imposition of sanctions to require an automatic increase in the sanctioning request whenever a recurrence of a violation occurs. However, DA only makes recommendations HCFA has final authority over the sanction to be imposed.*
- B. The division will continue to work closely with the legislature to enhance and improve the state civil monetary penalty process to bring about immediate action against facilities that fail to meet state licensing requirements.*
- C. The division has been meeting federal guidelines related to plans of correction. We agree the federally required plan of correction process has not been effective and has resulted in confusion for state survey agencies, facilities and consumers. When involving Health Care Financing Administration (HCFA) staff in discussions related to the acceptance of plans of correction, division staff have been told to accept plans of correction that meet the federal criteria, but are identical or nearly identical to plans previously submitted by noncompliant facilities. Effective January 14, 2000, HCFA has provided additional guidance, clarification and modification to the enforcement guidelines contained in the State Operations Manual including those related to accepted POCs. The division believes this information will enable us to address the majority of issues contained within the state auditor's recommendations for POCs.*

*The division is currently:*

- C Reviewing a sample of plans of correction from each region on a monthly basis to ensure consistency in application between regions and that plans meet the federal enforcement guidelines.*
- C Developing and implementing by the annual surveyor's training a session devoted entirely to plans of correction and adherence to the criteria set forth in the State Operations Manual.*
- C Including in the division's new automated system a report for review on-line of facility plans of correction allowing for ready comparison of corrective action plans over time to ensure facilities do not submit identical plans.*
- C Developing and implementing a process to allow electronic submission of plans of correction from facilities to allow more timely responses from the facility and state survey agency.*

#### **4.**

#### **Staffing of Nursing Homes**

One nationally recognized study [Harrington, C., Zimmerman, D., Karon, S., Robinson, J., and Beutel, P. (1999) *Nursing Home Staffing and Its Relationship to Deficiencies*: Report Prepared for the Health Care Financing Administration. San Francisco, CA: University of California.

Madison, WI: University of Wisconsin] indicated, "...fewer number of RN staff hours were associated with more quality of care deficiencies. Fewer nursing assistant hours, as expected, had a consistent, significant negative relationship with total, quality of care, and quality of life deficiencies."

Another study, commissioned by an employees' union [McDonald, I., Muller, A. (1998) *The Staffing Crisis in Nursing Homes: Why Its Getting Worse and What Can Be Done About It*: Service Employees International Union] indicates the effects of inadequate staffing in nursing homes:

"Nursing home workers tell us that when not enough aides are scheduled, and workers that can not come in are not replaced, residents do not get the care they need:

- C Residents do not get turned or repositioned every two hours.
- C Residents are not fed properly.
- C Residents do not have their hygiene needs met.
- C Residents are not walked or given adequate range of motion exercises.

As a result:

- C They develop bedsores or are unnecessarily restrained.
- C They lose weight and may become malnourished.
- C They lie in their own urine and feces.
- C They develop contractures or suffer other deterioration."

We visited five nursing homes and calculated the total hours of direct care per resident for a three month period surrounding the most recent inspection conducted at each facility. Direct care staffing levels in these homes varied from 2.48 to 3.53 hours per resident day. We noted the following staffing observations related to these visits:

- C The facility with the highest staffing level was issued two deficiencies in the most recent inspection, the facility with the next highest staffing level had no deficiencies noted, and the three facilities with the lower staffing levels had from 5 to 9 deficiencies.
- C The direct care staffing levels for days when DA conducted its inspections were between 5 and 26 total hours per day higher than the three month average staffing level. One facility brought in two senior nursing staff from a nearby facility for the inspection. Another facility flew in 4 staff to coincide with our on-site visit. DA personnel told us it is common practice for facilities to increase staffing levels during inspections.
- C Each of the five facilities had days where their direct care staffing level was below that of the Veterans Administration proposed minimum staffing level of 2.5 hours per resident day. One of the facilities operated below that standard for 64 of the 90 days reviewed.

- C Direct care staffing levels in July 1999 were .21 to .46 hours per resident day lower than during January 1999 for the five facilities.

Many complaints received by our office alleged facilities were understaffed which resulted in inadequate care provided to its residents. We noted the following concerns regarding the DA's policies and procedures regarding staffing in nursing homes.

- A. Effective September 30, 1998, the DA rescinded the minimum nursing staff requirements from the Code of State Regulations (CSR), 13 CSR 15-14.042(37). Previously, nursing homes were required to maintain minimum nursing staff to resident ratios of one staff to each 10 residents on the day shift, one to 15 on the evening shift and one to 20 on the night shift. Those minimum ratios were established in 1958 and had not been changed since that time.

The old minimum staffing standards appear to be too low when compared to current industry benchmarks. DA officials also indicated they believed the old standard was too low and problem facilities were using the standard to defend themselves against staffing deficiencies cited by DA. DA officials estimated that on average about 1.85 hours per resident day of direct care nursing would have been required to meet the old requirement. One industry official with a large chain of nursing homes stated that his company attempted to maintain approximately 3 hours of direct nursing care per resident day to provide adequate resident care. The Veterans Administration has a proposed federal regulation that would require 2.5 hours of direct care per resident day in their homes. A review the annual Medicaid cost reports submitted to the Division of Medical Services (DMS) for 1997 and 1998 indicate the industry is averaging about 3.2 hours of direct care per resident day. One national study [Harrington, C., Carrillo, H., Thollaug, S., and Summpers, P., (1999). *Nursing Facilities, Staffing, Residents, and Facility Deficiencies, 1991-97*: Report Prepared for the Health Care Financing Administration. San Francisco, CA: University of California.] of the data reported in the On-line Survey and Certification Reporting System (OSCAR) system indicates the national average direct care hours per day in 1995 and 1996 was 3.4 hours. A national advocacy group, the National Citizens Coalition on Nursing Homes, is proposing a minimum direct care staffing level of 4.13 hours per resident day.

The DA has taken the facility self-reported Minimum Data Set (MDS) resident dependency assessment information from the certified facilities and processed that information through a staffing algorithm. The results of the initial DA work indicated that 3 to 3.5 hours of direct care per resident day are necessary to meet the needs of residents in Missouri nursing homes.

Section 198.079, RSMo 1994, requires the DA to promulgate reasonable standards and regulations related to the number and qualifications of employed and contract personnel having responsibility for any service provided for residents. The current version of the state

regulation does require nursing homes to provide sufficient staff to enable residents to attain and maintain the highest practicable level of physical, mental, and psychosocial well-being. In homes with higher levels of resident dependency, additional staffing above the minimums would be required.

The actions by the DA to eliminate the minimum staffing ratios appear to contradict the intent of the state law. The DA has the authority and responsibility to determine reasonable staffing levels. The DA should consider establishing reasonable minimum staffing ratios.

- B.1. Certified nursing homes in Missouri have been connected to a networked computer system developed by HCFA, the federal oversight agency, and operated by the DA since June 1998. Facilities must enter initial and quarterly resident assessment data for each resident. This data is referred to as the Minimum Data Set or MDS data. This data allows nursing home residents to be classed by 27 resource utilization groups. The DA processes this data through an accepted staffing algorithm methodology. This process produces an estimate of the actual hours of nursing care that would be necessary to provide adequate staffing to meet the needs of that nursing home's residents. In the near future, nursing homes will be able to access those staffing reports for use in scheduling the number and type of staff that should be sufficient to meet the needs of the residents. Texas has already adopted this technology. Many other states have similar processes under development. The DA should continue developing this process through which facilities are provided individualized estimates of recommended staffing levels based upon the resident dependency levels present in their home. The DA could also use this process to establish minimum required staffing levels discussed in Part A above.
- 2. The DA should develop a system which accumulates the actual staff hours at each facility. The DA could then identify homes that are operating significantly below appropriate staff levels. Using this information, the DA could prioritize the scheduling of pending inspections and complaint investigations to identify potential problems before they can result in negative outcomes for nursing home residents. The DA should also make actual direct care staffing information readily available to the public so that Missouri citizens can make better informed decisions on where to place loved ones.
- C. Currently, DA inspectors do not review facility staffing levels and compare them to any minimum standard or industry benchmark. Instead, DA policy requires the inspectors to detect negative resident outcomes such as avoidable accidents, poor incontinence care, development of pressure sores, delayed meal services, delayed response time to call lights, dehydration, and weight loss. If those care indicators are found, then the DA will attempt to determine if they are caused by inadequate staffing levels, poor supervision of staff, or weak staff training and orientation programs. To ensure negative resident outcomes are avoided to the maximum extent possible, the DA should examine staffing levels to ensure facilities have adequate staff to meet the needs of residents.

- D. Of the five facilities we visited, the facility with the lowest staffing level was cited in February 1999 for seven deficiencies including two which were assessed as having caused actual harm to residents. The DA cited this facility for inadequate staffing and for having staff that were not qualified for their assigned duties. However, this deficiency was cited at the G scope and severity level which is defined as having only isolated incidents which resulted in actual harm but no widespread pattern of understaffing. As a result, the facility was not sanctioned or subjected to a loss of reimbursements or CMP.

Ample evidence appears to have existed to cite the facility for a widespread pattern of understaffing. On February 23, 1999, a DA inspector observed the evening shift and determined resident needs were not being met due to inadequate staffing. Based on our calculations, the staffing level for this day was 2.58 direct care hours per resident day. The staffing level in this facility was below the 2.58 level for 68 of the 90 days we reviewed. This facility had also brought in two senior nursing staff from a nearby facility owned by the same company on this very shift. The statement of deficiencies issued for the inspection noted that two residents had endured a total of 28 falls in the preceding 83 days resulting in 15 injuries and at least three hospital visits. There had also been numerous complaints about call light response time, failure of staff to assist residents to bed and to the toilet, and not providing timely and thorough incontinence care.

This facility was then found to be in compliance at the revisit on April 15, 1999. On April 19, the DA received a complaint that the facility was again understaffed. The DA again returned to the facility to investigate the complaint and again cited the facility for inadequate staffing. This time the DA cited an E scope and severity level which indicates a widespread pattern, but that no actual harm to residents resulted. Since the deficiency was cited as no actual harm, the facility was again not subjected to further sanctions. The facility was revisited in June and found to be in compliance at that time. It should also be noted that the POC approved by the DA in response to the February inspection deficiency, stipulated the facility would staff at levels equal to the old minimum staffing level (1.85 hours per resident day). It is difficult to understand why the DA would have accepted this POC when DA officials also believed the old standard was too low.

The DA should ensure that facilities found to have widespread patterns of noncompliance with the staffing requirements are subjected to the maximum federal and state sanctions and civil monetary penalties warranted in the circumstances.

**WE RECOMMEND** the Division of Aging:

- A&B. Establish reasonable minimum staffing ratios as required by state law. In addition, the DA should take steps to develop a system which accumulates the actual staff hours at facilities, and compare recommended staffing levels to actual staffing at facilities to identify potential staffing problems.

C&D. Inspectors utilize recommended and actual staffing data to help identify negative resident outcomes. We further recommend the DA aggressively cite staffing deficiencies and subject facilities that are found to be out of compliance with the staffing requirements to the maximum federal and state sanctions (including civil monetary penalties) warranted. In addition, the DA should ensure approved POCs are reasonably expected to address the staffing deficiencies noted.

### **AUDITEE'S RESPONSE**

A. *State law requires the division to issue standards and regulations related to the number and qualifications of employed and contract personnel having responsibility for any of the services provided for residents. DA does not concur with the state auditor's finding that the division appears to have contradicted state law. To the contrary, DA believes that it has complied with both the letter and spirit of the statute by requiring staffing levels which result in positive resident outcomes and which take into account the acuity levels of residents within the facilities. DA has minimum staffing levels determined by a ratio or number in those areas that lend themselves to establishment of a minimum by such a method. For example, life safety code including protective services at Title 13 Code of State Regulations (CSR) 15-14.022(57) uses a staff ratio and other professional staffing requirements found throughout 13 CSR 15-14.042 refer to the number of staff required. These regulations clearly set forth minimum staffing levels.*

*DA concurs the rescinded minimum nursing services and staffing ratio had become inadequate. The 1998 nursing services modification stating that "sufficient numbers and with sufficient qualifications to provide nursing and related services" adopts the federal philosophy of determining staffing needs based upon resident outcomes. DA believes the current state regulation is reflective of the national research community and HCFA focus on staffing a facility to meet individual resident care needs that should result in positive resident outcomes as appropriate for individual residents (i.e., maintain current condition, improve status or functioning or slow decline).*

*Deficiencies related to staffing levels, qualifications and/or training were cited in 229 of the 491 (47%) Medicare/Medicaid certified facilities during the current survey cycle. Beginning in September 1999, DA field staff began utilizing quality indicator information derived from the Minimum Data Set (MDS) assessment in the survey process (survey targeting based upon resident outcomes and acuity). Effective January 14, 2000, HCFA provided additional POCs enforcement guidance; the Division believes this information will address the majority of issues contained within the state auditor's recommendations for POCs.*

B&C. *In 1998, HCFA mandated collection of MDS information about residents in Medicare/Medicaid certified beds from all certified facilities and provided an automated system to collect the data. The MDS data can now begin being utilized for evaluation of the need for specific types and numbers of staff. The division continues working diligently with*

*the University of Missouri-School of Nursing to determine the best method to provide comparative feedback to nursing facilities and consumers related to acuity-based staffing versus actual staffing levels in Missouri facilities. It is likely, the Code of State Regulations will be modified as a result of the research being conducted.*

*The division has noted in the last year an increase in the number of facilities experiencing problems in hiring and retaining quality staff including certified nursing assistants. While staffing has been problematic in “poor” performing facilities for some time, we have seen an increase in staffing problems in facilities that historically have been “good” performers and believe that the current robust economy has reduced the number of individuals willing to work in the nursing home environment.*

*DA suggests that staffing ratios alone do not routinely take into consideration the acuity differences between individual residents and their need for specific types and levels of services. Multiple variables need to be considered when determining the staffing level and types in a nursing home. The division believes use of a ratio in determining types and levels of staff with a lack of consideration for the resident case-mix or acuity level in the facility will not ensure care needs of individual residents are met.*

*The period between 1990 and the present has seen a proliferation of differing opinions about the best methods to be used to determine staffing levels in nursing homes. Programs like Missouri Care Options (MCO) allow elderly people to remain in their homes longer. When poor health requires them to seek nursing home care, they often enter facilities requiring a higher level of care than experienced with new admissions in the past. Dramatic changes in the resident population of nursing homes have also resulted from hospital stays being minimized, more “sub-acute” care residents are being seen in the nursing home environment. With advances in medical technology allowing individuals to live longer, the result is heavier care situations continuing for longer periods of time.*

*Currently, there is no federal or state statutory requirements for survey and inspection staff to utilize a minimum standard or industry benchmark in their review of staffing levels. During the survey and inspection processes, field staff review resident outcomes to determine understaffing as required by the Health Care Financing Administration (HCFA). Field survey staff collect information about facility staffing for a two week period to be input into the federal On-line Survey, Certification and Reporting System. However, as noted by the auditor and many national studies, facilities appear to increase staff during the survey process. This results in a skewed picture of facility staffing for that two (2) week period. DA has requested in a new budget decision item for SFY 2001 four (4) auditors to assist field staff in performing survey and inspection activities including the review of records (i.e., payroll and staffing).*

- D. The report notes that “Ample evidence appears to have existed to cite the facility for a widespread pattern of understaffing.” In a review of the file, it was determined that DA*



*survey staff followed the federal guidelines in making their determination of the scope and severity of the problem within the facility. If the file is reviewed with no knowledge of the required federal survey process, DA agrees the facility's historical file might raise questions. The federal process prevented the survey team from considering all relevant facts contained in the file and including that information in determining the scope and severity of the current incident; in all likelihood, a different conclusion would have resulted with inclusion of the additional information. The division remains gravely concerned about the federal process that results in closure of incidents at the time a facility revisit with deficiencies corrected occurs. We believe that broad revisions in the federal and resulting state process are needed to prevent facility "roller coaster" compliance from continuing. Field surveyors need to be able to include in their current incident process consideration of the facility's entire noncompliance history and repeat failure(s) to adhere to facility submitted corrective action plans that result in "poor" resident outcomes. We believe the Health Care Financing Administration (HCFA) in their recent changes to the State Operations Manual have taken initial steps to end the "roller coaster" effect and allow state survey agencies to address shortcomings in plans of correction related to systemic problems and quality assurance plans. However, we believe further modifications will be necessary to provide surveyors with sufficient tools and processes to ensure these facilities either correct their system problems or discontinue caring for the elderly and adults with disabilities.*

*Additionally, the division has already taken the following actions based upon the auditor's recommendations:*

- C Continue recommending sanctions for facilities who fail to adequately care or address the needs of residents in long-term care facilities, however, final disposition of these issues does not rest with the division. The division is responsible for making recommendations to HCFA and the Division of Medical Services, the state Medicaid agency.*
- C Amend the policy for imposition of sanctions to require an automatic increase in the sanctioning request whenever a recurrence of a violation occurs.*
- C Have provided initial training to survey staff on the changes in the State Operations Manual related to plans of correction.*

## **AUDITOR'S COMMENT**

A&B. The current CSR addresses only minimum staffing requirements related to safety and protection of residents. It does not address the number and qualifications of direct resident nursing care services to be provided to residents. As a result, we do not believe the current CSR meets the letter or the intent of the law. The DA should give further consideration to establishing an absolute minimum allowable staffing requirement that also clearly establishes that additional staffing may be necessary based on resident dependency levels.

The statistic noted by the DA regarding the number of facilities cited for inadequate staffing (229 of 491, or 47%) is misleading as it also includes cites for staff qualification and training issues.

According to a June 1999 report generated by DA from the OSCAR system, only 42 of 491 (8.5%) facilities were cited for inadequate staffing during the most current survey cycle.

## **5. Employee Disqualification Listings, Central Registry, and Criminal Backgrounds**

- A.1. Various sections of state law require the DA to maintain an Employee Disqualification Listing (EDL) which includes the names of persons who have been finally determined by the department, pursuant to Section 660.315, RSMo 1994, to have recklessly, knowingly, or purposely abused or neglected or to have misappropriated any property or funds of a nursing home resident or in-home services client. There are approximately 700 persons on the DA EDL. Nursing homes and residential care facilities, providers of in home services under contract with Department of Social Services (DSS), employers who hire nurses and nursing assistants for temporary or intermittent placement in health care facilities, entities approved to issue certificates for nursing assistants training, hospitals and related health services, and home health and hospice providers are prohibited by state law from employing any person on the DA EDL.

We matched persons on the DA EDL to 1998 employment information records and noted twelve persons were employed by a licensed nursing facility and nine persons were employed by an in-home health provider under contract with the DSS. The DA manually checks quarterly employment data for 25% of the persons listed on the DA EDL, however, this process failed to detect the instances noted above. The DA should develop an automated process to identify instances in which persons listed on the DA EDL are working for nursing homes, in-home service providers, and other entities prohibited from hiring those persons. Use of the automated process should result in the DA being able to identify all instances in which an employer inappropriately hired a person listed in the DA EDL.

2. Effective August 28, 1997, Section 660.317, RSMo Cumulative Supp. 1999, requires nursing facilities to perform criminal background tests before hiring applicants who will have direct contact with residents. Applicants who have been found guilty of certain felonies are prohibited by state law from such employment. Currently, the DA has no automated procedures in place to identify employers who are employing individuals with criminal backgrounds.
3. When the DA does identify an instance in which a facility has hired a person listed on the DA EDL, it does not always issue a deficiency. Hiring a person listed on the DA EDL can be cited by the DA as either a Class I or a Class II violation. If Class II violations are corrected by the time of the reinspection, no federal or state sanction or civil monetary penalty is imposed.

A Class II standard is defined as having a direct or immediate relationship to the health, safety or welfare of any resident, but does not create imminent danger. A Class I standard is defined as having either an imminent danger to the health, safety or welfare of any resident or a substantial probability that death or serious physical harm would result. It would appear that hiring a person who had in the past committed abuse or neglect would pose an imminent danger to the health, safety or welfare of residents. The DA should consider raising the violation for hiring a person listed on the DA EDL to a Class I level deficiency and fine or sanction deficient facilities accordingly.

4. When the DA discovers a DA EDL listed person has worked for an in-home personal care vendor, a violation of their contract with the DSS, the Home and Community Monitoring unit contacts the employer and requests copies of that employee's time and service records. The monitoring unit then determines the amount paid to the employer for visits performed by the employee listed on the DA EDL and requires the vendor to repay these amounts. We provided the DA with the list of nine instances which we had identified through the automated data match where a DA EDL person worked for an in-home vendor. The DA should contact these vendors and ensure applicable amounts are repaid.
- B. The Department of Mental Health (DMH) also maintains, under Section 630.170, RSMo Cumulative Supp. 1999, a listing of persons convicted of patient, resident or client abuse. There are about 250 persons on this listing. We matched persons on the DMH EDL to 1998 employment information records and noted fifteen persons were working in a licensed nursing facility and three persons were working for an in-home health provider under contract with the DSS.

In our opinion, it does not appear appropriate for individuals who have abused or mistreated DMH clients to care for the elderly. The DA should develop an automated process to identify instances in which persons listed on the DMH EDL are working for nursing home operators and in-home care providers.

- C. The Division of Family Services maintains the Central Registry of Child Abuse and Neglect (CA/N) which contains information relating to instances of actual and alleged child abuse. We requested names of persons listed within the registry which met the following criteria: the investigation conclusion date was in the last five years, the conclusion code was A (court adjudicated) or B (probable cause), the category of abuse/neglect was 1 (physical abuse), 2 (neglect) or 6 (sexual maltreatment), and the severity code was C (serious/severe), D (permanent damage) or E (fatal). Our request resulted in approximately 16,700 records of which 14,350 included a Social Security number for the perpetrator.

We matched persons from the information obtained from the CA/N registry to 1998 employment information records and noted 1,009 persons were working in a licensed

nursing facility and 108 persons were working for an in-home health provider under contract with the DSS that were on the registry.

In our opinion, it does not appear appropriate for individuals who have been found to have abused or mistreated children to care for the elderly. The DA should develop an automated process to identify instances in which persons found to have abused children are working for nursing home operators and in-home care providers.

In addition to the instances noted above, we identified numerous other instances of potentially inappropriate or questionable workplaces for persons on the above EDLs and/or CA/N registry. These potentially inappropriate workplace settings include instances of these persons working in schools, day care facilities, DMH facilities, DSS programs, and other direct care providers. These concerns will be included in a subsequent report to be issued by our office.

**WE RECOMMEND** the Division of Aging seek legislation which would prohibit the employment of individuals found to have abused and/or neglected children and DMH clients from working in nursing homes. The DA should then develop an automated process to identify instances in which persons listed on the DA EDL, the DMH EDL, or the CA/N central registry, or individuals with criminal backgrounds are inappropriately working for nursing facilities, in-home service providers, or other entities prohibited from hiring those persons. In addition, the DA should more aggressively sanction and fine facilities and providers who hire persons listed on these EDLs and/or Central Registry. The DA should also consider raising the violation for hiring a person listed on the EDL to a Class I violation.

### **AUDITEE'S RESPONSE**

*A.1-3. State law requires facilities and in-home services providers not later than two days of hiring any person to request a criminal background check from the highway patrol and to make an inquiry to the department of social services as to whether the person is listed on the employee disqualification list. DA does not have the statutory authority to prohibit facilities from "hiring" individuals listed on the Division of Aging's Employee Disqualification Listing (DA EDL) or possessing a criminal background. When a facility fails to take appropriate and timely action to terminate an individual identified through the DA EDL and criminal background check processes or fails to complete the processes, DA has the statutory authority to cite those facilities for such violations.*

*DA concurs, at a minimum, a Class II violation occurs when a provider or facility fails to meet Section 660.317, RSMo 1998 that requires facilities to ensure individuals appearing on the DA EDL and/or having a criminal background are terminated in a timely manner. However, DA does not concur with the auditor's suggestion that identification of an individual as being on the DA EDL immediately rises to the level of "imminent danger" necessary to cite a Class I violation. Presently, individuals are placed on the DA EDL for recklessly, knowingly or purposely abusing or neglecting a resident while employed in any*

facility pursuant to Section 198.070.12, RSMo or individuals are placed on the list for having misappropriated property or funds of a resident while employed in a facility pursuant to Section 198.090.15 RSMo. Since some individuals listed on the DA EDL are not on the list as a result of abuse/neglect violations, but rather are listed as a result of lesser crimes such as misappropriation of property, the determination of a violation at a higher than routine level (Class II found at 13 CSR 15-14.042 (19)) would be based upon evidence specific to the situation. Currently, the division has the ability to cite a Class I violation if it can be determined that a facility knowingly acted or omitted the EDL check or the criminal background check or performed the check and failed to take appropriate action. The Class I violation has been and will continue to be issued under 13 CSR 15-14.042 (16) to those providers and/or facilities that act in such a manner and where such circumstances can be proven and are legally defensible.

Additionally, in regard to the auditor's recommendation that fines and sanctions be increased for facilities who hired individuals on the DA EDL or having a criminal background, from past and continuing experience, DA -- in following the required administrative process -- has found in specific cases where corrective action has taken place that we have been unable to successfully sustain cases brought forward for action when the facility has taken corrective action. DA notes on January 18, 2000, the Missouri Court of Appeals, Western District, decided *State of Missouri, Department of Social Services, Division of Aging v. Carroll Care Centers, Inc.*, -- S.W.2d --, WD56714 (Mo. App. Jan. 18, 2000), holding that it was proper to dismiss a civil monetary penalty (CMP) claim if the nursing home has corrected a cited deficiency at the time of reinspection. Here, the deficiency had been corrected by the time of the reinspection. In such a case, the State's claim for sanctions was not authorized.

The division concurs with the state auditor's recommendation for enhancement of existing procedures to identify instances in which persons listed on the Division of Aging Employee Disqualification Listing (DA EDL) are employed by providers prohibited from employing these individuals through an electronic process. While state statute places the responsibility for checking the EDL and the criminal background of individuals on the provider, current computer technology will allow for enhanced monitoring by the division of provider employment activity allowing for better identification of those facilities falling out of compliance.

The division has already taken the following steps to address the auditor's recommendations and to further strengthen our processes:

- C Established an automated process with the Department of Employment Security (MODES) for identification of instances in which those persons listed on the DA EDL are inappropriately working for nursing facilities, in-home service providers, or other entities prohibited from employing them.
- C Reviewed and strengthened Institutional Services administrative processes and assigned processing of referrals to a single distinct EDL Unit.

- C The division's responsibility is to adequately monitor the providers performance of these requirements. In order to ensure, division staff are meeting these monitoring and reporting requirements, we have:*
- C Reviewed the field policy related to EDL and criminal background checks that requires inspection staff during inspections/surveys or complaint investigations, as appropriate, to check that the facility has an effective system, including written policies and procedures, which enables them to request and obtain information needed to make appropriate hiring/retention decisions in accordance with the requirements of Sections 660.315, RSMo and 660.317, RSMo 1998. We believe the field practice addresses the requirements related to our monitoring of compliance with EDL and criminal background checks.*
- C Reaffirmed with administrative and field staff the requirement to cite a deficiency whenever a DA EDL violation occurs and recommend to HCFA and the Division of Medical Services, as appropriate, imposition of sanctions or state licensure action, whenever a provider licensed by the division fails to meet the requirements at Section 660.315, RSMo 1998 related to appropriate action when a determination is made that an individual appears on the DA EDL. Appropriate actions would be declining to employ the individual or termination of the individual whose name is listed on the DA EDL.*
- C Researched the availability of an automated process for verifying criminal background checks without successfully finding such a system within Missouri. We will continue exploring and monitoring options and new systems as they become available for automating the criminal background check process.*

*B&C. The Division concurs that legislative action will be needed to allow for verification of Department of Mental Health Employee Disqualification List (DMH EDL) and the Child Abuse and Neglect (C/AN) registry listings by division providers and facilities. While inclusion of these individuals on the DA EDL may further protect elderly and disabled adults in long-term care facilities, this issue would need to be addressed through the legislative branch who implement public policy through enactment of state law. DA believes the process of consolidation has begun with passage of the "Family Care Safety Registry and Access Line" (L. 1999 H.B. 490 & H.B. 308); that current computer technology will make information more readily accessible to the public; and that additional legislative action may be anticipated.*

### **AUDITOR'S COMMENT**

- A.3. The DA's response inaccurately implies that employment of individuals on the DA EDL is routinely cited as a Class I violation. In reality, if the DA detected instances of disqualified employees working at facilities through its quarterly match, no deficiency was cited if an inspection was not*

ongoing, if no incident had occurred involving the employee, and if the facility agreed to terminate the employment of the individual.

In regards to the appellate court's decision, if changes to current law are necessary for the DA to sanction or fine facilities for hiring individuals listed on the DA EDL or those having a criminal background, we suggest the DA seek such legislation.

This report is intended for the information of the management of the Department of Social Services, Division of Aging, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



JEFFERSON TOWNSHIP

LINN COUNTY, MISSOURI

YEAR ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-12  
February 29, 2000

AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Jefferson Township, Linn County, Missouri.**

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The township did not establish a separate debt service fund to account for tax collections and the payment of the bond principal and interest. As a result, the township had no record of the amount of debt service revenues on hand each year. When computing the annual debt service tax rate, the township underreported the amount of debt service funds on hand, which resulted in an overcalculation of the required debt service tax rate. The township levied and collected \$29,681 in excess property taxes for the 1994 bond issue which remain in the township's general fund. Future debt service tax levies should be reduced by this amount.

The township did not properly pay, report compensation, and withhold payroll taxes for compensation paid to township officials.

The township board does not prepare formal budgets. The township prepares a schedule of the prior year's actual expenditures to use as a guide for monitoring current year's expenditures; however, this schedule does not contain all information required by state law. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for township operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures.

The township board does not publish annual financial statements and inventory listings as required by state law. At a minimum, the published financial statements should contain the beginning cash balance, actual receipts by source for the year, actual expenditures by major category for the year, and the ending cash balance.

State law requires the township to file annual financial reports with the State Auditor's office. The township did not prepare or file financial reports for the years 1993 through 1997. The 1998 financial report was not filed with the State Auditor's office until October 12, 1999. The financial reports are to be filed within four months after the end of the township's fiscal year (the requirement is six months after the end of the fiscal year if an audit report prepared by a certified public accountant is filed).

(over)

YELLOW SHEET

The township does not have a formal policy regarding public access to township records. A formal policy regarding access to township records would establish guidelines for the township to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records.

The Township Trustee was not bonded from April 1993 to April 1999, even though a bond is required by state law. On August 23, 1999, a bond was obtained in the amount of \$250,000, retroactive to April 1, 1999, and effective until March 31, 2000. In addition, the other two board members are co-signers on the bank account but are not bonded. Failure to bond all persons with access to assets exposes the township to risk of loss.

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Directors  
Jefferson Township  
Linn County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Jefferson Township, Linn County, Missouri. Our audit of the township included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

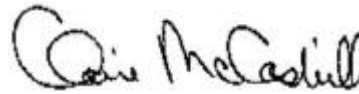
1. Perform procedures we deemed necessary to evaluate the petitioner's concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, policies, and various township financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the township.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the township and was not subjected to auditing procedures applied in the audit of the township.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of Jefferson Township, Linn County, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill", written over a vertical line.

Claire McCaskill  
State Auditor

January 20, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                   |
|---------------------|-------------------|
| Director of Audits: | Karen Laves, CPA  |
| Audit Manager:      | Mark Ruether, CPA |
| In-Charge Auditor:  | Joel Abeln        |

## HISTORY AND ORGANIZATION

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI  
HISTORY AND ORGANIZATION

Jefferson Township is one of 14 townships in Linn County and is located in the south central region of that county. Linn County elected a township organization in 1837. There are approximately 68 miles of roads maintained by the township. The population of the township in 1990 was 793.

The township's elected Board of Directors (governing body) consists of the township trustee (board member), who serves as the ex officio treasurer, and two members of the township board. One of these two board members is appointed by the board as president. Other officers are the township clerk and the township collector. All officers are elected biennially and take office in April following the election.

Officers at December 31, 1999 were as follows:

|   | <u>Term Expires</u> | <u>Actual<br/>Compensation<br/>For the<br/>Year Ended<br/>December 31,<br/>1999</u> | <u>Amount<br/>of Bond</u> |
|---|---------------------|---|---------------------------|
| Galen Holloway, Trustee and Ex<br>Officio Treasurer | April 2001          | \$ 4,106  | 250,000                   |
| Stephen Speichinger, President                      | April 2001          | 329   |                           |
| Randy Wade, Member                                  | April 2001          | 329   |                           |
| Karen Collier, Collector                            | April 2001          | 3,182   | 116,937                   |
| Margery Curley, Clerk                               | April 2001          | 503   |                           |

In addition to the elected officials, the township has one full-time employee.

Assessed valuation and tax rate information for 1999 and 1998 were as follows:

|                    | 1999                | 1998             |
|--------------------|---------------------|------------------|
| ASSESSED VALUATION |                     |                  |
| Real estate        | \$ 4,151,667        | 4,299,328        |
| Peronal property   | 2,189,736           | 1,941,814        |
| Total              | <u>\$ 6,341,403</u> | <u>6,241,142</u> |

TAX RATES PER \$100 OF ASSESSED VALUATION

|                         |         |      |
|-------------------------|---------|------|
| General revenue         | \$ 0.10 | 0.09 |
| Road and bridge         | 0.39    | 0.37 |
| Special road and bridge | 0.35    | 0.31 |
| Debt service            | 0.57    | 0.39 |

A summary of the financial activity of the Jefferson Township (excluding the Township Collector's accounts) for the years ended December 31, 1999 and 1998, is presented below:

|                                     | 1999             |                |                      |                | 1998            |
|-------------------------------------|------------------|----------------|----------------------|----------------|-----------------|
|                                     | General Account  | Bond Account   | Debt Service Account | Total          | General Account |
| RECEIPTS:                           |                  |                |                      |                |                 |
| Property taxes                      | \$ 70,689        | 0              | 6,520                | 77,209         | 81,534          |
| County sales tax                    | 30,441           | 0              | 0                    | 30,441         | 29,612          |
| County CART distributions           | 8,156            | 0              | 0                    | 8,156          | 11,235          |
| FEMA distributions                  | 18,017           | 0              | 0                    | 18,017         | 0               |
| Bond proceeds                       | 0                | 125,000        | 0                    | 125,000        | 0               |
| Interest                            | 2,190            | 1,039          | 152                  | 3,381          | 2,077           |
| Other                               | 1,800            | 0              | 0                    | 1,800          | 1,089           |
| Total Receipts                      | <u>131,293</u>   | <u>126,039</u> | <u>6,672</u>         | <u>264,004</u> | <u>125,547</u>  |
| DISBURSEMENTS:                      |                  |                |                      |                |                 |
| Salary and fringe benefits          | 22,806           | 0              | 0                    | 22,806         | 22,506          |
| Contract trucking                   | 23,419           | 2,447          | 0                    | 25,866         | 22,601          |
| Rock                                | 13,969           | 17,500         | 0                    | 31,469         | 22,391          |
| Road oil                            | 0                | 2,142          | 0                    | 2,142          | 0               |
| Building lease                      | 1,200            | 0              | 0                    | 1,200          | 1,200           |
| Equipment purchase                  | 18,200           | 81,640         | 0                    | 99,840         | 0               |
| Equipment repairs                   | 4,533            | 0              | 0                    | 4,533          | 2,814           |
| Payments to township officials      | 5,126            | 0              | 0                    | 5,126          | 3,285           |
| Debt service principal and interest | 22,561           | 0              | 0                    | 22,561         | 22,363          |
| Insurance and legal fees            | 5,155            | 1,371          | 0                    | 6,526          | 5,186           |
| Fuel                                | 5,061            | 0              | 0                    | 5,061          | 5,224           |
| Other                               | 2,382            | 153            | 18                   | 2,553          | 2,101           |
| Total Disbursements                 | <u>124,412</u>   | <u>105,253</u> | <u>18</u>            | <u>229,683</u> | <u>109,671</u>  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 6,881            | 20,786         | 6,654                | 34,321         | 15,876          |
| CASH BALANCE, JANUARY 1,            | 56,798           | 0              | 0                    | 56,798         | 40,922          |
| CASH BALANCE, DECEMBER 31,          | <u>\$ 63,679</u> | <u>20,786</u>  | <u>6,654</u>         | <u>91,119</u>  | <u>56,798</u>   |



## MANAGEMENT ADVISORY REPORT

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Bond Issues (pages 9-10)

The township did not establish a separate debt service fund to account for tax collections and the payment of the bond principal and interest. The township collected taxes of \$29,681 in excess of the amount required to pay the bond debt. In addition, the township board sells bonds by negotiated sales with one bank and should consider public competitive sales for future bond issues.

2. Township Officials' Compensation (pages 10-11)

Compensation paid to township officials did not comply with state law. The township did not properly report compensation and withhold payroll taxes for compensation paid to township officials.

3. Expenditures (pages 11-13)

The township does not have a formal bidding policy. Forms 1099 are not filed as required. The township pays its full-time employee bonuses which appear to violate the state constitution. The township does not require its employees to prepare time sheets.

4. Budgets and Financial Reporting (pages 13-14)

The township does not prepare formal budgets, does not publish annual financial statements and inventory listings, and did not submit some annual financial reports to the State Auditor's office, as required by state law.

5. Minutes, Meetings, and Records (pages 14-15)

Minutes were not maintained for some board meetings and the minutes did not always contain information as required by statute. Notices of meetings did not include tentative agendas. The township does not have a formal policy regarding public access to township records.

6. Accounting Records and Procedures (pages 15-16)

The township uses the date monies are deposited rather than the date monies are received when recording receipts in the general ledger. Checks are not restrictively endorsed immediately upon receipt. The trustee was not bonded for the period of April 1993 through April 1999, nor have other authorized check signers been bonded.

7. Road Maintenance (pages 16-17)

A formal maintenance plan for township roads has not been prepared. The township spent more money on roads within the City of Laclede than allowed by state law.

8. Township Collector's Accounting Records and Procedures (pages 17-18)

The Township Collector disposes of computerized and manual accounting records, such as bank reconciliations, account registers, and paid tax statements, at the conclusion of the tax year. Voided checks are not always retained. The Township Collector personally retained interest earnings of about \$300 annually, rather than distributing the interest to the various political subdivisions.

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                    |
|-----------|--------------------|
| <b>1.</b> | <b>Bond Issues</b> |
|-----------|--------------------|

The township issued \$100,000 of general obligation road bonds in June 1994 which were paid off in March 1999. A new \$125,000 bond issue was approved and these bonds were issued and sold in July 1999. Both bond issues were for the purpose of providing funds for the construction, improvement, and maintenance of township roads, including the purchase of equipment necessary to carry out this purpose. We noted the following concerns related to these bond issues:

- A. The township levies property taxes to pay the bond principal and interest. A separate debt service fund has been established to account for the tax collections and the bond principal and interest payments for the 1999 bond issue; however, for the 1994 bond issue, all debt service property taxes were deposited into the township's general fund and all debt payments were made from the general fund.

Because of the lack of a separate accounting for debt service revenues and expenditures, the township had no record of the amount of debt service revenues on hand each year. When computing the annual debt service tax rate, the township underreported the amount of debt service funds on hand, which resulted in an overcalculation of the required debt service tax rate. The township levied and collected \$29,681 in excess property taxes for the 1994 bond issue which remain in the township's general fund.

Section 108.180, RSMo 1994, along with the township's bond ordinance requires a separate account for all monies derived from a debt service tax levy and restricts the use of such monies for the payment of interest and principal. The township should transfer \$29,681 from the general fund to the 1999 general obligation debt service fund and reduce future debt service property tax levies to offset these excess collections.

- B. Both the 1994 and 1999 bonds were sold by negotiated sales with the same bank. While the interest rates on these bonds do not appear unreasonably high, the township should consider competitive sales for future bond issues. Competitive sales involve the solicitation of bids from underwriting firms to purchase the bonds and sell them to the firm or group which offers the lowest interest cost. A public competitive sale promotes a fair process where all qualified underwriters have an opportunity to earn the business, and the public can be more confident that the bonds are awarded at the lowest possible cost without improper and costly insider and political conflicts.

**WE RECOMMEND** the Township Board:

- A. Transfer \$29,681 from the general fund to the 1999 bond debt service fund, and reduce future debt service property tax levies to offset these excess collections.
- B. Use competitive sales for future bond issues.

**AUDITEE'S RESPONSE**

- A. *We agree and intend to use the \$30,000 in repurchase agreement funds to service the bond debt. We will reduce future tax levies by this amount.*
- B. *We will take your recommendation under advisement; however, we believe we saved approximately \$800 to \$1,000 in attorney fees by selling the bonds through a negotiated sale. In addition, for the 1999 bond issue, we obtained more accurate information and instructions regarding setting up the necessary bond accounts.*

|  |
|--|
| <b>2. Township Officials' Compensation</b> |
|--|

- A. Prior to August 1998, Section 65.230(1), RSMo 1994, established compensation for various township officials. That statute provided that each township board member (including the trustee) and the clerk were to receive a \$6 fee for the first board meeting in a month and \$2.50 for each subsequent board meeting that month. This section was revised in August 1998 and authorized the township board and clerk to receive up to \$25 per day for the first meeting each month and up to \$10 for each meeting thereafter during the month.

Compensation paid to township officials did not comply with the above statute. It appears for a number of years the township's policy has been to pay the board members and the clerk \$8 per meeting. In April 1999, the board changed this policy to \$25 per meeting (in accordance with the revised statute). In addition, the Township Clerk received a commission of five percent on the total payroll taxes remitted to the federal government, even though this fee does not appear to be authorized by statute.

Although the amount of additional compensation paid to township officials as a result of these matters does not appear significant, the township board should review this situation and ensure any future compensation paid to township officials is in accordance with state law.

- B. The township does not properly report compensation, withhold payroll taxes, or pay the employer's share of social security on the commissions and/or fees paid to the board

members, trustee and ex officio treasurer, and the township clerk. The total compensation paid to these officials during 1999 totaled \$5,267.

The Internal Revenue Code requires employers to report such compensation on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 1994, includes requirements for reporting such compensation and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 1994, defines an appointive officer or employee of a political subdivision as an employee for social security purposes.

**WE RECOMMEND** the Township Board:

- A. In the future ensure compensation paid to township officials complies with state law.
- B. Ensure payroll taxes are properly withheld and remitted for any commissions or fees paid to township officials. In addition, the board should ensure that such compensation is properly reported on W-2 forms and social security taxes paid, including 1999.

**AUDITEE'S RESPONSE**

*We agree with these recommendations and are currently complying.*

|                        |
|------------------------|
| <b>3. Expenditures</b> |
|------------------------|

- A. The township does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Bids were not solicited for insurance and officials' bonds. Additionally, the township solicited bids for the purchase of a road grader and road rock and hauling; however, the lowest bids were not selected, and justifications for selecting higher bids were not adequately documented. For road rock and hauling, township officials indicated the low bidder did not provide sufficient information in the bid; however, the board just accepted the higher bid instead of requesting additional information from the low bidder.

Formal bidding procedures for major purchases provide a framework for economical management of township resources and help ensure the township receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the township's business. Bids can be obtained by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

- B. The township does not file Forms 1099 with the Internal Revenue Service (IRS). The Internal Revenue Code requires payments of \$600 or more for services by nonemployees (other than corporations) be reported to the federal government on Forms 1099. During 1998, the township paid \$22,601 for rock hauling and \$2,814 for equipment repairs which was not reported to the IRS. Similarly, 1999 payments for rock hauling (\$25,866) and equipment repairs (\$4,533) should be reported to the IRS in January 2000.
- C. The township has one full-time employee who was paid a \$300 bonus in December 1999. Similar bonuses have been paid in previous years.

These bonuses appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- D. Documentation of actual time worked, such as a time sheet, is not available to support payroll expenditures. In addition to the full-time employee, the township utilizes a part-time employee to assist with emergency snow removal. Neither employee prepares time sheets. Time records should be prepared by the employees, approved by the township board, and filed with the township's payroll records.

**WE RECOMMEND** the Township Board:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. In addition, when insufficient information is provided by a lower bidder, the board should consider obtaining additional information from the bidder instead of just selecting a higher bid.
- B. Ensure that IRS Forms 1099 are filed as required for prior years as well as in the future.
- C. Discontinue paying bonuses to the township employee.
- D. Require township employees to complete time sheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved by the township board, and filed with township's payroll records.

**AUDITEE'S RESPONSE**

- A. *We agree with this recommendation and have already implemented a formal written bid policy.*

- B. *We agree with this recommendation and are currently complying with the Internal Revenue Service Code.*
- C. *These payments were intended as part of the employee's total compensation. In future years, we will budget this payment as a part of the employee's total compensation.*
- D. *We will take this recommendation under advisement.*

|   |
|---|
| <b>4. Budgets and Financial Reporting</b> |
|---|

- A. The township board does not prepare formal budgets. The township prepares a schedule of the prior year's actual expenditures to use as a guide for monitoring current year's expenditures; however, this schedule does not contain all information required by state law.

Section 67.010, RSMo 1994, requires each political subdivision to prepare an annual budget, and Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for township operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. Further, Section 65.380, RSMo 1994, requires the township board to prepare and file with the county clerk an annual estimate of the amount of money required to defray the expenses of the township.

- B. The township board does not publish annual financial statements and inventory listings as required by state law. Section 231.280, RSMo 1994, requires the township to publish annual financial statements and inventory listings in any newspaper of general circulation within the township which is published in the county. Publication of annual financial statements would allow residents to be better informed as to the township's financial activity and condition.

At a minimum, the published financial statements should contain the beginning cash balance, actual receipts by source for the year, actual expenditures by major category for the year, and the ending cash balance.



- C. Section 105.145, RSMo 1994, requires the township to file annual financial reports with the State Auditor's office. The township did not prepare or file financial reports for the years 1993 through 1997. The 1998 financial report was not filed with the State Auditor's office until October 12, 1999. The financial reports are to be filed within four months after the end of the township's fiscal year (the requirement is six months after the end of the fiscal year if an audit report prepared by a certified public accountant is filed).

**WE RECOMMEND** the Township Board:

- A. Prepare annual budgets in accordance with state law. The board should periodically compare actual revenues and expenditures with budgeted amounts to monitor township finances.
- B. Ensure annual financial statements and inventory listings are published in accordance with state law.
- C. File annual financial reports with the State Auditor's office as required by state law.

**AUDITEE'S RESPONSE**

- A. *We agree with this recommendation and are currently complying with state law.*
- B. *We will comply with this recommendation.*
- C. *We are currently complying with this recommendation.*

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|--|
| <b>5. Minutes, Meetings, and Records</b> |
|--|

- A. In June 1999, the township board minutes indicated that two board members were compensated for attending six additional meetings and the township trustee for attending three additional meetings during April and June 1999. These additional board meetings were held to discuss the purchase of a new road grader with prospective vendors. The township board did not prepare minutes for these additional meetings.

In addition, the minutes of the board meetings did not always contain information required by statute. When the minutes indicated a motion had been passed, the minutes did not generally indicate the number of votes for and against.

Section 610.020, RSMo Cumulative Supp. 1999, requires a journal of minutes shall be taken and retained of all open meetings of a public governmental body and requires the minutes to include a record of votes taken. Complete and accurate board minutes should be maintained as a record of board decisions.

- B. The township gives adequate advance notice of their meetings; however, the notice does not include a tentative agenda. Section 610.020, RSMo Cumulative Supp. 1999, requires the notice of the meeting to include the time, date, and place of the meeting, as well as a tentative agenda.
- C. The township does not have a formal policy regarding public access to township records. A formal policy regarding access to township records would establish guidelines for the township to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo Cumulative Supp. 1999, lists requirements of making township records available to the public.

**WE RECOMMEND** the Township Board:

- A. Prepare minutes for all board meetings and ensure the minutes include records of all votes taken.
- B. Include a tentative agenda in the notice for all board meetings as required by state law.
- C. Establish a formal policy regarding public access to township records.

**AUDITEE'S RESPONSE**

*A&B. We are currently complying with these recommendations.*

*C. We have been complying with the Sunshine Law but will develop a formal policy.*

|   |
|---|
| <b>6. Accounting Records and Procedures</b> |
|---|

- A. The Township Trustee uses the date monies are deposited rather than the date received in the general ledger. To provide better accountability over funds, the date received should be recorded in the general ledger for all receipts.
- B. Checks are not restrictively endorsed. The bank applies the restrictive endorsement to checks as they are deposited. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. The Township Trustee was not bonded from April 1993 to April 1999, even though a bond is required by Section 65.640, RSMo 1994. On August 23, 1999, a bond was obtained in the amount of \$250,000, retroactive to April 1, 1999, and effective until March 31, 2000. In addition, the other two board members are co-signers on the bank account

but are not bonded. Failure to bond all persons with access to assets exposes the township to risk of loss.

**WE RECOMMEND** the Township Board:

- A. Record the date received in the general ledger for all receipts.
- B. Restrictively endorse all checks immediately upon receipt.
- C. Ensure the Township Trustee is bonded in accordance with statutory requirements. In addition, the board should consider obtaining bond coverage for all individuals who are authorized check signers.

**AUDITEE'S RESPONSE**

- A. *We will take this recommendation under advisement.*
- B. *Checks are currently endorsed as they are received.*
- C. *The trustee will continue to be bonded as required, and we will consider obtaining bond coverage for the other board members.*

|                            |
|----------------------------|
| <b>7. Road Maintenance</b> |
|----------------------------|

- A. A formal maintenance plan for township roads is not prepared. A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, the board should consider holding a public hearing to obtain input from township residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of roads throughout the year.

- B. Beginning in 1999, the township keeps records of the amount of money spent on roads within the city limits of Laclede. These records indicate approximately \$5,400 was spent on roads within the city limits during 1999.

Section 65.295, RSMo 1994, states that a township may not expend more than one-fourth of the tax revenue generated from property within a city on the roads that are within the city. Although the city did not keep track of the amount of property taxes generated within the city of Laclede, it appears the township received approximately \$10,000 in road and bridge property taxes from city residents based on the city's assessed valuation. Therefore, the township should have only spent a maximum of approximately \$2,500 on roads within the city limits.

The board should review this matter and ensure it complies with state law.

**WE RECOMMEND** the Township Board:

- A. Prepare and document a maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of roads to make appropriate decisions on future projects.
- B. Keep expenditures on roads in the City of Laclede within the statutory limit.

**AUDITEE'S RESPONSE**

*We will take these recommendations under advisement.*

|  |
|--|
| <b>8. Township Collector's Accounting Records and Procedures</b> |
|--|

- A. The Township Collector maintains computer and manual records to account for the transactions of her money market and checking accounts. Computer records, consisting of account registers, bank reconciliations, and paid tax statements, were not properly retained. The Township Collector currently disposes of the manual records and deletes the computer files once the tax year has ended and the Ex Officio County Collector has issued an annual settlement. Retention of the original copy of applicable records is necessary to properly account for all monies received and disbursed. In addition, the Missouri Secretary of State has established record retention guidelines for local government officials.
- B. Voided checks are not always retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.
- C. At the end of each fiscal year, the Township Collector pays out the amount of taxes owed to each political subdivision and then retains any monies left in the account. This resulted in the Township Collector retaining \$318 and \$327 more than the amount calculated on the annual settlements filed with the Ex Officio County Collector for the years ended

February 28, 1999 and 1998, respectively. These monies primarily resulted from interest earned on tax receipts held in her official account.

Section 139.430(4), RSMo 1994, allows for the Township Collector to retain a commission based on a formula of current taxes collected. This is the only source of commissions or payments to the Township Collector that are allowed by state law.

**WE RECOMMEND** the Township Collector:

- A. Retain the original copies of applicable records in accordance with the Secretary of State's guidelines.
- B. Ensure all voided checks are defaced and retained
- C. Ensure future commissions are retained in accordance with state law. We also recommend the Township Collector distribute interest earned to the political subdivisions.

**AUDITEE'S RESPONSE**

- A. *This will be done for tax year 1999.*
- B. *This will be done in the future.*
- C. *Approximately \$60 per year of the amounts retained includes commissions for drainage district collections. In the future, tax collections will be kept in non-interest bearing accounts.*

This report is intended for the information of the township's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



REVIEW OF THE  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-11  
February 25, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2000

**The following problems were discovered as a result of a review conducted by our office of the Department of Economic Development, Division of Tourism.**

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Our review noted that the contract between the division and its advertising agency does not require the advertising agency to obtain competitive bids for purchases in excess of a predetermined amount. However, the advertising agency established a procurement policy for purchases relating to its contract with the division. This policy indicates that for purchases in excess of \$25,000, bids must be solicited from at least five sources. Our review of the advertising agency's records revealed that bids were not always solicited nor was bid documentation always retained for various purchases made during the audit period. Examples include \$102,508 and \$68,248 for the printing of two different magazine inserts.

Our review also examined the division's sponsoring various events to promote tourism in the state. We found the division had entered into a sponsorship contract for \$50,000, as did six other states, with the Mississippi River Cycling and Hiking Corridor, Inc. (MRCHC) to promote the Mississippi River Trail and the American Derby 2000 bicycle race.

Our review of this event revealed the division paid \$25,000 in December 1998, to the MRCHC when the arrangements of the American Derby 2000 were not yet known. MRCHC produced a promotional video to attract sponsors. The video presented MRCHC's intentions to have an 11 day race from St. Louis to New Orleans attracting race teams from across the U.S. and from Europe. The video also promised the event would be nationally televised. However, a signature sponsor was not obtained and the event had to be reorganized. The date of the event, the number of races, and the number of potential participants are still unknown.

In the future, to ensure the funds will be utilized for the intended purpose and that the event will live up to the expectations, the details of the event should be known before any sponsorship payments are made and steps should be taken to ensure the provisions of the contract have been met.

The Division of Tourism entered into a contract with the St. Louis Convention and Visitors Commission (CVC) to reimburse the CVC up to \$525,969 of the costs from the visit of Pope John Paul II to St. Louis, Missouri in January 1999. This contract was entered into without any formal action by the legislature approving this expenditure. Formal approval of this contractual obligation should have been obtained prior to the signing of the contract.

YELLOW SHEET

REVIEW OF THE  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Joseph L. Driskill, Director  
Department of Economic Development  
and  
Members of the Tourism Commission  
and  
Christopher Jennings, Director  
Division of Tourism  
Jefferson City, Missouri 65102

We have conducted a review of the Department of Economic Development, Division of Tourism. The scope of this review included, but was not limited to, the period of July 1, 1997 through June 30, 1999. The objectives of this review were to:

1. Review certain management control procedures, legal compliance issues, policies, and management practices.
2. Determine the extent to which prior audit recommendations have been implemented.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the division's revenues, expenditures, contracts, and other pertinent procedures and documents, and interviewed division personnel.

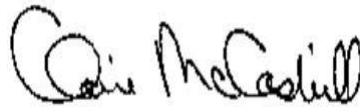
As part of our review, we assessed the division's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selected tests and procedures considered appropriate in the circumstances. Had we performed additional

procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our review of the Department of Economic Development, Division of Tourism.

The accompanying Management Advisory Report presents our findings and recommendations from our review of the Department of Economic Development, Division of Tourism.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 17, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | John Blattell, CPA     |
| In-Charge Auditor:  | Merit Voshage, CPA     |
| Audit Staff:        | Thomas Franklin        |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

REVIEW OF THE  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
SUMMARY OF FINDINGS

1. Papal Visit (pages 7-9)

The division entered into a contract with the St. Louis Convention and Visitors Commission (CVC) without having the funds appropriated for this obligation and without the approval of the Tourism Commission. In addition, the division did not require bidding documentation for any of the approved invoices submitted by the St. Louis CVC.

2. Expenditures and Contracts (pages 9-12)

The contract between the division and the advertising agency does not contain provisions requiring the advertising agency to solicit bids with its subcontractors and bid documentation was not sufficient for \$170,756 of expenditures reimbursed to the advertising agency. The division does not require the advertising agency to pay its subcontractors prior to requesting reimbursement from the division. In addition, adequate documentation is not always maintained to support expenditures. The division made reimbursements for duplicate invoices submitted and for alcohol related expenditures.

3. Sponsorships (pages 12-13)

The division agreed to sponsor and paid \$25,000 in December 1998 toward the American Derby bicycle race before the arrangements of the event were known. The division did not properly monitor the contract provisions. The specifics of this event are still unknown. Written criteria has not been developed for selecting events to be sponsored by the division and records are not maintained to enable the division to evaluate the economic impact of sponsorships.

4. General Fixed Assets (pages 13-14)

Fixed asset additions are not recorded in the fixed asset records in a timely manner and are not reconciled to equipment expenditures. A physical inventory of fixed assets is not performed on an annual basis and fixed assets are not always tagged as division property.

REVIEW OF THE  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

**1. Papal Visit**

On January 26 and 27, 1999, Pope John Paul II came to St. Louis, Missouri to visit. He met with President Clinton and Vice President Gore. The Papal visit was considered a visit by a head of state and \$3.4 million estimated cost was financed in part by federal funds, state agencies (including the Division of Tourism), the City of St. Louis, Papal Visit 1999 (a nonprofit corporation established by the Archdiocese of St. Louis), and others. The Division of Tourism entered into a contract with the St. Louis Convention and Visitors Commission (CVC) to reimburse the CVC up to \$526,969 of the related costs from the state's General Revenue Fund and the Tourism Supplemental Revenue Fund. While the CVC has not yet been reimbursed for any of the expenditures, the division has approved and intends to pay several of the invoiced costs. Our review of the contract and the related expenditures noted the following concerns.

- A. The division entered into the contract with the St. Louis CVC without having funds appropriated for this obligation. The expenditures associated with the Papal visit were not included in the budget approved by the Tourism Commission for fiscal year 1999. As a result, the division found it necessary to request an emergency appropriation to meet some of its contractual obligation. Additional monies were approved from the following sources:

|  |                   |
|--|-------------------|
| FY99 Supplemental General Revenue Fund - State |                   |
| Appropriation (Reappropriated to FY2000)       | \$ 299,463        |
| FY99 Appropriation Tourism Supplemental        |                   |
| Revenue Fund (Reappropriated to FY2000)        | 227,506           |
|  | <u>\$ 526,969</u> |

It appears the division may have circumvented the budgetary process by incurring expenditures prior to receiving authorization by the commission in the division's budget. To ensure there are sufficient funds to meet contractual obligations, the division should monitor expenditures from appropriations and evaluate the overall financial condition before entering into contracts for unplanned expenditures. If additional funds are needed, the division should follow the proper procedures for requesting additional appropriations before entering into contractual agreements. Section 33.040, RSMo 1994, provides that no obligation shall be incurred by any department unless there is an unencumbered balance in the appropriation sufficient enough to pay the obligation. Requesting additional appropriations in advance reduces the likelihood of deficit spending and of incurring

expenditures not approved by the legislature, which must be avoided to ensure the division operates within its budgeting authority.

- B. The contract with the St. Louis CVC was entered into after the date of the Papal visit. The contract was signed by the President of the St. Louis CVC on February 8, 1999, and the Deputy Director of the Division of Tourism on February 9, 1999, which is approximately 2 weeks after the Papal visit. In addition, the contract was not approved by the Tourism Commission until after the agreement was signed.

To ensure monies are appropriately spent, the contract terms should be defined before the purpose of the contract has occurred, and the Tourism Commission should approve major commitments before division personnel enter into such agreements.

- C. The division's contract authorizes the St. Louis CVC to expend up to \$526,969 for "acceptable related expenditures". The division has received several invoices from the CVC which have been approved; however, the division does not intend to make any reimbursements until the full contract amount has been approved. Our review of these invoices revealed the actual expenditures were incurred by the Papal Visit 1999 not-for-profit organization. The Papal Visit 1999 is affiliated with the Archdiocese of St. Louis and incurred a substantial portion of the costs relating to the Pope's visit. The St. Louis CVC is submitting invoices from the Papal Visit 1999 for reimbursement by the division.

During our review of the expenditures we noted bidding documentation has not been submitted with the invoices. In addition, the contract with the St. Louis CVC does not require competitive bidding for purchases in excess of a predetermined amount. Section 34.040, RSMo Cumulative Supp. 1999 requires all purchases in excess of \$3,000 to be competitively bid. Without requiring the CVC to submit documentation of bids, the division can not ensure it is receiving a fair value for the goods and services to be reimbursed.

**WE RECOMMEND** the division:

- A. Discontinue incurring expenditures not authorized by the commission and the legislature. In addition, the division should monitor expenditures from appropriations and evaluate the overall financial condition before entering into contracts for unplanned expenditures. If additional funds are needed, requests should be filed and approved prior to entering into contractual agreements.
- B. Ensure the Tourism Commission approves major commitments before division personnel enter into such agreements.
- C. Require contract purchases to adhere to state bidding policies and procedures.



## **AUDITEE'S RESPONSE**

- A. *When the Missouri Division of Tourism entered into the contract on February 9, 1999, the division had unencumbered funds well in excess of those needed for the \$526,969 contract with the St. Louis Convention and Visitors Commission. In fact, monthly reports generated by the Office of Administration show that at the end of February 1999, the Division of Tourism had \$3,568,059 in unencumbered funds available in the expense and equipment budget. The Missouri Division of Tourism did not exceed the appropriation authority granted by the General Assembly when it entered into the contract.*

*The budget approved by the Tourism Commission does allow the Division of Tourism flexibility to take advantage of opportunities such as the Papal visit. An opportunity of this importance and magnitude to develop recognition and showcase St. Louis and the state of Missouri to the world is truly a rarity.*

*Given the amount of funds committed to this unexpected opportunity, the Division of Tourism utilized the State of Missouri Supplemental Appropriation process available to it by requesting additional funding to minimize the financial impact on other advertising efforts that would occur later in the year. The House of Representatives and the Senate concurred with the request by including additional funding in section 14.050 of House Bill 14.*

*We concur with the recommendation that the Missouri Tourism Commission should have taken formal action approving this support prior to the signing of the contract. However, the division respectfully disagrees that it incurred expenditures not authorized by the legislature.*

- B. *We concur.*
- C. *We concur and have implemented.*

## **2. Expenditures and Contracts**

- A. The contract between the division and the advertising agency does not require the advertising agency to obtain competitive bids for purchases in excess of a predetermined amount. However, the advertising agency established a procurement policy for purchases relating to its contract with the division. This policy indicates that for purchases under \$10,000, the advertising agency may contact one or more vendors to obtain quotes, pricing, or bids. For purchases between \$10,000 and \$25,000, the policy indicates the advertising agency may solicit verbal offers using at least three sources selected in a fair and consistent manner. For purchases in excess of \$25,000, the policy indicates written bids must be solicited from at least five sources.

Our review of the advertising agency's records revealed that bids were not always solicited nor was bid documentation always retained for various purchases made during the audit period. Examples include \$102,508 and \$68,248 for the printing of two different magazine inserts.

To ensure a competitive process and to ensure all vendors receive a fair opportunity to participate in division business, the division at a minimum should require the advertising agency to obtain independent competitive bids for all purchases in excess of a predetermined amount established by the advertising agency and require the advertising agency to maintain adequate documentation of these bids to provide evidence the bidding process followed the guidelines. Furthermore, established bidding procedures should provide a framework for economical management of the division's resources and help ensure the division receives fair value by contracting with the lowest and best bidders.

In addition, the division should work with the Office of Administration to ensure these bidding requirements are included in future advertising contracts.

Similar conditions were noted in our prior report.

- B. The division does not require its advertising agency to pay its subcontractors prior to requesting reimbursement and commission fees from the division. Without requiring the advertising agency to pay its subcontractor prior to being reimbursed, the division has no assurance those subcontractors will be paid. The division should reimburse the advertising agency only after the agency has paid its subcontractors.

Similar conditions were noted in our prior report.

- C. The division contracts with a company to provide international marketing services. Our review of the expenditures made to the marketing company revealed the following concerns:

- 1) Adequate documentation is not always maintained to support expenditures. The contract with the company allows for reimbursement of professional services which are above and beyond the required services. The company was reimbursed \$9,800 for professional services; however, there were no descriptions of the types of services performed to determine whether or not they actually went above and beyond the contract requirements.

All disbursements should be supported by paid receipts and/or vendor provided invoices to ensure the expenditures are proper and in compliance with the provisions of the contract. Invoices for professional services should include the number of hours worked by day, who provided the services, the hourly rate being charged, and a description of the work performed.

- 2) We also noted that duplicate payments were made on two invoices totaling \$478. The first payment had the original invoice attached as supporting documentation while the second payment had a hand written copy of the original invoice attached as supporting documentation. To prevent duplicate payments, disbursements should only be made on properly approved original invoices.
- 3) The marketing company was reimbursed \$690 for alcoholic beverage related expenditures, which were incurred while entertaining tour operators in Ireland. Reimbursing expenditures related to alcoholic beverages is an inappropriate use of division funds. In addition, the state travel regulations and the Office of Administration's general policies prohibit reimbursement for the purchase of alcoholic beverages.

Procedures for reviewing supporting documentation should be followed to ensure expenditures are in compliance with the contract provisions and necessary to conduct state business.

**WE RECOMMEND** the division:

- A. Require the advertising agency to adhere to its bidding requirements, to maintain documentation of bids received, and to evaluate bids in accordance with the contract guidelines. In addition, the division should add to future contracts the requirement that the advertising agency obtain competitive bids for all purchases in excess of a predetermined amount.
- B. Require the advertising agency to pay its subcontractors prior to requesting reimbursement from the division.
- C.1.  
& 2. Ensure adequate supporting documentation is maintained to support all disbursements and that duplicate payments are not made by making disbursements from original invoices only. In addition, the division should seek reimbursement of the \$478.
- C.3. Ensure procedures for reviewing invoices for compliance with the contract provisions are followed and the expenditures are necessary to conduct state business.

**AUDITEE'S RESPONSE**

- A. *We concur.*
- B. *We concur with the State Auditor's recommendation that the advertising agency pay its subcontractors prior to requesting reimbursement from the division. We will implement this recommendation with the new advertising contract that will become effective July 1, 2000.*

C.1,

2&3. *We concur. The Missouri Division of Tourism has made a reduction to subsequent billings from the vendor to correct the account.*

**3.**

### **Sponsorships**

- A. The division sponsors various events to promote tourism in the state. The division entered into a sponsorship contract for \$50,000, as did six other states, with the Mississippi River Cycling and Hiking Corridor, Inc. (MRCHC) to promote the Mississippi River Trail (MRT) and the American Derby 2000 bicycle race.

Our review of this event revealed the division paid \$25,000 in December 1998, to the MRCHC when the arrangements of the American Derby 2000 were not yet known. MRCHC produced a promotional video to attract sponsors. The video presented MRCHC's intentions to have an 11 day race from St. Louis to New Orleans attracting race teams from across the United States and from Europe. The video also promised the event would be nationally televised. However, a signature sponsor was not obtained and the event had to be reorganized. The date of the event, the number of races, and the number of potential participants are still unknown.

In addition, the contract details indicate that a brochure for the Missouri portion of the MRT will be produced by mid-year 1999. Since the first payment, there has been no communication between the division and the MRCHC. The division has not performed any procedures to monitor compliance with the terms of the contract or the progress of the event.

The contract does not indicate when the remaining \$25,000 portion of the sponsorship amount will be due. Before any additional payments are made to the MRCHC, the division should request the details of the race, an expenditure report, and the brochures. In the future, to ensure the funds will be utilized for the intended purpose and that the event will live up to the expectations, the details of the event should be known before any sponsorship payments are made and steps should be taken to ensure the provisions of the contract have been met.

- B. The division has not established written criteria for selecting events to be sponsored by the division. Applications describing the event are completed and the sponsorship requests are reviewed on a case by case basis, but there are no written guidelines for determining what events should be sponsored. In addition, the division does not maintain records to determine the amount spent on sponsorships each year, the number of events sponsored, the regions benefiting from the sponsorships, and the economic impact of the sponsorships. As a result, the division is unable to properly evaluate the events to determine the economic

impact of the sponsorships and whether its funds will be used effectively and efficiently to meet the division's objectives of promoting tourism in the state.

To ensure the division's sponsorship monies are used effectively and efficiently, the division should establish written criteria for selecting events to be sponsored by the division. In addition, the division should maintain records to analyze the economic impact of sponsorships on the state as a whole and on specific regions.

**WE RECOMMEND** the division:

- A. Require arrangements for sponsorship events to be substantially complete before making any payments. In addition, contract monitoring procedures should be developed to ensure important provisions have been met.
- B. Establish written criteria for selecting events to be sponsored by the division and maintain records to analyze the economic impact of sponsorships on the state as a whole and on specific regions.

**AUDITEE'S RESPONSE**

*A&B. We concur.*

|                                |
|--------------------------------|
| <b>4. General Fixed Assets</b> |
|--------------------------------|

Our review of the division's general fixed asset records and procedures indicated the following areas in which improvements are needed:

- A. Fixed asset additions are not recorded in the fixed asset records in a timely manner and are not reconciled to equipment expenditures to ensure all items are properly recorded on the fixed asset records. For example, we reviewed the purchase of laptop computers costing \$21,100 and copy equipment costing \$12,700 which were purchased during our audit period and not added to the general fixed asset records.

The failure to properly record and reconcile property items reduces the control and accountability over fixed assets and increases the potential for loss, theft, or misuse of assets.

- B. A physical inventory of the fixed assets is not performed on an annual basis as required by the Code of State Regulations at CSR 40-2.031. The last fixed asset physical inventory verification was performed in June 1996 by an individual who had custody of selected fixed assets and was responsible for all of the record keeping duties.

Annual physical inventories are necessary to establish proper accountability over fixed assets. Documentation of the physical inventory should be retained to show compliance with the state regulations. In addition, the physical inventory should be performed by employees who are independent of the custody and record keeping responsibilities.

- C. General fixed asset items are not always numbered, tagged, or otherwise identified as division property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the division.

**WE RECOMMEND** the division:

- A. Ensure general fixed asset purchases are added to the fixed asset records in a timely manner by periodically reconciling fixed asset additions to records of equipment purchases.
- B. Conduct an annual physical inventory and reconcile the physical inventory to the fixed asset records. Documentation of the physical inventories should be retained to show compliance with state regulations. The division should also ensure the individual who performs the physical inventory is independent of the custody and record keeping duties.
- C. Ensure all fixed assets are properly numbered, tagged, or otherwise identified as division property.

**AUDITEE'S RESPONSE**

A-C. *We concur.*

This report is intended for the information of the management of the Department of Economic Development, Division of Tourism and other governmental officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

REVIEW OF THE  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Department of Economic Development, Division of Tourism, on recommendations made in the Management Advisory Report (MAR) of our report issued for the period of July 1, 1994 through December 31, 1995. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the division should consider implementing these recommendations.

1. Presidential Library Funding

The division's control and monitoring of a \$1 million appropriation to promote tourism for the Harry S Truman Library was deficient. The division did not obtain a written contract with the NFP corporation outlining each parties' rights and obligations regarding the use of the state's money. The NFP corporation had used \$185,000 of the grant to fund the production of a film, while the remainder of the grant had been invested in fixed income investments.

Recommendation:

The division seek reimbursement of the unexpended portion of the grant. In the future, the division should enter into written agreements for all significant expenditures which specifically identify the rights and obligations of all parties. In addition, the division should establish criteria and implement procedures to ensure compliance with the written agreements and should disburse funds only as expenditures are incurred.

Status:

Implemented. The division obtained all supporting documentation of expenditures and reconciled them to the Library's records. The division requested the interest, but it was agreed that the interest should go towards the project. In addition, subsequent contracts with the Library were documented.

2. Sales Tax Funding

Section 620.467, RSMo 1994, indicated that the State Treasurer should annually transfer sales tax revenue from the General Revenue Fund-State to the Tourism Supplemental Revenue Fund. The section also indicated the transfer was based on a formula and should not exceed \$3 million in any year other than fiscal year 1996. In fiscal year 1996, the transfer may not exceed \$4 million, and the excess over \$3 million should be dedicated for the promotion of tourism presidential libraries. The fiscal year 1996 transfer totaled \$5,764,987, while using the formula the transfer should have



been \$1,764,987. This over-funding may have been due back to the state's General Revenue Fund.

Recommendation:

The division establish procedures to ensure annual transfers to the Tourism Supplemental Revenue Fund are made in compliance with the statutory restrictions. Furthermore, the division should request an Attorney General's opinion regarding the propriety of the fiscal year 1995 and 1996 transfer amounts. If determined necessary, the division should pursue revisions to Section 620.467, RSMo 1994, to clarify this section regarding the transfer provisions.

Status:

Partially implemented. While the division did not request an Attorney General's opinion regarding the propriety of the transfer amounts, it did work with the legislature to clarify and revise the wording of the statute.

3. Expenditures and Contracts

- A. The division permitted two out-of-state businesses to advertise in publications financed by the division.
- B. The division did not require its advertising agency to complete projects and pay its subcontractors prior to requesting reimbursements and commission fees from the division.
- C. The contract between the division and the advertising agency did not require the advertising agency to obtain competitive bids for purchases in excess of a predetermined amount.
- D. The contract between the division and the advertising agency did not specifically require the advertising agency to obtain written contracts with the subcontractors.
- E. The former Division Director used state resources to prepare and mail 4,527 copies of her resignation letter.

Recommendation:

The division:

- A. Refrain from using state monies to subsidize out-of-state businesses and establish procedures to ensure out-of-state businesses will not be advertised in future publications financed by the division.

- B. Require the advertising agency to complete projects and pay its subcontractors prior to requesting reimbursement from the division, and implement procedures to ensure the division does not pay the advertising agency commission fees until the project has been completed.
- C. Require the advertising agency to adhere to its bidding requirements to maintain documentation of the bids received and to evaluate bids in accordance with the contract guidelines. In addition, the division should add to future advertising contracts the requirement that the advertising agency obtain competitive bids for all purchases in excess of a predetermined amount.
- D. Work with the Office of Administration to add to future advertising contracts the requirement that the advertising agency obtain written contracts with its subcontractors. In addition, the division should implement procedures to ensure the contract terms with its advertising agency are followed.
- E. Along with the DED and the Tourism Commission, continue to work with the Attorney General's Office to determine whether the former Division Director's letter was an appropriate use of state resources and take appropriate action.

Status:

A&D. Implemented.

- B. Partially implemented. The division does ensure the projects are completed before paying the advertising agency; however, the advertising agency does not always pay its subcontractors before being reimbursed by the division. See MAR No. 2.
- C. Not implemented. See MAR No. 2.
- E. Implemented. After receiving a ruling from the Attorney General's Office with several options, the commission decided further action did not need to be taken.

4. Sponsorships

- A. The division paid over \$33,000 for promotional items and sponsorship fees without written contracts specifying what the division would receive in exchange for sponsoring the events.
- B. The division had not established written criteria for selecting events to be sponsored by the division. In addition, the division did not maintain records to determine the amount spent on sponsorships each year, the number of events sponsored, the regions benefiting from the sponsorships, and the economic impact of the sponsorships.

Recommendation:

The division:

- A. Enter into written agreements for all sponsorships which specifically identify what the division will receive in exchange for sponsoring the events.
- B. Establish written criteria for selecting events to be sponsored by the division and maintain records to analyze the economic impact of sponsorships on the state as a whole and on specific regions.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 3.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Tourism Commission was created in 1967. The Division of Tourism is the administrative arm of the commission. The division is a part of the Department of Economic Development.

The commission determines policy for all matters relating to tourism promotion. The commission consists of ten members appointed for four-year terms without compensation. One member is the lieutenant governor. Two members are senators, appointed by the president pro tem of the Senate. Two members are from the House of Representatives and are appointed by the speaker of the House of Representatives. Five other persons are appointed by the governor.

Members of the Tourism Commission as of June 30, 1999, were:

| <u>Member</u>                              | <u>Term Expires</u> |
|--|---------------------|
| Lieutenant Governor Roger B. Wilson, Chair | No Term *           |
| Mr. Louis P. Hamilton, Vice-Chair          | January 2000        |
| Senator Sidney Johnson                     | No Term **          |
| Senator Roseann Bentley                    | No Term **          |
| Representative Sam Leake                   | No Term **          |
| Representative Chuck Pryor                 | No Term **          |
| Mr. Buddy W. (Bud) Bolinger                | January 1998 ***    |
| Mr. Daniel R. Keller                       | January 1999 ***    |
| Ms. Kathleen L. Tucker                     | January 1999 ***    |
| Ms. Consuelo D. (Connie) Washington        | January 1997 ***    |

\* Lieutenant Governor is automatically a member of the commission.

\*\* Appointed by the Speaker of the House or the President Pro Tem of the Senate at the beginning of each new session.

\*\*\* Continues to serve until a replacement is appointed.

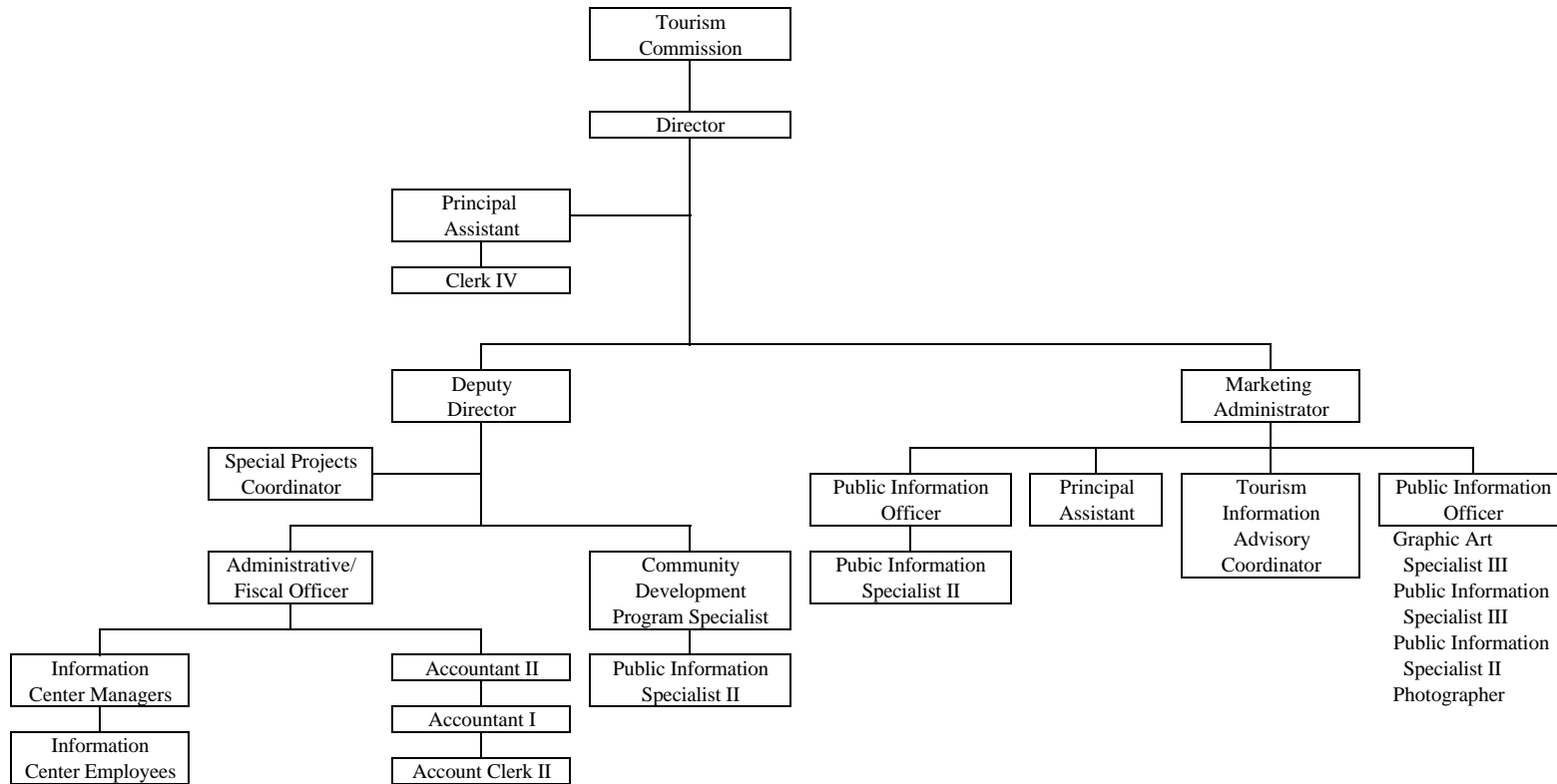
The purpose of the division is to promote the state's travel industry by encouraging visits by out-of-state vacationers and by encouraging Missourians to vacation in their home state. The division is administered by a director who is appointed by the Tourism Commission. Mr. Chris Jennings has served as Director since June 1996. At June 30, 1999, the division had thirty-nine full-time employees, thirty-four of whom were under the State Merit System.

The number of people visiting each information center during the two years ended June 30, 1999 were as follows:

| Location       | Year Ended June 30, |         |
|----------------|---------------------|---------|
|                | 1999                | 1998    |
| Hannibal       | 64,370              | 67,319  |
| Jefferson City | 15,389              | 16,381  |
| Joplin         | 130,114             | 133,430 |
| Kansas City    | 128,125             | 122,777 |
| New Madrid     | 127,460             | 123,392 |
| Rock Port      | 130,247             | 130,527 |
| St. Louis      | 153,659             | 184,324 |
| Total          | 749,364             | 778,150 |

An organization chart follows:

DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
ORGANIZATION CHART  
JUNE 30, 1999





APPENDIX A

DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
COMPARATIVE SCHEDULE OF APPROPRIATIONS

|   | Year Ended June 30, |            |            |            |           |
|---|---------------------|------------|------------|------------|-----------|
|   | 1999                | 1998       | 1997       | 1996       | 1995      |
| General Revenue Fund-State                    | 2,491,246           | 3,188,425  | 3,658,342  | 4,574,642  | 5,200,465 |
| Division of Tourism Supplemental Revenue Fund | 12,365,604          | 10,081,225 | 7,922,946  | 5,700,785  | 2,993,508 |
| Tourism Marketing Fund                        | 15,000              | 15,000     | 15,000     | 15,000     | 145,000   |
| Total All Funds                               | \$ 14,871,850       | 13,284,650 | 11,596,288 | 10,290,427 | 8,338,973 |

R2/9

R2/8

v6.6/7

APPENDIX B

DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

|   | Year Ended June 30, |            |            |             |           |
|---|---------------------|------------|------------|-------------|-----------|
|   | 1999                | 1998       | 1997       | 1996        | 1995      |
| Personal service                                | \$ 1,117,881        | 1,054,498  | 1,041,596  | 947,297     | 872,735   |
| Travel and vehicle:                             |                     |            |            |             |           |
| Expense   | 151,962             | 131,991    | 142,757    | 114,326     | 149,728   |
| Equipment purchase                              | 4,500               | 0          | 0          | 30,985      | 0         |
| Advertising                                     | 10,838,077          | 10,260,209 | 9,455,702  | 4,681,342   | 5,950,181 |
| Office and communication:                       |                     |            |            |             |           |
| Expense   | 1,305,045           | 792,333    | 634,763    | 627,019     | 593,077   |
| Equipment purchase                              | 30,319              | 68,172     | 12,350     | 12,461      | 24,161    |
| Institution and physical plant:                 |                     |            |            |             |           |
| Expense   | 50,475              | 88,309     | 46,519     | 51,519      | 62,063    |
| Equipment purchase                              | 3,727               | 6,988      | 3,557      | 1,310       | 10,774    |
| Data processing expense and equipment           | 64,569              | 27,608     | 57,563     | 37,389      | 83,917    |
| Professional and technical expense              | 177,471             | 131,948    | 94,571     | 48,409      | 26,241    |
| Professional development and membership expense | 67,014              | 68,814     | 35,837     | 22,387      | 39,126    |
| Other expense                                   | 143,515             | 100,294    | 73,002     | 100,185     | 42,390    |
| Capital improvements                            | 0                   | 0          | 0          | 0           | 0         |
| Aid to institutions                             | 0                   | 0          | 0          | 1,000,000 * | 0         |
| Total Expenditures                              | \$ 13,954,555       | 12,731,164 | 11,598,217 | 7,674,629   | 7,854,393 |

\* This amount represents an expenditure to fund a presidential library.

APPENDIX C

DEPARTMENT OF ECONOMIC DEVELOPMENT  
DIVISION OF TOURISM  
DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND  
COMPARATIVE SCHEDULE OF DISBURSEMENTS, TRANSFERS  
AND CHANGES IN CASH AND CASH EQUIVALENTS

|                                       | Year Ended June 30, |            |
|---------------------------------------|---------------------|------------|
|                                       | 1999                | 1998       |
| Transfers in from Tourism Sales Taxes | \$ 12,340,083       | 10,140,585 |
| Less:                                 |                     |            |
| Disbursements                         | 12,009,540          | 9,619,137  |
| Transfers out                         | 254,240             | 267,018    |
| TRANSFERS IN OVER                     |                     |            |
| DISBURSEMENTS AND TRANSFERS OUT       | 76,303              | 254,430    |
| CASH AND CASH EQUIVALENTS,            |                     |            |
| JULY 1                                | 2,597,750           | 2,343,320  |
| CASH AND CASH EQUIVALENTS,            |                     |            |
| JUNE 30                               | \$ 2,674,053        | 2,597,750  |

\* \* \* \* \*



REVIEW OF  
STATE DISTRIBUTIONS  
TO COMMUNITY COLLEGES

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-10  
February 24, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2000

**The following problems were discovered as a result of a review conducted by our office of the State Distributions to Community Colleges.**

---

Missouri's public community college districts are funded through a combination of local district taxes, tuition and fees, and state aid. Chapter 163.191(1), RSMo 1994 makes public community colleges eligible for state funding in an amount up to 50 percent of their planned operating expenditures. In Missouri, twelve community college districts support seventeen campuses. The Department of Higher Education (DHE) and the Department of Elementary and Secondary Education (DESE) are the main distributors of state monies to community colleges.

During fiscal years 1999 and 1998, the DHE distributed monies totaling \$135 million and \$117.2 million, respectively, and the DESE distributed monies totaling \$25.6 million and \$26.3 million, respectively, to community colleges for various programs. Although some funding is provided for general operating expenses, other monies are for restricted purposes such as maintenance and repair, capital improvement, and technical education. Some programs are funded by advance payments to the community colleges while other programs are funded on a reimbursement basis.

Our review found that the DHE does not perform formal on-site monitoring for any of the monies that it distributed to community colleges. Without periodic on-site monitoring procedures, the DHE can not ensure that the items on expenditure reports are accurate and monies are used for their intended purpose.

We also noted instances where the DHE advanced postsecondary technical education funds in excess of expenditures reported by community colleges. DHE allows these entities to carry over the excess funds from one fiscal year to the next. These carryover amounts were approximately \$1.1 million and \$1.5 million for fiscal years 1999 and 1998, respectively.

While DHE personnel indicated that they were aware of the carryover monies, the DHE did not adequately monitor these carryover balances or require detailed final expenditure reports of the carryover monies. As a result, the DHE has no assurance that the carryover funds were properly spent.

(over)

YELLOW SHEET

Allowing schools to retain funds from one year to the next weakens the DHE's control over those funds. To better control these funds, the DHE should require all unused funds to be returned or if the schools are permitted to keep unused funds, then adequate documentation supporting expenditures made from these monies should be obtained by the DHE.

The Department of Elementary and Secondary Education (DESE) does perform formal on-site monitoring procedures for its programs, except for Early Childhood Education and School Age Care Programs. Formal on-site monitoring procedures are essential to provide the proper oversight needed for these programs.

REVIEW OF  
STATE DISTRIBUTIONS TO COMMUNITY COLLEGES

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## STATE AUDITOR'S REPORT





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Coordinating Board for Higher Education  
and  
Dr. Kala M. Stroup, Commissioner  
Department of Higher Education  
Jefferson City, Missouri 65109  
and  
Missouri State Board of Education  
and  
Dr. Robert E. Bartman, Commissioner  
Department of Elementary and Secondary Education  
Jefferson City, Missouri 65101

We have conducted a review of state distributions to community colleges. The objectives of this review were to:

1. Determine the total amount of monies distributed to community colleges from state agencies.
2. Review and evaluate internal control procedures, legal compliance issues, and management practices at the various state agencies to determine the propriety, efficiency and effectiveness of those procedures and practices.
3. For selected community colleges, review and evaluate internal control procedures, legal compliance issues, and management practices to determine the propriety, efficiency and effectiveness of those procedures and practices.

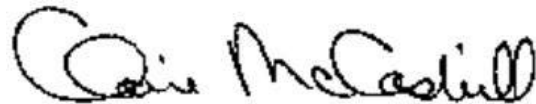
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed budgetary and planning records, expenditure records, and interviewed various state and community college personnel. Our review was generally limited to policies, practices, and transactions for the years ended June 30, 1999 and 1998.

As part of our review, we assessed the state agencies' management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain policies and procedures. For the purpose of this review, we have classified the management controls as expenditures and contracts.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the departments' management and was not subjected to the procedures applied in the review of state distributions to community colleges.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of state distributions to community colleges.



Claire McCaskill  
State Auditor

September 24, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                        |
|---------------------|------------------------|
| Director of Audits: | Kenneth W. Kuster, CPA |
| Audit Manager:      | Alice Fast, CPA, CIA   |
| In-Charge Auditor:  | Karen Wolf             |
| Audit Staff:        | Todd Stoll             |
|                     | Mike Monia             |
|                     | Gabriel Rackers        |

## MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF STATE DISTRIBUTIONS TO COMMUNITY COLLEGES  
SUMMARY OF FINDINGS

1. Department of Higher Education Monitoring Procedures (pages 6-8)

The Department of Higher Education (DHE) does not perform formal on-site monitoring procedures and final expenditure reports are not received for all programs. The comparison of final expenditure reports to budgets is not documented for the postsecondary technical education funds. The DHE allows schools to carry over monies received in excess of costs.

2. Monitoring of the Early Childhood Education and School Age Care Programs (pages 8-9)

The Department of Elementary and Secondary Education does not perform formal on-site monitoring procedures for the Early Childhood Education and School Age Care programs. Similar program budgets and expenditure reports are not compared.

REVIEW OF STATE  
DISTRIBUTIONS TO COMMUNITY COLLEGES  
MANAGEMENT ADVISORY REPORT

|           |   |
|-----------|---|
| <b>1.</b> | <b>Department of Higher Education Monitoring Procedures</b> |
|-----------|---|

During fiscal years 1999 and 1998, the Department of Higher Education (DHE) distributed monies totaling \$135 million and \$117.2 million, respectively, to community colleges for various programs. Although some funding is provided for general operating expenses, other monies are for restricted purposes such as maintenance and repair, capital improvements, and technical education. Some programs are funded by advance payments to the community colleges while other programs are funded on a reimbursement basis.

- A. The DHE does not perform formal on-site monitoring for any of the monies that it distributed to community colleges. Without periodic on-site monitoring procedures, the DHE can not ensure that the items on expenditure reports are accurate and monies are used for their intended purpose.

Formal on-site monitoring procedures are essential to review and evaluate the fiscal operations and the quality and effectiveness of the programs.

- B. The DHE does not request adequate expenditure reports for the Out-of District, Workforce Preparation-TANF, and Public Safety programs which are funded by advance payments. Detailed expenditure reports would help the DHE ensure that monies disbursed are being spent or used for their intended purpose. During our review, we noted that community colleges do not always track the disbursements separately for these programs because such a procedure is not required by the DHE. Therefore, there is no assurance that all monies disbursed to community colleges for these programs were actually spent. Disbursements to community colleges for these programs for the two years ended June 30, 1999, totaled approximately \$5.5 million.

Expenditure documentation should be obtained and reviewed by the DHE to help provide assurance that monies were properly spent.

- C. During the two years ended June 30, 1999, the DHE advanced postsecondary technical education funds totaling more than \$23 million to community colleges. These advances were based on budgets provided by the community colleges and, at year end, the colleges submitted expenditure reports which documented how the funds were spent. The DHE indicated that they compared the final expenditure reports to the budgets, however, their review was not documented.

Documenting the comparison of final expenditure reports to budgets would strengthen DHE's controls over these funds and help ensure expenditures are consistent with budgets and in accordance with the program requirements.

- D. We noted instances where the DHE advances for postsecondary technical education were in excess of expenditures reported by community colleges. DHE allows these entities to carry over the excess funds from one fiscal year to the next. The following carry over amounts were noted:

| Community College                 | Year ended June 30, |           |
|-----------------------------------|---------------------|-----------|
|                                   | 1999                | 1998      |
| Metropolitan Community College    | \$ 89,037           | 113,375   |
| Moberly Area Community College    | 110,548             | 163,601   |
| Ozark Technical Community College | 237,540             | 148,864   |
| St. Louis Community College       | 354,019             | 1,072,356 |
| East Central College              | 102,842             | N/A       |
| Jefferson College                 | 37,007              | N/A       |
| North Central Missouri College    | 197,636             | N/A       |
| Mineral Area College              | N/A                 | 1,027     |
| Total                             | \$ 1,128,629        | 1,499,223 |

While DHE personnel indicated that they were aware of the carryover monies, the DHE did not adequately monitor these carryover balances or require detailed final expenditure reports of the carryover monies. As a result, the DHE has no assurance that the carryover funds were properly spent.

Allowing schools to retain funds from one year to the next weakens the DHE's control over those funds. To better control these funds, the DHE should require all unused funds be returned or, if the schools are permitted to keep unused funds, then adequate documentation supporting expenditures made from these monies should be obtained by the DHE.

**WE RECOMMEND** the DHE:

- A. Perform formal on-site monitoring procedures to ensure monies are spent appropriately and to review the quality and effectiveness of services provided by the community colleges.
- B. Obtain and review detailed expenditure reports for all programs to help ensure all monies are properly spent.

- C. Document the review and comparison of final expenditure reports to budgets for the postsecondary technical education funds.
- D. Require all unused monies to be refunded to the DHE or, if monies are not refunded, adequate documentation supporting the expenditures from these funds should be obtained.

### **AUDITEE'S RESPONSE**

- A. *We partially concur. Currently, staff does make on-site visits, gathers relevant data, and receives audit reports from each college. The DHE will develop more formalized processes and procedures to document these on-site visits, the data collection, and the review of audit reports to verify distribution of funds for the intended purpose.*
- B. *We partially concur. Currently, the DHE is following statutory requirements for distributions to community colleges. The DHE will evaluate current procedures, analyze desirable changes, and implement changes needed to help ensure all monies continue to be properly spent.*
- C. *We concur. The DHE will implement procedures to document the review and comparison of final expenditure reports to budgets for the postsecondary technical education funds.*
- D. *We concur. The DHE will develop a procedure for the community colleges to submit detailed final expenditure reports of the carryover monies for postsecondary technical education.*

|  |
|--|
| <b>2. Monitoring of Early Childhood Education and School Age Care Programs</b> |
|--|

The Department of Elementary and Secondary Education (DESE) contracts with various community colleges to provide Early Childhood Education and School Age Care Programs. Community colleges are funded by various federal and state grant awards based on budgets submitted by the colleges. Monies are advanced to those community colleges by the DESE and the colleges must submit expenditure reports which document how the funds were spent. Distributions to community colleges for these programs totaled approximately \$125,000 for the two years ended June 30, 1999.

- A. The DESE monitors the community colleges' activities carried out under its programs by reviewing annual budgets and amendments, final expenditure and program reports, and annual independent audits performed in accordance with OMB Circular A-133. However, formal on-site monitoring is not periodically conducted to review and evaluate the fiscal operations and the quality and effectiveness of the programs.

We visited one community college and noted that while the total expenditures claimed on the final expenditure reports materially agreed to the actual amount spent, individual line items for travel and staff development were not always accurate. Such items may have been detected if the DESE performed formal on-site monitoring procedures.

Formal on-site monitoring procedures are essential to provide the proper oversight needed for these programs.

- B. The DESE funds community colleges with several grants that are closely related to the Early Childhood Education and School Age Care programs. The DESE does not compare budget requests and final expenditure reports among the grants to ensure that items are not being requested or claimed twice.

Comparing budgets and final expenditure reports among similar grants such as Childcare Development Fund Grants, Extended Day Childcare Program Grants, and Discretionary Fund Grants would help ensure that all items appear reasonable and necessary.

**WE RECOMMEND** the DESE:

- A. Perform formal on-site monitoring procedures to review and evaluate the fiscal operations and the quality and effectiveness of services provided by the community colleges for the Early Childhood Education and School Age Care programs.
- B. Review budgets and final reports of grants with similar purposes to ensure items appear reasonable and necessary.

**AUDITEE'S RESPONSE**

*A&B. We concur.*

This report is intended for the information of the management of the Department of Higher Education, the Department of Elementary and Secondary Education, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



## STATISTICAL SECTION

## History, Organization, and Statistical Information

STATE DISTRIBUTIONS  
TO COMMUNITY COLLEGES  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Sections 178.770 and 178.370, RSMo 1994 provide for the establishment of community colleges through local referendum of registered voters in single or contiguous school districts. In addition, Section 178.790, RSMo Cumulative Supp. 1999, authorizes community colleges to annex additional public school districts to the existing community college taxing districts while ignoring the contiguous location factor.

Missouri's public community college districts are funded through a combination of local district taxes, tuition and fees, and state aid. Chapter 163.191(1), RSMo 1994 makes public community colleges eligible for state funding in an amount up to 50 percent of their planned operating expenditures. In Missouri, twelve community college districts support seventeen campuses. The Department of Higher Education (DHE) and the Department of Elementary and Secondary Education (DESE) are the main distributors of state monies to community colleges. Since 1974, the Coordinating Board for Higher Education (CBHE) gained responsibilities over functions relating to community college state aid and supervision, formation of districts and all matters otherwise relating to the state's relations with community college districts and matters pertaining to community colleges in public school districts.

The Department of Elementary and Secondary Education (DESE), under the direction of the state Board of Education, works with the local school officials and other groups to identify needs within the educational system and to improve education opportunities and programs for all citizens.

The CBHE provides funding through the following programs:

State Aid - State aid, which totaled approximately \$88.5 million and \$97.8 million in fiscal years 1999 and 1998, respectively, was allocated to community colleges based on a resource allocation model. The model comprises a core funding level for each community college initially established as an amount agreed upon by the community colleges and the DHE and adjusted annually for inflation, limited growth, and program improvements. This money is for general operating purposes.

Funding For Results - This program, which totaled approximately \$2.2 million and \$1.5 million in fiscal years 1999 and 1998, respectively, encourages and rewards positive educational outcomes in several areas: assessment of graduates, performance of graduates, degrees/certificates conferred, success of underrepresented groups, successful transfers to four-year institutions, and successful job placement. The state reimburses on a set per unit dollar amount for each outcome. Each college is reimbursed based on the number of units provided in each area. In addition, each college has an allocation in the core for improved teaching and/or learning projects.

Out-of-District Programs - These programs, which totaled approximately \$1.2 million and \$400,000 in fiscal years 1999 and 1998, respectively, are designed to expand geographic access

to community college education in the state. Approved projects are awarded funding based on appropriate expansion of higher education outside a college's taxing district.

Maintenance and Repair - This allows community colleges to extend the use of existing instructional or institutional support equipment and facilities or upgrade or replace them as needed. This funding totaled approximately \$5.3 million and \$2.6 million in fiscal years 1999 and 1998, respectively. The statute provides for state reimbursement for approved projects in the amount of 50 percent for a given project.

Workforce Preparation - This program, which totaled approximately \$18.9 million and \$1.9 million in fiscal years 1999 and 1998, respectively, is targeted at enhancing existing and new vocational technical programs on each community college campus.

Workforce Preparation -Temporary Assistance for Needy Families (TANF) - The TANF Utilization Plan was developed in collaboration with the Missouri community colleges, which provide TANF recipients access to basic skills development, general education, and vocational training at the campus level. Funding for this program totaled approximately \$1.9 million in both fiscal years 1999 and 1998.

State Plan for Postsecondary Technical Education - Chapter 178, RSMo directs the CBHE, in cooperation with the State Board of Education, to develop a master plan that coordinates area vocational technical schools, community colleges, and Linn State Technical College in providing advanced technical education and training for the state of Missouri. The fiscal year ending June 30, 1997 was the initial year to fund the State Plan for Postsecondary Technical Education and the CBHE board agreed to request technical education funds for the five fiscal years ending June 30, 2001. Funding for this program totaled approximately \$14.1 million and \$9.3 million in fiscal years 1999 and 1998, respectively.

Capital Improvements - This is for the design, renovation, construction, and improvement of vocational technical schools. Some of the projects require the schools to match 50 percent of the funds. Funding for this program totaled approximately \$945,000 and \$1.4 million in fiscal years 1999 and 1998, respectively.

Enhanced Technical Center at Mexico - This is for design, equipment, and construction of an Enhanced Technical Center at Mexico, Missouri for use of Linn State Technical College and Moberly Area Community College. These funds, which totaled approximately \$2.2 million for the two years ended June 30, 1999, are administered by the Office of Administration, Division of Design and Construction.

Public Safety - For the fiscal year ending June 30, 1998, the Metropolitan Community College received \$50,000 to help build a public safety training institute in greater Kansas City to serve western Missouri.

The DESE provides funding to community colleges through the following programs:

Vocational Education - Community colleges serve as one type of local education agency for Missouri's vocational education delivery system. The vocational education delivery system offers training programs in Agriculture, Business, Health Occupations, Family and Consumer Sciences, Industrial, and Marketing and Cooperative education. Funding for this program totaled approximately \$4.8 million and \$4.5 million for fiscal years 1999 and 1998, respectively.

Carl D. Perkins - The purpose of the federal Carl D. Perkins Vocational and Technology Education Act of 1990 is fourfold: 1) to build on the efforts of states and localities to develop challenging academic standards; 2) to promote the development of services and activities that integrate academic, vocational and technical instruction and that link secondary and postsecondary education; 3) to increase state and local flexibility to provide services and activities; and 4) to disseminate national research and to provide professional development and technical assistance that will improve vocational and technical education programs. Funding for these purposes exceeded \$5 million in both fiscal years 1999 and 1998.

Technical Preparation - This program prepares students for highly skilled technical careers that allow for entry into the work place as a qualified technician or continuation with further education leading to two year, four year, or advanced degrees or entry into a registered apprenticeship program. Funding for this program was approximately \$2 million in both fiscal years 1999 and 1998.

School-to-Work - Missouri's Community Careers System, the federally approved School-to-Work initiative, is a locally based education initiative bringing together educators and students, business and industry, and the community to help young people move smoothly from classrooms to careers. It is funded by money from the federal government, which is then contracted to regional and local partners through the state to help fund quality work based learning for students exploring their career paths. Funding for this program exceeded \$1.4 million for the two years ended June 30, 1999.

Sex Equity - The federal Carl D. Perkins Vocational and Technology Education Act of 1990 set aside in each state 10.5 percent of the basic state grant for vocational sex equity programs. The money, which exceeded \$1.8 million for the two years ended June 30, 1999, was divided into two areas: 1) Displaced Homemaker/Single Parent/Single Parent Women, and 2) Individuals (male and female) entering careers or occupations nontraditional to their gender, as well as girls and women ages 14 to 24. The funds are used at the local level to support members of these targeted groups by providing tuition, child care and transportation assistance, supplies, materials, and other supporting activities.

Adult Basic Education (ABE) - ABE is a program designed to educate persons sixteen years of age or older, out of school, and with less than a high school education to a level equal to high school graduation. Services are also provided for family literacy and English as a Second

Language. Funding for this program totaled approximately \$1.5 million for both fiscal years 1999 and 1998.

Futures - This is part of the state welfare reform program funded by the Department of Social Services, Division of Family Services (DFS). Funding which totaled more than \$300,000 for the two years ended June 30, 1999, comes from the Temporary Assistance for Needy Families Program. The DESE contracts with the DFS who reimburses the DESE for the participation of Futures participants in "regular" ABE programs and for Futures participants in specialized programs provided solely for Futures.

Customized Training - This program provides funding for manufacturing employers, and other related employer areas, to assist in training new employees and/or retraining existing employees. The DESE's program compliments and closely coordinates with the Missouri Job Development Fund operated by the Department of Economic Development (DED), Division of Job Development and Training (DJDT). The program provides a partnership between the State of Missouri (funding source), Local Educational Agencies (funding administrators and or trainers), employers (funds recipients), and employees (trainees). The funding, which totaled approximately \$3.9 million and \$3.3 million in fiscal years 1999 and 1998, respectively, provides training to upgrade skills of entry level, production level, and primary management level employees relative to meeting specific organizational goals.

Enhancement Grants - The Outstanding Schools Act includes provisions for grants to enhance vocational-technical education programs in public high schools, area vocational schools and community colleges. The Act also provides that these improvements should focus on vocational education programs related to occupational areas in high demand. Grant recipients are allowed to receive up to 75 percent state reimbursement on instructional equipment and 50 percent for curriculum, renovation and other allowable expenditures. Funding for this program totaled approximately \$3.5 million and \$4.1 in fiscal years 1999 and 1998, respectively.

Video Instructional Development and Educational Opportunity - This program, which totaled approximately \$227,000 for the two years ended June 30, 1999, encourages all educational institutions in Missouri to supplement educational opportunities through the use of telecommunications technology including instructional television programming and satellite broadcast instruction.

Early Childhood Education - This program totaled approximately \$52,000 for the two years ending June 30, 1999. These funds come from the federal government through the Missouri Department of Social Services to DESE. The goal of this program is to increase child care availability and quality in public schools in order to provide a safe environment that meets the individual, developmental needs of children.

School Age Care - This program, which totaled approximately \$73,000 for the two years ended June 30, 1999, assists community colleges in providing School Age Care (SAC) Programs on their

campuses. SAC Programs are provided for school aged children before/after school and/or other times when schools are not in session and SAC Programs are needed to care for school aged children. These SAC Programs can be administered separately or in conjunction with Early Childhood Education Programs which may also be provided on community college campuses.

Job Training Partnership Act (JTPA) - The JTPA is a federally funded job training program. The U.S. Department of Labor contracts JTPA funds to the State of Missouri to assist adults and youth who face serious barriers to employment with job training activities and services that result in employment, higher earnings and decreased welfare dependency. The DED, DJDT administers the funds in the state. The DED contracts funds to the DESE which have been specifically set aside in JTPA for the state education agency to establish school-to-work, literacy and lifelong learning, and non-traditional employment programs. Funding for these programs totaled approximately \$1.1 million and \$1.8 million for fiscal years 1999 and 1998, respectively.

Construction - This is for design, renovation, construction, and improvements of vocational technical schools. The schools are required to match these funds by 50 percent. Funding for this program totaled approximately \$1.5 million and \$2.3 million for fiscal years 1999 and 1998, respectively.

The DED, DJDT, also provides funding to community colleges through the following programs:

Missouri Job Development - This program, which totaled approximately \$7.7 million and \$11.6 million in fiscal years 1999 and 1998, respectively, authorizes the community colleges to provide contractual services for vocational related training or retraining as the result of making a capital investment in manufacturing. This program closely correlates with the Customized Training Program operated by the DESE.

The Department of Corrections, Division of Offender Rehabilitation Services, provides funding, which totaled more than \$1.1 million for the two years ended June 30, 1999, to one community college through the following programs:

Adult Basic Education/GED - The Northeast Correctional Center in Bowling Green, Missouri provides adult basic education and GED classes for 360 students weekly. On site GED testing is provided for offenders who successfully complete the program and score a minimum passing score on the official GED pretest.

Computers for Schools - In cooperation with DESE, this microcomputer repair training and refurbishing program at Northeast Correctional Center in Bowling Green, Missouri started training offenders in August 1998. The refurbished computer systems are provided to public schools across the state of Missouri. Currently, eighty offenders have completed their course of studies and five school districts have received computer systems.

A map of the Missouri community college districts follows.

[illegible]



## Appendix A-1

SPECIAL REVIEW OF STATE DISTRIBUTIONS TO COMMUNITY COLLEGES  
 SCHEDULE OF PROGRAM DISTRIBUTIONS  
 YEAR ENDED JUNE 30, 1999

|   | Crowder      | East<br>Central | Jefferson | Metro-<br>politan | Mineral<br>Area | Moberly   | North<br>Central | Ozarks<br>Technical | St. Charles<br>County | St. Louis  | State Fair | Three<br>Rivers | Total       |
|---|--------------|-----------------|-----------|-------------------|-----------------|-----------|------------------|---------------------|-----------------------|------------|------------|-----------------|-------------|
| Department of Higher Education                      |              |                 |           |                   |                 |           |                  |                     |                       |            |            |                 |             |
| State Aid   | \$ 2,294,376 | 3,161,586       | 5,460,613 | 21,620,016        | 3,177,891       | 2,324,235 | 1,265,633        | 5,752,589           | 3,983,949             | 34,446,965 | 2,639,357  | 2,355,672       | 88,482,882  |
| Funding for Results                                 | 107,607      | 68,128          | 133,919   | 510,445           | 91,796          | 75,131    | 53,287           | 137,664             | 77,191                | 774,427    | 102,340    | 78,012          | 2,209,947   |
| Out-of-District Programs                            | 64,973       | 48,500          | 0         | 0                 | 63,437          | 648,526   | 0                | 73,411              | 0                     | 0          | 72,750     | 215,444         | 1,187,041   |
| Maintenance and Repair                              | 238,972      | 174,296         | 415,922   | 1,437,771         | 249,722         | 165,382   | 60,337           | 247,499             | 231,967               | 1,722,023  | 223,933    | 149,030         | 5,316,854   |
| Workforce Preparation                               | 489,027      | 680,811         | 1,132,119 | 4,749,222         | 664,017         | 487,833   | 272,508          | 918,444             | 860,276               | 7,568,864  | 569,275    | 501,506         | 18,893,902  |
| Workforce Preparation - TANF                        | 52,069       | 70,453          | 117,925   | 483,213           | 70,536          | 51,727    | 27,537           | 103,111             | 88,998                | 762,764    | 59,348     | 52,319          | 1,940,000   |
| State Plan for Postsecondary                        |              |                 |           |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Technical Education                                 | 1,236,750    | 1,067,000       | 407,400   | 2,425,000         | 785,700         | 1,067,000 | 582,000          | 1,673,250           | 776,000               | 2,231,000  | 1,251,300  | 582,000         | 14,084,400  |
| Capital Improvements                                | 0            | 0               | 334,832   | 83,541            | 0               | 0         | 0                | 0                   | 0                     | 484,800    | 0          | 42,000          | 945,173     |
| Enhanced Technical Center at<br>Mexico              | 0            | 0               | 0         | 0                 | 0               | 1,999,857 | 0                | 0                   | 0                     | 0          | 0          | 0               | 1,999,857   |
| Total   | 4,483,774    | 5,270,774       | 8,002,730 | 31,309,208        | 5,103,099       | 6,819,691 | 2,261,302        | 8,905,968           | 6,018,381             | 47,990,843 | 4,918,303  | 3,975,983       | 135,060,056 |
| Department of Elementary and<br>Secondary Education |              |                 |           |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Vocational Education                                | 247,610      | 143,337         | 410,802   | 779,420           | 167,000         | 146,167   | 68,179           | 692,821             | 192,960               | 1,497,859  | 405,140    | 98,775          | 4,850,070   |
| Carl D. Perkins                                     | 214,455      | 143,057         | 630,985   | 1,164,218         | 253,643         | 181,278   | 114,351          | 889,278             | 115,161               | 1,149,694  | 237,715    | 161,880         | 5,255,715   |
| Technical Preparation                               | 180,000      | 179,066         | 140,044   | 179,624           | 175,628         | 169,324   | 153,175          | 151,176             | 0                     | 344,614    | 180,000    | 180,000         | 2,032,651   |
| School-to-Work                                      | 0            | 95,308          | 16,519    | 0                 | 128,758         | 60,000    | 108,759          | 66,973              | 247,772               | 119,711    | 44,098     | 0               | 887,898     |
| Sex Equity  | 26,807       | 40,941          | 53,818    | 114,066           | 134,141         | 39,341    | 22,785           | 121,959             | 40,941                | 140,799    | 27,806     | 155,962         | 919,366     |
| Adult Basic Education                               | 146,779      | 52,986          | 111,075   | 0                 | 0               | 432,855   | 20,588           | 388,473             | 110,293               | 55,644     | 129,540    | 0               | 1,448,233   |
| Futures   | 15,034       | 7,763           | 7,680     | 0                 | 0               | 1,197     | 1,916            | 40,592              | 16,767                | 0          | 20,534     | 0               | 111,483     |
| Customized Training                                 | 346,101      | 203,968         | 67,198    | 954,283           | 90,698          | 38,031    | 89,065           | 195,065             | 34,296                | 1,278,708  | 455,907    | 159,308         | 3,912,628   |
| Enhancement Grants                                  | 269,402      | 118,380         | 165,877   | 585,100           | 147,808         | 103,578   | 68,572           | 881,145             | 80,471                | 21,403     | 1,024,856  | 0               | 3,466,592   |
| Instructional Development and                       |              |                 |           |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Educational Opportunity                             | 5,971        | 0               | 5,000     | 13,894            | 11,250          | 1,636     | 9,968            | 6,750               | 5,250                 | 15,000     | 5,250      | 0               | 79,969      |
| Early Childhood Education                           | 0            | 0               | 5,000     | 5,436             | 5,000           | 0         | 0                | 0                   | 5,507                 | 6,986      | 0          | 0               | 27,929      |
| School Age Care                                     | 0            | 0               | 12,666    | 14,628            | 0               | 0         | 0                | 0                   | 6,842                 | 9,116      | 0          | 0               | 43,252      |
| Job Training Partnership Act                        | 18,292       | 38,704          | 146,988   | 440,624           | 21,302          | 39,979    | 49,568           | 31,408              | 61,504                | 135,395    | 68,581     | 24,009          | 1,076,354   |
| Construction  | 0            | 0               | 0         | 0                 | 0               | 0         | 0                | 1,500,000           | 0                     | 0          | 0          | 0               | 1,500,000   |
| Total   | 1,470,451    | 1,023,510       | 1,773,652 | 4,251,293         | 1,135,228       | 1,213,386 | 706,926          | 4,965,640           | 917,764               | 4,774,929  | 2,599,427  | 779,934         | 25,612,140  |
| Department of Economic Development                  |              |                 |           |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Missouri Job Development                            | 481,357      | 217,452         | 20,267    | 947,797           | 267,016         | 0         | 70,216           | 132,119             | 1,104,212             | 4,106,956  | 175,410    | 188,972         | 7,711,774   |
| Total   | 481,357      | 217,452         | 20,267    | 947,797           | 267,016         | 0         | 70,216           | 132,119             | 1,104,212             | 4,106,956  | 175,410    | 188,972         | 7,711,774   |
| Department of Corrections                           |              |                 |           |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Adult Basic Education/GED                           | 0            | 0               | 0         | 0                 | 0               | 0         | 0                | 0                   | 684,225               | 0          | 0          | 0               | 684,225     |
| Computers for Schools                               | 0            | 0               | 0         | 0                 | 0               | 0         | 0                | 0                   | 111,342               | 0          | 0          | 0               | 111,342     |
| Total   | 0            | 0               | 0         | 0                 | 0               | 0         | 0                | 0                   | 795,567               | 0          | 0          | 0               | 795,567     |
| Grand Total   | \$ 6,435,582 | 6,511,736       | 9,796,649 | 36,508,298        | 6,505,343       | 8,033,077 | 3,038,444        | 14,003,727          | 8,835,924             | 56,872,728 | 7,693,140  | 4,944,889       | 169,179,537 |

## Appendix A-2

SPECIAL REVIEW OF STATE DISTRIBUTIONS TO COMMUNITY COLLEGES  
 SCHEDULE OF PROGRAM DISTRIBUTIONS  
 YEAR ENDED JUNE 30, 1998

|   |    | Crowder   | East<br>Central | Jefferson  | Metro-<br>politan | Mineral<br>Area | Moberly   | North<br>Central | Ozarks<br>Technical | St. Charles<br>County | St. Louis  | State Fair | Three<br>Rivers | Total       |
|---|----|-----------|-----------------|------------|-------------------|-----------------|-----------|------------------|---------------------|-----------------------|------------|------------|-----------------|-------------|
| Department of Higher Education                      |    |           |                 |            |                   |                 |           |                  |                     |                       |            |            |                 |             |
| State Aid   | \$ | 2,551,656 | 3,539,205       | 5,851,798  | 24,133,664        | 3,499,679       | 2,576,798 | 1,408,010        | 5,870,543           | 4,416,064             | 38,414,042 | 2,930,811  | 2,616,842       | 97,809,112  |
| Funding for Results                                 |    | 32,421    | 33,746          | 86,640     | 379,349           | 42,996          | 36,899    | 23,250           | 34,161              | 88,071                | 669,479    | 49,956     | 39,556          | 1,516,524   |
| Out-of-District Programs                            |    | 36,134    | 0               | 0          | 0                 | 40,036          | 59,430    | 0                | 58,104              | 0                     | 0          | 0          | 209,169         | 402,873     |
| Maintenance and Repair                              |    | 139,213   | 0               | 242,306    | 837,609           | 145,482         | 32,655    | 35,151           | 144,187             | 135,251               | 714,818    | 135,688    | 86,821          | 2,649,181   |
| Workforce Preparation                               |    | 52,069    | 70,454          | 117,925    | 483,213           | 70,536          | 51,727    | 27,537           | 103,111             | 88,998                | 762,764    | 59,348     | 52,318          | 1,940,000   |
| Workforce Preparation - TANF                        |    | 52,069    | 70,454          | 117,925    | 483,213           | 70,536          | 51,727    | 27,537           | 103,111             | 88,998                | 762,764    | 59,348     | 52,318          | 1,940,000   |
| State Plan for Postsecondary                        |    |           |                 |            |                   |                 |           |                  |                     |                       |            |            |                 | 0           |
| Technical Education                                 |    | 727,500   | 582,000         | 242,500    | 1,697,500         | 388,000         | 640,200   | 465,600          | 1,144,600           | 485,000               | 1,794,500  | 630,500    | 485,000         | 9,282,900   |
| Capital Improvements                                |    | 67,350    | 49,050          | 0          | 164,609           | 0               | 70,350    | 16,950           | 69,750              | 0                     | 976,168    | 0          | 0               | 1,414,227   |
| Enhanced Technical Center at Mexico                 |    | 0         | 0               | 0          | 0                 | 0               | 220,781   | 0                | 0                   | 0                     | 0          | 0          | 0               | 220,781     |
| Public Safety                                       |    | 0         | 0               | 0          | 50,000            | 0               | 0         | 0                | 0                   | 0                     | 0          | 0          | 0               | 50,000      |
| Total   |    | 3,658,412 | 4,344,909       | 6,659,094  | 28,229,157        | 4,257,265       | 3,740,567 | 2,004,035        | 7,527,567           | 5,302,382             | 44,094,535 | 3,865,651  | 3,542,024       | 117,225,598 |
| Department of Elementary and<br>Secondary Education |    |           |                 |            |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Vocational Education                                |    | 234,454   | 116,398         | 385,062    | 646,461           | 218,423         | 153,102   | 56,748           | 767,181             | 145,588               | 1,166,346  | 427,309    | 137,539         | 4,454,611   |
| Carl D. Perkins                                     |    | 151,819   | 124,978         | 592,166    | 1,243,664         | 204,293         | 194,653   | 88,604           | 741,106             | 88,004                | 1,132,106  | 268,288    | 192,816         | 5,022,497   |
| Technical Preparation                               |    | 180,000   | 163,044         | 149,471    | 179,138           | 159,149         | 139,922   | 179,450          | 161,707             | 0                     | 232,851    | 180,000    | 180,000         | 1,904,732   |
| School-to-Work                                      |    | 0         | 181,234         | 66,080     | 0                 | 20,000          | 40,000    | 40,000           | 40,000              | 81,189                | 80,289     | 50,000     | 0               | 598,792     |
| Sex Equity  |    | 26,015    | 40,941          | 53,818     | 111,823           | 129,141         | 40,912    | 21,940           | 120,002             | 40,941                | 138,687    | 25,348     | 181,941         | 931,509     |
| Adult Basic Education                               |    | 172,457   | 43,180          | 120,633    | 0                 | 0               | 347,326   | 28,064           | 485,067             | 127,067               | 54,020     | 127,571    | 0               | 1,505,385   |
| Futures   |    | 20,492    | 4,710           | 7,537      | 0                 | 0               | 225       | 95               | 89,889              | 29,077                | 92         | 47,487     | 0               | 199,604     |
| Customized Training                                 |    | 533,969   | 304,380         | 113,386    | 792,457           | 111,764         | 25,988    | 48,657           | 346,682             | 0                     | 797,029    | 114,268    | 127,786         | 3,316,366   |
| Enhancement Grants                                  |    | 272,326   | 309,350         | 189,857    | 507,877           | 399,302         | 137,523   | 41,540           | 1,424,824           | 158,964               | 262,716    | 423,872    | 0               | 4,128,151   |
| Instructional Development and                       |    |           |                 |            |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Educational Opportunity                             |    | 13,000    | 4,856           | 7,500      | 31,043            | 19,000          | 2,896     | 17,057           | 7,731               | 7,000                 | 30,000     | 7,000      | 0               | 147,083     |
| Early Childhood Education                           |    | 0         | 0               | 5,000      | 5,000             | 5,000           | 3,873     | 0                | 0                   | 5,000                 | 0          | 0          | 0               | 23,873      |
| School Age Care                                     |    | 0         | 0               | 19,995     | 0                 | 0               | 0         | 0                | 0                   | 10,000                | 0          | 0          | 0               | 29,995      |
| Job Training Partnership Act                        |    | 10,481    | 65,692          | 110,003    | 671,738           | 36,630          | 53,384    | 106,762          | 70,770              | 117,078               | 414,318    | 78,171     | 26,708          | 1,761,735   |
| Construction  |    | 350,000   | 0               | 2,000,000  | 0                 | 0               | 0         | 0                | 0                   | 0                     | 0          | 0          | 0               | 2,350,000   |
| Total   |    | 1,965,013 | 1,358,763       | 3,820,508  | 4,189,201         | 1,302,702       | 1,139,804 | 628,917          | 4,254,959           | 809,908               | 4,308,454  | 1,749,314  | 846,790         | 26,374,333  |
| Department of Economic Development                  |    |           |                 |            |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Missouri Job Development                            |    | 804,239   | 521,083         | 63,950     | 2,629,808         | 284,407         | 42,696    | 203,954          | 419,579             | 2,051,510             | 4,326,345  | 79,696     | 158,212         | 11,585,479  |
| Total   |    | 804,239   | 521,083         | 63,950     | 2,629,808         | 284,407         | 42,696    | 203,954          | 419,579             | 2,051,510             | 4,326,345  | 79,696     | 158,212         | 11,585,479  |
| Department of Corrections                           |    |           |                 |            |                   |                 |           |                  |                     |                       |            |            |                 |             |
| Adult Basic Education/GED                           |    | 0         | 0               | 0          | 0                 | 0               | 0         | 0                | 0                   | 334,300               | 0          | 0          | 0               | 334,300     |
| Computers for Schools                               |    | 0         | 0               | 0          | 0                 | 0               | 0         | 0                | 0                   | 0                     | 0          | 0          | 0               | 0           |
| Total   |    | 0         | 0               | 0          | 0                 | 0               | 0         | 0                | 0                   | 334,300               | 0          | 0          | 0               | 334,300     |
| Grand Total   | \$ | 6,427,664 | 6,224,755       | 10,543,552 | 35,048,166        | 5,844,374       | 4,923,067 | 2,836,906        | 12,202,105          | 8,498,100             | 52,729,334 | 5,694,661  | 4,547,026       | 155,519,710 |

# Appendix B

## REVIEW OF STATE DISTRIBUTIONS TO COMMUNITY COLLEGES

### DEPARTMENT OF HIGHER EDUCATION

#### COMPARATIVE STATEMENT OF EXPENDITURES

|  | Year Ended June 30, |             |             |            |            |            |            |            |            |            |
|--|---------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|
|  | 1999                | 1998        | 1997        | 1996       | 1995       | 1994       | 1993       | 1992       | 1991       | 1990       |
| GENERAL REVENUE FUND - STATE   |                     |             |             |            |            |            |            |            |            |            |
| Ozarks Community Technical College   | \$ 0                | 0           | 5,351,096   | 4,324,465  | 3,604,657  | 3,076,257  | 2,195,850  | 1,604,475  | 0          | 0          |
| Distribution to community colleges as provided in Section 163.191 RSMO -   |                     |             |             |            |            |            |            |            |            |            |
| Bootheel Education   | 0                   | 0           | 0           | 0          | 0          | 0          | 0          | 120,639    | 0          | 0          |
| Workforce preparation projects   | 0                   | 0           | 0           | 2,425,000  | 0          | 0          | 0          | 0          | 0          | 0          |
| Distribution to community colleges as provided in Section 163.191 RSMo   | 92,413,652          | 101,933,510 | 89,783,087  | 75,484,518 | 73,965,350 | 68,872,850 | 66,151,199 | 62,741,344 | 66,893,835 | 65,161,118 |
| Selected out-of-district courses   | 1,186,338           | 402,875     | 398,774     | 199,094    | 195,190    | 189,334    | 195,190    | 0          | 0          | 0          |
| Advanced vocational technical education and training as defined by the statewide master plan required by Section 178.637 RSMo  | 14,194,503          | 9,627,250   | 4,849,997   | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Information technology improvements including library technology at Community Colleges   | 0                   | 0           | 1,000,000   | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Funding program improvements in workforce preparation with the emphasis to provide education and training for unemployed and under employed citizens at the community colleges | 1,940,000           | 1,940,000   | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Planning, design, construction, renovation and improvements - Community Colleges statewide   | 726,741             | 157,050     | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Workforce Preparation Projects   | 17,413,508          | 0           | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Total General Revenue Fund - State   | 127,874,742         | 114,060,685 | 101,382,954 | 82,433,077 | 77,765,197 | 72,138,441 | 68,542,239 | 64,466,458 | 66,893,835 | 65,161,118 |
| LOTTERY PROCEEDS FUND  |                     |             |             |            |            |            |            |            |            |            |
| Funding for Results initiative   | 0                   | 0           | 0           | 799,690    | 0          | 0          | 0          | 0          | 0          | 0          |
| Maintenance and repair   | 0                   | 0           | 0           | 1,480,392  | 0          | 0          | 0          | 0          | 0          | 0          |
| Information technology improvements including library technology   | 0                   | 0           | 0           | 5,000,000  | 0          | 0          | 0          | 0          | 0          | 0          |
| Academic equipment   | 0                   | 0           | 0           | 2,000,000  | 0          | 0          | 0          | 0          | 0          | 0          |
| Workforce preparation projects   | 0                   | 0           | 0           | 1,480,392  | 0          | 0          | 0          | 0          | 0          | 0          |
| Library technology and acquisitions, computer networking and other academic equipment  | 0                   | 0           | 0           | 0          | 3,500,000  | 0          | 0          | 0          | 0          | 0          |
| Distribution to community colleges as provided in Section 163.191 RSMo   | 3,490,258           | 2,678,676   | 2,280,082   | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Information technology improvements including library technology at Community Colleges   | 0                   | 0           | 4,800,000   | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Linn Technical College and Moberly Area Community College - Design, equipment and construction of an Enhanced Technical Center at Mexico                                       | 1,999,857           | 220,781     | 1,000       | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Metropolitan Community College for the Public Safety Program   | 0                   | 50,000      | 0           | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Workforce Preparation Projects   | 1,480,391           | 0           | 0           |            |            |            |            |            |            |            |
| Total Lottery Proceeds Fund  | 6,970,506           | 2,949,457   | 7,081,082   | 10,760,474 | 3,500,000  | 0          | 0          | 0          | 0          | 0          |
| FOURTH STATE BUILDING FUND - SERIES A 1995   |                     |             |             |            |            |            |            |            |            |            |
| State Anatomical Board   | 0                   | 0           | 20,374      | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Complete design, renovations and construction at Community Colleges statewide  | 0                   | 0           | 963,541     | 750,169    | 375,530    | 0          | 0          | 0          | 0          | 0          |

Total Fourth State Building Fund -

Series A 1995

FOURTH STATE BUILDING FUND -

SERIES A 1996

Design and construction of a building for the purpose of teaching tourism related courses located on the Mineral Area College campus, adjacent to Highway 67, in St. Francois County, Missouri

Complete design, renovations and construction at

Community Colleges statewide

Total Fourth State Building Fund -

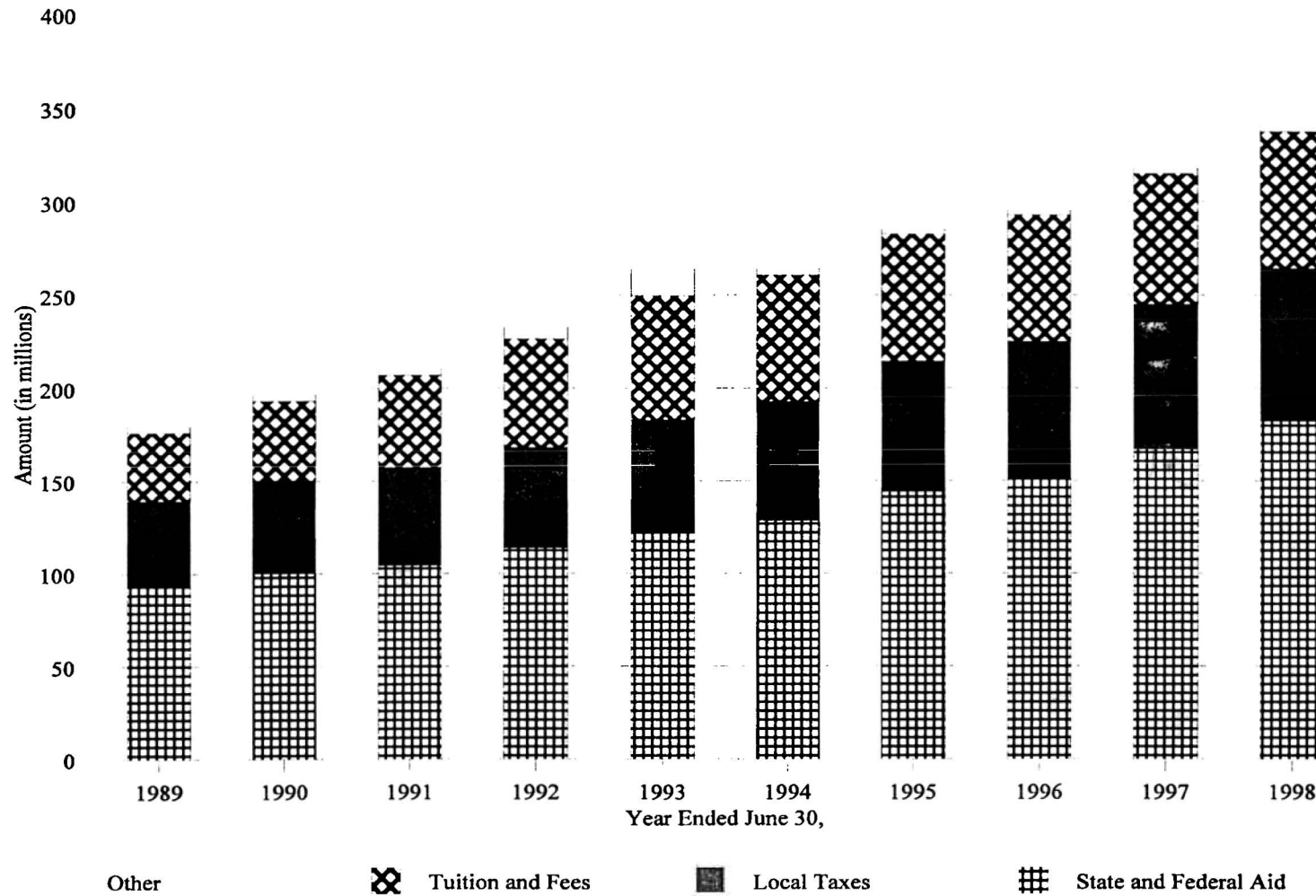
Series A 1996

Total All Funds

|    |             |             |             |            |            |            |            |            |            |            |
|----|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|
|    | 0           | 0           | 983,915     | 750,169    | 375,530    | 0          | 0          | 0          | 0          | 0          |
|    | 0           | 0           | 229,626     | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
|    | 214,808     | 215,456     | 2,594,849   | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
|    | 214,808     | 215,456     | 2,824,475   | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| \$ | 135,060,056 | 117,225,598 | 112,272,426 | 93,943,720 | 81,640,727 | 72,138,441 | 68,542,239 | 64,466,458 | 66,893,835 | 65,161,118 |

## Appendix C

### REVIEW OF STATE DISTRIBUTIONS TO COMMUNITY COLLEGES HISTORICAL TREND IN REVENUES - ALL COMMUNITY COLLEGES



Note: Information was not available for the year ended June 30, 1999.

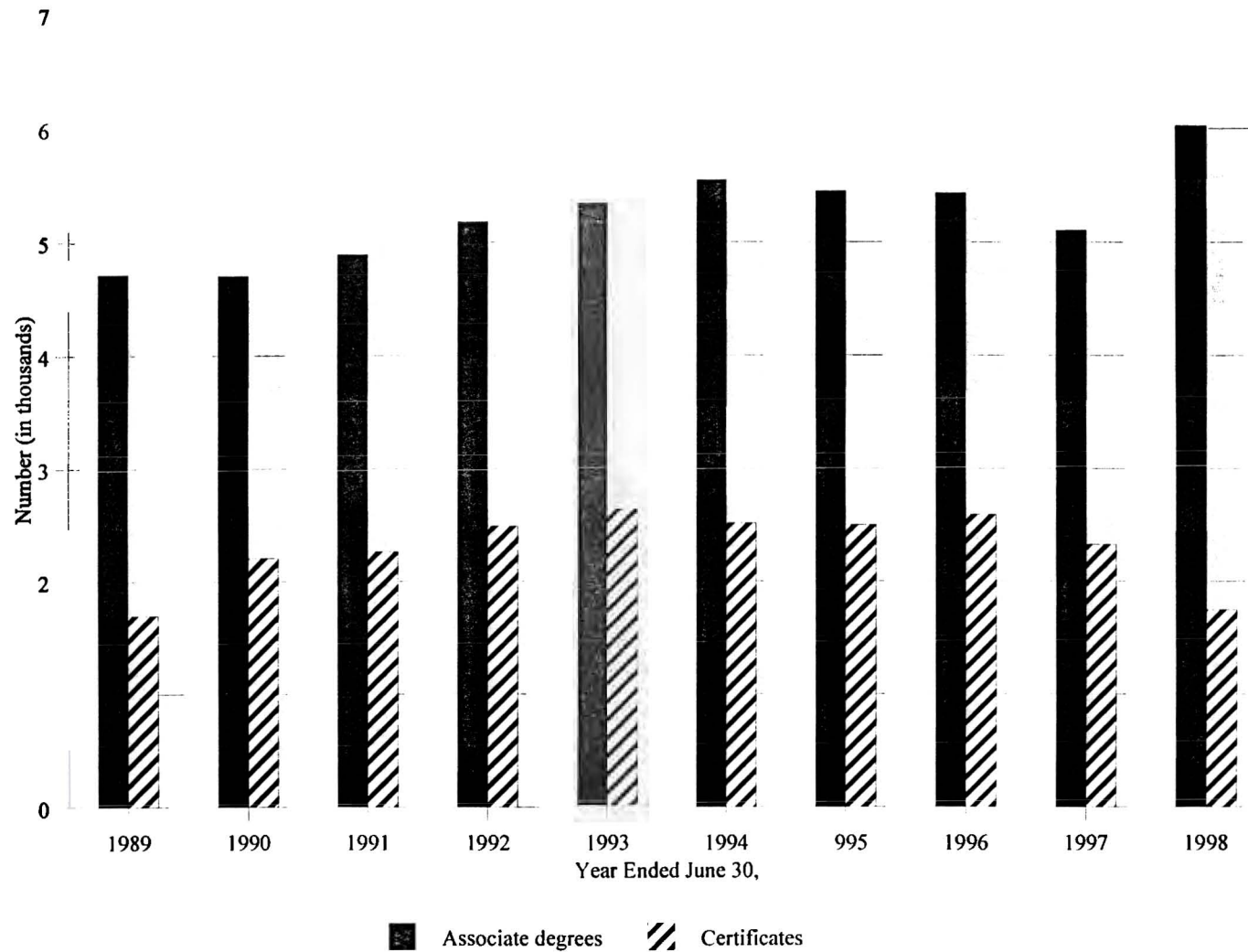
## Appendix D

### REVIEW OF STATE DISTRIBUTIONS TO COMMUNITY COLLEGES HISTORICAL TREND IN FULL-TIME EQUIVALENT ENROLLMENT ALL COMMUNITY COLLEGES



# Appendix E

## REVIEW OF STATE DISTRIBUTIONS TO COMMUNITY COLLEGES HISTORICAL TREND IN NUMBER OF DEGREES CONFERRED - ALL COMMUNITY COLLEGES



Note: Information was not available for the year ended June 30, 1999

\* \* \* \* \*



REVIEW OF THE  
MISSOURI STATE TAX COMMISSION

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-09  
February 23, 2000

# AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2000

**The following problems were discovered as a result of a review conducted by our office of the Missouri State Tax Commission.**

---

The Sales Tax Commission (STC) is required to certify the equivalent sales ratio of real property, for each county and the city of St. Louis, to the state Department of Elementary and Secondary Education (DESE) for use in determining distributions of school foundation formula funds. Although statistical consultants hired by the tax commission recommended the use of a weighted ratio in these calculations, the tax commission uses the median to determine the equivalent sales ratios.

The STC certified only three equivalent sales ratios as less than 33.3 (Carroll, Clay, and Newton). Our computations disclosed an additional forty-one counties would also have been certified as less than 33.3 if the weighted ratio had been used. The equivalent sales ratio used in the calculation of the distribution of school foundation formula funds is the higher of the most recent equivalent sales ratio or an average of the three highest of the last four years equivalent sales ratios. Because of this, while many school districts in the forty-four counties previously noted would not have received a lesser amount, the distribution of school foundation formula funds would be affected by using the weighted ratios in determining the equivalent sales ratios.

To determine the accuracy of assessed valuations in the counties, the STC performs ratio studies. The STC selects properties on the tax rolls of local jurisdictions and compares the assessed valuation of those properties to an appraised value determined by a STC appraiser. All ratio studies we reviewed contained numerous individual parcels that were assessed either higher or lower than the STC's established acceptable range, resulting in an excess or insufficient property tax liability for these parcels. As long as the study results in an acceptable median ratio, the STC does not consider these individual parcels to be a problem and does not investigate the reasons for the variance.

(over)

YELLOW SHEET

According to the Fifty-Third annual report issued by the tax commission, 1998 personal property assessed valuation was approximately \$14 billion. Of this amount, approximately \$7.4 billion of 1998 personal property assessed valuation pertained to vehicles. When assisting the assessing officers with the implementation of their assessment maintenance plans, the Technical Support Staff did not ensure that vehicles were being assessed in accordance with state law. State statutes provide that the assessor of each county, and each city not within a county, shall use the trade-in value published in the October issue of the National Automobile Dealers' Association (NADA) Official Used Car Guide, or its successor publication, as the recommended guide for determining the true value of motor vehicles.

Although the STC distributed a vehicle valuation guide in March 1999 which includes assessed valuations based upon the NADA guide trade-in values, the STC did not require the Assessors to use the guide.

REVIEW OF THE  
MISSOURI STATE TAX COMMISSION

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
State Tax Commission  
Jefferson City, Missouri 65101

We have conducted a review of the State Tax Commission. The objectives of this review were to:

1. Review and evaluate the procedures used in the supervision of statewide equalization of real and personal property assessments.
2. Review certain internal control procedures, compliance issues, and management practices to determine the propriety, efficiency and effectiveness of those procedures and practices.

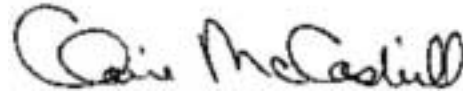
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed certain records and documents and interviewed agency personnel. Our review was generally limited to policies, practices, and transactions of the fiscal years ended June 30, 1999, 1998, and 1997.

As part of our review, we assessed the agency's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information and Appendices are presented for informational purposes. This information was obtained from the Commission's management and was not subjected to the procedures applied in the review of the State Tax Commission.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the State Tax Commission.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

August 18, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Peggy Schler, CPA     |
| In-Charge Auditor:  | Charles VanLoo, CPA   |
| Audit Staff:        | Tara Shah             |
|                     | Patrick Corbett       |

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations



## REVIEW OF THE MISSOURI STATE TAX COMMISSION SUMMARY OF FINDINGS

### 1. Ratio Studies (pages 7-11)

The STC is required to certify the equivalent sales ratio of real property, for each county and the city of St. Louis, to the state Department of Elementary and Secondary Education (DESE) for use in determining distributions of school foundation formula funds. Although statistical consultants hired by the STC recommended the use of a weighted ratio in these calculations, the STC uses the median to determine the equivalent sales ratios. The STC certified only three equivalent sales ratios to DESE as less than 33.3. If the weighted ratio had been used to determine the equivalent sales ratio an additional forty-one counties would have been certified as less than 33.3. All ratio studies we reviewed included numerous individual parcels that were assessed higher or lower than the statutory level of assessment which would result in an excess or insufficient tax liability.

### 2. Personal Property Tax Assessments (pages 11-12)

The STC has not ensured vehicles were properly assessed in accordance with state law.

SPECIAL REVIEW OF THE MISSOURI STATE TAX COMMISSION  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

1.

**Ratio Studies**

The Mission Statement of the State Tax Commission (STC) states: "The State Tax Commission shall uphold the constitution and statutes of the State of Missouri .... and eradicate the injustices and inequities in assessments for property tax purposes. As addressed in the STC's Fiscal Year 1999 Strategic Plan, one goal is to bring real property assessment levels, in all 115 jurisdictions in the state, to within 5% of the statutorily mandated level of assessment. To determine the accuracy of assessed valuations, the STC's Ratio Studies Section selects properties on the tax rolls of local jurisdictions and compares the assessed valuation of those properties to an appraised value determined by a STC appraiser. According to the Fifty-Third annual report issued by the STC, 1998 total assessed valuation of real property was approximately \$39 billion. Our review of the Ratio Studies Section procedures revealed the following:

- A. According to Chapter 138, RSMo Cumm. Supp. 1999, the STC is required to certify the equivalent sales ratio of real property for each county and the city of St. Louis. These certifications are made to the state Department of Elementary and Secondary Education (DESE) for use in determining distributions of school foundation formula funds. All ratios higher than thirty-one and two-thirds percent are to be certified as thirty-three and one-third percent.

Statistical consultants hired by the STC in 1977 and 1986 both recommended the STC use a **weighted ratio** for reporting a value to DESE. The 1986 consultant also reported "the **mean** or **median** of the individual sample estimates would be inappropriate to use" for reporting a value to DESE.

**Weighted ratios** consider the dollar value of each sample item while median ratios treat each sample item as though it had the same dollar value as all other sample items. Therefore, **median ratios** do not compare the total assessed value in a county to the total market value in a county. However, the STC has chosen to use the **median ratio** instead of the **weighted ratio** for certifying equivalent sales ratios to DESE.

Based on data from the most recent STC sales ratio studies, we recomputed the equivalent sales ratios using **weighted ratios** (as recommended by the consultant). Our computations disclosed the following counties have an equivalent sales ratio that is less than the legally mandated ratio.

| <u>County</u>  | <u>1998 Equivalent Sales Ratio</u> |                                    |
|----------------|------------------------------------|------------------------------------|
|                | <u>Certified<br/>By the STC</u>    | <u>Based on<br/>Weighted Ratio</u> |
| Carroll        | 30.3                               | 28.5                               |
| Clay           | 31.3                               | 31.6                               |
| Newton         | 31.3                               | 31.0                               |
| Andrew         | 33.3                               | 29.3                               |
| Bates          | 33.3                               | 31.0                               |
| Caldwell       | 33.3                               | 31.4                               |
| Cape Girardeau | 33.3                               | 30.6                               |
| Carter         | 33.3                               | 30.9                               |
| Chariton       | 33.3                               | 28.8                               |
| Christian      | 33.3                               | 30.7                               |
| Dade           | 33.3                               | 30.8                               |
| Dunklin        | 33.3                               | 29.7                               |
| Harrison       | 33.3                               | 31.0                               |
| Jackson        | 33.3                               | 30.5                               |
| Jasper         | 33.3                               | 29.8                               |
| Jefferson      | 33.3                               | 29.3                               |
| Lafayette      | 33.3                               | 29.1                               |
| Lewis          | 33.3                               | 31.5                               |
| Linn           | 33.3                               | 30.9                               |
| Macon          | 33.3                               | 28.6                               |
| Madison        | 33.3                               | 31.1                               |
| Marion         | 33.3                               | 30.1                               |
| Mississippi    | 33.3                               | 30.9                               |
| Morgan         | 33.3                               | 29.6                               |
| Nodaway        | 33.3                               | 30.7                               |
| Ozark          | 33.3                               | 30.6                               |
| Pemiscot       | 33.3                               | 29.5                               |
| Perry          | 33.3                               | 31.2                               |
| Pettis         | 33.3                               | 31.3                               |
| Phelps         | 33.3                               | 27.5                               |
| Pike           | 33.3                               | 28.3                               |
| Platte         | 33.3                               | 30.9                               |
| Polk           | 33.3                               | 30.1                               |
| Ray            | 33.3                               | 31.5                               |
| Ripley         | 33.3                               | 31.1                               |
| Schuyler       | 33.3                               | 31.1                               |
| Scott          | 33.3                               | 30.6                               |
| St. Francois   | 33.3                               | 27.3                               |
| Stone          | 33.3                               | 31.6                               |
| Taney          | 33.3                               | 29.2                               |
| Vernon         | 33.3                               | 29.3                               |
| Washington     | 33.3                               | 28.9                               |
| Wayne          | 33.3                               | 30.5                               |
| Wright         | 33.3                               | 31.2                               |

The STC certified only three equivalent sales ratios as less than 33.3 (Carroll, Clay, and Newton). As reflected above, an additional forty-one counties would also have been certified as less than 33.3 if the weighted ratio had been used. The equivalent sales ratio used in the calculation of the distribution of school foundation formula funds is the higher of the most recent equivalent sales ratio or an average of the three highest of the last four years equivalent sales ratios. Because of this, while many school districts in the forty-four counties previously noted would not have received a lesser amount, the distribution of school foundation formula funds would be affected by using the weighted ratios in determining the equivalent sales ratios.

- B. The statistical reports list each parcel included in the ratio study along with the ratio of assessed valuation determined by the local jurisdiction's assessing officer compared to the appraised market value determined by the STC's appraiser. All twenty-three ratio studies we reviewed contain numerous individual parcels that are assessed either higher or lower than the STC's established acceptable assessment level range. As long as the report indicates an acceptable median ratio, STC personnel indicated these individual parcels are not considered to be a problem and the reasons for the variances are not investigated. Examples of reports reviewed are as follows:

- 1) We observed one ratio study on residential properties where 29 out of the 35 parcels tested (83%), were not assessed within the established acceptable range of assessment of 18.05% to 19.95%. These parcels represented 79% of the total assessed valuation tested.

For one parcel included in the ratio study, the STC calculated an assessed valuation of \$4,279 less than the County Assessor's, representing an excess property tax liability of approximately 48%. Another parcel was assessed by the STC at \$5,399 more than the County Assessor's, representing an insufficient property tax liability of approximately 38.3%.

- 2) We observed one ratio study on commercial properties where 32 out of the 45 parcels tested (71%), were not assessed within the established acceptable range of assessment level of 30.40% to 33.60%. These parcels represented 69% of the total assessed valuation tested.

For one parcel included in the ratio study, the STC calculated an assessed valuation of \$28,300 less than the County Assessor's, representing an excess property tax liability of approximately 73.7%. Another parcel was assessed by the STC at \$37,000 more than the County Assessor's, representing an insufficient property tax liability of approximately 57.8%.

- 3) We observed one ratio study on agricultural properties where 30 out of the 40 items tested (75%), were not assessed within the established acceptable range of

assessment level of 11.40% to 12.60%. These parcels represented 64% of the total assessed valuation tested.

For one parcel included in the ratio study, the STC calculated an assessed valuation of \$3,053 less than the County Assessor's, representing an excess property tax liability of approximately 214%.

By not determining and correcting the cause of the parcels that are not assessed within the established acceptable range, the STC is not achieving its strategic goal, and the valuation of real property throughout the state does not appear to be equalized. Failure to ensure equalized property values results in some taxpayers paying excess taxes while others are paying insufficient taxes.

**WE RECOMMEND** the State Tax Commission:

- A. Use weighted ratios in calculating equivalent sales ratios.
- B. Determine the reason that numerous individual parcels fall outside the acceptable range and assist the assessors in correcting assessment methods in order to bring the assessed valuation of real properties within the STC's established acceptable ranges.

**AUDITEE'S RESPONSE**

- A. *The State Tax Commission acknowledges that Dr. Madsen's report dated January 15, 1986, recommends the use of the weighted ratio in reporting the ratio to the Department of Elementary and Secondary Education (DESE) for use in the School Foundation Formula. The Commission has found that the weighted mean is an invaluable statistic in measuring the uniformity between high and low valued parcels. However, the Commission and other statistical experts have concerns about the use of the weighted ratio for indirect equalization.*

*The major disadvantage in using this measure is its susceptibility to sampling error. This is especially true when high valued properties are appraised at a level different from other properties in the study. In instances where a high valued property is valued significantly different, a substantially larger sample size is indicated in order to achieve an accepted level of precision. The "Standard on Ratio Studies" provided by the International Association of Assessing officers cautions that, when relying on the weighted ratio, outliers should be carefully reviewed since they can strongly affect the weighted ratio, particularly when the outliers are associated with high value properties.*

*The weighted ratio can also mask problems in the appraisal of low valued properties, which have a minimal effect on this statistic. The impact on the weighted ratio is proportional to the dollar value of the properties. The Commission calculates three measures of central*

*tendency. They include the mean, median, and weighted ratios. Of these measures, the median is the only one not prejudiced by extreme ratios or property values.*

*Dr. Madsen, in a supplement report dated January 28, 1986, expressed concern on what effect any errors in the estimated value weighted mean ratio had on the allocation of school funding. He asked DESE to run simulations using various value weighted ratio estimates in order to analyze the effect that any errors in the weighted ratio might have on the amount of dollars distributed. Dr. Madsen concluded that the school formula was relatively insensitive to the ratio used. Subsequent to Dr. Madsen's study, the school foundation formula has been the subject of litigation and has been dramatically altered by State Statutes. Unlike its predecessor, the school foundation formula which exists today is extremely sensitive to the ratio certified to DESE and can result in significant shifts of school funding.*

*The State Tax Commission respectfully recommends that the Commission contract with an outside consultant to determine the appropriate ratio to be utilized in certifying the "Equivalent Sales Ratio" to the DESE.*

- B. The State Tax Commission concurs with the State Auditor's recommendation that the Commission should enhance its communication to the assessors in analyzing the results of statistical ratio studies and to provide better documentation reflecting that communication. The State Tax Commission has never established an "acceptable" range around the median for assessment purposes. The strategic plan of the State Tax Commission is to bring the assessment level of all assessing jurisdictions to within five percent of the equivalent sales ratio as outlined in Section 138.395, RSMo Supp. 1999. The Commission, through the collective effort of the Ratio and Technical Assistance Sections, will establish meetings with assessors to analyze the results of the ratio study which reflect the assessment practices and trends in a particular county. The Technical Assistance Section will be required to document such meetings and to place that information in each county's file.*

**2.**

## **Personal Property Tax Assessments**

As a means of eradicating injustices and inequities, the State Tax Commission's fiscal year 1999 Strategic Plan addresses ensuring the equitable and uniform assessments of tangible personal property.

According to the Fifty-Third annual report issued by the STC, 1998 personal property assessed valuation was approximately \$14 billion. Of this amount, approximately \$7.4 billion of 1998 personal property assessed valuation pertained to vehicles. When assisting the assessing officers with the implementation of their assessment maintenance plans, the Technical Support Staff did not ensure that vehicles were being assessed in accordance with Section 137.115.9, RSMo 1994. This section provides that the assessor of each county, and each city not within a county, shall use

the trade-in value published in the October issue of the National Automobile Dealers' Association (NADA) Official Used Car Guide, or its successor publication, as the recommended guide for determining the true value of motor vehicles. Pursuant to Section 138.410, RSMo 1994, the commission shall exercise general supervision over all the assessing officers of the state. Failure to ensure the assessment maintenance plans are being implemented in accordance with state law, could result in unequalized assessment of motor vehicles.

STC personnel indicated that for the 1998 tax year, five different guides were being used by the assessing officers to determine the true value of motor vehicles. Four of the five guides being used were developed using the NADA Official Used Car Guide, while the fifth guide being used was the actual NADA guide itself. A guide developed by the St. Louis County Assessor's Office contained 1995 - 1996 values, that were obtained from a former January publication of the NADA guide. Because the guide contained 1995 - 1996 values, the assessing officers were required to make adjustments, utilizing their judgement. Another guide, developed by the Arkansas Department of Revenue, contained assessed valuations using a twenty percent assessment rate, as opposed to the State of Missouri's rate of thirty three and one-third percent. The use of this guide required the assessing officer to adjust the assessed valuations to reflect the correct tax rate. The guides developed by St. Charles County and Jackson County Assessor's offices did not require any adjustments.

In addition, STC personnel indicated the trade-in value published in the NADA Official Used Car Guide was not always used to determine the true value of the vehicle. In one county the retail value was used while in another county the assessor determined his own values, which were much lower than those published in the NADA guide.

Although the STC distributed a vehicle valuation guide in March 1999, which includes assessed valuations computed based upon the NADA guide trade-in values, STC personnel indicated assessing officers were not required to use the guide for 1999 assessments.

By establishing written policies and procedures, that address the equalization of tangible personal property, and monitoring the implementation of such procedures the STC will ensure progress is made to eradicate the injustices and inequities in the assessment of vehicles.

**WE RECOMMEND** the State Tax Commission require all assessing officers to follow the vehicle valuation guide developed by the STC.

### **AUDITEE'S RESPONSE**

*The State Tax Commission concurs with the State Auditor's Office that uniformity in the valuation of vehicles is critical. The Commission has established a Property Valuation Guide which has been*

*distributed to all counties and the City of St. Louis for utilization in tax year 2000. Throughout the year 2000, State Tax Commission personnel will randomly sample valuations of motor vehicles to ensure compliance with statutory and constitutional provisions.*

This report is intended for the information of the management of the State Tax Commission and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

## STATE TAX COMMISSION HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

### *A. History of the State Tax Commission.*

The State Tax Commission of Missouri in its current form was created by the Missouri Constitution of 1945. Article X, Section 14 of that constitution requires the General Assembly to create a tax commission for the purpose of performing three (3) functions:

- (1) Equalization of assessments as between counties;
- (2) To hear appeals from local boards of equalization in individual ~~assessment~~ cases; and
- (3) To perform such other duties as may be prescribed by law.

Prior to 1945 and the adoption of the most recent Constitution of Missouri, the function of the Commission was essentially divided between two bodies: the State Tax Commission, which was created in 1917, and essentially had authority over individual appeals in assessment cases, and supervisory authority over assessing officials, and the State Board of Equalization which performed the function of equalization of value among counties. The 1945 Constitution merged these bodies into one, creating the current constitutional and statutory entity now called the State Tax Commission of Missouri.

### *B. Nature and Organization of the State Tax Commission.*

Pursuant to Section 138.190, RSMo 1994, the State Tax Commission is constituted of three members, chosen from the two major political parties, appointed by the Governor with the advice and consent of the Senate. The Commissioners hold staggered terms of six years. Pursuant to Section 138.240, RSMo 1994, a majority of the commissioners must concur before the Commission can make a decision on any matter before it. The members of the Commission between July 1, 1996 and June 30, 1999 were:

| <u>Member</u>      | <u>City</u>         | <u>Term Expires</u> |
|--------------------|---------------------|---------------------|
| Van E. Donley      | Boonville, Missouri | January 23, 2000    |
| Bruce E. Davis     | Columbia, Missouri  | January 23, 1998*   |
| Douglas W. Burnett | Hartsburg, Missouri | January 23, 2002    |

- \* Although Commissioner Davis' term has expired, he continues to serve on the Commission until a successor is appointed by the Governor.

The staff of the Commission is divided into five sections:

- (1) Administration;
- (2) Legal;

- (3) Ratio Study;
- (4) Original Assessment; and
- (5) Technical Assistance.

*C. Functions of the State Tax Commission*

- (1) Supervision of Assessment Practices and Equalization.
- (2) Assessment Appeals in Individual Cases
- (3) Original Assessment
- (4) Ratio Study
- (5) Inter-County Equalization
- (6) Miscellaneous Functions

## APPENDICES

APPENDIX A

MISSOURI STATE TAX COMMISSION  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

|  | 1999           |              |                 | 1998           |              |                 | 1997           |              |                 |
|--|----------------|--------------|-----------------|----------------|--------------|-----------------|----------------|--------------|-----------------|
|  | Appropriations | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances | Appropriations | Expenditures | Lapsed Balances |
| GENERAL REVENUE FUND - STATE   |                |              |                 |                |              |                 |                |              |                 |
| Personal Service   | \$ 2,815,362   | 2,565,463    | 249,899         | 2,554,720      | 2,414,745    | 139,975         | 2,436,839      | 2,313,545    | 123,294         |
| Expense and Equipment  | 688,739        | 633,968      | 54,771          | 586,858        | 574,345      | 12,513          | 552,418        | 550,481      | 1,937           |
| State's share of the costs and expenses incurred pursuant to an approved assessment and equalization maintenance plan as provided by Chapter 137, RSMo | 17,451,962     | 17,178,504   | 273,458         | 15,953,089     | 15,378,245   | 574,844         | 17,819,324     | 17,819,324   | 0               |
| State costs for county assessor and assessor elect certification   | 100,800        | 99,450       | 1,350           | 100,800        | 93,600       | 7,200           | 100,800        | 97,650       | 3,150           |
| Total General Revenue Fund - State   | 21,056,863     | 20,477,385   | 579,478         | 19,195,467     | 18,460,935   | 734,532         | 20,909,381     | 20,781,000   | 128,381         |
| Total All Funds  | \$ 21,056,863  | 20,477,385   | 579,478         | 19,195,467     | 18,460,935   | 734,532         | 20,909,381     | 20,781,000   | 128,381         |

APPENDIX B

State Tax Commission  
Comparative Schedule of Expenditures

|  | Year Ended June 30 |              |              |              |              |
|--|--------------------|--------------|--------------|--------------|--------------|
|  | 1999               | 1998         | 1997         | 1996         | 1995         |
| Personal Services                            | 2,565,463          | 2,414,745    | 2,313,545    | 2,195,728    | 2,025,695    |
| Miscellaneous Programs                       | 17,178,504         | 15,378,245   | 17,819,324   | 14,300,000   | 14,299,951   |
| Travel and Vehicle Expense                   | 319,755            | 337,233      | 349,404      | 336,957      | 319,263      |
| Transportation Equipment Purchase            | 0                  | 33,168       |              |              |              |
| Office Expense                               | 75,156             | 70,317       | 57,682       | 58,869       | 60,797       |
| Office and Communication Equipment Purchases | 1,023              | 7,255        | 505          | 9,505        | 1,599        |
| Communication Expense                        | 55,042             | 49,609       | 30,158       | 35,461       | 32,328       |
| Institution and Physical Plant Expense       | 5,634              | 4,208        | 3,956        | 3,810        | 2,186        |
| Institution and Physical Plant Purchase      | 120                |              | 200          |              |              |
| Data Processing Expense and Equipment        | 132,090            | 20,654       | 25,099       | 64,301       | 49,020       |
| Professional Services                        | 101,510            | 96,321       | 130,692      | 108,674      | 105,186      |
| Other Expense                                | 43,088             | 49,180       | 50,435       | 33,308       | 31,354       |
| Total Expenses                               | \$20,477,385       | \$18,460,935 | \$20,781,000 | \$17,146,613 | \$16,927,379 |



LAND TRUST OF  
JACKSON COUNTY, MISSOURI

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-08  
February 21, 2000

AUDIT REPORT





Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2000

**The following problems were discovered during an audit of the Land Trust of Jackson County, Missouri conducted jointly by this office and the Kansas City, Missouri, City Auditor's Office.**

---

Although state law requires Land Trust to turn over the net sale proceeds from land sales to the taxing authorities, no such distributions have been made since 1994. Since that time, Land Trust has retained the proceeds from all property sales and used those monies to pay all operating expenses and accumulate a surplus in excess of \$500,000.

Several questionable sales transactions were noted which may warrant further review. These include two property sales made to the spouse of a Land Trust employee. One of these involved the May 1998 sale of an improved property (a property which includes a house or commercial building) for \$6,200. No documentation could be located to indicate that any monies were ever received or deposited related to this sale. In addition, it does not appear this sale went through Land Trust's review and approval process.

The other property was sold in July 1997 to the Land Trust employee's spouse for \$2,000; however, it appears only \$1,300 was received and deposited, with \$700 unaccounted for or outstanding. This property was subsequently condemned by the City of Kansas City for public use and the applicable Land Trust employee and spouse were awarded an \$11,000 settlement for this property.

Various other problems were noted regarding Land Trust's management and sale of property.

- Appraisals were not made when properties were added to inventory as required by state law.
- Letters of consent were not obtained from at least two of the three appointing authorities (City of Kansas City, Jackson County, and Kansas City School District) when an offer was accepted for less than two-thirds of a property's value.
- Many of the property sales files did not contain adequate documentation to support property valuations and offers. One of these files included the 1996 sale of the Vista Del Rio building for \$400,000. There was no documentation supporting the valuation of that property. Also, there was no documentation available concerning the sale of the Uptown Theater to a former trustee in 1993.

(over)

YELLOW SHEET

- The highest offer was not always accepted.
- Improved properties were not advertised in 1997. In addition, Land Trust does not advertise in a newspaper with a wide circulation.
- Land Trust does not have written policies or procedures regarding properties sold on an installment basis or properties held off the available sales list at the request of the City of Kansas City.

Various concerns were noted regarding expenditures incurred by Land Trust.

- In 1998, extra salary payments totaling \$10,025 were made to three Land Trust employees. There was no documentation supporting the reasons for the extra payments or indicating that they had been approved by the board. In addition, annual bonuses totaling \$32,000 were paid to employees between January 1997 and December 1998. Neither the extra salary payments nor the bonuses were reported on the employees' W-2 forms.
- From 1995 through August 1999, Land Trust expended over \$650,000 for contracted mowing services. Land Trust has not formally solicited bids or other proposals for these services. It was noted that the highest paid mowing contractor was the spouse of a Land Trust employee, receiving approximately \$50,000 in 1998 and \$42,400 during the first eight months of 1999.
- Competitive bids were not solicited for any other items and services purchased by Land Trust, including various pieces of office furniture and equipment.
- Land Trust has not solicited proposals for its banking services as required by law. In 1997, Land Trust moved its accounts to a bank where a trustee serves on the board of directors. At a minimum, this situation gives the appearance of a conflict of interest.
- The Land Commissioner is paid a \$500 monthly auto allowance without being required to provide any documentation to support these payments.
- Actual expenditures exceeded the budgets by significant amounts during the past several years.

A review of Land Trust accounting controls and procedures disclosed various record keeping and procedural weaknesses including a lack of segregation of duties, untimely deposits, inadequate records of monies collected, and checks being signed in advance of preparation, among others.

Other findings included:

- The lack of any written policies and procedures.
- Concerns regarding the bonding of the trustees and the Land Commissioner.
- Lack of proper documentation and disclosure regarding offers considered and approved, and not being fully compliant with the Open Meetings Law.

LAND TRUST OF  
JACKSON COUNTY, MISSOURI

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## AUDITORS' REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

The Board of Trustees of the  
Land Trust of Jackson County, Missouri  
Kansas City, Missouri 64110

The State Auditor's Office and the Kansas City, Missouri, City Auditor's Office have conducted a joint audit of the Land Trust of Jackson County, Missouri. The objectives of this audit were to review:

1. The management and sale of properties.
2. The handling of revenues generated by land sales.
3. Expenditures incurred to administer and manage properties.
4. Compliance with applicable laws and regulations.

This audit was conducted in accordance with generally accepted government auditing standards, with the exception of the completion of an external quality control review of the City Auditor's Office within the last three years.<sup>1</sup> The board had engaged William Michael Altman, Certified Public Accountant (CPA), to perform financial audits of Land Trust for the years ended December 31, 1997 and 1996. To minimize any duplication of effort, we reviewed the reports and substantiating workpapers of this CPA. We also examined selected Land Trust records, made inquiries of Land Trust officials, and examined other documents. The 1983 county audit of Land Trust was considered during the planning and performance of this audit. Our audit included, but was not necessarily limited to, the activity, records, and practices of Land Trust during the period from January 1, 1997 to August 31, 1999.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

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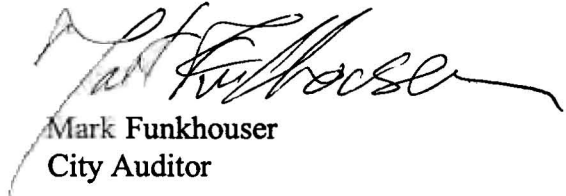
<sup>1</sup> The last review was performed in April 1995. A peer review is planned for the current year.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from Land Trust's management and other sources and was not subjected to the procedures applied in the audit of Land Trust.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Land Trust of Jackson County, Missouri.



Claire McCaskill  
State Auditor



Mark Funkhouser  
City Auditor

October 8, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

State Auditor's Staff

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Audit Manager: Gregory A. Slinkard, CPA, CIA  
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City Auditor's Staff

Audit Supervisor: Nancy N. Hunt  
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## MANAGEMENT ADVISORY REPORT SECTION

LAND TRUST OF  
JACKSON COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Sale Proceeds and Funding Land Trust Operations (pages 7-10)

Although Land Trust is responsible for turning over the net sale proceeds from land sales to the taxing authorities, no distributions have been made since 1994. Land Trust has retained and used the sales proceeds to pay all operating expenses and to accumulate a surplus. State law requires Land Trust to requisition or request its funding for administrative expenses from the county and the municipalities.

2. Managing Land Trust Properties (pages 10-16)

Appraisals are not performed when properties are added to inventory. Letters of consent were not obtained from at least two of the three appointing authorities when an offer was accepted for less than two-thirds of the property's value. Properties are not classified in accordance with state law. Many of the property sales files did not contain adequate documentation to support property valuations and offers. In one instance, involving the sale of a property for \$400,000, there was no documentation supporting the valuation of that property. In addition, that property was not advertised among those available for sale. The highest offer was not always accepted. Deposits are not always collected with each offer as required, and checks related to deposits were sometimes returned instead of being deposited. Expenses for each property are not recorded in Land Trust's database. Installment sales are not handled in a consistent manner or in accordance with state law. The improved property list for 1997 was not advertised, and other instances were noted where individual properties were not listed in the property advertisements.

3. Questionable Property Sale Transactions (pages 16-19)

In two instances where properties were sold to the spouse of an employee, it appears all monies due were not received or deposited. The monies unaccounted for related to these sales totaled \$6,900. In addition, three other sales were noted for which all monies could not be accounted for properly. In August 1993, a former trustee resigned and subsequently purchased a property from Land Trust. Because the file related to that sale could not be located, we could not evaluate the propriety of the sale.

4. Expenditures (pages 19-24)

In 1998, extra salary payments totaling \$10,025 were made to three Land Trust employees. Annual bonuses totaling \$32,000 were paid to employees in the past three years. These payments along with the Land Commissioner's auto allowance were not reported on the employees' W-2 forms. Bids were not solicited for mowing services and other significant



expenditures. Proposals for banking services have not been formally solicited, and a trustee is on the board of directors of Land Trust's current depository bank. The Land Commissioner is paid a monthly auto allowance and he is not required to prepare reports documenting the mileage driven on Land Trust business. Actual expenditures exceeded budgeted amounts.

5. Accounting Controls and Procedures (pages 24-26)

Land Trust's accounting and other record keeping duties are not segregated. Deposits are not made on a timely basis. No receipts ledger is maintained and receipts slips are not issued. Checks and money orders are not restrictively endorsed immediately upon receipt. Land Trust checks are signed in advance of their preparation. A monthly listing of deposits being held on pending offers (open items) is not prepared and reconciled to the escrow account balance.

6. Other Compliance Issues (pages 26-27)

The term of the City of Kansas City's appointee expired in January 1998 and no efforts have been made to officially fill this position on the board. The Land Commissioner was not bonded as required. The trustees' surety bonds are not on file with the County Clerk's office and are not paid out of county funds as required. In addition, these bonds were purchased from a company owned by one of the trustees and a competitive bidding process was not used to obtain surety bond coverage.

7. Annual Financial Audits (page 28)

Proposals for audit services have not be requested since 1990. Recent audits have not been completed on a timely basis.

8. Documentation and Reporting of Board Proceedings (pages 28-30)

The board minutes did not always include a listing of the offers that were accepted and rejected, and the trustees' review and approval of expenditures is not documented in the minutes. Offers considered and approved sales are not posted or publicly disclosed. Proper notice is not always given for board meetings. The votes and reasons for closing a meeting are not documented and closed meeting minutes are not maintained.

9. Lack of Formal Policies and Procedures (page 30)

Land Trust has no written policies or procedures.

LAND TRUST OF  
JACKSON COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |  |
|-----------|--|
| <b>1.</b> | <b>Sale Proceeds and Funding Land Trust Operations</b> |
|-----------|--|

Pursuant to Section 141.790, RSMo 1994, Land Trust is responsible for turning over the net sale proceeds from land sales to the taxing authorities in the county. This statute requires proceeds from sales to be applied first to sales expenses, then to any penalties, attorney's fees or costs, then to care and management of the property, with the balance paid to the respective taxing authorities. In 1994, Land Trust disbursed \$44,150 to the taxing authorities and has made no subsequent distributions. According to the notes to the financial statements in Land Trust's 1995, 1996, and 1997 audit reports, the trustees decided that any proceeds over and above actual expenditures would be retained and appropriated in future years to pay increasing weed cutting costs.

Between January 1, 1994 and August 31, 1999, Land Trust sold 1,431 properties with sales proceeds totaling approximately \$2 million. During the same period, Land Trust expenditures totaled approximately \$1,690,000 (not including the distributions to the taxing authorities in 1994), representing approximately \$690,000 in property maintenance expenditures and approximately \$1 million in salary and other administrative expenditures. As of August 31, 1999, Land Trust had an accumulated surplus of over \$500,000.

Although Land Trust has used the retained sales proceeds to pay all Land Trust expenses and accumulate a surplus, this is not in accordance with state law. Section 141.770, RSMo 1994, provides that salaries and other administrative expenses of Land Trust are to be advanced and paid to Land Trust upon requisition, 50 percent by the county and the remaining 50 percent by all municipalities in the county in proportion to their assessed values. The requisition shall not exceed a total of \$25,000 each year. Any amount beyond this may be requested, but must be agreed to by the county and municipal legislative bodies. According to the Land Commissioner, Land Trust has not requested any funding from the political subdivisions since the 1980's.

Land Trust should take steps to distribute net sales proceeds and request funds to pay its administrative costs in accordance with the applicable laws. In addition, considering total annual expenses averaged less than \$400,000 during 1998 and 1997, it appears the current surplus is excessive and would cover Land Trust expenses for over one year without any additional sales revenues being received.

**WE RECOMMEND** the Board of Trustees distribute net sale proceeds to the various taxing authorities in accordance with state law. Administrative funds should be requested as provided

by law.

### **AUDITEE'S RESPONSE**

*Until 1995, city administrations accepted responsibility and allocated funding for mowing the public properties held in the Land Trust inventory. This was done in accordance with public health code and ordinance standards, circuit and appeals court decisions, and an agreement signed by city and Land Trust officials. In 1989 and 1992, the City Auditor's office reported to the Mayor and City Council that the city was in violation of its own ordinances by failing to effectively cut weeds on public property, both city owned and in the Land Trust inventory. These reports recommended that the city administration formulate a system and find "an acceptable level of General Fund support" to ensure that Land Trust properties are in compliance with the Weeds and Noxious Plants ordinance. The City Manager's office and the Neighborhood and Community Services Department agreed with these proposals and agreed to prepare policy alternatives for consideration by the City Council.*

*In mid-summer 1995, under increasing budgetary constraints, the City Council informed Land Trust that city resources would not be allocated to carry out these delineated responsibilities and recommendations for mowing Land Trust lots. The vast majority of Land Trust properties conveyed by the circuit court have been abandoned, vacant, weeded lots for years prior to foreclosure. These properties, concentrated in the older, deteriorating neighborhoods of the central city, are the properties that the city decided that it would no longer mow. These are the properties that Land Trust has the responsibility to market.*

*The comprehensive intent and purpose of the Land Tax Collection Law states that Land Trust's primary responsibility is the sale of tax delinquent properties. An effective marketing strategy requires that the lots are mowed prior to sale. The sale of property in violation of code standards is virtually impossible. Potential buyers are reluctant to purchase overgrown lots, often filled with trash and debris.*

*The city's inability to provide funding for the mowing of the public properties held in Land Trust confronted the Board of Trustees with a choice:*

- 1. Continue distributing net sale proceeds to the taxing authorities. This would have resulted in most of the Land Trust lots being in violation of the Weed and Noxious Plants ordinance, in the further deterioration of the neighborhoods, and a steady decline in property values in these areas, as well as an inability on the part of Land Trust to carry out its legislated responsibilities to sell properties.*
- 2. Find an alternative system that would permit Land Trust to fulfill its legislated responsibility and continue to market the lots and return them to the tax rolls.*

*The Board of Trustees felt it necessary that the properties continue to be mowed in order to*

*effectively market them and to minimize ordinance violations in the central city. Land Trust hired contractors and began to budget for this unexpected and large expense. The new costs of weed cutting, as well as salaries and other administrative expenses, were considered expenses of sale required for the marketing of the properties.*

*In regard to Section 141.770, it is Land Trust's position that it is acting in accordance with state law. The audit report cites only paragraph 3 of this section to substantiate the statement that Land Trust is holding an excessive surplus of about \$500,000 in violation of state law. This section must be interpreted in its entirety and in conjunction with Section 141.790, which also deals with the operating expenses of Land Trust. Section 141.770, paragraph 1, states:*

*"Each annual budget of the land trust shall be itemized as to objects and purposes of expenditure, prepared not later than December fifteenth of each year, and shall include therein only such appropriations as shall be deemed necessary to meet the reasonable expenses of the land trust during the forthcoming fiscal year. Any unexpended funds from the preceding fiscal year shall be deducted from the amounts needed to meet the budget requirements of the forthcoming year."*

*Section 141.790, paragraph 2, states in relevant part:*

*"When any parcel of real estate is sold or otherwise disposed of by the land trust, the proceeds therefrom shall be applied and distributed in the following order:*

*(1) To the payment of expenses of sale;. . ."*

*The expenses of sale are those costs required for the marketing of property.*

*The Land Trust budget for 2000 projects expenditures of about \$410,000. Based on average yearly sales, the board projects a deficit of \$104,000. Therefore according to law, Land Trust has the authority to retain \$514,000 to meet its reasonable expenses for the year 2000.*

*During the period subject to audit, Land Trust, which receives no tax revenue, has been self-sufficient and has not found it necessary to requisition \$25,000 or any additional funds from Jackson County and the City of Kansas City to meet its salary, administrative, and mowing expenses which amount to about \$500,000 per year.*

*This large surplus was unexpected and resulted from the sale of 3 unusual properties including the Vista Del Rio for \$400,000 (sale total, \$510,000). Such sales are unprecedented and unlikely to occur in the future.*

*Therefore, it is Land Trust's position that the current surplus is not excessive, that it must be used to cover expenses for 2000, and that Land Trust has been and is acting in accordance with the full intent and scope of the Land Tax Collection Law.*

## **AUDITORS' COMMENT**

We do not agree that the mowing responsibilities turned over to Land Trust in 1995 has prevented it from distributing any sales proceeds to the various taxing authorities since that time, and this decision by the Land Trust Board was clearly not in accordance with state statutes. We also disagree with Land Trust's interpretation of the statutes cited in this finding. In their response, Land Trust asserts that retaining a surplus of \$514,000 for calendar year 2000 is justified based on projected expenditures of \$410,000 and a \$104,000 deficit. This analysis and conclusion is flawed because projected revenues for the current year are not considered in this analysis. A more accurate estimate of a surplus that Land Trust could justify based on the law, is the amount of the projected deficit (\$104,000) for calendar year 2000.

The response further states that Land Trust has been self-sufficient and has not found it necessary to requisition any funds from Jackson County or the City of Kansas City. This comment is contrary to state law. The statutes do not authorize Land Trust to retain all sales proceeds and be self-sufficient, and it ignores the provisions of Section 141.770.3, RSMo, which requires that monies needed to pay salaries and other administrative expenses be requisitioned or requested from the county and municipalities in the county.

### **2. Managing Land Trust Properties**

During a review of the Land Trust's management and sale of properties, we noted the following concerns:

- A. Appraisals are not performed when properties are added to inventory as required by state law. The Land Commissioner indicated that he does not prepare a property valuation worksheet until after an offer has been made on a property. We reviewed 72 sales files and found that valuation worksheets were completed by the Land Commissioner an average of seven days after offers were made.

Section 141.760, RSMo 1994, requires Land Trust to immediately assume possession and control of all properties it acquires, direct the land commissioner to inventory and appraise the properties, and thereafter maintain a perpetual inventory of those properties.

Without appraisals prepared as properties are added to inventory and periodically updated, Land Trust does not have a value for all the properties it is responsible for managing and is unable to track the change in value between the time a property is received and when it is ultimately sold. In addition, conducting appraisals after receiving an offer could affect the value placed on property by Land Trust, providing an environment where unfair treatment or other improprieties could occur.

- B. Land Trust did not obtain letters of consent from at least two of the three appointing authorities (Jackson County, City of Kansas City, and Kansas City School Board) when an offer was accepted for less than two-thirds of the value noted on the valuation worksheet. We noted that 7 of 72 sales reviewed were sold for less than the two-thirds valuation determined by Land Trust. Two properties were each sold for approximately \$6,500 less than the two-thirds valuation and the other five were sold below the two-thirds valuation by amounts of less than \$100.

Section 141.750.2, RSMo 1994, states:

"... if such selling price represents a consideration less than two-thirds of the appraised value of said real estate, then the land trustees shall first procure the consent thereto of not less than two of the three appointing authorities, which consent shall be evidenced by a copy of the action of each such appointing authority duly certified to by its clerk or secretary attached to and made a part of said deed." (emphasis added)

Land Trust officials have taken a position that since the trustees are appointed and represent the three appointing bodies, no further written consents are required. However, this interpretation is in direct conflict with the statutes.

- C. Land Trust does not classify properties in accordance with state law. Properties in Land Trust's inventory records are only classified as improved properties (properties which include a house or commercial building) or vacant lots. Section 141.760, RSMo 1994, requires Land Trust to classify property as (a) suitable for private use, (b) suitable for public use, or (c) not useable in present condition and held as public land reserve. In addition, that law requires Land Trust to make every effort to return land classified as "private use" to private ownership as soon as possible; to offer "public use" land to any public body subject to the discretion of the trustees; and to study or make recommendations to taxing authorities about possible use of land classified as "not useable".

Classifying all properties as "available" does not allow Land Trust to focus its efforts on managing, selling or otherwise disposing of property based on the condition or best potential use of the property.

- D. Land Trust has not established effective procedures over the property sale process. Our review of 72 sales files, which included 160 offers, disclosed the following concerns:

- 1) Many of the property sales files did not contain adequate documentation to support property valuations and offers. For example, we noted 19 offers related to 9 sales where a valuation worksheet was not present in the file at the

time the decision was made on those offers. While two of these files contained valuation worksheets prepared after decisions were made on the offers, the other seven contained no documentation indicating the Land Commissioner ever determined the value of the properties. One of the sales files without a valuation worksheet related to the \$400,000 sale of the Vista Del Rio building in 1996. This sale was the largest sale noted during our review of Land Trust. According to county records, the appraised value of the property was \$1,942,520 when it was deeded to Land Trust in March 1996 and the delinquent taxes and judgements totaled \$1,711,296.

We noted instances where valuation worksheets were not signed or dated by the Land Commissioner and instances where valuation worksheets were dated after the trustees made their decision to accept or reject the offers. Also, the trustees did not sign or include the date of acceptance or rejection for a number of offer sheets reviewed.

Land Trust should ensure property sales are properly handled and fully documented. Proper and complete information should be made available to the trustees when considering offers on properties, to ensure that Land Trust receives fair value for the properties, to provide evidence that statutory requirements are met, and to ensure that offers are consistently handled.

- 2) Land Trust did not always accept the highest offer in instances when more than one offer was submitted on a property. We noted that Land Trust accepted a \$1 offer from a church for a commercial building, while rejecting a \$1,000 offer from an individual. This file did not contain a valuation worksheet; however, according to county records, the appraised value of this property was \$14,286 when it was deeded to Land Trust.

While there is no legal requirement for Land Trust to sell property to the highest bidder, it would appear to be in the best interests of the taxing authorities to do so. Not selling properties to the highest bidder contributes to the appearance of unfair or unequal treatment. If there are valid reasons for selling a property to a lower bidder, the circumstances should be thoroughly documented.

- 3) Land Trust did not always collect a deposit with each offer as required. According to Land Trust's standard offer sheet, offerors are required to submit a deposit of 10 percent of the offer amount for an improved property and 25 percent for a vacant lot when an offer is made on a property.

Not requiring deposits for all offers submitted creates an environment for inconsistent treatment and gives the perception of favoritism.

- 4) Rather than being deposited into a bank account, deposit checks submitted with offers were sometimes marked void and returned to the offeror after the offer was rejected.

All deposits submitted with offers should be deposited intact and subsequently refunded by check, if the applicable offer is rejected. Handling these funds in a consistent manner improves accountability, reduces the risk of loss or misappropriation, and helps prevent perceptions of favored or unequal treatment.

- E. An individual record for each property is included in Land Trust's database; however, the expenses for each property are not recorded in the database or in the property file. It appears Land Trust's database system has the capability to track costs, but this capability is not being used. The information in the database for the individual properties only includes the address/location, legal description, offers made on the property, and the property's status.

Maintaining a record of expenses for each property is necessary for Land Trust to distribute the net proceeds from each sale to the taxing authorities as required by law. Section 141.790, RSMo 1994, requires Land Trust to establish accounts on its books relating to the operation, management, or other expenses of each parcel of real estate.

- F. Land Trust has sold some properties on an installment basis, whereby the purchaser pays for the property over a period of time. We noted such installment sales (properties sold on a Note and Deed of Trust) have not been handled in a consistent manner and Land Trust has no written procedures related to these types of sales. The office manager indicated that sales paid over a longer period of time are charged interest, while sales paid over a shorter term are not charged interest. Section 141.760(4), RSMo 1994, indicates that interest at a legal rate is to be charged on the balance of installment sales.

We also noted an instance where penalties were charged for late or delinquent payments, while such penalties were not charged in other similar instances. In addition, for the two existing installment sales as of August 1999, neither purchaser had made a payment on the respective property since 1997. It appears Land Trust has not taken adequate steps to collect the remaining amounts due or to recover the properties.

A written policy should be established for all aspects of such sales. All installment sales should be handled in a consistent manner to ensure all purchasers receive equal treatment and avoid any perception of favoritism. This would include charging interest and penalties on a consistent basis and in accordance with state law. In addition, Land Trust should take timely action to recover amounts owed on delinquent installment sales or recover the properties.



- G. Each year, Land Trust advertises improved properties in inventory in a local newspaper. However, it appears no properties were advertised by Land Trust in 1997. We could not locate an advertisement for that year and Land Trust could not provide a copy of the advertisement. In addition, we noted instances where individual properties were not advertised after being received by Land Trust. For example, the Vista Del Rio building noted earlier was not listed in the 1996 property advertisement. Further, Land Trust does not advertise its properties in a newspaper with a wide circulation, but instead advertises in a weekly newspaper with a limited circulation.

Land Trust should ensure all improved properties in inventory are advertised at least once annually in a newspaper with a wide circulation. By not doing so, all potential purchasers are not made aware of available properties.

- H. Land Trust holds property off the available sales list at the request of the City of Kansas City, Missouri. The city requests properties to be held for redevelopment projects and these requests are forwarded to Land Trust by a letter or phone call. Land Trust staff indicated that the trustees decide whether or not to grant the request. Land Trust records indicate that the city currently has about 240 properties held off the list of available properties. Land Trust does not have written policies and procedures in place to ensure these transactions are documented and monitored.

Some of the above conditions were similarly noted in the 1983 audit of Land Trust conducted by the Jackson County Legislative Auditor.

**WE RECOMMEND** the Board of Trustees:

- A. Direct the Land Commissioner to appraise or value properties when they are received as required by state law.
- B. Obtain the consent of at least two appointing authorities before approving sales for less than two-thirds of the established value and document this approval by attaching copies of these letters to the deed as required by state law.
- C. Classify properties as required by state law.
- D.1. Ensure adequate and complete documentation is maintained in all sales files regarding property valuations and offers. Valuation worksheets should be prepared for all properties and be used in evaluating each offer.
2. Accept the highest offers made on properties, with any exceptions explained and documented.
- 3.&4. Require deposits be submitted with all offers considered by the board, that all monies

received be deposited intact, and that any refunds be made by check from Land Trust.

- E. Maintain records accounting for the operation, management, or other expenses related to each parcel of real estate as required by state law.
- F. Establish a written installment sale policy to ensure installment sales are handled in a consistent manner and in accordance with state law, and ensure delinquent installment sales are pursued on a timely basis.
- G. Advertise all improved properties at least once annually in a newspaper with a wide circulation.
- H. Develop and implement written procedures regarding "hold" properties.

### **AUDITEE'S RESPONSE**

- A. *The Board of Trustees agrees with this recommendation. The board at a meeting in December 1999, directed the Land Commissioner to appraise and value the properties based upon the 2/3 valuation.*
- B. *The Board of Trustees agrees that Land Trust was not in strict adherence with this part of the statute in regard to the sale of 2 properties. The other 5 sales were very close to the 2/3 valuation and approved after changed circumstances were presented to the board (for example, the adjacent owner and purchaser removed dead tree from the property at his expense). The board has requested letters of consent from the taxing authorities regarding sales for public purposes and received no response.*
- C. *The properties in the Land Trust inventory are classified according to state statute; those suitable for private use are available to the public, those suitable for public use are held off the market at the request of the taxing authorities. Land Trust currently has no properties classified as "not useable".*
- D.1.  
& 2. *The Board of Trustees agrees with these recommendations. The board is in the process of implementing procedures to ensure full and complete documentation for every offer in the files.*
- 3. *The Board of Trustees' policy has always required deposits for each offer submitted.*
- 4. *Prior to the audit, Land Trust had established a policy not to accept personal checks and this should not be a problem in the future.*
- E. *The Board of Trustees thinks that this recommendation too narrowly interprets Section*

141.790, paragraph 1, which was enacted in 1943. According to Section 141.780, the board has the authority and discretion to group or regroup individual tracts for economy or convenience. Given the large number of properties now in the inventory, the only feasible way to track actual expenses with actual income is to prorate these expenses to the properties sold in a given year.

- F. *The Board of Trustees agrees with this recommendation. Land Trust does not have a policy of selling properties on payment to the general public . Currently, there are no properties being financed by Land Trust. The two installment sales mentioned in the audit have been closed out. All monies due have been collected on one and title to the other property has been regained through foreclosure. These situations are rare and occur when property is occupied when Land Trust receives title and eviction would cause undesirable consequences for the resident.*
- G. *The Board of Trustees agrees that all improved properties should be advertised. This has been done in the newspaper with the widest circulation in the neighborhoods where Land Trust has the largest concentration of properties for sale.*
- H. *The city has used Land Trust as a land banking agency. The Board of Trustees has established procedures regarding "Hold" properties. Prior to the audit report, a letter was sent to the city asking it to inform Land Trust of plans for the properties which the city has held off the market for public use. Land Trust is still awaiting a response.*

|   |
|---|
| <b>3. Questionable Property Sale Transactions</b> |
|---|

- A. During our review, we noted the following sales made to a spouse of an employee:
  - 1) In May 1998, an improved property was sold for \$6,200 to the spouse of a Land Trust employee; however, we found no documentation to indicate that any monies were received or deposited related to this sale. In addition, it does not appear this sale went through Land Trust's review and approval process.

According to the offer sheet, the offer was made on May 30, 1998, and accepted that same day. According to Land Trust records, the trustee meeting for May 1998 occurred on May 28, 1998; two days before this offer was received and accepted. The next recorded trustee meeting was June 30, 1998. The board minutes from these meetings contain no record of an offer being accepted or rejected for this property. As a result, it appears the offer related to this sale may not have been brought to the board for consideration and approval. Further, no valuation worksheet could be located documenting Land Trust's appraisal of the property and this property did not appear on Land

Trust's 1998 advertisement of available improved properties. The deed related to this property sale was prepared on June 30, 1998, and subsequently recorded by the county on September 23, 1998.

We asked the employee about this sale and were told that there should be more files related to the sale and that they were probably in the Land Commissioner's office. We were later told this sale had been discussed with the Land Commissioner and that the property sale should have been canceled because the property was not really useable or fixable. It was explained that the \$6,200 check had never been deposited and was returned to the offeror. We were also told that the deed should have been canceled and Land Trust would be preparing an affidavit to void the deed.

We drove by and viewed the exterior of the property at that address. From the exterior, the house appears to be in better condition than many of the other Land Trust houses we observed, and did not appear to be in any worse condition than the houses immediately adjacent to it. The block also has a number of newer homes.

In addition, a subsequent discussion with the Land Commissioner did not support the employee's explanation of this situation. According to the Land Commissioner, he was not aware this property had been in Land Trust until we asked questions about this transaction.

- 2) On July 25, 1997, another property was sold for \$2,000 to the same Land Trust employee's spouse. We were only able to trace \$1,300 received and deposited, with \$700 being unaccounted for or outstanding. Even though the full sale price was not accounted for, the property was deeded to this individual on November 18, 1997.

In February 1997, the City of Kansas City passed an ordinance authorizing property acquisition and relocation services related to a development project in the area where this property is located. In March 1998, this piece of property (along with other surrounding properties) was condemned by the City of Kansas City for public use and the applicable Land Trust employee and spouse were subsequently awarded an \$11,000 settlement for this property. We were unable to determine whether these two individuals had prior knowledge of the city's plans for future development in this area.

It appears improprieties may have occurred related to the two property purchases noted above. The lack of segregation of duties discussed later in this report contributed to this situation.

It should be noted that the Land Trust employee did not disclose the relationship with this individual when we inquired whether any properties were sold to related parties or during discussions concerning these two sales. We also determined the employee's spouse is a mowing contractor for Land Trust (see MAR No. 4). Again, the Land Trust employee did not disclose the relationship with this individual when we asked whether any related parties performed contract work for Land Trust.

- B. Based on the approved offer sheets and deeds maintained in the sale files and the deposit records, we could not locate all amounts due related to three other property sales reviewed as follows:

|                              | Offer    |          | Amount      |
|------------------------------|----------|----------|-------------|
|                              | Amount   | Deposits | Unaccounted |
|                              |          |          | For         |
| Sale A                       | \$ 8,000 | 6,000    | \$ 2,000    |
| Sale B                       | 1,500    | 120      | 1,380       |
| Sale C                       | 1,300    | 225      | 1,075       |
| Total Amount Unaccounted For |          |          | \$ 4,455    |

These sales may represent additional instances where all monies due were not collected. We attempted to contact the purchasers of the properties in these transactions. The purchasers in Sales A and C confirmed that the amounts deposited represented the total monies paid on those properties. The difference between the amounts offered and the actual payments could be due to errors or inadequacies in record keeping or could possibly represent fraudulent activity. Purchaser B did not respond to our request for information. These sales should be reviewed and an effort made to collect any monies which may be owed to Land Trust.

- C. In August 1993, a former trustee resigned his position with Land Trust and subsequently purchased the Uptown Theater. According to a letter dated February 3, 1994, from the Land Commissioner to the Mayor of Kansas City, this trustee resigned from the Land Trust Board on August 19, 1993. On this same date, the property was deeded to a company owned by this individual for \$7,500. The deed was signed by the board's vice-chairman and secretary and notarized. The deed was recorded with the county on November 12, 1993.

Because of the circumstances surrounding the sale of this property, we requested the applicable sale file for review. We were informed by Land Trust officials that it could not be located. As a result, we were unable to verify whether any other offers were received related to this property, to determine whether Land Trust's appraisal of the property was reasonable, or to evaluate the propriety of the sale.

Although the county had appraised the property prior to tax delinquency at \$561,354,

Land Trust officials stated that the property was of little or no value at the time of the sale and was a liability due to environmental concerns. The delinquent taxes and judgements related to this property at the time it was deeded to Land Trust totaled \$69,724. The theatre is now part of a tax increment financing plan. Such a plan allows new taxes generated by development to be used to reimburse certain costs incurred by that developer.

**WE RECOMMEND** the Board of Trustees ensure that all monies related to property sales are collected, recorded, and deposited before signing deeds transferring ownership. In addition, the board should develop and implement policies and procedures that address sales to related parties or Land Trust officials and ensure such sales are properly documented.

### **AUDITEE'S RESPONSE**

*The Board of Trustees does have policies and procedures that require that all monies related to sales are collected, recorded, and deposited before transferring ownership. It is Land Trust's policy that sales to related parties and Land Trust officials are inappropriate.*

*A.1.*

*&2. The Board of Trustees is taking this matter very seriously. The employee has been suspended and an independent investigation is in progress. The board intends to take whatever actions are appropriate after the investigation is complete.*

*B. In reviewing these sales, the Board of Trustees found that two of the three sales (A&C) were not adequately documented but that all money owed to Land Trust had been collected. We are continuing to investigate Sale B (\$1,380 still unaccounted for).*

*C. It is unfortunate that the file on the transaction cannot be found. The trustee resigned at the county courthouse before coming to the Land Trust meeting and making an offer to purchase the Uptown Theater. This property was on the market for over 2 years. There were no other offers made for the purchase of this property. It was shown many times by office personnel during the time it was held by Land Trust. The facade at the top of the building was falling to the ground, thus making it unsafe for people walking on the street. It was barricaded from the alley in the rear around to the front of the building. It was decided that any reasonable offer should be accepted, if the purchaser had the financial means to restore the building. This would relieve Land Trust, the State of Missouri and the taxing authorities of liability and promote Broadway development. Two appraisals were made by the FDIC indicating a negative value for the property.*

|    |              |
|----|--------------|
| 4. | Expenditures |
|----|--------------|

During our review of Land Trust expenditures, we noted the following concerns:

- A. In January 1998, Land Trust changed its payroll cycle from paying twice a month to once a month. During 1998, extra salary payments totaling \$10,025 were made to the three salaried Land Trust employees. During the first half of 1998, one extra payment was made to the attorney and Land Commissioner and two extra payments were made to the office manager. In addition, the Land Commissioner received an extra \$500 auto allowance payment during this period.

According to the office manager, one of her extra payments was for unused vacation leave; however, we could not verify this because leave records are not maintained. In addition, there is no written leave policy and employees reported different understandings of Land Trust's informal policy. It appears the other extra salary payments may have occurred because of errors caused due to employees not being paid at the same time each month. There was no documentation supporting the reason(s) for the extra payments or indicating they had been approved by the Board of Trustees. In addition, these payments were not reported on the applicable employees' W-2 forms as required by the Internal Revenue Code.

The Land Trust Board should review the payments noted above and recover any unauthorized compensation. The employee W-2 forms should be amended, as necessary. To reduce the risk of unauthorized disbursements, the Land Trust Board should compare checks issued to the monthly check register and establish a regular monthly payday. Also, a written leave policy should be established to clarify the board's intent regarding this benefit. Employee leave records should be required in conjunction with this policy.

- B. Land Trust employees have been paid annual bonuses. We noted bonuses totaling \$6,000 in January 1997, \$18,000 in December 1997, and \$8,000 in December 1998, which were paid to the employees, including the Land Commissioner. The board did not retain any documentation indicating their approval of these bonuses or how the bonuses were determined. In addition, these payments were not included in the amounts reported on the employees' W-2 forms.

These payments appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution. Also, Attorney General's Opinion No. 72, to Pray, 1952, states ". . . a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting compensation in the form of bonuses to public officers or servants after the service has been rendered." In addition, the employee W-2 forms should be amended to reflect this additional compensation.

- C. According to the Land Commissioner, Land Trust currently holds approximately 1,500 properties which need to be mowed periodically. Prior to 1995, the City of Kansas City had been mowing weeds on most Land Trust properties and absorbing the associated costs. In 1995, the city discontinued mowing Land Trust properties and turned this responsibility and the associated expenses for this maintenance over to Land Trust. Since that time, expenditures for contracted mowing services have increased significantly and represent a large portion of Land Trust's operating costs. Recent mowing expenditures of Land Trust were:

| <u>Calendar<br/>Year</u>                 | <u>Total Mowing<br/>Expenditures</u> |
|--|--------------------------------------|
| 1994                                     | \$ 2,800                             |
| 1995                                     | 56,555                               |
| 1996                                     | 130,058                              |
| 1997                                     | 150,092                              |
| 1998                                     | 188,365                              |
| 1999 (eight months)<br>ended August 31,) | 126,808                              |

- 1) Land Trust has not formally solicited bids or other proposals for these mowing expenses. According to Land Trust officials, possible mowing contractors have been identified through references or by individuals/companies contacting Land Trust regarding the need for mowing services. Land Trust has never advertised publicly for these services.

According to Land Trust officials, the Land Commissioner selects the mowing contractors and determines the amount of mowing business awarded to each one. Each mowing contractor is paid the same rate (\$6 per 1,000 square feet).

A governmental entity should award significant service contracts through an advertised, competitive bid process to the extent possible. The lack of a public and competitive procurement process, at a minimum, could give the appearance of favoritism and unfair treatment of other contractors. The spouse of a Land Trust employee was Land Trust's highest paid mowing contractor, receiving approximately \$50,000 in 1998 and \$42,400 in the first eight months of 1999 for mowing services.

- 2) Land Trust does not maintain adequate documentation to ensure the mowing services billed to Land Trust are actually provided. According to the Land Commissioner, he visits some of the properties mowed to ensure the services billed are provided and documents this by initialing the invoice prior to payment. However, no documentation is maintained identifying the specific properties



inspected.

Land Trust should develop and implement procedures to verify and document that mowing services billed are actually performed.

- D. In addition to the expenditures discussed in part C. above, we noted that competitive bids were not solicited for any other items and services purchased by Land Trust. Examples of significant purchases which were not bid included computer equipment (\$14,500), a copier (\$7,800), and an executive desk and chair (\$3,100).

Formal bidding procedures for significant purchases provide a framework for economical management of resources and help ensure that the board receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in Land Trust business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, newspaper publication notices when applicable, bids received, the basis and justification for awarding bids, and documentation of all discussions with vendors.

- E. Land Trust has not formally solicited proposals for its banking services in recent years. However, in 1997 Land Trust moved its accounts to a bank where a trustee serves on the board of directors. There was no mention in the board's minutes of whether this trustee participated in the decision to move the bank accounts or whether he abstained from this decision. Because of the lack of documentation, this situation at a minimum, gives the appearance of a conflict of interest. In addition, Land Trust does not have a written depository agreement with this bank.

Land Trust should solicit bids for its banking services every two years in accordance with Section 110.070, RSMo 1994. Any trustee associated with a bank bidding for the services should abstain from the selection process and that abstention should be documented. Land Trust should also enter into a contract with the depository bank, outlining the terms agreed to and the services to be received.

- F. The Land Commissioner is paid \$500 a month as an auto allowance to defray travel expenses he incurs on Land Trust business in his personal vehicle. The Land Commissioner is not required to prepare reports documenting the mileage incurred while performing his duties to support or justify these payments in any manner. In addition, the monthly payments are not reported as compensation on his W-2 forms.

Considering the extent of the auto allowance, the board should require the Land Commissioner to prepare and submit monthly reports documenting the mileage and other expenses incurred on Land Trust business. Any payments to the Land Commissioner which are above the amount of documented expenses should be treated

as compensation and should be subject to payroll withholdings and reported on his annual W-2 form.

In addition, in 1998 we noted Land Trust paid \$2,370 for repairs to the Land Commissioner's personal vehicle. Considering the monthly auto allowances being paid to the Land Commissioner, it does not appear reasonable for Land Trust to also pay for the cost of repairs to his vehicle.

- G. Actual expenditures exceeded budgeted amounts in the administrative account as follows:

| Calendar<br>Year | Budgeted<br>Expenditures | Actual<br>Expenditures | Actual<br>Over<br>Budgeted |
|------------------|--------------------------|------------------------|----------------------------|
| 1998             | \$ 366,259               | 431,455                | 65,196                     |
| 1997             | 301,503                  | 350,957                | 49,454                     |
| 1996             | 220,877                  | 287,699                | 66,822                     |
| 1995             | 195,598                  | 210,336                | 14,738                     |

Source: Land Trust budgets, financial statements, and records.

If there are valid reasons for excess expenditures, budget amendments should be made following the same process by which the annual budget is approved. By allowing budgets to be routinely exceeded, any benefits intended by the budget process are diminished or lost.

A complete and well-planned budget can serve as a useful management tool by establishing specific cost and revenue expectations for each area of operations. A budget can also provide a means to monitor actual costs by periodically comparing budgeted amounts to actual expenditures.

**WE RECOMMEND** the Board of Trustees:

- A. Review the extra salary and auto allowance payments and recover any unauthorized amounts. The employee W-2 forms should be amended, as necessary. In addition, the board should set employee compensation, require that documentation for salaries paid is maintained, and establish a regular monthly payday. Also, a written leave policy should be established and employee leave records maintained.
- B. Review the propriety of bonuses that have been paid and, in the future, discontinue paying bonuses to employees. Furthermore, the employees' W-2 forms must be amended to report the compensation already paid.

- C&D. Establish a formal procurement policy and ensure competitive bids are solicited for all significant purchases. Land Trust should develop and implement procedures to verify and document that mowing services billed were actually performed.
- E. Solicit proposals for banking services every two years and enter into a written agreement with the depository bank. Any trustee associated with a bank bidding for the services should abstain from the selection process to avoid a potential conflict of interest. That abstention should be documented in the board minutes.
- F. Require the Land Commissioner to prepare and submit monthly reports to support auto allowance payments. Amounts paid in excess of actual expenses incurred should be reported as compensation on W-2 forms. In addition, the trustees should establish a policy not to pay both an auto allowance and actual expenses. In conjunction with this, the trustees should review the \$2,370 payment related to the repairs made to the Land Commissioner's personal vehicle and consider recovering this amount.
- G. Ensure actual expenditures do not exceed the amounts budgeted. The budget should be amended if additional expenditures are necessary.

#### **AUDITEE'S RESPONSE**

*The Board of Trustees agrees with the recommendations regarding 4.A-G. Procedures are being implemented to correct any deficiencies and problems.*

*In regard to A & B, an independent accountant has been hired to review the matters in question.*

*In regard to C.1.&2., in 1995, when Land Trust undertook new mowing responsibilities, the office requested a list of city contractors who had experience in mowing properties in the Land Trust inventory. The Board of Trustees is taking appropriate action to procure bids for future grass cutting contracts and to maintain better documentation for these services. The Trustees and the Land Commissioner were unaware that one of the contractors was the spouse of an employee.*

*In regard to D, Land Trust did receive bids for office equipment. The proposals should have been more fully documented.*

*In regard to E, the Trustee did abstain from the vote approving the transfer of funds and in the future the board will take bids.*

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|--|
| <b>5. Accounting Controls and Procedures</b> |
|--|

Land Trust collects money from property sales and from deposits submitted with offers on properties. The sales proceeds are deposited in a trust account and the offer deposits are deposited in an escrow account. An administrative account is used to pay expenses of Land Trust and money is transferred periodically from the trust account to the administrative account. A review of Land Trust's accounting controls and procedures disclosed the following concerns:

- A. The accounting duties of Land Trust are not adequately segregated. The office manager essentially performs all accounting and record keeping duties, which include collecting monies, preparing and making the deposits, performing bank reconciliations, preparing checks, and maintaining documentation related to disbursements. In addition, this individual is responsible for handling offer sheets, maintaining the sales files, and preparing and filing deeds. It appears no independent review of the duties and activities performed by this individual is performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. An adequate system of internal controls requires segregation of duties. The Board of Trustees should, at a minimum, designate someone independent of the process to perform and document periodic reviews of the records and procedures.

- B. Deposits are not made on a timely basis. During the year ended December 31, 1998, deposits into the trust account were made an average of two times a month, with deposits averaging \$7,770. During this same period, deposits into the escrow account were made an average of two to three times a month with deposits averaging \$2,450. In some months, only one deposit was made into each of these accounts. During our review of sale files, we noted an instance where the payment on the balance of a property purchase was received and deposited several weeks before the initial cash deposit submitted with the offer was deposited. In another instance, a deposit related to a rejected offer was not deposited until after Land Trust had sent a refund check to the individual who had submitted the offer.

In January 1999, Land Trust's office was burglarized and over \$19,200 in checks and money orders were reported stolen. While it appears Land Trust was able to get most of the checks replaced, the seriousness of this situation would have been reduced had the monies been deposited on a timely basis. The timeliness of deposits did improve after the burglary; however, further improvement is still needed.

To adequately safeguard receipts and reduce the risk of loss due to theft or misuse of funds, deposits should be made on a daily basis or when accumulated receipts exceed \$100.

- C. The records maintained to document the monies collected by Land Trust are

inadequate. No receipts ledger is maintained to account for all monies received and receipt slips are issued only when they are requested. Generally, the only information supporting the monies collected is documented on the deposit tickets and in the sale files.

To help ensure collections are properly recorded and deposited and to reduce the risk of loss or theft, all monies should be recorded on prenumbered receipt slips and in a receipts ledger when received. This could be readily accomplished by the establishment of a one-write receipts system. In addition, recorded receipts should be reconciled to bank deposits on a periodic basis.

- D. Checks and money orders are not restrictively endorsed immediately upon receipt. During a cash count conducted in July 1999, we noted that 14 of 21 checks held by Land Trust had not been restrictively endorsed.

To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- E. Checks issued on Land Trust bank accounts require two signatures (the Land Commissioner and one trustee). According to the Land Commissioner, a trustee will generally sign the checks in advance of their preparation and then the Land Commissioner will sign after the checks are prepared. However, during our July 1999 cash count, we noted two blank checks signed in advance by both a trustee and the Land Commissioner.

A trustee signing checks in advance eliminates the additional control intended by a dual signature system. When both signators sign checks in advance of their preparation, a serious control weakness exists which provides an opportunity for the theft or loss of funds.

- F. A monthly listing of deposits being held on pending offers (open items) is not prepared for the escrow account. Monthly listings of open items should be prepared and reconciled to the balance in the escrow account to ensure proper accountability over these monies.

**WE RECOMMEND** the Board of Trustees:

- A. Adequately segregate the duties performed by the office manager and designate someone independent of the process to perform and document periodic reviews of the records and procedures.
- B. Require deposits be made daily or when accumulated receipts exceed \$100.

- C. Ensure adequate records of monies collected are maintained by requiring that all monies received be recorded on prenumbered receipt slips and that a receipts ledger be maintained. Recorded receipts should be reconciled to deposits on a periodic basis.
- D. Require checks and money orders be restrictively endorsed upon receipt.
- E. Prohibit the practice of signing blank checks in advance. If it is not always practical for a trustee to sign the checks subsequent to their preparation, the board should designate another Land Trust employee who is independent of the disbursements function to serve as the second signator.
- F. Require monthly listings of open items be prepared and reconciled to the monies held in the escrow account.

### **AUDITEE'S RESPONSE**

*The Board of Trustees agrees with these recommendations. New procedures are being implemented to correct any deficiencies and problems.*

|           |                                |
|-----------|--------------------------------|
| <b>6.</b> | <b>Other Compliance Issues</b> |
|-----------|--------------------------------|

- A. The term of the City of Kansas City's appointee to Land Trust expired on January 31, 1998, and this individual has continued to serve in this position. Section 141.720, RSMo 1994, states that if any appointing authority fails to make any appointment of a land trustee within thirty days after any term expires or vacancy occurs, then the appointment shall be made by the mayor of the city with the largest population in the county.

We could find no official correspondence from Land Trust to either the former Mayor or current Mayor of Kansas City informing them of the need to address this expired term.

- B. During our review, we noted the Land Commissioner was not bonded as required by law. Section 141.740, RSMo 1994, requires the Land Commissioner to furnish a surety bond of at least \$10,000 at the expense of Land Trust and this bond is to be filed with the County Clerk. The failure to properly bond individuals exposes Land Trust to risk of loss.

After we brought this matter to the attention of Land Trust officials, they indicated actions would be taken to obtain bond coverage for this official.

- C. Each of the trustees is bonded for \$25,000; however, the bonds are not filed with the County Clerk's office as required. The bond premiums were paid by Land Trust rather than the county. Section 141.730, RSMo 1994, requires the trustees to furnish surety bonds in an amount not to exceed \$25,000 that are approved by the County Collector, paid out of county funds, and deposited with the County Clerk.

One of the trustees owns the company from which the trustees' surety bonds were obtained. The bond premiums paid this company totaled \$1,065. This amount covered the four years of the trustees' terms. There was no documentation that quotes were obtained for this bond coverage, nor was there any mention in the board minutes whether the applicable trustee participated in the decision to purchase these bonds from his company or whether he abstained from this decision.

Because of the lack of documentation, this situation, at a minimum, gives the appearance of a conflict of interest. In such situations, bids should be solicited for the surety bond coverage and the applicable trustee should abstain from the decision.

**WE RECOMMEND** the Board of Trustees:

- A. Notify the current Mayor of Kansas City about the need to address the expired term of the applicable trustee.
- B&C. Ensure surety bond coverage is maintained for the Land Commissioner and the Board of Trustees as required. In addition, the board must ensure that the surety bonds of the trustees as well as the Land Commissioner are filed with the County Clerk's office. The bond premiums for the trustees should be paid out of county funds in accordance with state law. Furthermore, Land Trust should obtain quotes for surety bond coverage and in situations where a potential conflict of interest exists, document the abstention of the applicable trustee(s).

**AUDITEE'S RESPONSE**

- A. *In a conversation with the office of the previous Mayor, the Land Commissioner was told that the trustee would be re-appointed. This was near the end of the Mayor's term and preparations were being made to make the appropriate transitions. The trustee was also contacted and confirmed that the Mayor had re-appointed him. No further action was taken.*
- B. *The Board of Trustees has taken care of the bonding of the Land Commissioner.*
- C. *The Trustee mentioned did abstain from any vote authorizing his company to issue the bonds. In the future, bids will be obtained for this bond coverage.*

**7.****Annual Financial Audits**

Section 141.760, RSMo 1994, requires an annual audit of Land Trust's accounts and records be conducted by a certified public accountant. During our review of recent financial audits, we noted the following concerns:

- A. Land Trust has not formally requested proposals for audit services since the selection of the current auditor in 1990. Land Trust should periodically solicit proposals for audit services from several independent auditors or auditing firms to compare and evaluate audit services available in terms of quality, experience, and cost.
- B. The audits were not completed on a timely basis. The audit reports for the years ended December 31, 1995, 1996, and 1997, were not issued until approximately 12, 19, and 18 months, respectively, after the end of the applicable year. In addition, the audit for the year ended December 31, 1998, had not been completed as of January 25, 2000.

To obtain maximum benefit of audit services, Land Trust should ensure its financial audits are completed on a timely basis. The ability to complete timely audits should be considered during the evaluation of audit proposals.

**WE RECOMMEND** the Board of Trustees:

- A. Periodically solicit proposals for auditing services.
- B. Ensure financial audits are completed on a timely basis.

**AUDITEE'S RESPONSE**

*The Board of Trustees agrees with these recommendations and intends to implement whatever changes are necessary.*

**8.****Documentation and Reporting of Board Proceedings**

- A. The board minutes did not always include a listing of the offers that were accepted and rejected at the trustees' meetings. In addition, the minutes did not include documentation of the board's review and approval of Land Trust expenditures.

To adequately document the board's review of offers, a listing of the offers accepted and rejected should be prepared and maintained with the minutes. In addition, the



board should review and approve all expenditures of Land Trust and that review and approval should be documented.

B. Land Trust does not post or make any other type of public disclosure (such as to the three appointing authorities) of the offers considered and the sales approved related to its properties. The public posting or other disclosure of all offers considered and all approved sales would provide additional control and help ensure all offers received have been brought to the trustees for consideration.

C. Land Trust did not fully comply with all provisions of Section 610.020, RSMo Cumulative Supp. 1999, (the Open Meetings Law):

- 1) Proper notice was not always given for trustee meetings as required. For example, the March 1999 trustee meeting was advertised in the newspaper the same day as the meeting. That advertisement incorrectly reported the time of the meeting and did not include an agenda. In addition, in September 1999, we noted that a meeting of the trustees was held, but no notice was given.

Section 610.020, RSMo Cumulative Supp. 1999, requires all public governmental bodies to give notice of the time, date, and place of each meeting, and its tentative agenda in a reasonable manner to advise the public. Notice shall be given at least twenty-four hours prior to the commencement of any meeting.

- 2) According to Land Trust employees, the trustees discuss personnel matters during closed meetings in December of each year; however, the meeting minutes did not document the related votes or the reasons for closing the meeting. In addition, there were no minutes maintained to document the matters discussed in these closed meetings.

Section 610.022, RSMo Cumulative Supp. 1999, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, closed meeting minutes should be maintained to document these meetings.

**WE RECOMMEND** the Board of Trustees:

- A. Ensure the approval and rejection of offers is adequately documented by including a detailed listing of accepted and rejected offers with all board minutes. The board's review and approval of Land Trust expenditures should be documented.
- B. Ensure the offers considered and approved sales are posted and/or publicly disclosed in some other manner.

- C.1. Ensure timely, accurate, and complete notice is given for all meetings of the board as required by law.
2. Ensure a public vote is held prior to going into closed session. The vote and the reason(s) for going into closed session should be entered into the minutes. In addition, minutes should be maintained to document the matters discussed in the closed meetings.

### **AUDITEE'S RESPONSE**

*The Board of Trustees agrees with these recommendations and intends to implement whatever changes are necessary.*

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| <b>9. Lack of Formal Policies and Procedures</b> |
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Land Trust has no written policies or procedures, and Land Trust officials indicated that their only formal procedures are those contained in the state statutes. Statutes cannot, and are not intended to, serve as a substitute for internally established operating policies and procedures of a governmental entity. The lack of established policies and procedures and management oversight contributed to many of the problems noted in other parts of this report.

Land Trust should conduct a comprehensive review of its activities and operations and identify those areas where established policies and procedures are needed. These would include, but not necessarily be limited to, property valuations and sales, the handling of deposits, installment sales, related party transactions, payroll and personnel matters, properties withheld from those available for sale, and procurement procedures. Written policies and procedures are needed to ensure Land Trust officials and employees are aware of their duties and responsibilities, and to ensure that the public receives equitable treatment. Such policies and procedures would also help ensure employees adhere to the intent of the board and avoid any misunderstandings.

This condition was also noted in the 1983 audit of Land Trust conducted by the Jackson County Legislative Auditor.

**WE RECOMMEND** the Board of Trustees develop and implement formal written policies and procedures.

### **AUDITEE'S RESPONSE**

*The Board of Trustees agrees that it should have written policies and procedures to reflect the policies and procedures which are followed by the Land Trust office. The board would like to point out that, during the period under audit, Land Trust received into its inventory and sold hundreds of properties. The problems cited in the audit were not the result of a lack of policy*

*and procedure, but failures in a few isolated instances to strictly adhere to the guidelines established for the effective management and sale of the properties held in the Land Trust inventory.*

This report is intended for the information of the management of the Land Trust of Jackson County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

LAND TRUST OF  
JACKSON COUNTY, MISSOURI  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

**Background**

The Land Trust of Jackson County, Missouri, was established by an act of the state legislature in 1943 as a public corporation acting in a governmental capacity. Land Trust was created and operates pursuant to Sections 141.700 to 141.810, RSMo 1994, and it is authorized to exercise all the powers in Sections 141.210 to 141.690, RSMo 1994, for the effective management, sale, or other disposition of real estate. The beneficiaries of Land Trust are the various taxing authorities in the county, including the county, municipalities, and school districts. Properties in Land Trust are exempt from all taxation and all prior delinquent taxes or other assessments are set aside.

The activities of Land Trust are overseen by a board of trustees, consisting of three members. One is appointed by the county legislature, one is appointed by the city council of the city with the largest population, and one is appointed by the board of the school district with the largest population. The trustees are appointed for four-year terms, receive \$2,400 annually as compensation, and must have at least 10 years experience in the management or sale of real estate. The trustees have the responsibility to manage, maintain, protect, rent, lease, repair, insure, alter, sell, trade, exchange or otherwise dispose of trust properties under terms and conditions determined by the trustees. The trustees may also appoint a land commissioner and other employees, as needed, to carry out the duties and responsibilities of Land Trust.

**Foreclosure and Land Trust Sale Processes**

According to the Jackson County Collector, the county begins foreclosure proceedings on properties when taxes are in arrears for three years. After the judgement in the foreclosure suit, properties are sold on the courthouse steps for the amount of the back taxes and any judgement amounts assessed against the property. After a property has been offered for sale on three different days at the county foreclosure sale with no successful bids, Land Trust is deemed to have bid the full amount of all tax bills and other assessments included in the judgement. Overall, the process from tax delinquency to Land Trust receiving the property can take about five years. For example, the timeline for properties sold at the 1998 auction from tax delinquency to the properties being deeded to Land Trust was as follows:

| Timeline for 1997 Foreclosures |                          |                          |                    |               |
|--------------------------------|--------------------------|--------------------------|--------------------|---------------|
| Property Tax<br>Delinquent     | Foreclosure<br>Initiated | Foreclosure<br>Judgement | County<br>Tax Sale | Deed<br>Filed |
| 1994, 1995, and 1996           | May 1997                 | November 1997            | August 1998        | January 1999  |

Sources: Jackson County deeds and interviews with Land Trust and County staff.

The county conducts two tax sales each year, one in Kansas City and one in Independence, to sell properties for delinquent taxes. Generally, properties sold at the Kansas City tax sale are within Kansas City's geographic boundaries and the properties sold at the Independence tax sale are located in other areas of Jackson County. Properties deeded to Land Trust from the Kansas City tax sale represented 94 percent of the properties received by Land Trust between 1994 and 1999. Between January 1, 1994 and August 31, 1999, Land Trust received 2,482 properties and sold 1,431 properties.

A summary of Land Trust's property inventory balances and additions and sales activity is presented below:

|                             | Year Ended December 31, |              |              |              |              | Eight Months Ended August 31, |
|-----------------------------|-------------------------|--------------|--------------|--------------|--------------|-------------------------------|
|                             | 1994                    | 1995         | 1996         | 1997         | 1998         | 1999                          |
| Beginning inventory balance | 2,036                   | 2,353        | 2,595        | 2,675        | 2,756        | 2,888                         |
| Additions                   | 575                     | 499          | 359          | 345          | 341          | 363                           |
| Sales                       | (258)                   | (257)        | (279)        | (264)        | (209)        | (164)                         |
| Ending inventory balance    | <u>2,353</u>            | <u>2,595</u> | <u>2,675</u> | <u>2,756</u> | <u>2,888</u> | <u>3,087</u>                  |

Sources: Land Trust sales records, Jackson County deeds, and County Assessor's records.

Land Trust receives a report of sales from the county tax sales and uses this information to enter properties into its inventory database. When the deed is received, it is compared to the report of sales and database entries. Within a few days, letters are mailed to adjacent property owners notifying them about available properties. Property worksheets that describe the property and provide a map of the immediate vicinity are prepared using legal descriptions in the deed and plat maps. A list of available improved properties is advertised and this list as well as a list of vacant lots are also available at Land Trust's office.

Citizens may make offers for properties owned by Land Trust by completing an offer sheet and submitting a deposit. When an offer is made on a piece of property, a valuation worksheet is given to the Land Commissioner to complete after conducting a site visit. A valuation (full value and two-thirds value) of the property is made and noted on the worksheet, which is then placed in a sale file along with the offer sheets. Valuations on improved properties are more detailed than those for vacant lots.

Land Trust trustees generally meet on a monthly basis to review the offers and either accept or reject them. Offers may be rejected because they are less than the two-thirds value (minimum set by state law) or because a higher bid is submitted. Letters are sent to offerors notifying them of the status of their offer (accepted or rejected). After receiving the final payment, a special warranty deed is

prepared and signed by two trustees and recorded at the county recorder's office. Copies of the deed are sent to the county and city as notification that properties have been sold.

### **Land Trust Personnel**

The members of the Board of Trustees are:

| <u>Members</u>                | <u>Appointing Body</u>      | <u>Year<br/>Initially<br/>Appointed<br/>to Board</u> | <u>Term Expires</u> |
|-------------------------------|-----------------------------|--|---------------------|
| Robert Newsome, Chairman      | City of Kansas City         | 1987   | 1/31/98 *           |
| Herman Johnson, Vice Chairman | Kansas City School District | 1987   | 1/31/03             |
| Greg Patterson, Secretary     | Jackson County              | 1993   | 1/31/02             |

\* Mr. Newsome continues to serve in this position until he is reappointed or a replacement is named.

Land Trust employees and their compensation (in 1998) are as follows:

| <u>Employees</u>                 | <u>1998 Compensation</u> |
|----------------------------------|--------------------------|
| Willie McCann, Land Commissioner | \$42,625 (1)             |
| Duke Bledsoe, Attorney           | 38,400 (2)               |
| Ardie Shannon, Office Manager    | 34,200 (3)               |
| J.T. Spotts, Map Researcher      | 19,540 (4)               |

- (1) This amount includes the \$31,500 annual salary authorized in the 1998 budget, an extra salary payment of \$2,625, \$6,500 in auto allowances, and a \$2,000 bonus.
- (2) This amount includes the \$33,600 annual salary authorized in the 1998 budget, an extra salary payment of \$2,800, and a \$2,000 bonus.
- (3) This amount includes the \$27,600 annual salary authorized in the 1998 budget, two extra salary payments totaling \$4,600, and a \$2,000 bonus.
- (4) This amount includes \$17,540 earned on an hourly basis and a \$2,000 bonus.

### **Audits**

In addition to annual financial audits, in 1983 the Jackson County Legislative Auditor audited Land Trust. That auditor reported various problems, including but not limited to, a lack of documented procedures, minutes containing inadequate or inconsistent information, taxing authorities not being contacted when property was sold for less than two-thirds of the value determined by Land Trust, all properties not being listed in the inventory, and properties were not being appraised by Land Trust



when received.

## **Financial Data**

The following is a comparative table of revenues, expenditures, and changes in fund balance.

|  | Eight<br>Months<br>Ended<br>August 31,<br>1999 | Year Ended December 31, |                |                |                |                |
|--|--|-------------------------|----------------|----------------|----------------|----------------|
|  | UNAUDITED                                      | 1998<br>UNAUDITED       | 1997           | 1996           | 1995           | 1994           |
| REVENUES                               |  |                         |                |                |                |                |
| Land sales                             | \$ 310,366                                     | 226,138                 | 641,382        | 408,324        | 243,902        | 220,637        |
| Interest and other                     | 6,568  | 14,962                  | 15,299         | 13,651         | 8,193          | 7,650          |
| Total Revenues                         | <u>316,934</u>                                 | <u>241,100</u>          | <u>656,681</u> | <u>421,975</u> | <u>252,095</u> | <u>228,287</u> |
| EXPENDITURES                           |  |                         |                |                |                |                |
| Salaries                               | 81,277   | 128,265                 | 134,283        | 107,100        | 92,630         | 85,500         |
| Other administrative expenses          | 48,775   | 108,935                 | 63,379         | 56,147         | 46,008         | 48,633         |
| Property maintenance                   | 129,528  | 194,255                 | 153,295        | 137,991        | 71,698         | 2,800          |
| Distributions to taxing<br>authorities | 0  | 0                       | 0              | 0              | 0              | 44,150         |
| Total Expenditures                     | <u>259,580</u>                                 | <u>431,455</u>          | <u>350,957</u> | <u>301,238</u> | <u>210,336</u> | <u>181,083</u> |
| REVENUES OVER (UNDER)<br>EXPENDITURES  | 57,354   | (190,355)               | 305,724        | 120,737        | 41,759         | 47,204         |
| FUND BALANCES                          |  |                         |                |                |                |                |
| Beginning balance                      | 514,776  | 705,131                 | 399,407        | 278,670        | 236,911        | 189,707        |
| Ending balance                         | <u>\$ 572,130</u>                              | <u>514,776</u>          | <u>705,131</u> | <u>399,407</u> | <u>278,670</u> | <u>236,911</u> |

\* \* \* \* \*



CITY OF STOTTS CITY, MISSOURI

YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-07  
February 7, 2000

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Stotts City, Missouri.**

---

The City of Stotts City does not adequately segregate accounting and bookkeeping duties. Deposits are not made intact on a timely basis and the City Clerk routinely cashes personal checks. The City Collector is responsible for collecting utility payments and turning the monies over to the City Clerk for deposit. The City Clerk was only depositing a portion of the utility payments until November and December, 1998, when it appears she reimbursed the account for monies not previously deposited.

Based on our comparison of City Collector records to deposits made by the City Clerk, it appears the City Clerk would have had \$5,299 in undeposited receipts (including approximately \$1,100 in cash payments) at the end of October, 1998.

The City Clerk indicated she routinely cashed personal checks for herself and friends from utility receipts. She cashed one of her personal checks dated November 3, 1998 which was not deposited until December 16, 1998. It appears the City Clerk was borrowing from the city in this instance.

The City Clerk also indicated she would make loans to individuals by cashing their checks with city proceeds and holding their checks until they indicated they could cover their checks or replace it with cash. The City Clerk indicated several of the individuals did not cover their checks and she personally paid back the amounts not repaid to the city; however, the city records do not support this explanation regarding repayment.

These practices represent a poor control over cash receipts and should be discontinued. To ensure proper control and maintain accountability over cash, receipts should be deposited intact on a timely basis.

The city has several bank accounts that are non-interest bearing. Some employees and officials who collect monies or sign checks are not adequately bonded and checks are sometimes signed in advance by the Mayor.

(over)

YELLOW PAGES SHEET

Utility accounting and bookkeeping duties are not adequately segregated. Improvements are needed regarding the city's receipt procedures and tracking of delinquent customers. Utility billings are not reconciled to payments received and amounts remaining unpaid. The number of gallons of water billed to customers is not reconciled to the gallons of water pumped by the city. The balance in the meter deposit account is not reconciled to actual meter deposits. The board does not periodically review and establish water and sewer rates.

The city does not prepare or adopt annual budgets, and annual audits are not obtained in a timely manner. Semi-annual financial statements have not been published and annual financial reports are not submitted to the State Auditor's office as required by state law.

The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances, including waste water treatment supplies and equipment (\$3,233), insurance (\$1,780), and auditing services (\$2,170).

City personnel indicated that telephone solicitation is occasionally used for purchases, but the price quotes have not been adequately documented to show that bids were solicited.

A formal bidding policy for major purchases based upon specified dollar amounts would provide a more efficient framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders.

Several hiring concerns and a city transaction dealing with relatives of city officials were noted that appear questionable.

During the year ended December 31, 1998, the city deposited \$10,081 of state motor vehicle-related receipts into the General Fund and incurred only \$580 of street-related expenditures. During the first four months of 1999, the city opened a separate account for motor vehicle related revenues and deposited \$1,097 of the \$2,088 received in this accounts. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes.

Improvements are needed regarding the city's ordinance book. Notice of the regular board meetings and the meeting's agenda are not posted. Board minutes do not identify the disbursements approved by the board at its monthly meeting. The city did not properly retain some city records and does not have a formal policy regarding public access to city records.

CITY OF STOTTS CITY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Stotts City  
Stotts City, Missouri 65756

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Stotts City, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Stotts City, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire McCaskill  
State Auditor

October 7, 1999 (fieldwork completion date)

## HISTORY AND ORGANIZATION

# CITY OF STOTTS CITY, MISSOURI HISTORY AND ORGANIZATION

The city of Stotts City is located in Lawrence County. The city was incorporated in 1895 as a fourth-class city. The population of the city in 1990 was 235.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected a for two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1998, were:

| <u>Elected Officials</u>             | <u>Term Expires</u> | <u>Actual Compensation for the Year Ended December 31, 1998</u> | <u>Bond</u> |
|--------------------------------------|---------------------|---|-------------|
| Jim Stearns, Mayor                   | April 2000          | \$ 50   | \$          |
| Vicky Stearns, Alderman              | April 2000          | 26  |             |
| Carol Estes, Alderman                | April 2000          | 26  |             |
| Rodney White, Alderman*              | April 1999          | 26  |             |
| Vacant, Alderman**                   | April 1999          | 26  |             |
| Cherri Stearns, City Collector***    | April 1999          | 2,400   | 2,500       |
| <u>Other Principal Officials</u>     |                     |   |             |
| Allene White, City Clerk/Treasurer   |                     | 3,702   | 2,500       |
| Charles Stearns, Utility Manager**** |                     | 8,134   |             |

\* Re-elected in April 1999 to another two-year term.

\*\* Jerry Daniels served as Alderman through November 1998, and was replaced in February 1999 by Diana Hill. Diana was elected in April 1999 to a two-year term.

\*\*\* Peggy Waltrip was elected in April 1999 to a two-year term.

\*\*\*\* Prior to February 1998, the city had two managers for the utility system. Charles Stearns served as the Sewer System Manager and Chris Stearns served as the Water System Manager.

Assessed valuation and tax rate information for 1998 are as follows:

## ASSESSED VALUATION

|                      | <u>1998</u>       |
|----------------------|-------------------|
| Real estate          | \$ 371,700        |
| Railroad and utility | 72,227            |
| Personal property    | <u>190,080</u>    |
| Total                | <u>\$ 636,007</u> |



TAX RATE PER \$100 ASSESSED VALUATION

|              |    |     |
|--------------|----|-----|
| General Fund | \$ | .43 |
|--------------|----|-----|

A summary of the financial activity for the city of Stotts City for the year ended December 31, 1998, is presented on the next page.

Year Ended December 31, 1998

|                                     | General<br>Fund  | Water<br>Fund | Sewer<br>Fund | Meter<br>Deposit<br>Fund | Other*<br>Funds | Total         |
|-------------------------------------|------------------|---------------|---------------|--------------------------|-----------------|---------------|
| <b>RECEIPTS:</b>                    |                  |               |               |                          |                 |               |
| Motor fuel and motor vehicle fees   | \$ 10,081        | 0             | 0             | 0                        | 0               | 10,081        |
| Property taxes                      | 2,993            | 0             | 0             | 0                        | 0               | 2,993         |
| Interest                            | 0                | 0             | 0             | 97                       | 0               | 97            |
| User fees                           | 0                | 9,513         | 17,058        | 0                        | 1,000           | 27,571        |
| Franchise taxes                     | 4,140            | 0             | 0             | 0                        | 0               | 4,140         |
| Other                               | 364              | 0             | 0             | 0                        | 0               | 364           |
| Total Receipts                      | <u>17,578</u>    | <u>9,513</u>  | <u>17,058</u> | <u>97</u>                | <u>1,000</u>    | <u>45,246</u> |
| <b>DISBURSEMENTS:</b>               |                  |               |               |                          |                 |               |
| Salaries                            | 2,400            | 4,200         | 4,200         | 0                        | 0               | 10,800        |
| Wages and labor                     | 1,658            | 2,219         | 1,669         | 0                        | 0               | 5,546         |
| Street maintenance                  | 290              | 0             | 0             | 0                        | 0               | 290           |
| Maintenance and repairs             | 0                | 0             | 925           | 0                        | 0               | 925           |
| Auditing services                   | 2,170            | 0             | 0             | 0                        | 0               | 2,170         |
| Property maintenance                | 900              | 0             | 375           | 0                        | 0               | 1,275         |
| Insurance and bonding               | 1,830            | 0             | 0             | 0                        | 0               | 1,830         |
| Postage, shipping and publications  | 301              | 126           | 212           | 0                        | 0               | 639           |
| Supplies                            | 1,373            | 743           | 3,688         | 0                        | 0               | 5,804         |
| Utilities                           | 3,312            | 1,894         | 1,667         | 0                        | 0               | 6,873         |
| Bond payment                        | 0                | 0             | 5,880         | 0                        | 0               | 5,880         |
| Other                               | 676              | 181           | 272           | 0                        | 0               | 1,129         |
| Total Disbursements                 | <u>14,910</u>    | <u>9,363</u>  | <u>18,888</u> | <u>0</u>                 | <u>0</u>        | <u>43,161</u> |
| Receipts Over (Under) Disbursements | 2,668            | 150           | -1,830        | 97                       | 1,000           | 2,085         |
| Cash Balance, January 1,            | <u>10,102</u>    | <u>2,411</u>  | <u>5,534</u>  | <u>3,208</u>             | <u>3,000</u>    | <u>24,255</u> |
| Cash Balance, December 31,          | <u>\$ 12,770</u> | <u>2,561</u>  | <u>3,704</u>  | <u>3,305</u>             | <u>4,000</u>    | <u>26,340</u> |

\* Includes the following funds: Sewer Replacement & Extension Reserve, Sewer Bond Reserve, FMHA Wastewater Project, and CDBG Grant Fund.

## MANAGEMENT ADVISORY REPORT

CITY OF STOTTS CITY, MISSOURI  
SUMMARY OF FINDINGS

1. Expenditures (pages 9-11)

The city has no formal bidding policy. Supporting documentation was not available for additional payments of \$1,302 made to the City Clerk and other employee reimbursements. The Mayor does not review related invoices or supporting documentation prior to signing checks. The city does not withhold any payroll taxes and forms 1099-Miscellaneous are not filed as required.

2. Related Party Transactions (pages 11-12)

Several hiring concerns and a city transaction dealing with relatives of city officials were noted that appear questionable.

3. City Utilities (pages 12-15)

Utility accounting and bookkeeping duties are not adequately segregated. Improvements are needed regarding the city's receipt procedures and tracking of delinquent customers. Utility billings are not reconciled to payments received and amounts remaining unpaid. The number of gallons of water billed to customers is not reconciled to the gallons of water pumped by the city. The balance in the meter deposit account is not reconciled to actual meter deposits. The board does not periodically review and establish water and sewer rates.

4. Accounting Controls and Procedures (pages 15-18)

Accounting and bookkeeping duties are not adequately segregated. Deposits are not made intact on a timely basis and the City Clerk indicated she cashed personal checks and held them until the individual said they were good or brought cash in to cover them. She said she personally paid back some of these undeposited checks; however, the city records do not support her repayment. The city has several bank accounts that are noninterest bearing. Some employees and officials who collect monies or sign checks are not adequately bonded and checks are sometimes signed in advance by the Mayor.

5. Ordinances, Board Meetings, and Records (pages 18-20)

Improvements are needed regarding the city's ordinance book. Notice of the regular board meetings and the meeting's agenda are not posted. Board minutes do not identify the disbursements approved by the board at its monthly meeting. The city did not properly retain some city records and does not have a formal policy regarding public access to city records.

6. Budgets, Audits, and Financial Reporting (pages 20-21)

The city does not prepare or adopt annual budgets, and annual audits are not obtained in a timely manner. Semi-annual financial statements have not been published and annual financial reports are not submitted to the State Auditor's office as required by state law.

7. Restricted Revenues and City Streets (pages 21-22)

The city does not properly account for some revenues which are restricted for specific uses. In addition, the city does not have formal plans for street construction, repair, or maintenance.

8. City Property (page 22)

The city does not maintain any fixed asset records for city property.

CITY OF STOTTS CITY, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                     |
|-----------|---------------------|
| <b>1.</b> | <b>Expenditures</b> |
|-----------|---------------------|

- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances, including waste water treatment supplies and equipment (\$3,233), insurance (\$1,780), and auditing services (\$2,170).

City personnel indicated that telephone solicitation is occasionally used for purchases, but the price quotes have not been adequately documented to show that bids were solicited.

A formal bidding policy for major purchases based upon specified dollar amounts would provide a more efficient framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders.

Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Not only can bids be handled by telephone quotation, but bids can also be obtained by written quotation, by sealed bid or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The City Clerk is paid a monthly salary of \$200. In addition, checks were issued to the City Clerk totaling \$1,302 in 1998. The City Clerk indicated the payments were for "extra" hours worked, mileage, and miscellaneous supplies and expenses; however, there is no documentation to support these additional payments. Since the City Clerk's compensation and job duties have not been established by ordinance, it is unclear whether the City Clerk was to receive any additional compensation (See MAR #5). In addition, board minutes do not document whether the extra payments were specifically approved by the board.

The Utility Manager was paid \$3,134 in addition to his monthly salary of \$400 in 1998 (and approximately \$1,200 during the first four months in 1999). The additional amount was for extra hours worked, mileage, and miscellaneous supplies and expenses. The Utility Manager did submit a request for the additional pay. However, his request did not contain sufficient information such as the date when extra hours were worked, date of trip, trip origin, destination, and purpose for mileage requests. In addition, invoices for miscellaneous supplies and expenses reimbursed by the city were not maintained.

Failure to require adequate supporting documentation for expenditures increases the risk that the city will pay for items not intended for city purposes. To help ensure the propriety of all payments, documentation should be maintained to support all payments and all payments should be approved by the board. Also, without a detailed travel expense

report including documentation supporting the expenses claimed, the city cannot determine the propriety of payments made for travel expenses.

- C. The City Clerk prepares and signs checks and the Mayor also signs the checks; however, the Mayor does not review the related invoices or supporting documentation prior to signing the checks. To ensure all expenditures are properly reviewed and approved, the board should designate the Mayor or a board member to review the related invoices before the checks are signed.
- D. Vendor invoices or other supporting documentation were not retained for some expenditures. These expenditures included \$1,295 for mowing services during 1998 and \$60 for gift certificates. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the expenditures represent appropriate uses of public funds.
- E. The city does not withhold payroll taxes or pay the employer's share of social security on the compensation paid to city officials and employees. Internal Revenue Service Code requires employers to withhold federal income taxes, and Section 143.191, RSMo 1994, requires employers to withhold state income taxes from wages.

In addition, Section 105.300, RSMo 1994, defines an elective or appointed officer or employee of a political subdivision as an employee for social security purposes.

- F. The city did not file Forms 1099 with the Internal Revenue Service. The Internal Revenue Code requires payments of \$600 or more for services by nonemployees (other than corporations) be reported to the federal government on Forms 1099. During the year ended December 31, 1998 the city paid one individual \$1,295 for mowing and repairs.
- G. In March 1995, the city purchased a tractor for \$2,000 to be used for mowing city property. However, the city has not used the equipment and contracts with an individual to mow city property. The city paid \$1,185 for mowing services in 1998. The board needs to establish some plans for use of their equipment and determine whether the city has the financial resources necessary to maintain the equipment.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish formal bidding policies and procedures. In addition, documentation of the bidding process should be maintained in all cases.
- B. Review the additional payments to the City Clerk and Utility Manager and determine if the payments were proper. The board should require detailed travel expense reports be submitted and invoices or receipts to support expenses claimed for reimbursement.
- C. Designate the Mayor or a board member to review all supporting invoices before the checks are signed.
- D. Require adequate supporting documentation for all expenditures.
- E. Ensure federal and state income taxes, as well as social security taxes, are properly withheld and remitted for any wages and salaries paid. In addition, the city should ensure prior years' wages and salaries are properly reported to the IRS.

- F. Ensure that IRS Forms 1099 are filed as required for prior years as well as in the future.
- G. Review the needs of the city and determine the city's plans for use of city equipment.

### **AUDITEES RESPONSE**

A. *We have made attempts to contact various suppliers in the past and will ensure we document our bidding efforts in the future.*

B. *The Board voted to allow additional compensation for city employees several years ago. We will ensure our ordinances reflect this in the future.*

C&D. *We agree with these recommendations.*

E&F. *We will consider implementing these recommendations.*

G. *We plan to sell the tractor.*

|           |                                   |
|-----------|-----------------------------------|
| <b>2.</b> | <b>Related Party Transactions</b> |
|-----------|-----------------------------------|

A. We noted several instances of potential nepotism as follows:

- . Two of Mayor Stearns sons were employed by the city prior to 1998 in the water and sewer department. In February 1998, one of the sons resigned and the remaining son (and husband of Alderwoman Stearns) assumed the Water System Manager's duties. The board meeting minutes were not available to document discussion regarding hiring someone for this position. Alderwoman Stearns indicated to us that she abstained from voting on the hiring of her husband.
- . In April 1998, the city hired Alderwoman Estes' father-in-law to mow city property and make street sign repairs. Alderwoman Estes abstained from voting on the decision to hire her father-in-law; however, in June 1998, the board approved additional work to be performed by the Alderwoman's father-in-law at an increased rate of pay. Even though the city indicated she abstained from voting on the decision the board minutes did not document specifically whether she abstained from voting on the issue.

The appointment or hiring of a relative by a public official is prohibited by the Missouri Constitution. Article VII, Section 6 of the Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

Because of the serious consequences which result in hiring a relative, the board should ensure its members abstain from any decision to hire a relative and ensure that action is fully documented in the board minutes.

B. The city charges a \$85 water hook-up fee and a \$150 sewer hook-up fee. In June and September 1998, the city installed two free meter connections on property owned by a



relative of a board member. According to the city, the connections were in exchange for the granting of an easement through the property approximately four years ago. Although the related board member was not on the board at the time, the agreement was not in writing and board minutes were not available to document any decisions made by the board regarding this issue.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest. To avoid the appearance of conflicts of interest, all transactions and agreements between the city and relatives of board members should be fully documented and approved by the Board of Aldermen, and written agreements should be prepared if necessary.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure future appointments comply with the restriction of Article VII, Section 6 of the Missouri Constitution in regard to the hiring of relatives. If a relative of a board member is considered for employment, that board member should abstain from voting on the issue and an adequate record of the abstention should be maintained.
- B. Avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. City officials who have a conflict that is unavoidable should fully disclose their interest and should not vote on matters which involve them personally. City officials should ensure strict compliance with the law when conducting city business and should consider adopting a code of conduct for city officials.

**AUDITEES RESPONSE**

*This has been done in the past and will be adequately reflected in the minutes in the future. We agree with the recommendations.*

|                          |
|--------------------------|
| <b>3. City Utilities</b> |
|--------------------------|

The city provides water and sewer to approximately 90 customers. Our review of the billing and receipt process and internal controls revealed the following areas of concern:

- A. The City Collector is responsible for billing, collecting, and recording all utility payments. Neither the board nor other personnel independent of the billing and collection functions provide adequate supervision or an independent review of the work performed by the City Collector.

To safeguard against possible loss or misuse of funds, internal controls should provide for reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. An adequate system of internal controls requires segregation of duties. The Board of Aldermen should, at a minimum, designate someone independent of the process to perform and document periodic reviews of the records and procedures. Supervisory or independent review and approval of the rate calculations and adjustments helps to ensure such transactions are proper and reduces the possibility that improper or erroneous adjustments would go undetected.

- B. The City Collector does not record utility payments on the utility stubs. Utility stubs are discarded by the City Collector after the utility payment is received. Documentation of payments is noted on individual ledger sheets maintained for each customer account; however, the date of payment and actual amount received is not indicated on the ledger sheets. No review or reconciliation of recorded receipts to amounts transmitted to the City Clerk is performed.

To ensure all utility payments are properly recorded and transmitted, utility stubs should be retained noting the method of payment and the composition of the receipts should be reconciled to the amounts transmitted to the City Clerk.

- C. Monthly lists of delinquent customers are prepared by the City Collector; however, the lists do not include any prior delinquent amounts for each customer. In addition, the list is not provided to the Board of Aldermen to periodically review delinquent accounts.

To ensure adequate follow-up procedures are performed, a listing of all delinquent amounts should be maintained. In addition, the board should review delinquent accounts for collectibility.

- D. The city does not perform monthly reconciliations of total amounts billed, payments received, and amounts remaining unpaid for water and sewer services.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation and any corrections made should be retained to facilitate independent reviews.

- E. The city does not reconcile the total gallons of water billed to customers to the gallons of water pumped. The Utility Manager tracks gallons of water pumped and estimated the system was losing approximately 30 to 40 percent of its water pumped.

To help detect significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile the total gallons of water pumped to the gallons of water billed on a monthly basis and investigate significant differences. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent.

- F. City residents are required to pay a meter deposit before receiving water and sewer services. The City Collector records the meter deposits on her individual account ledger sheets and the monies are deposited along with the other utility receipts. At December 31, 1998, the city had \$3,305 set aside in a separate savings account for meter deposits. Currently, the city collects a \$50 deposit, however, varying amounts ranging from \$5 to \$25 have been collected in past years. The total amount of meter deposits recorded on the individual account ledger sheets totals only \$1,800. This amount does not reconcile to the balance in the applicable bank account for several reasons:

1. The city is unsure of the amount of deposit paid by many residents.
2. Interest earned on the balances has accumulated in the account.

The city needs to identify all customer deposits currently held by the city and update the permanent record of this information. This detailed listing of customer deposits could then be reconciled to monies in the savings account. Without these reconciliations, the possibility of errors going undetected is increased.

- G. The city has not periodically performed formal reviews of the water and sewer rates. The city's sewer rate ordinance passed on May 20, 1997, set sewer rates for the next 12 months. The city has not formally reviewed the adequacy of sewer rates since that time. The mayor indicated water rates have been unchanged for about the last four years.

Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service. However, the board did not prepare a statement of costs to maintain the sewer system as required when the rates were increased in 1997.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as provide documentation to customers of the rationale behind the rates.

**WE RECOMMEND** the Board of Aldermen:

- A. Adequately segregate the accounting duties of the City Collector or designate someone independent of the process to perform and document periodic reviews of the records, procedures and rate calculations and adjustments made to the water and sewer billings.
- B. Require the City Collector to record the method and date of payment on the utility stubs and reconcile them to the amounts transmitted to the City Clerk. The utility stubs should be retained to document the payments received.
- C. Maintain a listing of delinquent accounts which documents the respective delinquent amounts. In addition, the listing should be reviewed by the board.
- D. Perform monthly reconciliations of the amounts billed to amounts collected and delinquent accounts.
- E. Compare gallons of water pumped to gallons billed on a monthly basis. Any significant differences should be documented and investigated.
- F. Ensure the city maintains a listing of water meter deposits and periodically reconcile the listing to monies held by the city. Excess amounts identified should be transferred from the water meter bank accounts and made available for use in the Water and Sewer Fund.
- G. Perform periodic reviews of the costs to maintain utility services, and establish rates to ensure revenues are adequate. In addition, a statement of the costs to maintain funding of the service should be prepared, as required by state law, before enacting any rate increase.

**AUDITEES RESPONSE**

A-C,  
E&F. *We agree with these recommendations.*

D&G. *We will review these recommendations.*

|  |
|--|
| <b>4. Accounting Controls and Procedures</b> |
|--|

- A. The Board of Aldermen has not appointed a separate individual to serve as City Treasurer. The City Clerk also serves as City Treasurer, and with the exception of the functions related to the collection of utility payments, this individual is responsible for most of the record keeping duties of the city. These duties include depositing all utility monies, recording and depositing all other city monies, preparing invoices for payments, preparing and co-signing checks, performing bank reconciliations, and preparing monthly financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the city clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector or any two of these three offices, by the same person at the same time would be incompatible. Holding any two of these three offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits, invoice files to checks issued, and review bank statements and bank reconciliations.

- B. Deposits are only made approximately once a month. On April 6, 1998, \$939 was deposited which included some receipts held over fifty days. Receipts are not always kept in a secured location until the deposit. In addition, checks and money orders are not restrictively endorsed until the deposit is prepared, rather than when received. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be restrictively endorsed upon receipt, kept in a secure location and deposited intact daily or when accumulated receipts exceed \$100.
- C. Monies are not deposited intact by the City Clerk and are sometimes held for extended periods of time. The City Collector is responsible for collecting utility payments and turning the monies over to the City Clerk for deposit. The City Clerk was only depositing a portion of the utility payments until November and December, 1998, when it appears she reimbursed the account for monies not previously deposited.

| 1998      |    | City<br>Collector<br>(Collected) | City<br>Clerk<br>(Deposited) | Deposits<br>Over (Under)<br>Collections | Cumulative<br>Deposits<br>Over (Under)<br>Collections |
|-----------|----|----------------------------------|------------------------------|---|---|
| March     | \$ | 2,083                            | 0                            | (2,083)                                 | (2,083)   |
| April     |    | 1,859                            | 3,514                        | 1,655                                   | (428)   |
| May       |    | 1,981                            | 1,982                        | 1                                       | (427)   |
| June      |    | 1,998                            | 1,427                        | (571)                                   | (998)   |
| July      |    | 2,059                            | 0                            | (2,059)                                 | (3,057)   |
| August    |    | 2,201                            | 2,954                        | 753                                     | (2,304)   |
| September |    | 1,928                            | 1,447                        | (481)                                   | (2,785)   |
| October   |    | 2,514                            | 0                            | (2,514)                                 | (5,299)   |
| November  |    | 2,227                            | 5,964                        | 3,737                                   | (1,562)   |
| December  |    | 3,174                            | 4,988                        | 1,814                                   | 252   |
| Totals    | \$ | 22,024                           | 22,276                       | 252                                     |   |

Based on our comparison of City Collector records to deposits made by the City Clerk, it appears the City Clerk would have had \$5,299 in undeposited receipts (including approximately \$1,100 in cash payments) at the end of October, 1998.

The City Clerk indicated she routinely cashed personal checks for herself and friends from utility receipts. She cashed one of her personal checks dated November 3, 1998 which was not deposited until December 16, 1998. It appears the City Clerk was borrowing from the city in this instance.

The City Clerk also indicated she would make loans to individuals by cashing their checks with city proceeds and holding their checks until they indicated they could cover their checks or replace them with cash. The City Clerk indicated several of the individuals did not cover their checks and she personally paid back the amounts not repaid to the city.

The City Clerk's explanation is not supported by the bank deposits reviewed during this time period. We were unable to identify any checks or cash deposited that would represent repayment by the City Clerk. Due to the lack of controls and the inadequacy of the city records, we have no assurance that payments received by the city were properly deposited.

These practices represent a poor control over cash receipts and should be discontinued. To ensure proper control and maintain accountability over cash, receipts should be deposited intact on a timely basis.

- D. At December 31, 1998, the city had six bank accounts with a total cash balance of approximately \$27,000. Of this amount, the city had approximately \$10,500 in non-interest bearing checking accounts. To maximize the interest earnings of the city, monies should be maintained in interest bearing accounts when possible.

- E. Checks issued on the bank accounts require signatures of both the City Clerk and Mayor; however, checks are sometimes signed in advance by the Mayor. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.
- F. Some employees and officials who collect monies or sign checks are not adequately bonded. The City Clerk and City Collector are each covered by a \$2,500 bond; however, this bond coverage may not be adequate based on annual receipts exceeding \$44,000 in 1998. In addition, the Mayor signs checks but is not bonded. The city's revenue bond covenant requires all officers and employees of the city handling funds and accounts to be bonded in each fiscal year by an amount not less than the total amount of principal and interest becoming due on all obligations of the city during the fiscal year (approximately \$6,000). Failure to properly bond all persons with access to monies exposes the city to risk of loss.
- G. Voided checks are not always properly defaced and retained. Voided checks are torn up and discarded. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the position of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Restrictively endorse checks and money orders immediately upon receipt, keep receipts in a secure location until deposited, and deposit all monies intact daily or when receipts exceed \$100.
- C. Require all receipts be deposited intact and ensure the practice of cashing personal checks and making loans is discontinued.
- D. Maintain city funds in interest bearing accounts when possible.
- E. Discontinue the practice of signing checks in advance.
- F. Review the amount of bond coverage for all individuals with access to monies and consider obtaining bond coverage for the Mayor.
- G. Deface and retain all voided checks.

**AUDITEES RESPONSE**

*A&F. We will review this recommendation.*

*B&D. We are working on implementing these recommendations.*

*C. We will review this situation and take appropriate action. The City Clerk no longer has access to utility proceeds.*

*E&G. We agree with these recommendations.*

|   |
|---|
| <b>5. Ordinances, Board Meetings, and Records</b> |
|---|

A. Our review of the city ordinances disclosed the following concerns:

1. Some of the city's ordinances could not be accounted for and the city indicated one of the ordinance books was missing. The city was unable to locate the ordinances establishing water rates and water hookup fees. Also, a review of the city's existing ordinance book indicated ordinances are not sequentially numbered and there was no index of all ordinances passed by the city. The city is unable to determine the status of some of the ordinances.
2. Compensation and duties of all city officials and employees are not set by ordinance. The city has ordinances for the water system related compensation and duties of the City Collector and Utility Manager, however, the ordinances do not address sewer related compensation and duties. Also, the city has not adopted an ordinance establishing the term of office for the City Clerk. Section 79.270 and 79.290, RSMo 1994, require the compensation and duties of city officials to be set by ordinance. Section 79.320, RSMo 1994, requires the term of office of the City Clerk be fixed by ordinance.
3. The city has not prepared ordinances to document the approved tax levy for each year. Section 94.210, RSMo 1994, states the board of aldermen shall fix the annual tax rate levy by ordinance for each tax year. In addition, the city does not hold public hearings on the proposed property tax rates. Section 67.110, RSMo 1994, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. The section also provides guidance on what information is to be included at the public hearing. Ordinances have also not been established to set the city's current water meter deposit amount.

Since the ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the city ordinances be complete, well-organized, and current. Such items as duties and compensation of city officials and the annual tax levy should be set forth in the ordinances to give the taxpayers information on how the city is to be governed.

- B. The Board of Aldermen holds regular meetings on the third Tuesday of every month. Notice of the regular board meeting and the meeting's agenda is not posted. Section 610.020, RSMo, 1994 requires notice of each meeting and its tentative agenda to be given at least twenty-four hours in advance, or if not feasible, reasons are to be documented in the board minutes.
- C. The board minutes do not identify the disbursements approved by the board at its monthly meetings. The only reference to board approval is a notation that a motion was made and approved to pay bills.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed, or initialed by the aldermen to denote their approval, and retained in the official minutes.

- D. The city did not properly retain some city records. Minutes for several council meetings could not be located. In addition, the City Collector discarded all utility stubs after collections were turned over to the City Clerk.

All city financial records should be retained at least until such time as they are audited. All significant records (ordinances, minutes, contracts, etc.) should be maintained in a secure location.

- E. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to city records would establish guidelines for the city to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo 1994, lists requirements for making city records available to the public.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure a complete and updated set of ordinances is maintained. This would include passing new ordinances where appropriate and required. In addition, the city should consider establishing an index of all future city ordinances passed and rescinded. Also, the Board should hold public hearings on proposed property tax rates as required by state law.
- B. Ensure proper notification and agendas for public meetings are given or reasons for any deviation are documented in the minutes in accordance with applicable statutes.
- C. Ensure the approval of all disbursements is adequately documented in the board minutes.
- D. Require records to be retained in a secure location at least until such time as they are audited or are no longer relevant.
- E. Establish formal written policies and procedures regarding public access to city records.

**AUDITEES RESPONSE**

A,C

*&D. We agree with these recommendations.*

*B. This was done in the past and we will ensure it is done in the future.*

*E. We have always provided access to records and will consider implementing a formal policy.*



- A. The city does not prepare and adopt annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

- B. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined waterworks and sewer system. In July 1997, the city contracted with a CPA firm to audit the city's financial statements for the two years ended December 31, 1996. As of June 22, 1999, only the audit report for the year ended December 31, 1995 had been issued (issued on November 23, 1998). The city is not ensuring timely audits are performed. The city has not made arrangements for the audit of the two years ended December 31, 1998.

To ensure timely audits, the city should periodically solicit proposals for annual audit services and ensure the contracts require the timely issuance of the audit reports.

- C. The city prepares and posts at city hall an annual financial statement. However, the city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 1994, requires the Board of Aldermen to semi-annually publish a full and detailed statement of the receipts, expenditures, and indebtedness of the city, in a newspaper in the city. In addition, the receipts and disbursements on the financial statement posted for the year ending December 31, 1998, were not complete and accurate. For example, the financial statement did not include \$1,000 in utility receipts that were deposited into the Sewer Replacement and Extension Reserve and the Sewer Bond Reserve funds. Also, the financial statement did not present the city's indebtedness for the revenue bonds of \$96,110.

Accurate and complete semi-annual published financial statements are necessary to comply with state law and to keep the citizens informed of the financial activity and condition of the city.

- D. The city does not submit annual financial reports to the State Auditor's Office as required by state law. The last financial report submitted was for the year ended December 31, 1986. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare annual budgets in compliance with state law, and make periodic comparisons between budgeted and actual revenues and expenditures.
- B. Periodically solicit proposals for annual audit services and ensure the contracts require the timely issuance of the audit reports.
- C. Publish complete and accurate semiannual financial statements for all city funds as required by state law.
- D. Submit annual financial reports to the State Auditor's Office as required by state law.

**AUDITEES RESPONSE**

A, C  
& D. *We agree with these recommendations.*

B. *We contacted several firms initially to provide audit services, however, only one firm responded or was qualified. In the future, we will ensure audit contracts require timely issuance of audits.*

|           |   |
|-----------|---|
| <b>7.</b> | <b>Restricted Revenues and City Streets</b> |
|-----------|---|

- A. During the year ended December 31, 1998, the city deposited \$10,081 of state motor vehicle-related receipts into the General Fund and incurred only \$580 of street-related expenditures. During the first four months of 1999, the city opened a separate account for motor vehicle related revenues and deposited \$1,097 of the \$2,088 received into this account. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes.

To ensure compliance with the Missouri Constitution, the city should ensure all of these revenues are used only for appropriate purposes.

- B. The city has not established a city-wide plan for the construction, repair, or maintenance of streets. A formal plan of street improvements noting the more critical needs of the city is needed to support the expenditures made by the city. This plan is necessary to show whether financial resources are sufficient to meet the critical needs, to provide financial support for budget preparation and expenditures for street repairs, and to answer any questions raised by the public.

**WE RECOMMEND** the Board of Alderman:

- A. Ensure all of the state motor vehicle-related receipts are accounted for in a separate fund and spent in accordance with applicable laws and regulations. The board should determine if state motor vehicle-related receipts were used for street-related expenses and transfer applicable amounts to the street fund for any unexpended balance.
- B. Prepare formal annual plans for maintenance and improvement of city streets.

**AUDITEES RESPONSE**

- A. *We will review this recommendation.*
- B. *We do this on an informal basis.*

|                         |
|-------------------------|
| <b>8. City Property</b> |
|-------------------------|

The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the water and sewer systems. Also, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the sewer system, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

**WE RECOMMEND** the Board of Aldermen establish property records for general fixed assets and the fixed assets of the water and sewer systems that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

**AUDITEES RESPONSE**

*We agree with this recommendation.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*



SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
MILLER COUNTY, MISSOURI

PERIOD JANUARY 1, 1999 THROUGH AUGUST 11, 1999  
AND THE YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2000

**The following problems were discovered as a result of a review conducted by our office of the Miller County Sheriff's Department.**

---

On May 16, 1998, the Sheriff held a sale of surplus and unclaimed property. The sale advertisement stated that more than 200 surplus and unclaimed items were to be sold; however, a complete listing of all items to be sold was not prepared and retained. In addition, a complete listing of all monies received was not maintained. The final settlement record signed by the auctioneer indicated sale proceeds totaled \$5,818. However, copies of receipt slips retained by the Sheriff's office totaled only \$5,661. Without a complete listing of items to be sold and those actually sold and for what amounts, the Sheriff has less assurance that all sale proceeds were accounted for properly.

Some sale proceeds were not collected the day of the sale. The Sheriff's father did not pay for his purchases (\$822) until a week later, and the Sheriff did not pay for items he purchased (\$275) at the sale until July 1998. In May 1999, the Sheriff paid \$260 to the County Treasurer to cover a shortage that was noted when a reconciliation was prepared of sale proceeds to amounts turned over to the County Treasurer.

Also, at the time of the sale, the Sheriff's procedure was to charge a \$5 gun permit fee for all gun permits issued, except for those permits issued to individuals involved in law enforcement or the judicial system. However, the Sheriff did not require his father to pay gun permit fees for the six permits issued to him for guns purchased at the sale. The Sheriff stated that his father is not involved in law enforcement or the judicial system.

Balances on deposit for inmates exceeded the balance in the Inmate Account by \$148. From June 1998, when this account was opened, until August 1999, more than \$20,000 of commissary inventory was purchased from this account to be resold to inmates at a ten percent mark up. However, as of August 1999, the balance in the account showed no profit, and no monies had been paid over to the county's General Revenue Fund.

In addition, improvement is needed in the accounting controls and procedures for other receipts and activities of the Sheriff's office. Cash receipt and disbursement records are not complete, and bank reconciliations are not performed for the various accounts.

Three bonds totaling \$1,580 were collected by the Sheriff's office and not deposited. Two were discovered missing when the court notified the office it had not received the bonds. A third missing bond was detected during our audit. Many of these concerns were also noted in a prior report issued by our office.

YELLOW SHEET

SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
MILLER COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

County Commission of Miller County, Missouri  
and  
Sheriff of Miller County, Missouri

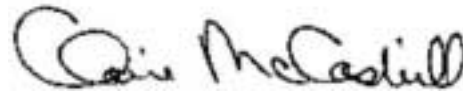
We have conducted a special review of the records, accounts, and procedures of the Sheriff's office of Miller County, Missouri. The scope of the special review included, but was not limited to, the period January 1, 1999 through August 11, 1999 and the year ended December 31, 1998. The objectives of this review were to:

1. Review and evaluate certain controls and procedures regarding the collection of and accounting for various receipts.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions.
3. Follow up on prior audit recommendations.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of the Sheriff's office, interviewed personnel of the office, and examined other records and documents as we considered necessary for the review.

Our review was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying Management Advisory Report presents our findings, comments, and recommendations arising from our audit of the Sheriff's office of Miller County, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

November 4, 1999 (fieldwork completion date)



## EXECUTIVE SUMMARY

SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
MILLER COUNTY, MISSOURI  
EXECUTIVE SUMMARY

Complete listings of items offered for sale and monies received were not retained for a sale of surplus and unclaimed property in May 1998. Some sale proceeds were not collected the day of the sale. The Sheriff's father did not pay for his purchases (\$822) until a week later, and the Sheriff did not pay for items he purchased (\$275) at the sale until July 1998. In May 1999, the Sheriff paid \$260 to the County Treasurer to cover a shortage that was noted when a reconciliation was prepared of sale proceeds to amounts turned over to the County Treasurer.

The total of the monies held for individual inmates exceeded the balance in the Inmate Account by \$148. From June 1998, when this account was opened, until August 1999, more than \$20,000 of commissary inventory was purchased from this account to be resold to inmates at a ten percent mark up. However, as of August 1999, the balance in the account showed no profit, and no monies had been paid over to the county's General Revenue Fund.

In addition, improvement is needed in the accounting controls and procedures for other receipts and activities of the Sheriff's office. Cash receipt and disbursement records are not complete, and bank reconciliations are not performed for the various accounts. Three bonds totaling \$1,580 were collected by the Sheriff's office and not deposited. Two were discovered missing when the court notified the office it had not received the bonds. A third missing bond was detected during our audit. Many of these concerns were also noted in our prior Management Advisory Report.

Tom Russell serves as Sheriff of Miller County.

## MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
MILLER COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

**1.**

**Sheriff's Sale**

On May 16, 1998, the Sheriff held a sale of surplus and unclaimed property. The sale advertisement stated that more than 200 surplus and unclaimed items were to be sold; however, a complete listing of all items to be sold was not prepared and retained. In addition, a complete listing of all monies received was not maintained. The final settlement record signed by the auctioneer indicated sale proceeds totaled \$5,818. However, copies of receipt slips retained by the Sheriff's office totaled only \$5,661. Without a complete listing of items to be sold and those actually sold and for what amounts, the Sheriff has less assurance that all sale proceeds were accounted for properly.

Some sale proceeds were not collected the day of the sale, and the monies were not deposited intact. Cash was withheld from the first deposit and used to pay expenses related to the sale totaling \$678. This included \$441 of auctioneer commissions, \$200 of payments to Sheriff's office personnel for working at the sale and \$37 for meals. These payments should have been made through the county's warrant or payroll process. Of the \$200 payment, the Sheriff stated he received \$50. The Sheriff should not have received compensation in addition to his authorized salary.

On May 19, 1998, \$3,818 of the \$5,140 total to be deposited (\$5,818-\$678) was deposited. The Sheriff indicated his father had purchased some items at the sale but was not able to take them that day. He returned at a later date to pick them up, and he paid for the items at that time. His check for \$822, which was dated May 24, 1998, was deposited June 2, 1998. On July 7, 1998, \$275 of cash was deposited which the Sheriff indicated was his payment for items he had purchased at the sale. Total deposits as of July 7, 1998, then totaled \$4,915. It is not clear what happened to the remaining \$225 (\$5,140 - \$4,915) of receipts.

From May 1998 to July 1998, disbursements from the account totaled \$1,598, and included two invoices totaling \$209 which dated back to June and July 1997. These disbursements should have been processed through the county warrant system and in a timely manner. In addition, \$35 had been spent on flower purchases for employees. Sale proceeds remaining in the bank account totaling \$3,282 were turned over to the County Treasurer on July 7, 1998. Apparently sometime after the sale, a report was prepared to reconcile the sale proceeds to amounts paid to the Treasurer. Based on this report sale proceeds totaling \$260 were still due to the Treasurer. On May 3, 1999, the Sheriff personally paid \$260 to the Treasurer to cover the shortage (\$225 of undeposited receipts and \$35 of flower purchases).

At the time of the sale, the Sheriff's procedure was to charge a \$5 gun permit fee for all gun permits issued, except for those permits issued to individuals involved in law enforcement or the judicial system. However, the Sheriff did not require his father to pay gun permit fees for the six permits issued to him for guns purchased at the sale. The Sheriff stated that his father is not involved in law enforcement or the judicial system.

**WE RECOMMEND** the Sheriff maintain complete listings of items offered for sale and monies received for any future sales. In addition, a report of each sale should be prepared and all sale proceeds deposited and/or paid to the County Treasurer in a timely manner, and gun permit fees need to be collected for all applicable gun permits.

### **AUDITEE'S RESPONSE**

*The Sheriff indicated this was the first auction the county or his office had held. In the future, they will certainly keep all receipt slips. They did have a complete listing of items to be sold, but lost it when the computer crashed. They will keep a hard copy and a back up disk in the future.*

*All monies will be deposited in the bank and disbursed by check in the future.*

*The Sheriff believes that while setting up the sale was a part of his duties, conducting the sale was not. He has, however, upon advice of his attorney, returned his \$50 and the \$37 to the county. The older bills paid from the account were towing charges related to the sale items and were paid from sale proceeds.*

*Regarding gun permits, everyone is now charged a \$5 gun permit fee.*

|  |
|--|
| <b>2. Accounting Controls and Procedures</b> |
|--|

- A. Accounting duties are not adequately segregated. Currently, The Office Manager is primarily responsible for receiving, recording, and depositing all monies and for preparing and signing all checks. There were no independent reviews of the work performed by this employee.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording receipts and preparing disbursements. If proper segregation of duties cannot be achieved, at a minimum, procedures for adequate independent review should be established.

- B.1. Receipt slips were not issued for some monies received and redi-form receipt slips were issued for some monies rather than official, pre-numbered receipt slips. In addition, the numerical sequence of receipt slips was not accounted for properly. Some receipt slips were not issued in order, some were skipped and not properly defaced to prevent later use, and some voided receipt slips were not properly retained.

To ensure all monies are properly handled, official, pre-numbered receipt slips should be issued for all monies received, and receipt slips issued should be reconciled to bank deposits. The reconciliation of receipt slips to deposits should include agreeing the composition of receipt slips (i.e. cash, checks, and money orders) to the composition of deposits. In addition, the numerical sequence of receipt slips should be accounted for properly.

2. Receipts were not deposited in a timely manner. Deposits into the Inmate and Miscellaneous Accounts were made only three to four times per month and ranged from \$321 to \$16,790. Deposits into the Bond Account were made only once or twice per week.

To ensure all monies are properly accounted for and to adequately safeguard cash receipts, deposits should be made intact daily or when accumulated receipts exceed \$100.

During the audit period, at least three cash bonds were received but were not deposited. One bond in the amount of \$1,200 was received June 12, 1998, but discovered missing. Proceeds from the May 1998 sale of surplus and unclaimed property were used to pay this amount to the court. Another bond in the amount of \$330 was received November 12, 1998, but discovered missing. The officer who receipted those monies reimbursed the Sheriff's office for the shortage in October 1999. Both of these shortages were noted by the Sheriff's office when the respective court notified the Office Manager that the bond had not been remitted to them. A third bond totaling \$50 received October 2, 1998, has also never been deposited and is not on hand. That shortage was not detected by the Sheriff's office.

These shortages could have been prevented or detected in a more timely manner if the above recommendations which were also made in our report issued for the three years ended December 31, 1997, had been implemented. The Sheriff responded in that report that those recommendations had been implemented.

- C. As of August 11, 1999, the Sheriff maintained six bank accounts. Cash control ledgers or other listings of receipts and disbursements were not complete and periodic book balances were not maintained for the various accounts. In addition, formal bank reconciliations were not prepared for any of the accounts.

Complete and accurate cash control records are necessary to provide accountability over funds, provide summarized financial information, and facilitate reconciliations between bank and book balances. Formal bank reconciliations are necessary to ensure accounting records agree with bank records and to detect errors in a timely manner.

- D. Monthly listings of open items (liabilities) are not prepared for the Inmate, Fine and Cost, and Bond and Garnishment Accounts. We prepared open items listings for these accounts as of August 11, 1999, and noted the following concerns:

1. The total of the monies held for individual inmates exceeded the balance in the Inmate Account by \$148. The Inmate Account was opened in June 1998. Between June 1998 and July 1999, more than \$20,000 worth of inventory was purchased for the commissary. The employee responsible for providing the commissary service stated that all inventory was marked up ten percent. Assuming that all inventory was sold, approximately \$2,000 of profit should have been generated during this period. However, no commissary profit was ever turned over to the county, and the balance in the Inmate Account is not sufficient to account for any profit.

The Inmate Account open items listing includes some balances that are being held for inmates which have been released. The Sheriff should attempt to refund

these monies. Any monies remaining unclaimed should be disposed of in accordance with state law.

2. Total open items for the Fine and Cost Account exceeded the cash balance by \$3,081. This shortage is less than the shortage noted in our prior audit. The open items listing includes partial payments on cases dating back to 1991. If it appears unlikely the remaining amount owed on these cases will be collected, a court order should be obtained to allow the balances in these cases to be applied to costs or prorated among the various court costs, if necessary. Attorney General Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated." Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.
3. The cash balance in the Bond and Garnishment Account exceeded the identified open items by \$837.

Monthly listings of open items should be prepared and reconciled to cash balances for each account to ensure monies have been properly recorded and handled and sufficient funds are available for the payment of all liabilities. Differences identified through the reconciliation process should be resolved in a timely manner. Unidentified or unclaimed monies remaining in the accounts should be disbursed in accordance with state law.

- E.1. The Sheriff maintains custody of a Training and Equipment Account. Receipts into this account were primarily donations and proceeds from the annual Sheriff's picnic. On three occasions, the Sheriff used these monies to provide a payroll advance to an employee. In all three instances, the advance was reimbursed by the employee. Employees were also allowed to purchase law enforcement related equipment through this account and make reimbursement over a period of time. The Sheriff did not retain adequate supporting documentation for 6 of the 24 disbursements reviewed. At our request, the Sheriff obtained copies of invoices from the vendors for these six items.

In addition, the Sheriff maintains custody of a Petty Cash Fund bank account. Receipts into this account were primarily proceeds of the May 1998, Sheriff's sale and commissions from vending machines located in the Sheriff's office. On four occasions these monies were used to purchase flowers for employees due to death or illness.

These monies represent accountable fees which should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states, "... sheriffs of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balances should be transferred to the County Treasurer, and future donations and picnic proceeds should be transmitted to the County Treasurer to be spent for law enforcement purposes.

2. Bank interest totaling approximately \$1,300 has accumulated in the various bank accounts as of July 31, 1999. These monies also represent accountable fees which should be turned over to the County Treasurer.
- F. Upon incarceration, any monies in the custody of an inmate are to be receipted for deposit into the Inmate Account. However, inmates who are held only 12 to 48 hours are often given a cash refund of their monies. Adequate supporting documentation was not retained for some cash refunds.

To facilitate the reconciliation of receipt slips issued to amounts deposited and to ensure all monies are properly accounted for, adequate supporting documentation should be obtained for all cash refunds.

- G.1. The Sheriff provides commissary services to inmates whereby inmates are allowed to purchase snacks and personal items. The Sheriff's office does not maintain perpetual inventory records of commissary items. To adequately account for commissary merchandise, a detailed inventory ledger should be maintained on a perpetual basis. Perpetual inventory records should document the beginning balance for each item, items purchased, items sold or otherwise disposed of, and the ending balance of each item. Periodic physical inventory counts should be performed and reconciled to perpetual inventory records. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records.
2. The Sheriff maintains custody of the revenues generated through the sale of commissary items. These monies are held in the Inmate Account and are used to replenish the commissary inventory. Commissary proceeds represent accountable fees which should be turned over to the County Treasurer. Invoices to replenish the commissary inventory should then be paid by the county.

Conditions similar to parts A. through E. were noted in our prior report.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate duties or establish procedures for independent review.
- B.1. Issue official, prenumbered receipt slips for all monies received and reconcile them to bank deposits, including composition. In addition, the numerical sequence of the receipt slips should be accounted for properly.
2. Deposit receipts daily or when accumulated receipts exceed \$100.

In addition, the Sheriff should obtain reimbursement of the \$50 bond.

- C. Maintain complete and accurate cash control records and perform monthly bank reconciliations for the various accounts.
- D. Prepare and reconcile open items listings to cash balances monthly and investigate any differences.

In addition, we recommend the Sheriff:



1. Ensure reimbursement is obtained for the \$148 shortage in the Inmate Account. The Sheriff should attempt to refund balances to inmates which have been released and any monies remaining unclaimed should be disposed of in accordance with state law.
  2. Along with the Associate Judge, review the older cases and determine the appropriate disposition of monies being held on inactive cases in the Fine and Cost Account.
  3. Dispose of any unidentified monies remaining in the Bond Account.
- E. Turn over custody of the Training and Equipment Account and the Petty Cash Fund bank account and all future revenues to the County Treasurer. In addition, accumulated interest and all future interest should be turned over.
- F. Obtain adequate supporting documentation for any refunds not made by check.
- G.1. Maintain perpetual inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.
2. Turn over commissary proceeds to the County Treasurer, periodically. In addition, invoices to replenish the commissary inventory should be paid by the county.

#### **AUDITEE'S RESPONSE**

- A&C. They now have an additional office employee and will be able to implement these recommendations.*
- B. This needs to be done and will be done. The Sheriff will personally reimburse the bond account \$50.*
- D.1. They are reviewing the inmate accounts for indigents who were provided with commissary items at no cost. They will bill the county for these items. And, they also believe some items purchased were given to all inmates and not resold as commissary items.*
- 2. They will meet with the Judge and work to close out this account.*
  - 3. This will be done.*
- E. The Petty Cash Account has been closed and the Training and Equipment Account will be turned over to the Treasurer, as well as any interest earned.*
- F. All monies will be deposited and disbursed by check.*
- G. They are in the process of contracting with a company to provide commissary services. Profit from the sales will be paid to the county each time the vendor is paid.*

This report is intended for the information of the management of the office of Sheriff of Miller County, Missouri and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

SPECIAL REVIEW OF  
SHERIFF'S OFFICE  
MILLER COUNTY, MISSOURI  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Miller County Sheriff's office on recommendations made in the Management Advisory Report (MAR) of our report of Miller County issued for the three years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendation has not been repeated, the Sheriff should consider implementing this recommendation.

Sheriff's Accounting Controls and Procedures

- A. The Sheriff maintained several bank accounts for donations and LET fees.
- B.1. Receipt slips were not issued for some monies.
  - 2. Receipts were sometimes not deposited in a timely manner. At February 9, 1998, the bookkeeper was holding unidentified cash receipts totaling \$320.
  - 3. Checks and money orders were not restrictively endorsed until deposited.
- C. Monies deposited into the miscellaneous bank account were not paid over to the county in a timely manner.
- D. The Sheriff held numerous bank accounts, including four inactive accounts. Bank reconciliations were not prepared, and periodic check register or cash control totals were not maintained for any of the accounts.
- E. Monthly listings of open items were not prepared for the fine and cost account and the bond and garnishment account.
- F. Accounting duties were not adequately segregated, and independent reviews of the work performed by the bookkeeper were not performed.
- G. Access to seized property was not restricted to an official custodian. Centralized records of seized property were not maintained, and physical inventories were not performed and reconciled to seized property records.

Recommendation:

The Sheriff:

- A. Remit all monies in the Training and Equipment, LET, and DARE accounts to the County Treasurer for deposit to the county's General Revenue, LET, and DARE funds, as applicable. Expenditures should be authorized by the Sheriff and made through the County Commission's normal expenditure process as provided for in the budgets of the various funds.
- B.1. Issue receipt slips for all monies received.

2. Deposit receipts daily or when accumulated receipts exceed \$100. In addition, the Sheriff should determine the proper disposition of all unidentified monies. Balances which remain unidentified should be disbursed in accordance with state law.
  3. Restrictively endorse all checks immediately when received.
- C. Turn over fees to the county monthly as required by state law.
  - D. Maintain daily check register or cash control totals and perform bank reconciliations monthly for the various bank accounts. In addition, the Sheriff should close all inactive accounts with residual balances.
  - E. Prepare monthly listings of fine and cost and bond and garnishment open items and reconcile such listings to the cash balances. Any differences should be investigated and resolved.
  - F. Adequately segregate accounting and bookkeeping duties to the extent possible and ensure that documented independent reviews of work are performed.
  - G. Establish an official custodian for evidence and other seized property and maintain a centralized inventory record of all property received including information such as a description, persons involved, current location, case number, and disposition of such property. An inventory of all items on hand should be performed to ensure that items are properly identified, tagged, and logged. Periodic inventories should be performed by an independent person to ensure inventory on hand is properly logged and the log contains entries for all inventory in storage.

Status:

- A. Partially implemented. Monies in the LET and DARE accounts were remitted to the Treasurer. However, custody of the Training and Equipment Account and the Petty Cash Fund bank accounts has not been turned over to the Treasurer. See MAR No. 2.
- B.1  
- 2,  
E &
  - F. Not implemented. See MAR No. 2.
  - B.3.  
& C. Implemented.
  - D. Partially implemented. All inactive accounts have been closed. However, check registers or cash control records are not maintained and bank reconciliations are not performed. See MAR No. 2.

- G. Partially implemented. One employee has been assigned as custodian of evidence and a centralized inventory record was established in June 1998. However, a periodic inventory has not yet been performed and some items in storage have not been identified to a specific case and added to the inventory record. Although not repeated in the current MAR, our recommendation remains as stated above.

\* \* \* \* \*



TWENTY-FIRST JUDICIAL CIRCUIT  
CITY OF BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION  
TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-05  
January 24, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2000

**During our audit of the Twenty-First Judicial Circuit, City of Breckenridge Hills, Missouri, Municipal Division, we identified certain management practices which we believe could be improved.**

Cash receipts for bonds totaling at least \$13,978 were received and not deposited during the period January 1, 1997 through August 31, 1998. A bond ledger showing receipt, disbursement, and balance for each bond was not maintained. In addition, bond monies were not deposited intact on a timely basis, and monthly bank reconciliations were not prepared. These factors helped conceal the misappropriation of funds.

These misappropriations could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and internal controls had been established.

The city of Breckenridge Hills Municipal Division accepts cash, checks, and money orders for payment of bonds. Cash bond payments are collected by the police department, recorded on a prenumbered bond form and a bond log, and are transmitted to the Court Clerk within a day of receipt. Check and money order payments for bonds received from other courts are also recorded on the prenumbered bond forms and police bond log by the Court Clerk. The Court Clerk deposits bond receipts into a separate bank account. Bonds are disbursed as the applicable case is settled in court.

In the Spring of 1999, the city hired a consultant to install an updated computerized accounting system for the court. As part of the implementation of the new system, the consultant prepared a listing of bond open items (liabilities) which was reconciled to the bond bank account balance. The open items balance exceeded the bank account balance by approximately \$14,000 at May 31, 1999. This difference was subsequently identified as bond monies received which had not been deposited.

Prior to May 1999, a bond ledger showing bond receipts, disbursements, and open balances was not maintained, monthly listings of open items were not being prepared, and the bond bank account was not being reconciled. The Court Clerk listed the bond receipts individually on deposit stubs indicating the corresponding bond form number next to each entry. Deposit stubs functioned as both a record of bonds receipted and a record of bonds deposited by the court. Though the police department also maintained a log of bonds receipted, there was no independent reconciliation of bonds collected by the police department to bonds deposited by the Court Clerk. In addition, the Court Clerk did not issue a receipt slip to the police department indicating which bonds had been transmitted to her.

(over)

YELLOW SHEET



Based on police department receipt records and various other records that were available, \$13,978 of bond monies collected by the police department from January 1, 1997 through August 31, 1998, were not recorded on deposit stubs or deposited by the Court Clerk. The Court Clerk responsible for depositing these monies was removed from that position on August 31, 1998 and resigned from the city in December 1998, prior to these discrepancies being discovered.

We recommend the municipal division, along with the city, continue to work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.

The duties of receiving, recording and depositing or transmitting monies are not adequately segregated and some receipts were not deposited or transmitted on a timely basis.

We recommend the municipal division establish a documented review of court accounting records by an independent person and deposit receipts intact daily or when accumulated receipts exceed \$100.

Phillip Algee serves as the Municipal Judge of the city of Breckenridge Hills. Jenny House served as Court Clerk through August 31, 1998. She was responsible for receiving, recording, depositing, and disbursing monies and preparing bank reconciliations.

TWENTY-FIRST JUDICIAL CIRCUIT  
CITY OF BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENT**

Presiding Judge  
Twenty-First Judicial Circuit  
and  
Municipal Judge  
Breckenridge Hills, Missouri

We have audited the accompanying special-purpose financial statement of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended December 31, 1998 and 1997. This special-purpose financial statement is the responsibility of the municipal division's management. Our responsibility is to express an opinion on this special-purpose financial statement based on our audit.

Except as discussed in paragraph four, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statement was prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit and is not intended to be a complete presentation of the financial position and results of operations of the municipal division.

Internal controls and accounting records of the city of Breckenridge Hills Municipal Division were inadequate. At least \$13,978 in bond monies received by the court from January 1, 1997 through August 31, 1998 were misappropriated. In addition, records accounting for the numerical sequence and ultimate disposition of each traffic ticket and summons issued were not maintained

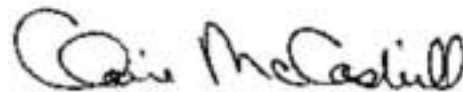
properly. As a result, we were unable to satisfy ourselves by appropriate audit tests or other means as to receipts and disbursements beyond amounts recorded in the municipal division's records for the years ended December 31, 1998 and 1997.

In our opinion, except for the effects, if any, on the financial statement of the matters discussed in the preceding paragraph, the special-purpose financial statement referred to in the first paragraph presents fairly, in all material respects, the receipts, disbursements, and changes in cash of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

The city of Breckenridge Hills Municipal Division has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the municipal division is or will become year 2000-compliant, that the municipal division's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal division does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 27, 1999, on our consideration of the municipal division's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statement referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 27, 1999 (fieldwork completion date)



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
Twenty-First Judicial Circuit  
and  
Municipal Judge  
Breckenridge Hills, Missouri

We have audited the special-purpose financial statement of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated October 27, 1999. That report expressed a qualified opinion on the special-purpose financial statement. Except as discussed in the report on the financial statement of the municipal division, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statement of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit is free of material misstatement, we performed tests of the municipal division's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

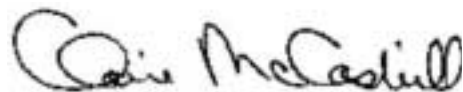
Internal Control Over Financial Reporting

In planning and performing our procedures related to the special-purpose financial statement of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit, we considered the municipal division's internal control over financial reporting in order to determine

our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statement and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgement, could adversely affect the municipal division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statement.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 27, 1999 (fieldwork completion date)



## Financial Statement

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT  
CITY OF BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | Year Ended December 31, |                |
|-------------------------------------|-------------------------|----------------|
|                                     | 1998                    | 1997           |
| RECEIPTS                            |                         |                |
| Fines, costs, bonds, and other      | \$ 311,562              | 244,920        |
| Total Receipts                      | <u>311,562</u>          | <u>244,920</u> |
| DISBURSEMENTS                       |                         |                |
| City treasury                       | 295,201                 | 231,744        |
| State of Missouri (Note 3)          | 0                       | 0              |
| Refunds and others                  | 9,879                   | 11,306         |
| Unaccountable (Note 4)              | <u>8,222</u>            | <u>5,756</u>   |
| Total Disbursements                 | <u>313,302</u>          | <u>248,806</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -1,740                  | -3,886         |
| CASH, JANUARY 1,                    | <u>10,101</u>           | <u>13,987</u>  |
| CASH, DECEMBER 31,                  | <u>\$ 8,361</u>         | <u>10,101</u>  |

The accompanying Notes to the Financial Statement are an integral part of this statement.

## Notes to the Financial Statement

TWENTY-FIRST JUDICIAL CIRCUIT  
BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION  
NOTES TO THE FINANCIAL STATEMENT

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statement presents only selected data for the funds administered by the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for the municipal division. The operating costs of the division are paid by the city of Breckenridge Hills and are not included in the financial statement.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases in the custody of the municipal division are included in the financial statement.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash is prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from the generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal division accounts for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking offenses; and other violations for which amounts are received by the municipal division and remitted to the city treasury. The municipal division also may account for restitutions received and disbursed through the division.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. The division does not maintain a bank account, transmitting fines and court costs directly to the City Clerk for deposit to the city treasury. A separate escrow bank account for bond monies received is maintained by the municipal division. At December 31, 1998 and 1997, the escrow bank account balance of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit was entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal division collects various amounts that must be remitted to the state of Missouri. These amounts include the judgement for the Motorcycle Safety Trust Fund, and the surcharges for the Crime Victims' Compensation, Services to Victims Fund, and the Peace Officer Standards and Training Commission Fund. The state's portion of these amounts are deposited into the city treasury. Amounts remitted by the city to the state are not included in the financial statement.

4. Missing Funds

Bonds totaling at least \$8,222 in the year ended December 31, 1998 and \$5,756 in the year ended December 31, 1997, received by the police department but not deposited to the escrow account are included in receipts and are presented as unaccountable disbursements on the financial statement.

## MANAGEMENT ADVISORY REPORT SECTION

## Executive Summary

TWENTY-FIRST JUDICIAL CIRCUIT  
CITY OF BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION  
EXECUTIVE SUMMARY

Cash receipts for bonds totaling at least \$13,978 were received and not deposited during the period January 1, 1997 through August 31, 1998. A bond ledger showing receipt, disbursement, and balance for each bond was not maintained. In addition, bond monies were not deposited intact on a timely basis, and monthly bank reconciliations were not prepared. These factors helped conceal the misappropriation of funds.

These misappropriations could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and internal controls, as noted in the accompanying Management Advisory Report, had been established.

Phillip Algee serves as the Municipal Judge of the city of Breckenridge Hills. Jenny House served as Court Clerk through August 31, 1998. She was responsible for receiving, recording, depositing, and disbursing monies and preparing bank reconciliations.



Management Advisory Report -  
State Auditor's Current Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT  
CITY OF BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statement of the city of Breckenridge Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated October 27, 1999. That report expressed a qualified opinion on the special-purpose financial statement for the years ended December 31, 1998 and 1997. Discrepancies in bond records were identified by a consultant hired to install a new computerized accounting system for the court. Mayor Archie Ledbetter requested the Office of State Auditor perform an audit of the court records.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal division's special-purpose financial statement. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

|           |                      |
|-----------|----------------------|
| <b>1.</b> | <b>Missing Funds</b> |
|-----------|----------------------|

The city of Breckenridge Hills Municipal Division accepts cash, checks, and money orders for payment of bonds. Cash bond payments are collected by the police department, recorded on a prenumbered bond form and a bond log, and are transmitted to the Court Clerk within a day of receipt. Check and money order payments for bonds received from other courts are also recorded on the prenumbered bond forms and police bond log by the Court Clerk. The Court Clerk deposits bond receipts into a separate bank account. Bonds are disbursed as the applicable case is settled in court.

In the Spring of 1999, the city hired a consultant to install an updated computerized accounting system for the court. As part of the implementation of the new system, the consultant prepared a listing of bond open items (liabilities) which was reconciled to the bond bank account balance. The open items balance exceeded the bank account balance by approximately \$14,000 at May 31, 1999. This difference was subsequently identified as bond monies received which had not been deposited.

Prior to May 1999, a bond ledger showing bond receipts, disbursements, and open balances was not maintained, monthly listings of open items were not being prepared, and the bond bank account was not being reconciled. The Court Clerk listed the bond receipts individually on deposit stubs indicating the corresponding bond form number next to each entry. Deposit stubs functioned as

both a record of bonds receipted and a record of bonds deposited by the court. Though the police department also maintained a log of bonds receipted, there was no independent reconciliation of bonds collected by the police department to bonds deposited by the Court Clerk. In addition, the Court Clerk did not issue a receipt slip to the police department indicating which bonds had been transmitted to her.

Based on police department receipt records and various other records that were available, \$13,978 of bond monies collected by the police department from January 1, 1997 through August 31, 1998, were not recorded on deposit stubs or deposited by the Court Clerk. The Court Clerk responsible for depositing these monies was removed from that position on August 31, 1998 and resigned from the city in December 1998, prior to these discrepancies being discovered.

**WE RECOMMEND** the municipal division, along with the city, continue to work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the missing funds.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded:*

*We agree and plan to continue to work with law enforcement officials to resolve this issue.*

|  |
|--|
| <b>2. Accounting Controls and Procedures</b> |
|--|

- A. The duties of receiving, recording, and depositing or transmitting monies are not adequately segregated. The Court Clerk performs all of these duties. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be an independent comparison of monies receipted by the court and police department to deposits and transmittals to the city. Independent reviews should also include accounting for the numerical sequence of bond forms and receipt slips issued, and a reconciliation between the composition of bond forms and receipt slips issued and the composition of bond monies deposited to the municipal division bond bank account or fine and cost monies transmitted to the city.

- B. Some receipts were not deposited or transmitted on a timely basis. Fines and costs were sometimes held two to four days before being transmitted to the city. Bond monies were

held for an average of two to three weeks before being deposited. In addition, as noted in MAR No. 1, some bond monies were never deposited.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits and transmittals should be made daily or when accumulated receipts exceed \$100.

- C. The municipal court issues prenumbered receipt slips for payments of fines and court costs. The method of payment (cash, check, or money order) is not always correctly marked on the face of the receipt slip. There were several instances where the composition of receipts per the receipt slips did not reconcile to the composition of the amounts transmitted.

To ensure receipts are deposited intact, the method of payment should be marked correctly and the composition of receipt slips issued should be reconciled to the composition of transmittals to the city. Such a review would help ensure monies are properly handled, recorded and transmitted.

A similar condition was noted in our prior report.

**WE RECOMMEND** the municipal division:

- A. Establish a documented review of court accounting records by an independent person.
- B. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- C. Ensure the method of payment is recorded on each receipt slip and the composition of receipts is reconciled to the composition of transmittals.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded:*

*A&B. We agree and this has already been implemented.*

*C. We agree.*

### **3. Court Procedures**

- A. While the city has established a Traffic Violations Bureau (TVB) that allows offenses to be paid prior to the court date, the Municipal Judge has not issued a court order to formally establish the TVB. Supreme Court Rule No. 37.49(a) allows for the establishment of a TVB by a court order prepared by the Municipal Judge.

This condition was also noted in our prior report.

- B. Procedures established to pursue the collection of delinquent accounts and failure to appear cases include issuing warrants; however, the court did not ensure some warrants were issued on a timely basis. Of twenty-four such cases selected for review, thirteen cases should have had a warrant issued for failure to appear, but did not. The municipal division estimates warrants have not been properly issued on approximately 2,000 cases.

Proper and timely issuance of warrants for amounts due to the court helps to maximize court revenue along with providing equitable treatment for those citizens who are paying fines and court costs when due.

- C. The Prosecuting Attorney does not always sign tickets after amendments or recommendations are made. To ensure the proper disposition of all cases has been entered in the court records, the Prosecuting Attorney should sign all amendments and recommendations.
- D. The court has not implemented adequate procedures to follow up on bonds held for over one year. As of July 31, 1999, the balance of the bond account included bonds totaling \$9,505 which have been held in excess of one year.

An attempt should be made to determine the proper disposition of these monies. This should include conducting a review of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo 1994. Those bonds which cannot be forfeited and remain unclaimed for one year after disposition of the case should be turned over to the state's Unclaimed Property Section.

**WE RECOMMEND** the municipal division:

- A. Issue a court order to formally establish the TVB.
- B. Prepare and activate warrants on all applicable cases. The division should also ensure all warrants are being prepared and activated in a timely manner.
- C. Require the Prosecuting Attorney to sign all amendments and recommendations.
- D. Follow up on all bonds held for more than one year and dispose of bonds in accordance with state law.

### **AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded:*

A,B,  
&C. *We agree.*

D. *Upon resolution of the missing bond monies, we will follow up and dispose of these bonds properly.*

#### **4. Ticket Accountability**

A. Neither the police department nor the court accounts for the numerical sequence and ultimate disposition of traffic tickets and summonses issued. A police department clerk enters the date issued, violator's name, and ticket number of all traffic tickets issued by the police department into the court's computer system. Likewise, the Court Clerk enters similar information for summonses issued by other city departments. However, a log of tickets and summonses issued is not generated from the computer to review for missing numbers. In addition, records of voided tickets are not maintained and police officers often do not retain their voided tickets or unused portions of ticket books. Out of 475 traffic tickets and summonses selected, thirty-three items which appear to have been either issued or voided during the audit period could not be accounted for properly. Another sixty-seven of these items, which appear to have been unissued, also could not be accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets and summonses, the police department and court cannot be assured that all tickets issued are properly submitted to the Court Clerk for processing. A log listing each ticket or summons number, the date issued, and the violator's name would help ensure all tickets and summons issued have been submitted to the court for processing, properly voided, or not prosecuted. In addition, a record should be maintained accounting for the ultimate disposition of each ticket and summons to ensure all tickets and summons have been accounted for properly.

This condition was also noted in our prior report.

B. Some records of convictions on traffic offenses were not forwarded to the Missouri State Highway Patrol (MSHP). Three of nineteen applicable items reviewed were not sent to the MSHP as required. Section 302.225, RSMo Cum. Supp. 1998, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

**WE RECOMMEND** the municipal division:

A. Work with the police department to ensure the numerical sequence and ultimate disposition of traffic tickets and summonses issued are accounted for properly.

- B. Ensure all records of convictions on traffic violations are forwarded to the MSHP as required by state law.

**AUDITEE'S RESPONSE**

*The Municipal Judge and Court Clerk responded:*

- A. *We agree and this has already been implemented.*
- B. *We agree.*

This report is intended for the information of the municipal division's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations



TWENTY-FIRST JUDICIAL CIRCUIT  
CITY OF BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the city of Breckenridge Hills Municipal Division on recommendations made in the Management Advisory Report (MAR) of our report on the Twenty-First Judicial Circuit Municipal Divisions issued for the two years ended December 31, 1993. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the court should consider implementing these recommendations.

City of Breckenridge Hills Municipal Division

- A.1. Prenumbered bond forms were not issued for bonds collected by other political subdivisions, nor were they recorded in the bond log. The method of payment received was not marked in the bond log or on the bond form by the police department. In addition, the Court Clerk did not reconcile the composition of bond monies received to the composition of monies deposited.
- 2. The Court Clerk did not maintain a bond ledger indicating the date and amount of receipt and the date of disbursement.
- B. Receipt slips issued by the court did not always indicate the method of payment received.
- C. The Municipal Judge did not sign the docket after dispositions were recorded.
- D. The Municipal Judge had not issued a court order to formally establish the city's Traffic Violations Bureau (TVB).
- E. Neither the police department nor the court accounted for the numeric sequence or the ultimate disposition of traffic tickets issued.

Recommendations:

The city of Breckenridge Hills Municipal Division:

- A.1. Request the police department to issue prenumbered bond forms for all bonds received and post all bonds to the bond log. In addition, the police department should record the method of payment on its bond log for all monies received and reconcile the composition of receipts to the composition of monies transmitted.
- 2. Maintain a bond ledger indicating date and amount of receipt and date of disbursement for all bonds received.

- B. Record the method of payment on all receipt slips issued and reconcile the composition of receipts to the composition of monies transmitted.
- C. Require the judge's signature on the court dockets.
- D. Issue a court order to formally establish the TVB.
- E. Work with the police department to ensure the numerical sequence and ultimate disposition of traffic tickets issued or accounted for properly. In addition, all voided tickets should be retained.

Status:

- A.1. Partially implemented. Prenumbered bond forms are now issued by the Court Clerk for bonds received from other political subdivisions and the method of payment is now marked on the face of the bond form. The method of payment is not marked in the police department bond log, however only cash is accepted by the police department now. In addition, the Court Clerk does not reconcile the composition of bond monies received to the composition of monies deposited.
- 2. Implemented in May 1999.
- B. Not implemented. See MAR No. 2.
- C. Implemented.
- D. Not implemented. See MAR No. 3.
- E. Not implemented. See MAR No. 4.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

TWENTY-FIRST JUDICIAL CIRCUIT  
CITY OF BRECKENRIDGE HILLS, MISSOURI  
MUNICIPAL DIVISION  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

The city of Breckenridge Hills Municipal Division is one of approximately eighty-five municipal divisions within the Twenty-First Judicial Circuit, which is composed of St. Louis County. The Honorable Robert S. Cohen serves as the Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the city of Breckenridge Hills.

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The Assistant City Clerk or Police Clerk receives payments of fines and court costs when the Court Clerk is not present. The Breckenridge Hills Police Department collects bonds and transmits monies directly to the Court Clerk. Fines and court costs are transmitted to the City Clerk for deposit to the city treasury. Bond monies are deposited in a municipal division bank account pending disposition. Court is held twice a month. Although it has not been formally established, a TVB receives payments of fines and court costs at times other than during court.

Personnel

|                 |                |
|-----------------|----------------|
| Municipal Judge | Phillip Algee  |
| Court Clerk*    | Vicki Sedberry |

\* Vicki Sedberry replaced Jenny House as Court Clerk on September 1, 1998. Jenny House served as Court Clerk from December 18, 1996 through August 31, 1998.

Caseload Information

|                       | <u>Year Ended December 31,</u> |             |
|-----------------------|--------------------------------|-------------|
|                       | <u>1998</u>                    | <u>1997</u> |
| Number of cases filed | 5,437                          | 4,400       |



REVIEW OF INDEPENDENT AUDITS OF  
FIRE PROTECTION DISTRICTS  
IN GREENE COUNTY

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-04  
January 20, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2000

**The annual review of audits of fire protection districts in Greene County has been completed. This review covered reports for the years ended December 31, 1998 that were required to be submitted to the State Auditor's office within six months after the year end.**

---

The state auditor is required by law to review the audit reports of every Greene County fire protection district with annual revenues in excess of \$50,000. Eight of the 11 districts in the county fall into this category. The other districts submitted unaudited financial reports.

This report includes information about the district's revenues, expenditures, and balances, and summarizes comments made by the various districts' independent auditors including recommendations for improving accountability and management of finances.

**Copies of the audit are available upon request.**

YELLOW SHEET

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION  
DISTRICTS IN GREENE COUNTY

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly  
and  
Boards of Directors of Fire Protection  
Districts in Greene County

We have conducted a special review of independent audits of the fire protection districts in Greene County as required by Section 321.690, RSMo 1994. The purposes of this review were to:

1. Evaluate the impact of statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in Greene County.
2. Assess the degree of compliance by these districts with statutory audit requirements and the State Auditor's regulations.
3. Bring to the attention of the various fire districts and independent auditors any specifically identifiable reporting deficiencies which should be taken into consideration and corrected in future audit reports.
4. Summarize and evaluate the financial data presented for the various fire districts.

Section 321.690, RSMo 1994, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all of the required audit reports that were received for the year(s) ended December 31, 1998.

During our review, we considered Section 321.690, 1994 and 15 CSR 40-4 (which are presented in Appendices B and C), and audit reports and other financial information submitted to

the State Auditor by the various fire districts for the year(s) ended December 31, 1998. Because some data presented in the schedules and appendices was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures, we express no opinion on the schedules and appendices.

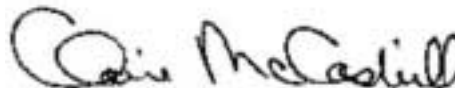
Our review was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Some problems were noted in our review of the fire protection districts' audit reports and the compliance deficiencies are summarized on Schedule 4. The problems noted included, failure to submit the audit report to the State Auditor's office (SAO) by June 30, 1999, failure to submit engagement letters to the SAO, failure to notify the SAO of entrance and exit conferences, lack of complete and adequate footnote disclosures, failure to include needed comments and recommendations in management letters, failure to include follow up action on prior year's findings, failure to include required schedules in the audit reports, and failure to conduct the audit in accordance with generally accepted governmental auditing standards (GAGAS).

To better determine the quality of the fire district audits, we reviewed the supporting working papers of various independent auditor reports for the year(s) ended December 31, 1998. The information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters. Generally Accepted Governmental Auditing Standards (GAGAS) require that a written record of the auditor's work be retained. However, some auditor's working papers need to be improved in this area.

As shown in Appendix A, independent auditors made a few specific recommendations to improve the overall management of fire districts. Recommendations included concerns regarding budgets and overall policies and procedures. Each fire district should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

This is the fifth review the State Auditor's office has performed of the Greene County fire protection districts' reports and many improvements have been noted. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. We solicit from the readers of this report any suggestions for changes or requests for other new information which may be of benefit to those involved with the Greene County fire protection districts.



Claire McCaskill  
State Auditor

November 23, 1999 (fieldwork completion date)

## SCHEDULES

## Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
 SCHEDULE OF REVENUES, EXPENDITURES, AND BALANCES

|                   |    | Year Ended December 31, |           |              |                   |                         |           |              |                   |
|-------------------|----|-------------------------|-----------|--------------|-------------------|-------------------------|-----------|--------------|-------------------|
|                   |    | 1997                    |           |              | 1998              |                         |           |              |                   |
| District          |    | Beginning<br>Balance    | Revenues  | Expenditures | Ending<br>Balance | Adjustments<br>(Note 2) | Revenues  | Expenditures | Ending<br>Balance |
| Ash Grove         | \$ | 5,068                   | 59,274    | 56,109       | 8,233             |                         | 39,955    | 41,267       | 6,921             |
| Battlefield       |    | 892,585                 | 614,934   | 448,236      | 1,059,283         |                         | 679,375   | 334,582      | 1,404,076         |
| Bois D'Arc        |    | 3,534                   | 19,807    | 20,739       | 2,602             |                         | 25,906    | 21,390       | 7,118             |
| Brookline         |    | 124,781                 | 115,248   | 79,512       | 160,517           |                         | 123,189   | 124,519      | 159,187           |
| Ebenezer          |    | 61,909                  | 76,018    | 64,891       | 73,036            |                         | 87,643    | 86,368       | 74,311            |
| Fair Grove        |    | 16,068                  | 49,103    | 46,980       | 18,191            | 51,241                  | 69,738    | 51,712       | 87,458            |
| Logan-Rogersville |    | 345,848                 | 422,164   | 419,180      | 348,832           |                         | 464,201   | 334,940      | 478,093           |
| Strafford         |    | 143,769                 | 141,724   | 117,975      | 167,518           |                         | 165,975   | 144,134      | 189,359           |
| Walnut Grove      |    | 3,471                   | 53,707    | 52,462       | 4,716             |                         |           | (Note 1)     |                   |
| West Republic     |    | 1,902                   | 33,638    | 30,649       | 4,891             |                         | 37,020    | 37,219       | 4,692             |
| Willard           |    | 347,747                 | 169,918   | 297,788      | 219,877           | 10,111                  | 204,432   | 165,762      | 268,658           |
|                   | \$ | 1,946,682               | 1,755,535 | 1,634,521    | 2,067,696         | 61,352                  | 1,897,434 | 1,341,893    | 2,679,873         |

The accompanying Notes to the Schedules are an integral part of this schedule.

## Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
 SCHEDULE OF GENERAL FIXED ASSETS

| District          | December 31, 1998        |                               |                  | December 31,<br>1997 |
|-------------------|--------------------------|-------------------------------|------------------|----------------------|
|                   | Land<br>and<br>Buildings | Furniture<br>and<br>Equipment | Total            | Total                |
| Battlefield       | \$ 634,030               | 843,551                       | 1,477,581        | 1,450,040            |
| Brookline         | 21,576                   | 235,664                       | 257,240          | 138,627              |
| Ebenezer          | 111,733                  | 243,322                       | 355,055          | 326,241              |
| Logan-Rogersville | 353,703                  | 1,030,813                     | 1,384,516        | 1,364,973            |
| Strafford         | 235,657                  | 236,003                       | 471,660          | 441,421              |
| Walnut Grove      |                          | (Note 1)                      |                  | 6,024                |
| Willard           | 317,590                  | 606,918                       | 924,508          | 892,588              |
|                   | <u>\$ 1,674,289</u>      | <u>3,196,271</u>              | <u>4,870,560</u> | <u>4,619,914</u>     |

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
SCHEDULE OF ASSESSED VALUATIONS AND TAX LEVIES  
YEARS ENDED DECEMBER 31, 1998 AND 1997

| District          | Assessed Valuation |             | Tax Levy<br>Per \$100 of<br>Assessed<br>Valuation |      |
|-------------------|--------------------|-------------|---|------|
|                   |                    |             | General   |      |
|                   | 1998               | 1997        | 1998  | 1997 |
| Ash Grove         | \$ 14,482,067      | 14,109,084  | 0.27  | 0.26 |
| Battlefield       | 227,771,730        | 219,431,561 | 0.27  | 0.26 |
| Bois D'Arc        | 11,315,355         | 10,906,018  | 0.20  | 0.20 |
| Brookline         | 42,644,953         | 40,949,799  | 0.27  | 0.28 |
| Ebenezer          | 56,812,303         | 55,438,516  | 0.15  | 0.14 |
| Fair Grove        | 31,409,564         | 30,311,976  | 0.20  | 0.20 |
| Logan-Rogersville | 171,800,807        | 160,021,850 | 0.26  | 0.26 |
| Strafford         | 60,540,847         | 56,426,905  | 0.25  | 0.24 |
| Walnut Grove      | 19,123,092         | 19,205,076  | 0.30  | 0.30 |
| West Republic     | 12,614,052         | 12,328,932  | 0.28  | 0.27 |
| Willard           | 64,137,916         | 61,686,123  | 0.27  | 0.26 |

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY  
SUMMARY OF COMPLIANCE DEFICIENCIES NOTED CONCERNING 15 CSR 40  
YEAR(S) ENDED DECEMBER 31, 1998 AND 1997

| Description of Deficiencies  | Title           | Number of Errors | Number of Applicable Reports | Percent |
|--|-----------------|------------------|------------------------------|---------|
| Engagement letter was not submitted to the State Auditor.                            | 15 CSR 40-4.010 | 5                | 7                            | 71%     |
| Audit report was not submitted by June 30, 1999.                                     | 15 CSR 40-4.010 | 1                | 7                            | 14%     |
| Notification of entrance and exit conference was not submitted to the State Auditor. | 15 CSR 40-4.020 | 5                | 7                            | 71%     |
| Audit was not performed in accordance with GAGAS.                                    | 15CSR 40-4.030  | 1 *              | 7                            | 14%     |
| Some needed comments and recommendations were not included in a management letter.   | 15 CSR 40-4.030 | 3 **             | 7                            | 43%     |
| Follow-up to prior management letter was not included in the report.                 | 15 CSR 40-4.030 | 1                | 4 (1)                        | 25%     |
| Appropriate footnote disclosures were not included.                                  | 15 CSR 40-4.030 | 2 ***            | 7                            | 29%     |
| Some required report schedules were not included.                                    | 15 CSR 40-4.020 | 1 ****           | 7                            | 14%     |

\* The audit report did not include a report on internal control or compliance with laws and regulations.

\*\* A problem noted that apparently should have been reported in a management letter included overspending the budget.

\*\*\* Although the audit reports contained most of the necessary footnotes, we noted deficiencies regarding appropriate footnote disclosure of budgetary practices, and changes in general fixed assets.

\*\*\*\* Some of the schedules missing include a schedule of tax rates and assessed valuation, schedule of insurance in force, and a schedule of principal officeholders and their compensation.

(1) Two districts did not have prior management recommendations and one district was not required to obtain an audit in the prior year.

The accompanying Notes to the Schedules are an integral part of this schedule.

## NOTES TO THE SCHEDULES



REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS  
IN GREENE COUNTY  
NOTES TO THE SCHEDULES

1. Significant Information

A. General

At December 31, 1998, there were eleven fire protection districts in Greene County. Districts are required to have biennial audits performed if revenues exceed \$50,000, or file a financial statement if revenues are less than \$50,000.

Upon completion of the audit, copies of the report and management letter are to be submitted to the State Auditor for review. Seven audits and three financial statements have been received as follows:

1. The Battlefield, Ebenezer, Fair Grove, Strafford, and Willard Fire Protection Districts obtained audits for the year ended December 31, 1998. Each of these districts, except Fair Grove, previously obtained audits for the year ended December 31, 1997. The Fair Grove Fire Protection District was not required to obtain an audit for the year ended December 31, 1997 because their revenues were less than \$50,000 for that year. The Brookline and Logan-Rogersville Fire Protection District obtained audits for the two years ended December 31, 1998.
2. The Walnut Grove Fire Protection District obtained an audit for the two years ended December 31, 1997. This district plans to obtain an audit for the two years ended December 31, 1999. No information is presented in this report for the year ended December 31, 1998.
3. The Ash Grove, Bois D'Arc and West Republic Fire Protection Districts were not required to obtain audits. Information presented in this report for the year ended December 31, 1998, was obtained from unaudited information provided by these districts. Information presented for the year ended December 31, 1997, for these districts and the Fair Grove Fire Protection District was previously obtained from unaudited financial statements.

B. Schedules

Information included in these schedules was compiled from the audit reports, management letters, and unaudited financial statements received from the Greene County fire protection districts.

In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Reasons for some problems in comparison are:

1. The financial statements of the Battlefield, Brookline, Ebenezer, Fair Grove, Logan-Rogersville, Strafford, and Willard Fire Protection Districts are presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles. The ending balances represent assets net of liabilities. Revenues are recognized in the fiscal period in which they become available and measurable. Expenditures are recognized in the fiscal period in which the related liability is incurred.
2. The financial statements of the Ash Grove, Bois D'Arc and West Republic Fire Protection Districts are presented on a cash basis of accounting. The ending balances represent cash balances. Revenues are recognized when received in cash and expenditures are recognized when disbursed in cash.

The schedules presented are as follows:

Schedule 1 presents revenues, expenditures, and fund balance for the General Fund in a combined format. The General Fund is the general operating fund of each district and is used to account for all operating resources.

Schedule 2 presents the general fixed asset balances of the districts at December 31, 1998, with comparative totals of general fixed assets at December, 31 1997. The fire protection districts that are presented are only those which obtained an audit. However, the Fair Grove Fire Protection District's audit report did not include a schedule of general fixed assets.

Schedule 3 presents the assessed valuations of the individual fire protection districts as well as tax levies. Immaterial differences were noted in the assessed valuations presented in the audit reports and the amounts submitted by the districts to the State Auditor's office. In addition, in 1997 and 1998, Walnut Grove Fire Protection District levied .03 and .01, respectively, in excess of the levies approved by the State Auditor's office. In 1997 and 1998, the Fair Grove Fire Protection District levied .02 and .01, respectively, in excess of the levies approved by the State Auditor's office. In 1997, Bois D'Arc and Brookline Fire Protection Districts levied .01 in excess of amounts approved by the State Auditor's office.

Schedule 4 is a listing of deficiencies noted regarding compliance with State Auditor's regulation 15 CSR 40.

C. Method of Accounting

All of the districts' operations are accounted for in the General Fund, which is a governmental type fund. As described in Note 1.B., the districts use various methods of accounting for their General Funds.

For those districts which have obtained audits, except Fair Grove, all fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the General Fund and are capitalized in the General Fixed Assets Account Group. Purchased fixed assets are capitalized at historical cost or at estimated historical cost if actual historical cost is not available.

Depreciation is usually not provided on general fixed assets; however, the Brookline and Logan-Rogersville Fire Protection districts did provide for depreciation over the useful lives of the general fixed assets. The total accumulated depreciation through December 31, 1998, was \$115,125 for the Brookline Fire Protection District and \$903,376 for the Logan-Rogersville Fire Protection District.

2. Audit Adjustments

Audit adjustments were made to the ending balances for the Fair Grove and Willard Fire Protection Districts at December 31, 1997.

The adjustment for the Fair Grove Fire Protection District was to change from a cash basis of accounting to the modified accrual basis of accounting. The adjustment for the Willard Fire Protection District was to increase property taxes receivable to include railroad and utility taxes.

3. Independent Audits

For the year(s) ended December 31, 1998, three independent auditors each performed one audit, and two independent auditors each performed two audits.

4. Compensation Of Directors

The independent audit reports included the names of the principal officeholders during the year ended December 31, 1998 and 1997, and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 1994. The districts have three-member boards of directors, except the Brookline and Willard Fire Protection District have five-member boards. When more than three or five names were listed, it was due to a change in the officials serving on the board.

The following is a list of total compensation paid to directors by each district which was audited, except the Fair Grove Fire Protection District.

| <u>District</u>   | <u>Total Compensation Paid</u> |             |
|-------------------|--------------------------------|-------------|
|                   | <u>1998</u>                    | <u>1997</u> |
| Battlefield       | \$ 5,730                       | 6,250       |
| Brookline         | 0                              | 0           |
| Ebenezer          | 0                              | 0           |
| Logan-Rogersville | 3,600                          | 4,475       |
| Strafford         | 5,150                          | 4,450       |
| Walnut Grove      | (Note 1)                       | 0           |
| Willard           | 1,000                          | 1,000       |

## APPENDICES

## Appendix A

### REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN GREENE COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR(S) ENDED DECEMBER 31, 1998

The following is a summary of the various comments contained in those management letters received by the State Auditor for audits of the year(s) ended December 31, 1998. These comments apply to one fire protection district unless otherwise noted. The comments extracted from the management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

#### Budgets

- \* A district did not present the projected fund balance on the budget.
- \* A district's budget did not include revenues.

#### Policies and Procedures

- \* A district should extend the bid process to include documentation of the actual bids as an attachment to the invoices where goods were purchased.
- \* A district should improve the filing of expenditure documentation to facilitate the location of invoices at any time.
- \* A district should include in the formal minutes of board of director meetings the actual calculation of Fireman's Fund payments to firefighters.
- \* A district should consider moving the entire accounting system to the computer program used for payroll.

## Appendix B

321.690. 1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

**Title 15—ELECTED OFFICIALS**  
**Division 40—State Auditor**  
**Chapter 4—Audits of Fire Protection**  
**Districts in St. Louis and Greene**  
**Counties**

**15 CSR 40-4.010 Requirements for Districts**

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.*

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.020 Standards for Auditing and Financial Reporting**

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.*

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

**15 CSR 40-4.030 Contents of Audit Reports**

*PURPOSE: The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.*

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and



## Appendix C

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*

### 15 CSR 40-4.040 Scope of Audit

**PURPOSE:** *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). \* Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

*\*Original authority 1977, amended 1981, 1986, 1991, 1993.*



SCHUYLER COUNTY HEALTH DEPARTMENT  
BUILDING PROJECT

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-03

January 7, 2000

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2000

**Some problems were discovered as a result of an audit conducted by our office regarding the Schuyler County Health Department Building Project, Schuyler County, Missouri.**

---

Building project expenditures totaled approximately \$30,000 and \$215,400 in 1998 and 1999, respectively.

Inadequate advanced project planning and the necessary related fiscal and budgetary planning prevented the board from properly identifying and controlling project costs.

Other problems with board management of the project included the following:

- Inadequate internal controls overseeing project invoices and payments.
- Inadequate budgeting.
- Inadequate safeguarding of assets.

Building cost estimates were not reported to nor requested by the board in a timely manner, the health department paid a vendor \$4,000 in excess of the contract price, and the "interior carpentry" services apparently was not performed in accordance with contractual specifications. The \$4,000 overpayment was refunded after we brought it to the attention of the health department.

The Board of Trustees did not include building project expenditures in its annual budgets for 1998 and 1999. Additionally, the board does not perform or document a periodic comparison of actual revenues and expenditures with budgeted amounts.

The health department did not obtain or maintain insurance coverage on the building during its construction, exposing taxpayer funds to possible loss.

YELLOW SHEET

SCHUYLER COUNTY, MISSOURI  
HEALTH DEPARTMENT BUILDING PROJECT

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Trustees of the  
Schuyler County Health Department  
Schuyler County, Missouri

We have conducted a review of the Health Department building project of Schuyler County, Missouri. The scope of this review included, but was not necessarily limited to, procedures and conditions as they relate to the construction of the health department's new building. The objectives of this review were to:

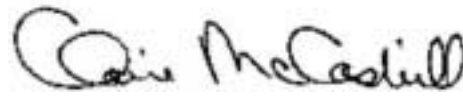
1. Determine the propriety of transactions and compliance with laws and regulations relating to the construction of the new health department building.
2. Investigate concerns of county citizens and members of the Board of Trustees regarding the building construction project and possible improprieties.
3. Review certain management practices and legal compliance issues to determine the propriety and efficiency of those procedures and practices.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records, reports and procedures of the department; reviewed records relating to the health department building project; held discussions with appropriate health department officials and personnel, county officials; and, reviewed other records and documents as we considered necessary for the review.

Our review was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the health department and was not subjected to the auditing procedures applied in the review of the health department.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the health department building project of Schuyler County, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 24, 1999 (fieldwork completion date)

## HISTORY AND ORGANIZATION

SCHUYLER COUNTY, MISSOURI  
HEALTH DEPARTMENT BUILDING PROJECT  
HISTORY AND ORGANIZATION

The Schuyler County Health Department was created under the authority of Chapter 205, RSMo 1994, in 1978 to provide a wide range of health and medical services to the residents of Schuyler County. Services provided include public health, health education, communicable disease surveillance and control, home health, immunization, WIC (Women and Infant Children), sanitation services, personal care services and homemaker chore program through Medicaid, and birth and death certificates.

The health department is governed by an elected five-member Board of Trustees. Board members are elected for four year terms. At times, board vacancies are filled by appointment by the County Commission, pending future election. The current board members are:

April 1999 - Present

Georgia Ann Robinson, Chairman  
Diane Sanchez  
Cathy Middleton  
Angela Schmitter  
Eldon Tallman (1)

(1) Replaced by Cathy Lay by appointment in July 1999.

The previous board members were:

January 1997 - March 1999

George Reindel, Chairman  
Robert Slaughter  
Georgia Ann Robinson  
Twila Anderson (2)  
Janet Blaise (3)

(2) Replaced by Diane Sanchez by appointment in July 1997.

(3) Replaced by Cathy Middleton by appointment in November 1998.

The health department administrator from January 2, 1996 through August 5, 1999 was Susan Chidester. The current health department Acting Administrator, Janice Shaw, was hired on August 5, 1999.



The health department is partially funded by a county property tax with a ceiling of fifteen cents per \$100 valuation. Assessed valuation and tax rate information for tax year 1999 were as follows:

ASSESSED VALUATION \*

|                   |                     |
|-------------------|---------------------|
| Real Estate       | \$21,516,738        |
| Personal Property | <u>10,894,066</u>   |
| Total             | <u>\$32,410,804</u> |

TAX RATE PER \$100 OF ASSESSED VALUATION:

|                        |       |
|------------------------|-------|
| Health Department Fund | \$.15 |
|------------------------|-------|

- \* Assessed valuations for the tax year were made on real and personal properties owned by the taxpayers on January 1 of the tax year. Taxes levied during the tax year become delinquent after December 31 of that year.

## MANAGEMENT ADVISORY REPORT

SCHUYLER COUNTY, MISSOURI  
HEALTH DEPARTMENT BUILDING PROJECT  
SUMMARY OF FINDINGS

1. Overall Planning (pages 8-9)

Inadequate advanced project planning and related fiscal and budgetary planning prevented the board from properly identifying and controlling project costs. Lack of adequate planning allowed several other problems to develop.

2. Building Construction Procedures and Project Oversight (pages 10-12)

Building cost estimates were not reported to nor requested by the board in a timely manner. The health department paid a vendor \$4,000 in excess of the contract price, and the "interior carpentry" contractor did not furnish or install mini-blinds in windows as required by the contract specifications.

3. Budgetary Practices (pages 12-13)

The Board of Trustees did not include building project expenditures in its annual budgets for 1998 and 1999. Additionally, the board does not perform or document a periodic comparison of actual revenues and expenditures with budgeted amounts.

4. Insurance Coverage (pages 13-14)

The health department did not obtain or maintain insurance coverage on the building during its construction, exposing taxpayer funds to possible loss.

SCHUYLER COUNTY, MISSOURI  
HEALTH DEPARTMENT BUILDING PROJECT  
MANAGEMENT ADVISORY REPORT

The Health Department Board of Trustees began discussing the need for a new office building as early as 1997 due to concerns related to client safety, poor building foundation and roof, lack of compliance with the Americans with Disabilities Act (ADA), limited parking, and carbon monoxide problems.

The Board of Trustees considered two options to alleviate the health and safety concerns of the old building; those being the demolition of the old building and construction of a new building or the sale of the existing building and purchase of land elsewhere for a building site. On June 30, 1998, the board approved the purchase of land at another location at a cost of \$7,500. Ultimately, the board sold the old building on September 29, 1998 at a price of \$6,000. The health department started construction of a new 3,300 square foot office building at the new site in October 1998. The new building was completed in June 1999.

Because of public concerns and questions directed to the Schuyler County Commission and Health Department Board members regarding the health department building project, the State Auditor's office performed a review of certain records and reports of the health department and held discussions with certain members of the Board of Trustees, department officials and personnel, county officials, and others as we considered necessary.

|           |                         |
|-----------|-------------------------|
| <b>1.</b> | <b>Overall Planning</b> |
|-----------|-------------------------|

The following is a summary of the costs incurred through August 31, 1999 to build the new health department office building:

|  |                   |
|--|-------------------|
| Property Acquisition                     | \$ 7,500          |
| Plans/Specifications                     | 8,550             |
| Bid Advertising                          | 995               |
| Preliminary Site Grading                 | 11,200            |
| Building Shell                           | 65,228            |
| Electrical Wiring<br>and Fixtures        | 18,362            |
| Plumbing                                 | 13,508            |
| Heating & Air Conditioning               | 17,085            |
| Interior Carpentry                       | 77,849            |
| Floor Covering                           | 4,124             |
| Phone System                             | 4,586             |
| Final Site Grading<br>and Retaining Wall | 15,839            |
| Other                                    | 574               |
| Total                                    | \$ <u>245,400</u> |

Building expenditures totaled approximately \$30,000 and \$215,400 in 1998 and 1999, respectively.

During our review of the building project we noted that many of the concerns and problems appeared to largely originate from inadequate board involvement in advanced project planning and the necessary related fiscal and budgetary planning. For example, the board did not appear to take adequate measures in the early planning stages of the building project to identify an expected cost per square foot for a new building. Had this been done, such information could have been used to help establish the initial scope of the project and to ensure the expected total project costs were identified and compared to the department's available building funds. At that point the size of the building to be built could have been reduced as necessary to avoid exceeding available funding or longer term financing could have been considered and negotiated.

These planning failures essentially prevented the board from properly identifying and adequately controlling the cost of the building project. There were several notable problems with board management of the project, including the following:

- C Inadequate board involvement in planning and project management.
- C Inadequate internal controls overseeing project invoices and payments.
- C Inadequate budgeting.
- C Inadequate safeguarding of assets.

**WE RECOMMEND** in any future projects or health department operations the Board of Trustees ensure it evaluates in advance all construction costs and other potential costs related to the project in an effort to determine realistic, usable, and complete cost estimates. This information should then be used by the board to determine project feasibility and scope and to prepare a proper financial plan. In addition, the board must ensure it exercises proper board oversight, has effective internal controls, adequate budgeting, and properly safeguards all assets.

### **AUDITEE'S RESPONSE**

*The Health Board responded:*

*The board agrees there were problems with the handling of the building project by the former Board of Trustees. The current board will ensure that future projects and endeavors will be more adequately planned.*

*The former administrator responded:*

*Idid as the board asked. Had I known the proper procedure and process for the building project, these concerns would have been handled properly.*

## **2. Building Construction Procedures and Project Oversight**

- A. Chapter 49, RSMo 1994, establishes construction guidelines for county buildings and requires the board to appoint a suitable person to superintend any construction project. Chapter 49, RSMO 1994, requires the superintendent to prepare plans and a cost estimate for the project and submit them to the board for approval and also to submit periodic progress reports during construction.

The Board of Trustees authorized the former administrator to act as the superintendent for the construction project, however, it appears she did not properly or adequately inform the board of the total expected cost. Based on health department records and documented estimates obtained by the former administrator, in March 1998 it was expected that the building would cost at least \$62,200. However, it appears many other costs had not been identified and the department did not learn until April 1998 that state law would require that project laborers be paid prevailing wages. The unidentified costs and prevailing wage requirements significantly increased the expected cost of the project but there was no documentation that any effort was made by the board or the administrator to determine the total effect of those differences and incorporate them into planning considerations.

The administrator met with the project architect in May 1998 to establish the initial plans and it was not until November 24, 1998 that the board met with the architect. There was no documentation that the board asked for an estimated total project cost at that meeting. The administrator indicated that she knew at that time the cost would be approximately \$65 to \$70 per square foot but she did not inform the board. No one was able to provide written details of any discussions with the architect and the details were not included in the board minutes.

A cost of \$70 per square foot would equal a total cost of \$231,000. There is no record that the former administrator ever disclosed the total cost estimate to the board.

The board should ensure future projects are adequately planned and cost estimates are obtained and documented. In addition, the board must ensure that it applies adequate oversight to all health department operations. Good management practices require extensive and detailed oversight by the board.

- B. Our comparison of payments to vendors against contract bids revealed the electrical contractor was overpaid \$4,000. The health department contracted with a vendor to install all electrical services for its new building at a cost, after change orders, of \$18,362.

The vendor was actually paid \$22,362. After we brought the overpayment to the health department's attention, the \$4,000 was reimbursed in October 1999.

Good management practice requires invoices be compared to contract bids to prevent the possibility of such inappropriate payments. Failure to adequately review invoices and other supporting documentation and to periodically compare payments made to the contract bid increases the possibility of overpayment.

- C. The health department contracted with the lowest of two bidding vendors to provide "interior carpentry" services, consisting of installation of interior walls, ceilings, insulation, windows, and painting at a total cost of \$91,750. According to the contract specifications, the contractor was to furnish and install mini-blinds at each window, however, none were installed. It appears this was authorized by the former administrator without board approval and there was no reduction in the contract cost to compensate for the omission. In lieu of the contractor installing blinds, the former administrator said she planned to install mini-blinds herself. Since the completion of the building project the current administrator has purchased and installed mini-blinds in the conference room. Several other windows still need blinds added.

The board as a part of its oversight responsibilities should ensure contractors perform all work specified in the contract. If modifications to contract specifications become necessary they should be in writing, reviewed by the architect, and approved by the board of trustees.

The board should review the contract specifications and consider contacting the vendor to request full contract compliance or an appropriate price adjustment.

**WE RECOMMEND** the Board of Trustees:

- A. Apply adequate oversight procedures and comply with all laws and regulations regarding construction or other activities in any future projects. This would include ensuring project cost estimates are obtained, presented and evaluated to ensure the best informed management decisions are made.
- B. In the future, perform periodic comparisons of amounts paid to vendors to the contract bids to prevent overpayment and ensure the propriety of all payments made.
- C. Review the interior contract specifications and consider requesting the contractor comply with the contract or make appropriate price adjustments.

**AUDITEE'S RESPONSE**

*The Health Board responded:*

*A&B. We agree. For any future projects, the board will apply adequate oversight procedures.*

*C. We plan to review the interior contract specifications.*

*The former administrator responded:*

*C. I personally obtained a larger than specified window for the conference room at no expense to the health department. The contractor installed this window and during the installation the window pane was cracked. The contractor replaced the window at no cost to the health department. I agreed with the contractor he could provide a new window in lieu of mini-blinds at each window. The health department owned pleated shades that would be installed in lieu of mini-blinds.*

### **AUDITOR'S COMMENT**

The agreement on the blinds was not documented or submitted to the board, therefore the timing of the contractor's agreement to provide a replacement window at no cost could not be compared to the timing of the agreement on the mini-blinds.

### **3. Budgetary Practices**

- A. The former administrator was responsible for preparing and submitting to the Board of Trustees the health department's annual budget. As noted in our report of Schuyler County for the two years ended December 31, 1998, health department expenditures exceeded budgeted amounts during the years ended December 31, 1998 and 1997 by approximately \$65,700 and \$47,800, respectively. The overspending was partly a result of unbudgeted construction costs for the new building in 1998 and increases in employee salary expenditures in 1998 and 1997. Similarly, the 1999 budget failed to include expected building expenditures. In July 1999, near building project completion, an amended 1999 budget was submitted that included 1999 budgeted and 1998 actual construction expenditures.

During our review we determined the board did not adequately comply with statutory requirements for advanced public notice of the hearings for consideration of the original or amended budgets. Any major project such as this health department building project requires careful advanced planning and strict compliance with the county budget laws and careful monitoring to ensure that unexpected problems and cost surprises are minimized.

- B. The board does not perform or require a periodic comparison of actual revenues and expenditures with budgeted amounts. Such monitoring might have allowed the board to identify financial problems resulting from the building project on a more timely basis.



A complete and well-planned budget can serve as a useful management tool by establishing specific cost expectations for each area and providing a means to effectively monitor costs and financial condition.

**WE RECOMMEND** the Board of Trustees:

- A. Ensure complete and accurate budgets that reflect all anticipated revenues and expenditures are prepared. In addition, ensure the department complies with statutory requirements for advanced public notice of the hearings for consideration of the original or amended budgets.
- B. Compare actual revenues and expenditures with budgeted amounts on an ongoing basis.

**AUDITEE'S RESPONSE**

*The Health Board responded:*

*A&B. We are currently complying with the budget laws and comparing actual to budgeted amounts and will continue to do so in the future.*

|                              |
|------------------------------|
| <b>4. Insurance Coverage</b> |
|------------------------------|

The health department failed to obtain builder's risk insurance to cover the building project during construction. By monitoring contract terms and physical progress, the board was aware of significant project costs in early 1999, however, no insurance coverage was obtained. This lack of insurance coverage subjected taxpayer funds to unnecessary risks of loss. Had the building been damaged or destroyed during construction, the health department would have received no compensation for any losses.

An insurance policy on the new building, consisting of \$240,000 in coverage, was purchased in August 1999, and retroactively took effect on June 26, 1999 according to the policy.

To adequately safeguard health department assets and prevent loss of taxpayer monies, the board should obtain adequate insurance coverage for all new assets.

**WE RECOMMEND** the Board of Trustees ensure that health department assets continue to be adequately insured to protect against potential losses.

**AUDITEE'S RESPONSE**

*The Health Board responded:*

*The current board did review for insurance coverage and found that the building lacked adequate coverage. Proper coverage was obtained and it will be continued in the future.*

*The former administrator responded:*

*I acknowledge that I did not follow through and obtain adequate insurance coverage.*

This report is intended for the information of the health department's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



FORTY-FOURTH JUDICIAL CIRCUIT

MUNICIPAL DIVISIONS

YEARS ENDED 1998 AND 1999

**From The Office Of State Auditor  
Claire McCaskill**

# AUDIT REPORT

Report No. 2000-02  
January 4, 2000



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**During our audit of the Forty-Fourth Judicial Circuit, City of Mansfield, Missouri, Municipal Division, we identified the following problems.**

The City of Mansfield Municipal Division accepts cash, checks, and money orders for payment of fines, court costs, and bonds. The Court Clerk is responsible for receiving, recording, and depositing court monies as well as preparing disbursements and reconciling bank statements. Prenumbered receipt slips are issued for monies received, and deposits are made into a municipal court bank account.

Court records indicate \$3,898 was collected by the court but not deposited into the court bank account. In addition, \$64 cash was reported stolen on August 8, 1999 in a break-in at city hall. As a result, undeposited receipts total \$3,962.

The monies that are missing appear to represent cash receipts which were received between July 1998 and June 1999 and recorded but not deposited. The cash percentage of deposits decreased approximately 20 percent during July 1998 through June 1999.

Two receipt books containing a total of 300 municipal court receipts could not be located by the court. We located 84 duplicate copies of these receipt slips. It appears that receipt slips were issued from these two receipt books at the same time other receipt books were in use. The "missing receipt books" included court monies that were received but not deposited into the court's bank accounts. The use of these additional receipt books helped to conceal the misappropriation. Because 216 receipt slips are still missing, it appears likely additional monies have been misappropriated.

Information gathered during our review has been provided to the Wright County Prosecuting Attorney and Sheriff.

The duties of receiving, recording, depositing, and disbursing court receipts are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed by the Court Clerk.

Receipt slips are not deposited on a timely basis. Receipts were deposited approximately once or twice a month. To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

Fines and court costs are not disbursed monthly to the state and city treasury. As of August 1999 the former court clerk had not disbursed fines and court costs to the city since September 1998. Crime Victim's Compensation (CVC) and Police Officer Standards and Training Commission (POSTC) fees have not been turned over to the state since February 1999. State law requires 95 percent of the CVC to be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.

YELLOW SHEET

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS

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## FINANCIAL SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**

Presiding Judge  
and  
Municipal Judges  
Forty-Fourth Judicial Circuit

We have audited the accompanying special-purpose financial statements of the various municipal divisions of the Forty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998, and June 30, 1999 and 1998, as identified by municipality and fiscal period in the table of contents. These special-purpose financial statements are the responsibility of the municipal divisions' management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the municipal divisions of the Forty-Fourth Judicial Circuit and are not intended to be a complete presentation of the financial position and results of operations of the municipal divisions.

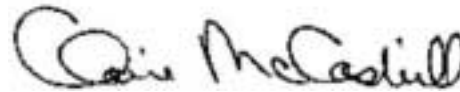
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of the municipal divisions of the Forty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998, and June 30, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.



The various municipal divisions of the Forty-Fourth Judicial Circuit have not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the municipal divisions are or will become year 2000-compliant, that the municipal divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal divisions do business are or will become year 2000-compliant.

In accordance with Government Auditing Standards, we also have issued our report dated October 5, 1999, on our consideration of the municipal divisions' internal controls over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

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Claire McCaskill  
State Auditor

October 5, 1999 (fieldwork completion date)



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge  
and  
Municipal Judges  
Forty-Fourth Judicial Circuit

We have audited the special-purpose financial statements of the various municipal divisions of the Forty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998, and June 30, 1999 and 1998, and have issued our report thereon dated October 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

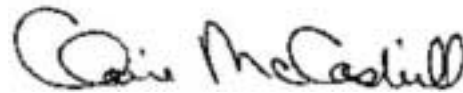
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the various municipal divisions of the Forty-Fourth Judicial Circuit are free of material misstatement, we performed tests of the municipal divisions' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the various municipal divisions of the Forty-Fourth Judicial Circuit, we considered the municipal divisions' internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgement, could adversely affect the municipal divisions' ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal controls over financial reporting and their operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the various municipal divisions of the Forty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

October 5, 1999 (fieldwork completion date)

## Financial Statements

Exhibit A

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | Village of Theodosia<br>Year Ended September 30, |      |
|-------------------------------------|--|------|
|                                     | 1999   | 1998 |
| RECEIPTS                            |  |      |
| Fines and costs                     | \$ 0   | 268  |
| Total Receipts                      | 0  | 268  |
| DISBURSEMENTS                       |  |      |
| City treasury                       | 0  | 262  |
| State of Missouri                   | 0  | 6    |
| Total Disbursements                 | 0  | 268  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0  | 0    |
| CASH, OCTOBER 1                     | 0  | 0    |
| CASH, SEPTEMBER 30                  | \$ 0   | 0    |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Ava         |        |
|-------------------------------------|---------------------|--------|
|                                     | Year Ended June 30, |        |
|                                     | 1999                | 1998   |
| RECEIPTS                            |                     |        |
| Fines, costs, bonds, and other      | \$ 49,922           | 43,709 |
| Total Receipts                      | 49,922              | 43,709 |
| DISBURSEMENTS                       |                     |        |
| City treasury                       | 52,428              | 41,153 |
| State of Missouri (Note 3)          | 0                   | 0      |
| Total Disbursements                 | 52,428              | 41,153 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -2,506              | 2,556  |
| CASH, JULY 1                        | 4,406               | 1,850  |
| CASH, JUNE 30                       | \$ 1,900            | 4,406  |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Hartville<br>Year Ended June 30, |        |
|-------------------------------------|--|--------|
|                                     | 1999                                     | 1998   |
| RECEIPTS                            |  |        |
| Fines, costs, bonds, and other      | \$ 11,780                                | 11,434 |
| Total Receipts                      | 11,780                                   | 11,434 |
| DISBURSEMENTS                       |  |        |
| City treasury                       | 10,924                                   | 10,493 |
| State of Missouri                   | 851                                      | 811    |
| Refunds and other                   | 5  | 130    |
| Total Disbursements                 | 11,780                                   | 11,434 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 0  | 0      |
| CASH, JULY 1                        | 0  | 0      |
| CASH, JUNE 30                       | \$ 0                                     | 0      |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH

|                                     | City of Mountain Grove<br>Year Ended June 30, |        |
|-------------------------------------|---|--------|
|                                     | 1999  | 1998   |
| RECEIPTS                            |   |        |
| Fines, costs, bonds, and other      | \$ 40,918                                     | 32,710 |
| Total Receipts                      | 40,918  | 32,710 |
| DISBURSEMENTS                       |   |        |
| City treasury                       | 35,810  | 28,738 |
| State of Missouri                   | 2,236   | 1,732  |
| Refunds and other                   | 3,354   | 2,481  |
| Total Disbursements                 | 41,400  | 32,951 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | -482  | -241   |
| CASH, JULY 1                        | 652   | 893    |
| CASH, JUNE 30                       | \$ 170  | 652    |

The accompanying Notes to the Financial Statements are an integral part of this statement.



## Notes to the Financial Statements

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the funds administered by the various municipal divisions of the Forty-Fourth Judicial Circuit of the state of Missouri. The municipal divisions of the city of Gainesville and the city of Mansfield are reported on separately.

Receipts, disbursements, and changes in cash are presented for each municipal division. The operating costs of each division are paid by the respective municipality, the county, or the state of Missouri, as applicable, and are not included in the financial statements.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases, whether in the custody of the city or the municipal division, are included in these financial statements.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash are prepared on the cash basis of accounting, accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal divisions account for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking meter and overtime parking offenses, and other violations for which amounts are received by the municipal divisions and remitted to the city treasury. The municipal divisions also may account for restitutions received and disbursed through the divisions.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the city treasury at least monthly. Some divisions maintain bank accounts into which fines and court costs are deposited and later remitted to the city treasury. Other divisions do not maintain bank accounts, transmitting fines and court costs directly to the city treasury. Escrow bank accounts for bond monies received may be maintained by the city or the municipal division.

At the financial statement dates identified in the table of contents for the years ended 1999 and 1998, all bank account balances reported for the municipal divisions of the Forty-Fourth Judicial Circuit were entirely covered by federal depositary insurance.

3. Disbursements to State

The municipal divisions collect various amounts that must be remitted to the state of Missouri. These amounts include the surcharges for the Crime Victims' Compensation and Services to Victims Funds, and the Peace Officer Standards and Training Commission Fund. The state's portion of these amounts are deposited into the city treasury for all municipal divisions, except the municipal divisions of the Village of Theodosia, the city of Hartville, and the city of Mountain Grove. Amounts remitted by the cities to the state are not included in the financial statements.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the various municipal divisions of the Forty-Fourth Judicial Circuit as of and for the years ended September 30, 1999 and 1998, and June 30, 1999 and 1998, and have issued our report thereon dated October 5, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our procedures related to the municipal divisions' special-purpose financial statements. During those procedures, we also identified certain management practices which we believe could be improved. Our procedures were not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

**1.**

**City of Ava Municipal Division**

- A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the reconciliations and a comparison of court receipt slips issued to amounts deposited.
- B. The municipal division accepts cash, checks, and money orders for fines, court costs, and bonds; however, the method of payment is not always indicated on receipt slips. To ensure all receipts are deposited intact, the method of all payments received should be indicated on the receipt slips. The composition of receipt slips issued should be reconciled to the composition of deposits.
- C. The municipal division allows defendants to pay fines and court costs over a period of time. The Court Clerk maintains the balance due information on a computerized spreadsheet; however, periodic listings of amounts due are not prepared. In addition, a control ledger is not maintained showing the total amount due which can be reconciled to the individual account receivable records. Monthly or periodic listings of accounts receivable are necessary to facilitate the monitoring of amounts due to the court, to provide information to the Municipal Judge, and to help maximize collections. These listings should be reconciled on a periodic basis to the individual accounts receivable records.

**WE RECOMMEND** the city of Ava Municipal Division

- A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.
- B. Record the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to deposits.
- C. Prepare a periodic listing of accounts receivable and reconcile this information to the individual accounts receivable records. A report of cases with delinquent payments and/or significant balances should be provided to the Municipal Judge regularly for review.

**AUDITEES RESPONSE:**

*The Municipal Judge and Court Clerk responded as follows:*

- A. *In a small community segregation of duties is not always possible. The city treasurer performs the monthly bank reconciliation, and will begin comparing receipts to deposits.*
- B. *The Court Clerk does record all method of payments to the receipt books and it is also documented on all cash register tapes; however, in the future we will ensure that police officers who collect money also indicate the method of payment.*
- C. *At this time we are working on a system to make a computerized listing of total amounts due on unpaid fines and it will be implemented in the next fiscal year. However, the clerk does review unpaid balances with the Judge on each court day on the Show Cause docket. We also have several work days that we review cases with significant balances throughout the year.*

|           |   |
|-----------|---|
| <b>2.</b> | <b>City of Hartville Municipal Division</b> |
|-----------|---|

- A. The duties of receiving, recording, depositing, and disbursing court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the bank reconciliations and a comparison of court receipt slips issued to amounts deposited.
- B. The municipal division accepts cash, checks, and money orders for fines, court costs and bonds. The Court Clerk does not always record the method of payment on receipt slips. To ensure all receipts are deposited intact, the method of all payments received should be indicated on the receipt slips. The composition of receipt slips issued should be reconciled to the composition of bank deposits.
- C. Neither the police department nor the municipal division maintains records adequate to account for all tickets issued and their ultimate disposition. The Court Clerk maintains records of the ticket book issued to each officer. The police department discontinued

keeping a ticket log in May 1997, and places copies of tickets issued in a file in no particular order.

Without a proper accounting of the numerical sequence of tickets issued, the police department and the municipal division cannot be assured that all tickets issued are properly submitted to the municipal division for processing. A log listing the ticket books assigned, each ticket issued in numerical sequence, the date issued, and the violator's name would help ensure all tickets issued were submitted to the municipal division for processing, properly voided, or not prosecuted. In addition, a record of the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly.

**WE RECOMMEND** the city of Hartville Municipal Division:

- A. Establish a documented review of municipal division records by an independent person.
- B. Record the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to deposits.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets assigned and issued.

**AUDITEES RESPONSE:**

*The Court Clerk responded as follows:*

- A. *The judge will begin reviewing the monthly bank reconciliations and will sign them to document the review.*
- B. *Any receipt slips with the method not indicated were simply an oversight. In the future I will be more careful.*
- C. *We have discussed this with the police chief and he is maintaining a numerical listing of the tickets.*

|           |  |
|-----------|--|
| <b>3.</b> | <b>City of Mountain Grove Municipal Division</b> |
|-----------|--|

The duties of receiving, recording, and depositing court receipts are not adequately segregated. Currently, the Deputy Court Clerk performs all of these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the bank reconciliations and a comparison of court receipt slips issued to amounts deposited.

**WE RECOMMEND** the city of Mountain Grove Municipal Division adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.



**AUDITEES RESPONSE:**

*The Municipal Judge and Court Clerk responded that the City Clerk will begin reviewing the bank reconciliation monthly.*

This report is intended for the information of the management of the various municipal divisions of the Forty-Fourth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the municipal divisions of the Forty-Fourth Judicial Circuit on recommendations made in the Management Advisory Report (MAR) of our report issued for the years ended 1995 and 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal divisions should consider implementing these recommendations.

1. City of Ava Municipal Division

- A. Receipt slips did not consistently indicate the method of payment.
- B. Bond forms issued by the Douglas County Sheriff's Department for the City of Ava Municipal Division did not indicate the method of payment received, the date bond monies were received, and were not prenumbered. In addition, bond monies received by the Court Clerk were not periodically reconciled to the Sheriff's department's records of bond monies collected.
- C. The Municipal Judge did not sign the court dockets after case dispositions were recorded, and the City Attorney did not sign tickets that were not prosecuted.
- D. The court charged the Law Enforcement Training fee on several dismissed cases.

Recommendation:

The city of Ava Municipal Division:

- A. Indicate the method of payment on all receipt slips issued and reconcile total cash, checks, and money orders received to bank deposits.
- B. Request the Douglas County Sheriff to issue prenumbered bond forms indicating the method of payment and the date when bond monies are collected by the Sheriff's department. In addition, bond monies received by the Court Clerk should be reconciled periodically to the Sheriff's department's records.
- C. Require the Municipal Judge's signature on all court dockets and the City Attorney's signature on all tickets not prosecuted.
- D. Discontinue collecting LET fees on dismissed cases in accordance with state law.

Status:

- A. Not implemented. See MAR No. 1.
- B-D. Implemented.

2. City of Hartville Municipal Division

Receipt slips were not prenumbered and did not always indicate the method of payment received.

Recommendation:

The City of Hartville Municipal Division issue prenumbered receipt slips for all monies received, indicate the method of payment on each receipt slip issued, and reconcile total cash, checks, and money orders received to bank deposits.

Status:

Partially implemented. Prenumbered receipt slips are issued; however, the receipt slips did not always indicate the method of payment received. See MAR No. 2.

3. City of Mountain Grove Municipal Division

- A. The municipal division did not have adequate procedures to follow-up on amounts owed to the court.
- B. The Municipal Judge did not sign the court dockets after case dispositions were recorded, and the City Attorney did not sign tickets which were amended or not prosecuted.
- C. The Law Enforcement Training (LET) Fund fee was not collected on nontraffic ordinance violations.

Recommendation:

The City of Mountain Grove Municipal Division:

- A. Establish procedures to maximize the collection of fines and court costs owed to the municipal division.
- B. Require the Municipal Judge's signature on the court dockets and the City Attorney's signature on all amended tickets and tickets not prosecuted.
- C. Collect the LET fee on all nontraffic ordinance violations in accordance with state law.

Status:

A-C. Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

FORTY-FOURTH JUDICIAL CIRCUIT  
MUNICIPAL DIVISIONS  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organization

The Forty-Fourth Judicial Circuit is composed of Douglas, Ozark, and Wright counties. The Honorable John G. Moody serves as Presiding Judge. There are six municipal divisions within the Forty-Fourth Judicial Circuit. The municipal divisions of the city of Gainesville and the city of Mansfield are reported on separately.

The municipal divisions are governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality, the county, or the state of Missouri, as applicable.

Municipal Division Organization, Personnel and Caseload Information

1. City of Ava

Organization

The Court Clerk is responsible for recording transactions as well as handling collections. Fines, court costs, and bonds are deposited directly into the city treasury daily. The municipal division also collects fees for prisoner board and police report copies which are deposited in to the city treasury daily. Court is held twice a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

|                 |                    |
|-----------------|--------------------|
| Municipal Judge | Bradford Ellsworth |
| Court Clerk     | Melissa Sellers    |

Caseload Information

|                       |                             |             |
|-----------------------|-----------------------------|-------------|
|                       | <u>Years Ended June 30,</u> |             |
|                       | <u>1999</u>                 | <u>1998</u> |
| Number of cases filed | 779                         | 434         |

2. City of Hartville

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for fines, court costs, and bonds. Fines and court costs are paid monthly to the city treasury and the state. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

|                        |                   |
|------------------------|-------------------|
| Municipal Judge        | Shannon R. Bryant |
| City Clerk/Court Clerk | Sue Jolley        |

Caseload Information

|                       | <u>Years Ended June 30,</u> |             |
|-----------------------|-----------------------------|-------------|
|                       | <u>1999</u>                 | <u>1998</u> |
| Number of cases filed | 194                         | 171         |

3. City of Mountain Grove

Organization

The City Clerk serves as the Court Clerk and, assisted by the Deputy City Clerk is responsible for recording transactions and handling collections and disbursements. The police dispatchers receive payment of fines, court costs, and bonds when the Court Clerk is not present. The police dispatchers transmit collections to the Court Clerk daily. A bank account is maintained for fines and court costs. Amounts collected are paid monthly to the city treasury and the state. Bond monies are deposited into a separate municipal division bank account pending disposition. Court is held once a month. A TVB has been established to receive payment of fines and court costs at times other than during court.

Personnel

|                        |                 |
|------------------------|-----------------|
| Municipal Judge        | W. David Relyea |
| City Clerk/Court Clerk | Judy Kjellberg  |
| Deputy Court Clerk     | Karen Linton*   |

\* Becky Noel served as Deputy Court Clerk prior to April 1998.



#### Caseload Information

|                       | <u>Year Ended June 30.</u> |             |
|-----------------------|----------------------------|-------------|
|                       | <u>1999</u>                | <u>1998</u> |
| Number of cases filed | 509                        | 432         |

#### 4. Village of Theodosia

##### Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The municipal division maintains a bank account for fines, court costs, and bonds. Fines and court costs are paid monthly to the city treasury and the state. Court is held four times a year. A TVB was established in March 1998, to receive payment of fines and court costs at times other than during court. Only one case was filed and processed through the municipal division during the two years ended September 30, 1999. The Associate Circuit Judge of Ozark County serves as the judge for this municipality.

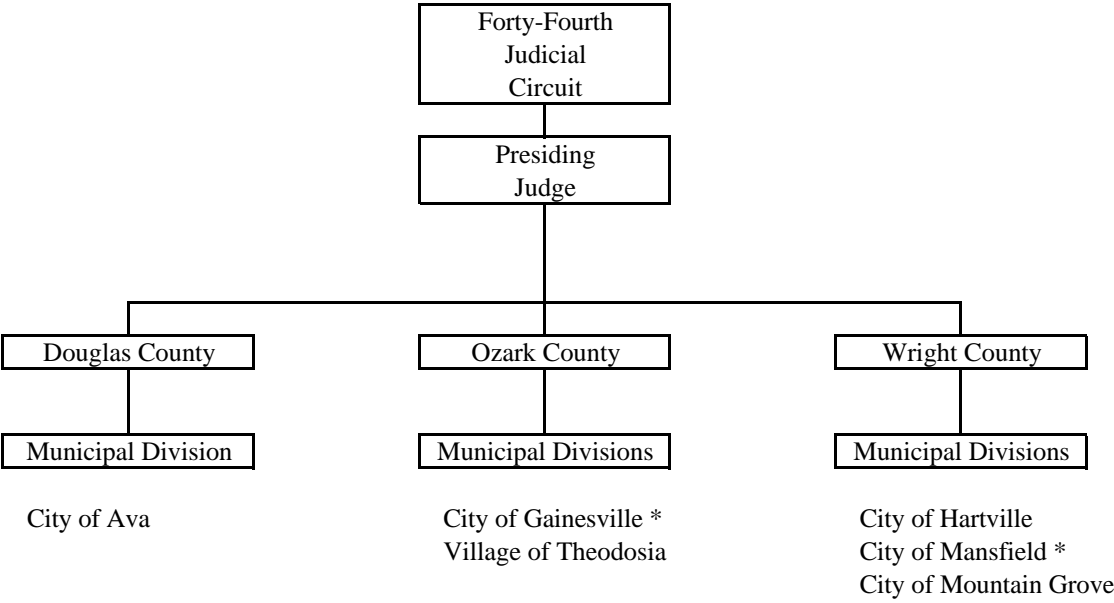
##### Personnel

|                         |               |
|-------------------------|---------------|
| Associate Circuit Judge | John Jacobs   |
| Court Clerk             | Nancy Burnett |

#### Caseload Information

|                       | <u>Year Ended September 30.</u> |             |
|-----------------------|---------------------------------|-------------|
|                       | <u>1999</u>                     | <u>1998</u> |
| Number of cases filed | 0                               | 1           |

FORTY-FOURTH JUDICIAL CIRCUIT  
 MUNICIPAL DIVISIONS  
 ORANIZATIONAL CHART



\* Reported on separately.

\* \* \* \* \*



NINETEENTH JUDICIAL CIRCUIT

COLE COUNTY, MISSOURI

THREE YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-01  
January 4, 2000

AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2000

*The Nineteenth Judicial Circuit Court consists of Cole County. During our audit, we identified certain management practices which we believe could be improved.*

At December 31, 1998, the Nineteenth Judicial Circuit, Cole County, Missouri, held assets for four receivership cases totaling \$2.75 million. Three of the four receiverships involve utility companies for which the court has ordered the companies to make refunds to customers, and the other receivership involves an insurance company that is being liquidated. One of the four cases was placed in receivership in 1981 and its assets are \$1.6 million of the \$2.75 million total, while the other cases were placed in receivership from 1986 to 1994. The assets of the receiverships are invested, and the investment income is distributed based on orders from the circuit judges.

Although only \$4,819 from these receiverships' assets was distributed to the claimants of the assets from 1996 through 1998, other parties as noted below have received more substantial amounts during the three years ended December 31, 1998:

|  |           |
|--|-----------|
| Cole County General Fund                 | \$687,118 |
| (designated for courthouse improvements) |           |
| Receivers' fees                          | 48,438    |
| Banking fees                             | 20,658    |
| Bonding fees and other                   | 7,129     |

The receivers' fees were paid to current or former court employees who serve as the court-appointed receivers. The receivers' duties and responsibilities include holding and administering the assets of the cases. In addition to their normal court salaries, the receivers are paid monthly compensation ranging from \$250 to \$430 from the receiverships' assets, and the receivers are to perform these duties outside of normal court working hours. Because there has been little activity in these accounts other than investment activity which is handled by the applicable banks, it appears the receivers' workload has decreased over the years while their compensation has remained the same.

The State Auditor recommended the circuit judges review these receivership cases and determine whether the receivership assets should be distributed to the state Unclaimed Property Section or should be disposed of in another manner.

Receipts handled by the Associate Circuit Division III from civil, criminal, traffic, and municipal cases, as well as applicable cash bonds totaled approximately \$967,000, \$925,000, and \$833,000 for years ended December 31, 1998, 1997, and 1996, respectively. Our audit noted the following concerns related to these collections:

(over)

YELLOW SHEET

- Some monies received for payment of traffic tickets are not recorded on the receipts ledger or deposited on a timely basis. All receipts should be recorded immediately upon receipt and deposited on a timely basis.
- The court has not established procedures to follow up on checks which have been outstanding for a considerable length of time. If the payees cannot be located, the amounts should be disposed of in accordance with state law.

The Juvenile Office receives payments for restitution, care and maintenance, and drug test fees collected directly by juvenile officers. Receipts handled by the Juvenile Office totaled approximately \$22,700, \$12,500, and \$14,500 for years ended December 31, 1998, 1997, and 1996 respectively. Monies collected by the Juvenile Office are transmitted to the Cole County Treasurer's office.

- Receipts related to care and maintenance are not transmitted to the County Treasurer's office on a timely basis.
- The Juvenile Office did not retain billing invoices, ledgers of account balances, and payment histories for care and maintenance cases for the years ended December 31, 1997 and 1996. In addition, these records were discarded for certain cases filed in 1998. These records should be retained to document the validity of transactions, provide an audit trail, and account for all monies received. In addition, all records should be retained in accordance with Supreme Court Administrative Rule 8.
- Procedures to monitor and collect accrued costs could be improved. The Juvenile Office has established procedures to issue second billing notices when delinquent, issue court orders for hearings on payment of costs, and refer cases to the Deputy Juvenile Officer for possible garnishment of wages. Our review of accrued costs noted cases in which no court order was entered and no other follow-up action was taken to collect accrued costs. Three cases reviewed had outstanding balances totaling approximately \$5,362 in which no pursuit of collection has been made since December 1998.
- In addition, Juvenile Office personnel indicated that certain accounts were written off approximately two months after a second billing notice was issued and in some instances accounts were written off without the authorization of the Judge. Also, when authorization was obtained from the Judge to write off an account, the applicable documentation was not kept. To ensure the validity of account write-offs, all amounts written off should be approved by the Judge and documentation of this approval should be retained.

NINETEENTH JUDICIAL CIRCUIT  
COLE COUNTY, MISSOURI

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Presiding Judge and Court en banc  
and  
The Circuit Clerk of the  
Nineteenth Judicial Circuit  
Cole County, Missouri

The State Auditor is required under Section 29.200, RSMo 1994, to audit all accounts of the Nineteenth Judicial Circuit, Cole County, Missouri. The Cole County Commission engaged Evers & Company, Certified Public Accountants (CPAs), L.L.C., to perform annual audits of the financial statements of Cole County, including the various divisions of the Nineteenth Judicial Circuit, Cole County, Missouri for the years ended December 31, 1998, 1997, and 1996. To satisfy our statutory obligation and minimize duplication of effort, the State Auditor has used the work of the CPAs. We reviewed the reports and substantiating working papers of the CPAs to satisfy ourselves as to the appropriateness of using their reports, and we accept them in partial fulfillment of our responsibility under Section 29.200, RSMo 1994.

The objectives of our review were to:

1. Review certain financial activity and related procedures and examine compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
2. Examine certain management practices which we believe could be improved.
3. Follow up on the status of recommendations made in our previous report.

Our review was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the records and procedures, and interviewed personnel of the judicial circuit.

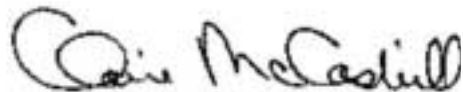
As part of our review, we assessed the judicial circuit's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.



Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management and the Office of State Courts Administrator and was not subjected to the procedures applied in our review of the Nineteenth Judicial Circuit, Cole County, Missouri.

Our comments on internal controls, compliance with legal requirements, management practices, and related areas are presented in the accompanying Management Advisory Report.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

June 24, 1999 (fieldwork completion date)

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Current Recommendations

NINETEENTH JUDICIAL CIRCUIT  
COLE COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Receiverships (pages 7-8)

The court is holding \$2.75 million in four receiverships for which current or former court employees serve as the court-appointed receivers. About \$1.6 million of this money has been held since 1981, and there has been little or no follow-up to locate the claimants of the receiverships' assets. Transfers to Cole County's General Fund and payments of receivers and banking fees represent the majority of the expenditures from these receiverships; while little has been paid to claimants. It appears these receivership monies should be disposed of properly.

2. Associate Circuit Division III's Accounting Controls and Procedures (pages 8-10)

Some monies received for payment of traffic tickets are not immediately recorded or deposited. Follow-up is not performed on old outstanding checks. Monthly listings of open items are not prepared, and some unclaimed monies have been held for more than nineteen years.

3. Juvenile Office's Accounting Controls and Procedures (pages 10-13)

Prenumbered receipt slips are not issued immediately upon receipt of some monies. Checks are not restrictively endorsed immediately upon receipt and receipts are not transmitted to the County Treasurer on a timely basis. Some accounting records were not retained. Collection of some accrued costs are not actively pursued, accrued costs may be written off without the Judge's approval, and when the write-off is approved, documentation is not retained.

NINETEENTH JUDICIAL CIRCUIT  
COLE COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S CURRENT RECOMMENDATIONS

In addition to our review of the reports and substantiating working papers of Evers & Company, Certified Public Accountants, L.L.C., we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. However, our review disclosed certain conditions that may represent noncompliance and these findings are presented in our report.

During our audit, we identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in our report should not be considered as all-inclusive of areas where improvements may be needed.

The period of audit for the purposes stated above included, but was not limited to, the three years ended December 31, 1998.

|           |                      |
|-----------|----------------------|
| <b>1.</b> | <b>Receiverships</b> |
|-----------|----------------------|

The Nineteenth Judicial Circuit, Cole County, Missouri, currently has four receivership cases for which current or former court employees serve as the court-appointed receivers. The two circuit judges of the Nineteenth Judicial Circuit each preside over two of these cases. The receivers' responsibilities include holding and administering the assets of the cases. In addition to their normal court salaries, the receivers are paid monthly compensation ranging from \$250 to \$430 from the receiverships' assets for performing the receivers' duties, and the receivers are to perform these duties outside of normal court working hours. At December 31, 1998, the assets of these receiverships totaled \$2.75 million.

Three of the four receiverships involve utility companies for which the court has ordered the companies to make refunds to customers, and the other receivership involves an insurance company that is being liquidated and its assets are being distributed to its creditors. During the three years ended December 31, 1998, only \$4,819 from these receiverships' assets was distributed to the claimants of the assets. Court personnel have indicated that most of the claimants cannot be located and that little or no follow-up is currently done to locate the claimants. Because there has been little activity in these accounts other than investment activity which is handled by the

applicable banks, it appears the receivers' workload has decreased over the years while their compensation has remained the same.

One of the four cases was placed in receivership in 1981 and its assets are \$1.6 million of the \$2.75 million total, and the other cases were placed in receivership from 1986 to 1994. The assets of the receiverships are invested, and the investment income of the receiverships was distributed as follows during the three years ended December 31, 1998:

|  |           |
|--|-----------|
| Cole County General Fund                 | \$687,118 |
| (designated for courthouse improvements) |           |
| Receivers' fees                          | 48,438    |
| Banking fees                             | 20,658    |
| Bonding fees and other                   | 7,129     |

Due to the long period of time that the majority of the receivership assets have been held by the court, and due to the lack of follow-up in locating the claimants of the assets, the circuit judges should review these receivership cases and determine whether the assets should be disposed of in another manner. Sections 447.500 through 447.595, RSMo, include laws which pertain to the Uniform Disposition of Unclaimed Property and it appears that these laws could apply to the receivership cases. Specifically, Section 447.532, RSMo, states that all intangible personal property that has remained unclaimed by the owner for more than seven years is presumed abandoned and should be turned over to the state Unclaimed Property Section.

**WE RECOMMEND** the circuit judges review these receivership cases and determine whether the receivership assets should be distributed to the state Unclaimed Property Section or should be disposed of in another manner.

### **AUDITEE'S RESPONSE**

*The Circuit Judges provided the following response:*

*We appreciate the recommendation and will review to determine if the unclaimed property laws apply to these receiverships.*

## **2. Associate Circuit Division III's Accounting Controls and Procedures**

The Associate Circuit Division III maintains bank accounts and records for civil, criminal, traffic, and municipal cases, as well as any applicable cash bonds. In addition, an interest account is maintained to purchase equipment and supplies related to office operations. Receipts handled by the Associate Circuit Division III totaled approximately \$967,000, \$925,000, and \$833,000 for years ended December 31, 1998, 1997, and 1996, respectively. During our review of the

Associate Circuit Division III's accounting records and procedures, we noted the following concerns:

- A. Some monies received for payment of traffic tickets are not recorded on the computer system's receipts ledger or deposited on a timely basis. Traffic payments received in the mail are not recorded until a copy of the applicable traffic ticket has been received from the Prosecuting Attorney. In addition, partial traffic payments received in the mail are not recorded until payment is made in full. Receipt slips are issued for walk-in payments in the situations noted above; however, these receipt slips are not prenumbered by a printer. A cash count on June 18, 1999, noted receipts of \$2,505 which were not recorded on the computer system's receipts ledger. Of this amount, \$602 represented money orders for partial payments which were dated from 1988 through 1996.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be recorded immediately upon receipt and deposited on a timely basis. The court should also review the old money orders for partial payments and determine the proper disposition of these moneys. If the court deems it necessary to record receipts on the computer system after the applicable tickets are received or payment is received in full, a system should be developed in which these receipts are recorded on prenumbered receipt slips or a manual receipts log until they are recorded on the computer system.

- B. The court has not established procedures to follow up on checks which are outstanding for a considerable length of time. At December 31, 1998, checks totaling \$7,997 had been outstanding for more than one year. Some checks were outstanding for as long as nine years.

Checks which have been outstanding for a considerable length of time should be periodically reviewed to determine if the checks should be canceled and reissued if the payee can be located. If the payees cannot be located, the amounts should be disposed of in accordance with Sections 447.500 through 447.595, RSMo, or Sections 50.470 through 50.490, RSMo, as applicable.

- C. Listings of open items are not prepared for the civil account and listings of open items had not been prepared for the bond account since September 1998. Upon our request, open items listings were prepared for these accounts in May 1999; however, unreconciled differences of \$5,511 and \$1,476 existed between the open items listings and reconciled bank balances for the civil account and bond account, respectively.

Monthly listings of open items should be prepared and reconciled to cash balances for each account to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the court could attempt to determine the reasons for the differences and if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

- D. The court has held \$795 in unclaimed bonds and court refunds for sixteen individuals in a savings account since before 1980. Since these cases are over ten years old, the case files have been destroyed. In addition, approximately \$30,307 in old unclaimed bonds are currently in the bond bank account. Bonds remaining unclaimed for one year after disposition of the case should be disbursed to the state's Unclaimed Property Section in accordance with Section 447.595, RSMo 1994.

Conditions similar to Parts C and D were also noted in our prior report.

**WE RECOMMEND** the Associate Circuit Division III:

- A. Ensure all receipts are recorded immediately upon receipt and deposited on a timely basis and follow-up on the \$602 in old money orders for partial payments. For receipts that cannot be recorded immediately on the court's computer system, the court should develop a system in which these receipts are recorded on prenumbered receipt slips or a manual receipts log until they are recorded on the computer system.
- B. Establish procedures to periodically review outstanding checks and take action to resolve any old outstanding checks on a timely basis. Checks where the payees can be located should be reissued. Any unclaimed amounts should be disposed of in accordance with state law.
- C. Prepare monthly open-items listings and reconcile these listings to cash balances. Differences between the open-items listings and the cash balances should be investigated and resolved on a timely basis.
- D. Disburse all unclaimed bonds in accordance with state law.

**AUDITEE'S RESPONSE**

*The Associate Circuit Judge and the Division III Chief Clerk provided the following responses:*

- A. *We concur with the recommendation. We will attempt to more timely record and deposit these monies; possibly in the same manner as we process bonds. In addition, through off-site visits with other counties on the Banner System, we will investigate procedures that may alleviate this concern in the future.*
- B. *We concur with the recommendation and will work to resolve these outstanding checks. We are expecting additional staff in the near future who will be able to devote time to this area.*
- C. *This recommendation has been implemented.*



- D. *We will work with the Cole County Treasurer to implement this recommendation.*

### **3. Juvenile Office's Accounting Controls and Procedures**

The Juvenile Office receives payments for restitution and care and maintenance. Fees for drug tests are collected directly by juvenile officers when they meet with a juvenile. These drug test fees are later transmitted to the Juvenile Office. Receipts handled by the Juvenile Office totaled approximately \$22,700, \$12,500, and \$14,500 for years ended December 31, 1998, 1997, and 1996, respectively. Monies collected by the Juvenile Office are transmitted to the Cole County Treasurer's office.

- A. Receipt slips are not issued for drug test fees collected by juvenile officers. Also, receipt slips are only issued for cash received by the Juvenile Office and not for other receipts received by mail or in the form of check. In addition, receipt slips are not prenumbered; therefore, the numerical sequence of receipts slips cannot be accounted for and properly reconciled to the receipts journal.

To properly account for all monies received, prenumbered receipts slips should be issued for all receipts. In addition, the numerical sequence of receipts slips should be accounted for and receipts should be reconciled to the receipts journal.

- B. Checks are not restrictively endorsed immediately upon receipt. Instead, they are endorsed when the deposit is made. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.
- C. Receipts related to care and maintenance are not transmitted to the County Treasurer's office on a timely basis. During the year ended December 31, 1998, care and maintenance receipts totaled approximately \$21,910. Transmittals were made approximately three times a month and averaged approximately \$645. In addition, we reviewed receipts through June 1999, and noted that only three transmittals, averaging \$2,057, have been made since the first of the year. To adequately safeguard receipts, reduce the risk of loss, theft, or misuse of funds, and maximize interest income, transmittals should be made daily or when accumulated receipts exceed \$100.
- D. The Juvenile Office did not retain billing invoices, ledgers of account balances, and payment histories for care and maintenance cases for the years ended December 31, 1997 and 1996. In addition, these records were discarded for certain cases filed in 1998. These records should be retained to document the validity of transactions, provide an audit trail, and account for all monies received. In addition, all records should be retained in accordance with Supreme Court Administrative Rule 8.

- E. Procedures to monitor and collect accrued costs could be improved. The Juvenile Office has established procedures to issue second billing notices when delinquent, issue court orders for hearings on payment of costs, and refer cases to the Deputy Juvenile Officer for possible garnishment of wages. Our review of accrued costs noted cases in which no court order was entered and no other follow-up action was taken to collect accrued costs. Three cases reviewed had outstanding balances totaling approximately \$5,362 in which no pursuit of collection has been made since December 1998. Without the active pursuit of accrued costs, a loss in revenue may result.

In addition, Juvenile Office personnel indicated that certain accounts were written off approximately two months after a second billing notice was issued and in some instances, accounts were written off without the authorization of the Judge. Also, when authorization was obtained from the Judge to write off an account, the applicable documentation was not retained. To ensure the validity of account write-offs, all amounts written off should be approved by the Judge and documentation of this approval should be retained.

**WE RECOMMEND** the Juvenile Office:

- A. Issue prenumbered receipt slips for all monies received and account for the numerical sequence. In addition, receipt slips issued should be reconciled to the receipts journal.
- B. Restrictively endorse all checks immediately upon receipt.
- C. Transmit receipts daily or when accumulated receipts exceed \$100.
- D. Retain all records in accordance with Supreme Court Administrative Rule 8.
- E. Ensure follow-up procedures are performed for all accrued costs. Any delinquent accounts which are deemed uncollectible should be written off following a review and documented approval by the Judge.

**AUDITEE'S RESPONSE**

*The Juvenile Court Administrator provided the following responses:*

- A. *Numbered receipt books have been issued to all juvenile officers with instructions for providing written receipt slips for all drug tests or other revenue collected. Part-time intensive supervision employees will work with the juvenile officer responsible for the intensive supervision program to provide receipt slips for drug tests administered in that program. The receptionist and the administrative assistant have also been provided with receipt books. The administrative assistant receives copies of all receipt slips and will reconcile them to the receipt journal.*

- B. *Procedures have been initiated to ensure that all checks are restrictively endorsed immediately upon receipt.*
- C. *Procedures have been initiated to ensure that receipts will be transmitted to the County Treasurer's office daily or when the amount exceeds \$100.*
- D. *Supreme Court Administrative Rule 8 has been reviewed. Supreme Court Rule 122.04 requires that all social histories, records and information except official court files be destroyed when the juvenile reaches age 17 unless the juvenile remains under the jurisdiction of the court. However, these accounting records for juveniles that have not reached age 17 will be available in this office.*
- E. *Procedures for follow-up on accrued cost have been reviewed. Any accounts deemed uncollectible will be reviewed and approved by the Judge.*

This report is intended for the information of the judicial circuit's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on State Auditor's Prior Recommendations

NINETEENTH JUDICIAL CIRCUIT  
COLE COUNTY, MISSOURI  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Nineteenth Judicial Circuit, Cole County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended December 31, 1990. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the judicial circuit should consider implementing these recommendations.

1. Circuit Clerk's Accounting Controls and Procedures - Child Support Account

- A. Delinquent child support payments were not adequately monitored.
- B. Intercepted monies collected by the state were not recorded on the child support system.
- C. Child support monies were kept in a noninterest-bearing checking account.

Recommendation:

The Circuit Clerk:

- A. Implement procedures to monitor delinquent child support payments and issue delinquent notices in accordance with state law.
- B. Record intercepted monies on the child support system.
- C. Invest child support deposits in an interest-bearing account.

Status:

A&B. Implemented.

- C. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

2. Circuit Clerk's Computer Controls

- A. Passwords were not utilized to limit the potential of unauthorized access to case file data.

- B. No records of on-line changes to case records were maintained or reviewed by a supervisor.

Recommendation:

The Circuit Clerk:

- A. Develop a system where access to case files is obtained by using passwords. Each employee should be assigned an independent password which is changed periodically. Each employee's password should limit access only to the information that is necessary to meet the employee's duties and for which authorization has been granted.
- B. Generate a record of on-line changes to case file information. These records should be periodically reviewed by supervisory personnel.

Status:

- A. Partially implemented. Passwords which limit access to case file data are assigned to employees and kept confidential; however, passwords are not changed periodically. Although not repeated in the current report, our recommendation remains as stated above.
- B. Implemented.

3. Circuit Clerk's Open Items

Court case numbers were not used to identify each amount on the open items listings.

Recommendation:

The Circuit Clerk indicate the court case number for each amount on the open items list.

Status:

Implemented.

4. Associate Circuit Division's Accounting Controls and Procedures

- A.1. Monthly listings of open items were not prepared.
- 2. Receipts were not deposited on a timely basis.
- 3. Some unclaimed bonds were held in a savings account since 1980.

4. Summary accrued cost records were not maintained. In addition, the court had no procedures to monitor or follow-up on uncollected amounts.
- B. Passwords were not independently assigned to personnel and were not changed periodically.
- C. The Sheriff's department did not account for the numerical sequence of traffic tickets or their ultimate disposition.

Recommendation:

The Associate Circuit Division:

- A.1. Prepare monthly open-items listings and reconcile them to the cash balance.
  2. Deposit receipts daily or when total receipts exceed \$100.
  3. Disburse all unclaimed monies in accordance with state law.
  4. Update the accrued cost records and establish procedures to monitor and follow up on uncollected amounts.
- B. Periodically assign and change independent data passwords. Each employee's password should limit access to only the information that is necessary to meet the employee's duties and for which authorization has been granted.
- C. Work with the Sheriff's department to ensure records are maintained to account for all traffic tickets issued. A system should also be developed to account for the ultimate disposition of all tickets.

Status:

- A.1.
  - & 3. Not implemented. See MAR No. 2.
- A.2.
  - & 4. Implemented.
- B. Partially implemented. Passwords are currently used to limit access to appropriate information, are kept confidential, and are deleted when an employee transfers or terminates; however, passwords are not changed periodically. Although not repeated in the current report, our recommendation remains as stated above.

- C. Partially implemented. The 1998 sequence of traffic ticket numbers issued, voided, or on-hand were manually accounted for; however, the Sheriff's department does not track the ultimate disposition of each ticket. Although not repeated in the current report, our recommendation remains as stated above.

5. Probate Division's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not properly segregated.
- B. Receipts were not deposited on a timely basis.

Recommendation:

The Probate Division:

- A. Adequately segregate the duties of receiving monies from that of recording receipts and depositing court monies.
- B. Deposit receipts daily or when total receipts exceed \$100.

Status:

- A. Implemented.
- B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.



## STATISTICAL SECTION

History, Organization, and  
Statistical Information

NINETEENTH JUDICIAL CIRCUIT  
COLE COUNTY, MISSOURI  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organization

The Nineteenth Judicial Circuit includes only Cole County.

The Nineteenth Judicial Circuit consists of two circuit judges and two associate circuit judges. One circuit judge serves as the presiding judge and is responsible for the administration of the circuit.

In addition to the judges, the personnel of the Nineteenth Judicial Circuit, Cole County, Missouri, include a circuit clerk, an associate circuit division clerk, a probate division clerk, a juvenile court administrator, nine deputy court clerks, six court clerks, thirty-nine deputy juvenile officers and aides, two court reporters, three court marshals, a secretary to the presiding judge, and six juvenile office support staff. The above totals include full-time and part-time personnel.

Operating Costs

The operating expenses of the various courts and the juvenile office are paid by Cole County. The salaries of court personnel are paid by the state of Missouri, except for the salaries of two court marshals which are paid by Cole County. The salary of the juvenile officer is paid in part by the state of Missouri and in part by Cole County. The salaries of the remaining juvenile office personnel are paid by Cole County or with grant funding received from the state.

Expenditures incurred for the Nineteenth Judicial Circuit, Cole County, Missouri, were obtained from the Cole County budget and information provided by the State Courts Administrator's office and are as follows:

|                           | Year Ended December 31, |                  |                    |                    |                  |                    |                    |                  |                    |
|---------------------------|-------------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|
|                           | 1998                    |                  |                    | 1997               |                  |                    | 1996               |                  |                    |
|                           | State of Missouri-      |                  | Operating Expenses | State of Missouri- |                  | Operating Expenses | State of Missouri- |                  | Operating Expenses |
|                           | Personal Service        | Personal Service |                    | Personal Service   | Personal Service |                    | Personal Service   | Personal Service |                    |
| Circuit Courts            | \$ 264,833              | 76,744           | 336,667 *          | 254,057            | 72,617           | 195,868 *          | 222,940            | 70,365           | 212,653 *          |
| Circuit Clerk             | 251,861                 | 0                | **                 | 239,083            | 0                | **                 | 215,981            | 0                | **                 |
| Associate Circuit Courts: |                         |                  |                    |                    |                  |                    |                    |                  |                    |
| Division III              | 194,448                 | 0                | 14,335             | 186,944            | 0                | 16,865             | 177,440            | 0                | 17,708             |
| Division IV - Probate     | 139,413                 | 0                | 6,684              | 133,674            | 0                | 7,563              | 127,511            | 0                | 9,532              |
| Juvenile Office           | 36,146                  | 610,949          | 262,495            | 34,307             | 502,986          | 152,829            | 32,523             | 418,638          | 134,978            |
| Court Reporters           | 86,846                  | 0                | **                 | 82,476             | 0                | **                 | 78,187             | 0                | **                 |
| Total                     | \$ 973,547              | 687,693          | 620,181            | 930,541            | 575,603          | 373,125            | 854,582            | 489,003          | 374,871            |

\* Includes Circuit Clerk and Court Reporters operating expenses.

\*\* Operating expenses included in Circuit Courts.

### Caseload and Time Standards Statistics

Caseload statistics of the filings and dispositions as provided by the State Courts Administrator's Missouri Judicial Reports, are as follows:

|          | Year Ended June 30, |              |               |              |              |              |
|----------|---------------------|--------------|---------------|--------------|--------------|--------------|
|          | 1998                |              | 1997          |              | 1996         |              |
|          | Filings             | Dispositions | Filings       | Dispositions | Filings      | Dispositions |
| Civil    | 3,257               | 3,473        | 3,465         | 3,471        | 3,196        | 3,359        |
| Criminal | 6,062               | 5,999        | 6,682         | 6,116        | 5,571        | 5,498        |
| Juvenile | 221                 | 224          | 187           | 177          | 221          | 218          |
| Probate  | 140                 | 106          | 134           | 104          | 149          | 78           |
|          | <u>9,680</u>        | <u>9,802</u> | <u>10,468</u> | <u>9,868</u> | <u>9,137</u> | <u>9,153</u> |

Compliance by the Nineteenth Judicial Circuit, Cole County, Missouri, with time standards for disposition of certain types of cases, provided by the State Court Administrator's Missouri Judicial Report for fiscal year 1998, is as follows:

| Type of Case       | Time Standard    | Nineteenth<br>Judicial Circuit,<br>Cole County,<br>Missouri | State<br>Total |
|--------------------|------------------|---|----------------|
| Circuit Civil      | 90% in 18 months | 93 %  | 79 %           |
|                    | 98% in 24 months | 96  | 87             |
| Domestic Relations | 90% in 8 months  | 92  | 83             |
|                    | 98% in 12 months | 97  | 90             |
| Associate Civil    | 90% in 6 months  | 83  | 84             |
|                    | 98% in 12 months | 93  | 95             |
| Circuit Felony     | 90% in 8 months  | 92  | 85             |
|                    | 98% in 12 months | 98  | 93             |
| Associate Criminal | 90% in 4 months  | 84  | 79             |
|                    | 98% in 6 months  | 93  | 89             |

### Receiverships

As of December 31, 1998, four special receiverships, having court or former court employees appointed as receiver, were held under the registry of the Nineteenth Judicial Circuit, Cole County. The companies (defendants) that have been ordered to deposit applicable funds into the registry of the court and the receiver appointed by the court to keep and preserve these funds are as follows:

| <u>Company</u>                      | <u>Court Appointed Receiver</u> |
|-------------------------------------|---------------------------------|
| Old Security Life Insurance Company | Elaine S. Healy                 |
| Southwestern Bell Telephone Company | Sharon Morgan                   |
| Southwestern Bell Telephone Company | Jackie Blackwell                |
| Various utility companies           | Brenda Keys*                    |

\* Effective February 1999, Julie Smith was appointed as the successor receiver.

These receiverships were established under the provisions of Rule 68.02, Missouri Rules of Civil Procedure, relative to "Receivers in Circuit Courts." The cash and investment balances (presented at fair market value), receipts, and disbursements of these receiverships for the three years ended December 31, 1998, are as follows:

|  | Year Ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 1998                    | 1997      | 1996      |
| RECEIPTS   |                         |           |           |
| Investment income -                                  | \$                      |           |           |
| Interest   | 165,687                 | 181,066   | 171,321   |
| Net increase (decrease) in fair value of investments | 14,153                  | 42,519    | (42,661)  |
| Total Revenues                                       | 179,840                 | 223,585   | 128,660   |
| DISBURSEMENTS  |                         |           |           |
| Refunds to claimants                                 | 0                       | 367       | 4,452     |
| Transfers to Cole County                             | 295,000                 | 261,875   | 130,243   |
| Receiver fees  | 16,745                  | 15,885    | 15,808    |
| Banking fees   | 6,905                   | 6,934     | 6,819     |
| Other  | 2,082                   | 2,142     | 2,905     |
| Total Expenses                                       | 320,732                 | 287,203   | 160,227   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                  | (140,892)               | (63,618)  | (31,567)  |
| CASH AND INVESTMENTS, JANUARY 1                      | 2,889,681               | 2,953,299 | 2,984,866 |
| CASH AND INVESTMENTS, DECEMBER 31                    | \$ 2,748,789            | 2,889,681 | 2,953,299 |

In addition to the receiverships noted above, each circuit judge of the Nineteenth Judicial Circuit oversees various cases in which the state Department of Insurance has been named the receiver. Special deputies are appointed by the department and approved by the applicable judge to manage the assets of the receiverships.

### Personnel

At December 31, 1998, the judges, Juvenile Court Administrator, and Circuit Clerk, of the Nineteenth Judicial Circuit, Cole County, were:

Thomas Brown III, Circuit Judge, Division I  
 Bryon L. Kinder, Circuit Judge, Division II (Presiding Judge)  
 Thomas Sodergren, Associate Circuit Judge, Division III  
 Patricia Joyce, Associate Circuit Judge, Division IV

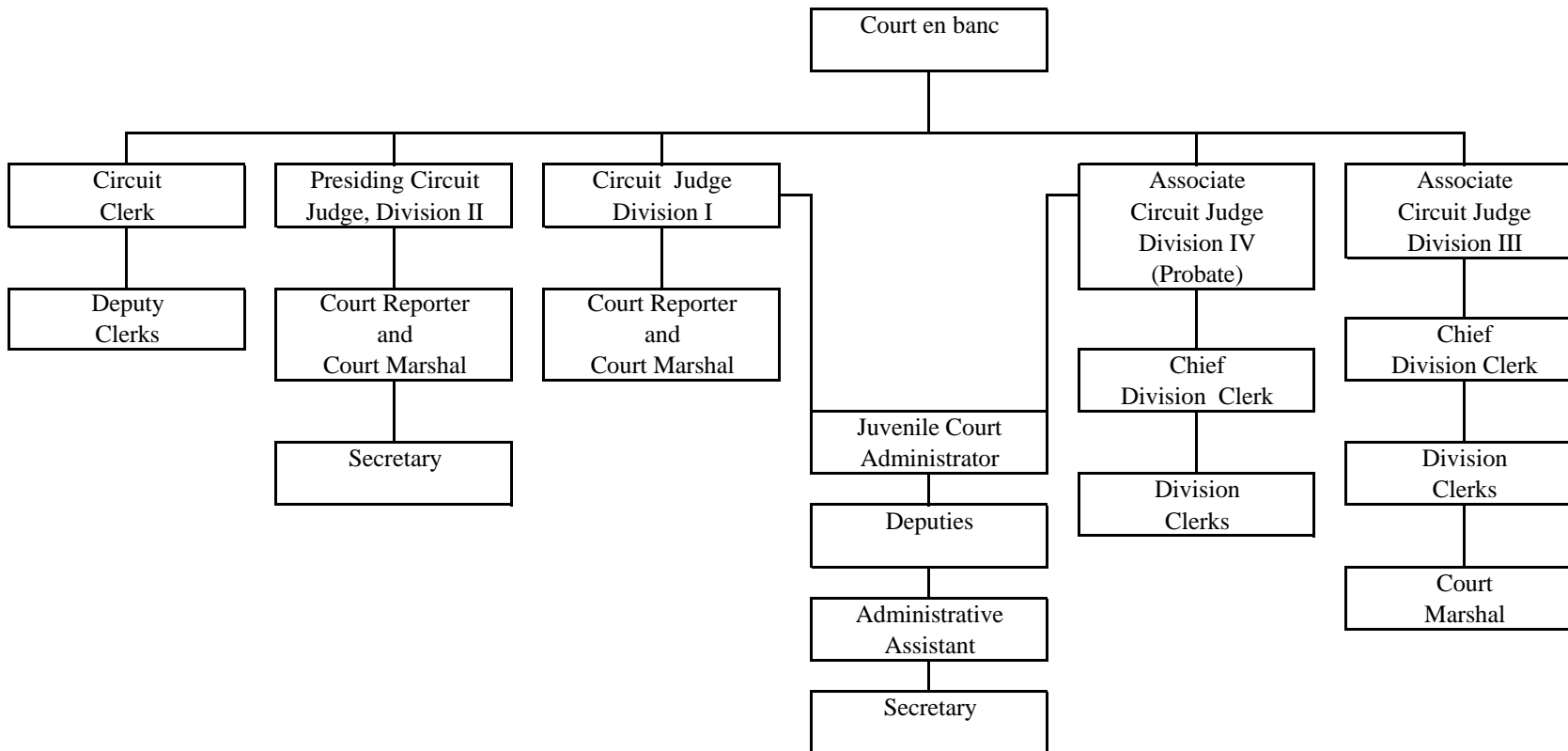
Linda L. Roark, Circuit Clerk

Maureen Monaghan, acting Juvenile Court Administrator \*

\* Maureen Monaghan was the acting Juvenile Court Administrator through June 30, 1999. Effective July 1, 1999, Winston Rutledge became the new administrator.

An organizational chart follows:

NINETEENTH JUDICIAL CIRCUIT  
 COLE COUNTY, MISSOURI  
 ORGANIZATION CHART  
 DECEMBER 31, 1998



\* \* \* \* \*